

eMemory Technology Inc.  
**2023 Annual Report**



Annual report is available at Market Observation Post System:  
<https://mops.twse.com.tw/mops/web/index>

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Notice to Readers

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

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4. Independent Auditor  
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5. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities : None
6. eMemory Website : <https://www.ememory.com.tw>

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## I. Letter to Shareholders

Dear Shareholders,

Looking back on the past year, despite facing challenging market conditions, eMemory successfully achieved many goals and projects, including signing a record-breaking number of licensing cases. These accomplishments have helped lay a solid foundation for continued growth in the future. Here, we will share the results of these efforts:

- For operating and financial results:
  - The consolidated revenue was NT\$3,050 million, marking a 5.2% decrease compared to the previous year. Royalties constituted 69.6% of the total revenue, reflecting a decrease of 14.1% from the previous year. Licensing accounted for 30.4% of the total revenue, increasing 24.8% compared to the previous year. This suggests that economic challenges and slow inventory turnover have significantly impacted royalty revenue. However, our proactive promotion of various technologies and applications, along with the widespread deployment of process platforms, has contributed to the growth of licensing revenue across product lines. In terms of advanced processes, the number of NTOs continue to increase.
  - The consolidated operating income was NT\$1,693 million, decreasing 8.7% compared to the previous year. Net income decreased by 8.5% to NT\$1,474 million. Earnings per share experienced an 8.6% decrease to NT\$19.76.
  - The consolidated ending cash balance was NT\$2,732 million.
- In terms of research and development and platform development, embedded non-volatile memory (eNVM) components have moved towards the most advanced process platforms. We've also developed memory technology for multiple applications, meeting the diverse needs of various electronic devices.
  - In terms of technology development, NeoFuse continues to expand across various foundry platforms. Currently, we can supply our IPs to platforms ranging from 28nm to 3nm. Moreover, we have begun early-stage development for 2nm, with plans to incorporate it into AI, HPC, ADAS, 5G, Confidential Computing, and other related applications. In our development of NeoBit, NeoEE, NeoMTP, NeoFlash and RRAM, we are also actively introducing these technologies to automotive applications.
  - In terms of production platforms, our IPs have been adopted by customers in 25 cases below 7nm, leading to a sustained growth of royalties in advanced processes. Additionally, there is ongoing expansion of global production capacity for mature processes. Our e-NVM technology

is being actively integrated into various applications, including DRAM, ISP (CIS), OLED DDI, PMIC, and MCU. As a result, we expect that these expanded production capacities will drive royalty revenue for us in the future.

- As of the end of 2023, eMemory's customer base encompasses global wafer foundries, integrated device manufacturers (IDMs) and chip design companies. Our partners have expanded to include over 35 semiconductor manufacturers and 2,381 chip design companies. Notably, our IPs have been successfully integrated into more than 6,900 new products worldwide.

Looking ahead to this year (2024) and beyond, the number of new product designs for existing product applications (OLED DDI, TDDI, PMIC, Fingerprint, DTV, MCU, STB) and for ISP, DRAM, CIS, Connectivity and related ICs will continue to increase, driving royalty growth. Our new Security IP has currently attracted nearly 60 license cases, with over 80% in advanced processes below 28/22nm. In terms of marketing strategy, we are collaborating with world-class leading manufacturers of CPU IP companies and design service companies. Our collaboration and joint promotional efforts with design service companies and foundries are also gaining momentum. With the rapid increase in the market demand for information security, we are optimistic about the growth of licensing and royalties driven by PUF-related technologies.

In terms of award recognition, NeoFlash was honored with the "Best IP-Memory Category" and "Best Innovation Award" from the EE Awards, due to its excellent performance. Similarly, NeoPUF has received numerous awards for its outstanding patents and commercial application value. It stood out and won the Innovative Product Award from the Hsinchu Science Park Bureau. Furthermore, eMemory is the only company in the industry highly recognized for having been awarded TSMC's Best IP Partner for 14 consecutive years.

Despite encountering a sluggish market environment last year, eMemory's revenue only saw a slight decrease of 5%. This resilience can be attributed to our development of new technologies, which have enabled us to secure new partnership cases with customers. These efforts serve as the driving forces for future growth. Upholding the corporate spirit encapsulated by RISE (Responsibility, Innovation, Sustainability, Excellence), we remain steadfast in our commitment to achieving company growth.

Finally, I would like to express my sincere gratitude to our shareholders for their long-term support, which has been instrumental in our pursuit of excellence. We wish everyone good health and all the best. Thank you.

Chairman:  
Charles Hsu

President:  
Michael Ho

Accounting Officer:  
Teresa Kuo

## II. Company Profile

2.1 Date of Incorporation: Sep. 2, 2000

2.2 Corporate Milestones

Year		Milestones
Aug.	2000	eMemory founded as eMemory Technology Inc.
Mar.	2001	eMemory receives approval to move into Hsinchu Science Park
Jul.	2002	eMemory moves into Hsinchu Science Park
Oct.	2004	eMemory provides 0.18um NeoBit OTP/MTP solutions for LCD driver IC
Jan.	2005	eMemory announces NeoBit applications for speech IC
Jun.	2005	Production of NeoBit reaches 10,000 wafers
Oct.	2005	NeoBit NVM wins the National Invention and Creation Gold Medal Award
Apr.	2006	Advance NeoFlash embedded non-volatile memory technology is qualified
Jul.	2006	eMemory provides high voltage NeoBit processes and improves wafer yield and performance
Oct.	2006	NeoBit production reaches 100,000 wafers
Dec.	2006	eMemory wins Industrial Innovation Award
Mar.	2007	eMemory listed in Taiwan Emerging Market: ticker number #3529
May	2008	eMemory licenses technology to Fujitsu Microelectronics Limited
Oct.	2008	eMemory wins Industrial Technology Advancement Award and National Invention and Creation Award
May	2009	eMemory announces NeoROM, a low-cost OTP mass production solution
Jul.	2009	eMemory's NeoBit OTP production reaches 1 million wafers; IP solutions for 65 nm processes launched
Sep.	2009	eMemory breaks new ground launching industrial-grade embedded NVM for power management solution
Mar.	2010	eMemory announces NeoEE prototype in 0.18um process technology
Jul.	2010	eMemory announces industry's first Green High Density OTP solution
Jul.	2010	eMemory becomes the first automotive-grade OTP provider to automotive IC makers
Oct.	2010	eMemory wins TSMC's 2010 IP Partner Award
Nov.	2010	eMemory is honored as one of Asia's 200 Best Under A Billion by Forbes
Nov.	2010	eMemory holds the first Embedded Tech Forum
Dec.	2010	eMemory NeoFlash offers an unrivalled, highly reliable embedded flash solution for automotive electronic applications
Jan.	2011	eMemory lists on Taipei Exchange (GreTai Securities Market) on 24 January 2011

Year		Milestones
Oct.	2011	eMemory honored again as one of Asia's 200 Best Under A Billion by Forbes
Oct.	2011	eMemory wins TSMC's 2011 IP Partner Award
Sep.	2012	eMemory introduces new NeoMTP technology
Oct.	2012	eMemory receives TSMC's IP Partner Award for the third straight year
Jan.	2013	eMemory's NeoEE silicon IP qualified for 2.4GHz RF product application
Jan.	2013	Taiwan Corporate Governance Association accredited eMemory with the Certificate of Corporate Governance System Evaluation – Version CG6007
Mar.	2013	Production of eMemory's eNVM silicon IPs reaches 5 million wafers
May	2013	eMemory develops NeoFuse—an innovative anti-fuse eNVM technology
Aug.	2013	eMemory ranks as 「The Top 50 TWSE/GTSM Listed Companies with Most Valuable US Patents」 according to the cooperatives evaluation result by Institute for Information Industry and Ocean Tomo
Aug.	2013	eMemory's NeoEE technology advances into BCD process platform, augmenting P-Gamma silicon IP product range and accelerating integration with power management ICs
Sep.	2013	eMemory's NeoMTP technology advances in extensive Touch Panel MCU and TDDI applications
Sep.	2013	eMemory receives SMIC's IP Partner Award
Oct.	2013	eMemory receives TSMC's IP Partner Award for the fourth year in a row
Mar.	2014	eMemory's silicon IP NeoFuse received CA certification for advanced security applications
Apr.	2014	eMemory publishes first book by eNVM IP providers: LOGIC NON-VOLATILE MEMORY – NVM Solutions from eMemory
Jun.	2014	eMemory ranked A+ in R.O.C. Securities & Futures Institute's 11th Information Disclosure and Transparency Evaluation of Public Companies Ranking
Sep.	2014	eMemory receives again SMIC's IP Partner Award
Sep.	2014	eMemory receives TSMC's IP Partner Award for five consecutive years
Sep.	2014	eMemory NeoFuse silicon IP passes qualification in TSMC 28nm HKMG 2.5V process
Oct.	2014	eMemory NeoEE silicon IP advances into automotive electronics applications
Nov.	2014	eMemory offers IP industry-leading hybrid MTP silicon IP
Feb.	2015	Fingerprint application opens up market demands for eMemory's logic NVM IP solutions
Apr.	2015	eMemory ranked A++ in R.O.C. Securities & Futures Institute's 12th Information Disclosure and Transparency Evaluation of Public Companies Ranking



Year		Milestones
Apr.	2015	eMemory was ranked TOP 20% in the 2014 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
May	2015	eMemory NeoFuse technology is verified in 16nm FinFET process
Aug.	2015	eMemory integrates OTP and MTP to offer industry-leading Combo and Hybrid silicon IPs
Sep.	2015	eMemory receives again SMIC's IP Partner Award
Sep.	2015	eMemory receives TSMC's IP Partner Award for six consecutive years
Mar.	2016	eMemory Announces Innovative Solution for Cryptographic Security
Apr.	2016	eMemory was ranked TOP 20% in the 2015 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
Jul.	2016	eMemory's NeoEE Solution Facilitates Module Integration for Fingerprint Applications
Aug.	2016	eMemory Unveils EcoBit Technology for RFID and NFC Applications
Sep.	2016	eMemory once again receives TSMC's IP Partner Award-the only eNVM Silicon Intellectual Property (Silicon IP) supplier in the world to receive the honor for seven consecutive years
Oct.	2016	eMemory Receives SMIC Best IP Partner Award for 4th Year in a Row
Feb.	2017	eMemory Qualified NeoFuse in TSMC 16FFC Process
Mar.	2017	eMemory's NeoFuse Implemented in HV Process for OLED Application
Apr.	2017	Over 100,000 Wafers Embedded with eMemory's NeoEE IP Shipped
Apr.	2017	eMemory was ranked TOP 20% in the 2016 Corporate Governance Evaluation of Public Companies conducted by R.O.C Securities & Futures Institute
Jul.	2017	eMemory Announces Validation of On-Chip Security IP on UMC Advanced Nodes
Sep.	2017	eMemory receives TSMC's IP Partner Award for eight consecutive years
Dec.	2017	eMemory receives Hsinchu Science Park Bureau Research and Development Achievement Award
Dec.	2017	eMemory receives Hsinchu Science Park Bureau Innovative Product Award
Apr.	2018	Over 20 Million Wafers Embedded with eMemory's IP Shipped
Apr.	2018	eMemory was ranked TOP 20% in the 2017 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
Oct.	2018	NeoFuse is qualified on Fully-Depleted Silicon On-Insulator (FD-SOI) process technology
Oct.	2018	eMemory receives TSMC's IP Partner Award for 9 consecutive years
Feb.	2019	eMemory Receives ISSCC Award for Breakthrough Security Technology
Mar.	2019	eMemory receives National Industrial Innovation Award

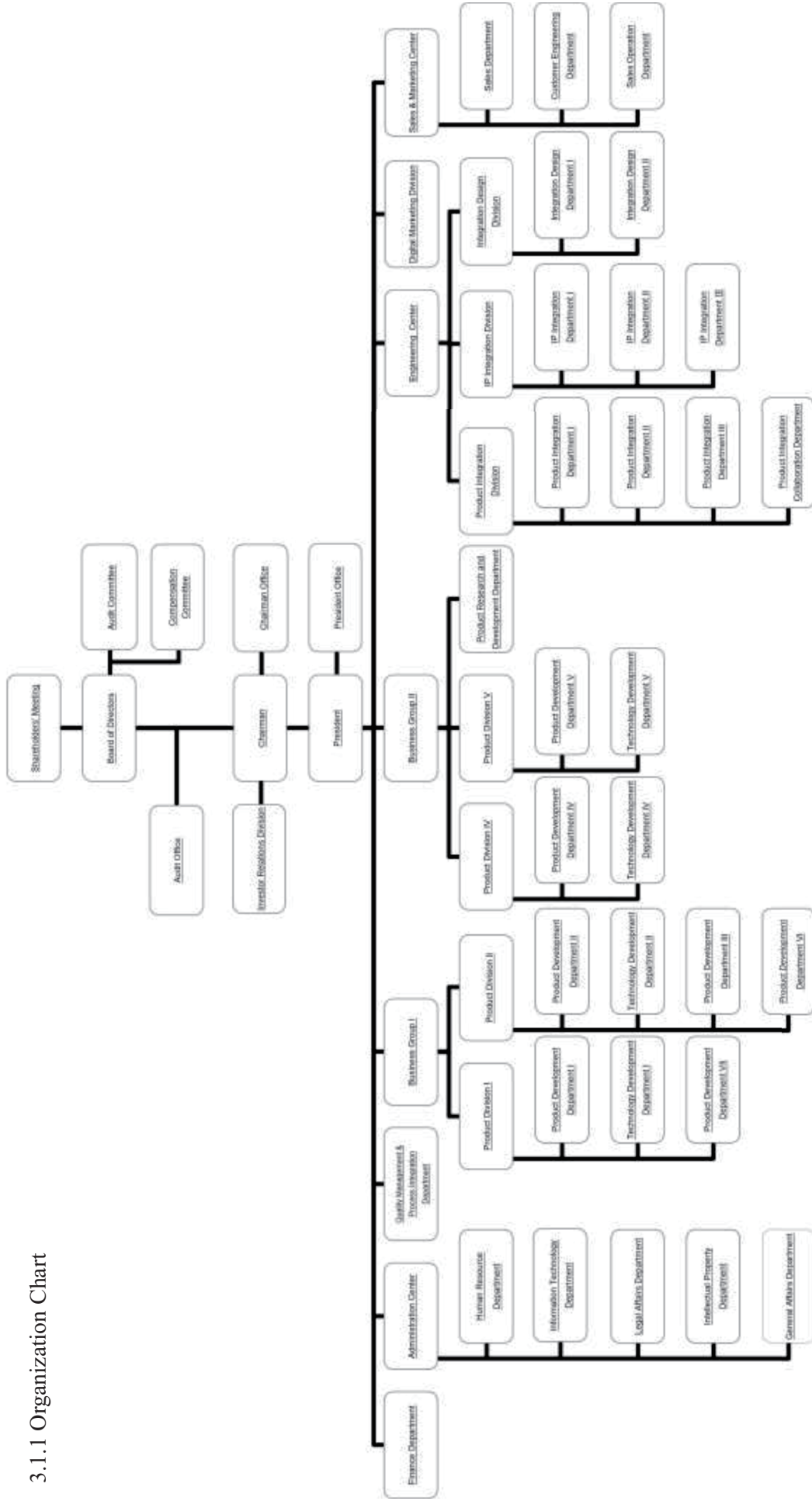
Year		Milestones
Apr.	2019	eMemory was ranked TOP 5% in the 2018 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
May	2019	Wholly owned subsidiary PUFsecurity Corporation founded
Jun.	2019	eMemory's NeoFuse Qualified on Winbond 25nm DRAM Process
Sep.	2019	eMemory receives TSMC's IP Partner Award for 10 consecutive years
Sep.	2019	eMemory IP Garners Most Stringent Level of Certification for Automotive Applications
Dec.	2019	eMemory Joins Arm Ecosystem for Secure IoT Chips
Jan.	2020	NeoFuse Successfully Applied to UMC's 28nm HV Process Targeting the Fast-growing OLED Market
Mar.	2020	NeoMTP Successfully Applied to TSMC's Third-Generation 0.18μm BCD Process
Apr.	2020	eMemory was ranked TOP 20% in the 2019 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
May	2020	eMemory Provides Intellectual Property for Secure NB-IoT Products
Jul.	2020	Wholly owned subsidiary PUFsecurity USA Corporation founded
Aug.	2020	Launched PUF-based Solutions (PUFrt and PUFiot) with NeoPUF as Core Technology
Aug.	2020	NeoFuse Completes the Silicon Verification on TSMC's 5nm and 6nm Processes
Aug.	2020	NeoFuse Completes the Qualification for Automotive Grade IPs on Samsung's 28nm FD-SOI Process
Oct.	2020	Security technology NeoPUF wins the National Invention and Creation Gold Medal Award
Oct.	2020	eMemory receives TSMC's IP Partner Award for 11 consecutive years
Nov.	2020	eMemory NeoFuse IP Qualified on GLOBALFOUNDRIES Advanced High Voltage Platform for OLED Applications
Dec.	2020	eMemory & PUFsecurity Announce with UMC the World's First PUF-based Secure Embedded Flash Solution
Mar.	2021	Over 35 Million Wafers Embedded with eMemory's IP Shipped
Apr.	2021	eMemory was ranked TOP 5% in the 2020 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
Apr.	2021	Achronix Adopts eMemory IP for FPGA Hardware Root of Trust
Jun.	2021	eMemory and PUFsecurity Join DARPA Toolbox Initiative
Sep.	2021	eMemory's Security-Enhanced OTP IP Qualified on TSMC N6 Process
Oct.	2021	eMemory Receives 2021 TSMC OIP Partner of the Year Award for Embedded Memory IP

Year		Milestones
Nov.	2021	eMemory's Resistive Random Access Memory (ReRAM) IP Qualified on UMC's 40nm process
Nov.	2021	eMemory and UMC Bring New ReRAM Intellectual Property to Market
Feb.	2022	eMemory Partners with Intel Foundry Services to Boost Security in Leading-Edge Chips
Mar.	2022	Wholly owned subsidiary eMemory Japan Corporation founded
Apr.	2022	eMemory was ranked TOP 5% in the 2021 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
Jun.	2022	UMC, eMemory, and PUFsecurity Announce Successful Silicon-Proven Secure Embedded Flash IP
Jul.	2022	Wholly owned subsidiary PUFsecurity Technology (Shanghai) Corporation founded
Oct.	2022	eMemory receives TSMC's IP Partner Award for 13 consecutive years
Nov.	2022	eMemory Collaborates with Renesas on the Development of its Pure 5V OTP IP Using 130nm BCD Plus Process for Automotive Applications
Mar.	2023	eMemory and UMC Expand Low-Power Memory Solutions for AIoT and Mobile Markets with 22nm RRAM Qualification
Apr.	2023	eMemory Information Security Management System Get ISO27001 Certificate
Apr.	2023	eMemory was ranked TOP 20% in the 2022 Corporate Governance Evaluation of Public Companies conducted by R.O.C. Securities & Futures Institute
Apr.	2023	eMemory's Security-enhanced OTP Qualifies on TSMC N5 Process and Continues to Tackle Automotive Solutions
Oct.	2023	eMemory receives TSMC's IP Partner Award for 14 consecutive years
Jan.	2024	eMemory's Security-Enhanced OTP Qualifies on TSMC N4P Process, Pushing Forward in High-Performance Leading Technology

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organization Chart



### 3.1.2 Major Corporate Functions

Department		Functions
Chairman Office		Set up the target for the Company, management strategy and planning of the Company, strategy and planning for the long term development of the Company, strategy and planning for technology development, investors relations etc.
Investor Relations Division		Managing relationships and communicating effectively with the investors and the stakeholders.
President Office		1. Product strategy and managing the business of the Company. 2. Provide managers for analysis strategy and execution of business operation and product planning, according to the Company's need for business operation.
Audit Office		Establish and revise the internal control system, plan and execute the audit of internal control and follow up the improvement.
Finance Department		Funds management, bank transactions, accounting processing, production and analysis of financial statements, financial forecasting and control, stock-related matters.
Administration Center	Human Resource Department	Human resources management and organizational development.
	Information Technology Department	Information system framework, information system operation and development, information security management.
	Legal Affairs Department	Legal affairs and contract management/contract drafting, review and negotiation /other general legal matters.
	Intellectual Property Department	1. Responsible for intellectual property rights related matters. 2. Quality and process Control of eMemory's patents / patent risk reminding / patent strategy formulation / other intellectual property rights related matters.
	General Affairs Department	Providing essential services to the company with a wide variety of ranges, including sourcing and purchasing, industrial safety and environmental protection, and administrative support.
Business Group I	Product Division I	Managing the embedded silicon IP development project of NeoBit technology (floating gate OTP memory) and NeoFuse technology (anti-fuse OTP memory).
	Product Division II	Managing the embedded silicon IP development project of NeoFuse technology (anti-fuse OTP memory) and NeoPUF technology (physically unclonable function).
Business Group II	Product Division IV	IP product development and project management of non-volatile memory with Electrically-Erasable Programmable Read-Only Memory (NeoEE, EcoBit) and embedded flash memory (RRAM, MRAM, NeoFlash, etc.).

Department		Functions
	Product Division V	IP product development and project management for non-volatile memory such as embedded Multiple-Time Programmable non-volatile memory (NeoMTP and new type MTP) and embedded flash memory (MagnaChip EEPROM).
	Product Research and Development Department	Support the front-end design and debugging of Embedded Memory digital circuits, improve the APR (Automatic Place and Route) physical design performance of the back-end digital design, provide APR physical design education and training, and develop innovative circuit architectures to enhance the performance and competition of various product lines force.
Engineering Center	Product Integration Division	Test & verification for product development, backend engineering outsourcing for IP product.
	IP Integration Division	Layout engineering of product development.
	Integration Design Division	CAD environment maintenance for product development, development of design automation and IP database system.
Sales & Marketing Center	Sales Department	<ol style="list-style-type: none"> <li>1. Sell products and develop / maintain relationships with customers.</li> <li>2. Have product promotion for major application and deal license agreement for strategic technology and platforms.</li> </ol>
	Customer Engineering Department	<ol style="list-style-type: none"> <li>1. Provide technical support including the delivery of specification and IP usage relevant information and the assistance in customer production.</li> <li>2. Cooperate with sales team to promote eMemory's solutions.</li> </ol>
	Sales Operation Department	Execute and manage sales flow, analysis sales and revenue, improve system working flow and manage key items.
Quality Management & Process Integration Department		To plan and execute the operation standardization, to operate the functional safety management, to plan for operation flow and project management, and to execute internal/external audits for the entire eMemory corporation.
Digital Marketing Division		To plan and execute promotional and marketing activities in both physical and digital formats. To plan, produce and manage promotional collaterals and technical articles.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

A. Information of Directors

04/21/2024 ; Unit: Year ; Thousand shares ; %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Charles Hsu	Male 61~70	07/15/2021	3	08/08/2000	1,629	2.14	1,429	1.91	6	0.01	0	0	1. Ph.D. in Electrical Engineering, University of Illinois, Urbana- Champaign, U.S.A. 2. Chairman, PUFsecurity Corporation 3. Chairman & President, PUFsecurity Corporation 4. Director, SecuX Technology Inc. 5. Independent Director, Remuneration Committee Member & Audit Committee Member, Acer Inc. 6. Independent Director, Remuneration Committee Member & Audit Committee Member, Materials Analysis Technology Inc. 7. Director, Powerchip Semiconductor Manufacturing Corporation 8. Director, National Applied Research Laboratories	Representa- tive of How-Han Investment Corporation	Felix Hsu	Son	None	

04/21/2024 : Unit: Year : Thousand shares : %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note 1				
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name	Relation		
Director	R.O.C.	Mu-Chuan Hsu	Male 61~70	07/15/2021	3	05/07/2003	1,273	1.67	1,273	1.71	366	0.49	0	0	1. Bachelor Degree in Medicine, China Medical University 2. Attending Physician, Department of Obstetrics & Gynecology, National Taiwan University Hospital 3. Superintendent, North Town Women & Children Hospital	1. Director, iMQ Technology Inc. 2. Attending Physician, Fu Jen Catholic University Hospital None None 3. Director, HsinChu Kuang-Fu High School					None	None	None	
Director	R.O.C.	Li-Jeng Chen	Female 51~60	07/15/2021	3	06/09/2015	2,345	3.08	2,338	3.13	0	0	0	0	1. Master of Air Transportation Management, University of Hawaii, Travel Industry Management School, U.S.A. 2. Chief Investment Officer, Cathay Securities Investment Trust 3. Portfolio Manager, Invesco Global Technology Fund	Investor Relations, eMemory Technology Inc.					None	None	None	None



04/21/2024 : Unit: Year : Thousand shares : %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note 1	
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name
Director	R.O.C.	Michael Ho	Male 51~60	06/15/2022	2	06/15/2022	26	0.03	44	0.06	57	0.08	0	0	1. Master Degree in Electrical and Electronics Engineering, National Tsing Hua University 2. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	1. President, eMemory Technology Inc. 2. Director, PUFsecurity Corporation 3. Executive Director, eMemory Japan Corporation 4. Director, PUFsecurity Technology (Shanghai) Corporation 5. Supervisor, Taiwan Advanced Automotive Technology Development Association					
Director	R.O.C.	How-Han Investment Corporation	N/A	07/15/2021	3	06/19/2012	1,132	1.49	1,132	1.52	0	0	0	0	N/A	1. Director, iMQ Technology Inc. 2. Director, SecuX Technology Inc.	None	None	None	None	None

04/21/2024 : Unit: Year : Thousand shares : %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title	
Representative of Director	R.O.C.	How-Han Investment Corporation Representative : Felix Hsu	Male 31~40	11/02/2021	3	11/02/2021	42	0.05	31	0.04	0	0	0	0	1. Ph.D. in Materials / Bioengineering, University of California, San Diego, U.S.A. 2. Master of Neurobiology and Anatomy, Boston University, U.S.A. 3. Bachelor of Science in Biology and Chemistry, Duke University, U.S.A. 4. Principle Investigator for study sponsored by the A+ Enterprise Innovation and Research Development Refinement Program, by the Ministry of Economic Affairs	1. Chief Scientific Officer, PELL BIO-MED TECHNOLOGY CO., LTD. 2. Supervisor, Han Yu Assets Co. Ltd	Chairman	Charles Hsu	Father	None

04/21/2024 ; Unit: Year ; Thousand shares ; %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note	
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name
Representative of Director	R.O.C.	How-Han Investment Corporation Representative ; Teresa Cheng (Note 2)	Female 61~70	07/15/2021	3	06/19/2012	1	0	24	0	1,429	1.88	0	0	1. Master of Science, Computer Science and Applied Mathematics, University of Illinois at Urbana-Champaign, U.S.A. 2. Bachelor Degree in Economics, National Taiwan University 3. Chief Information Officer, Macronix International Co., Ltd. 4. Department Manager, Software Development, BDC Corporation 5. Associate Researcher, Manufacturing Information System, North American Philips Labs., NY, U.S.A. 6. Software Engineer, IBM T.J. Watson Research Center, NY, U.S.A. 7. Chairman, Han Yu Assets Co. Ltd 8. Chairman, DANYU ASSETS Co., Ltd	1. Chairman, How-Han Investment Corporation 2. Director, iMQ Technology Inc. 3. Supervisor, Uniband Electronic Corporation 4. Vice President, Tai Won Technology Corporation 5. Supervisor, iMQ Technology (Shanghai) Co., Ltd. 6. Independent Director, Remuneration Committee Member & Audit Committee Member, Acer Synergy Tech Corp. 7. Chairman, Han Yu Assets Co. Ltd 8. Chairman, DANYU ASSETS Co., Ltd	Chairman	Charles Hsu	Spouse	1	None

04/21/2024 ; Unit: Year ; Thousand shares ; %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note 1		
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name	Relation
Representative of Director	R.O.C.	How-Han Investment Corporation Representative : Evans Yang (Note 2)	Male 51~60	01/17/2023	3	01/17/2023	41	0.05	32	0.04	0	0	0	0	1. Ph.D. in Electrical Engineering, National Tsing Hua University 2. Technical Manager, Product Engineering Center, Powerchip Technology Corporation 3. Director of President's Office, PowerFlash Technology Corp.	1. Vice President, eMemory Technology Inc. 2. Director & Vice President, PUFsecurity Corporation 3. Supervisor, PUFsecurity Technology Corporation (Shanghai) Corporation				None	None	None
Representative of Director	R.O.C.	How-Han Investment Corporation Representative : Chris Lu (Note 2)	Male 51~60	07/26/2023	3	07/26/2023	20	0.03	20	0.03	84	0.11	0	0	1. Master Degree in Photonics and Optoelectronics, National Taiwan University 2. R&D Engineer, Philips Electronics Ltd. 3. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited.	Vice President, eMemory Technology Inc.				None	None	None

04/21/2024 : Unit: Year : Thousand shares : %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note 1	
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name
Independent Director	R.O.C.	Kenneth Kin	Male 71~80	07/15/2021	3	05/26/2009	0	0	0	0	0	0	0	0	1. Ph.D. Nuclear Engineering and Applied Physics, Columbia University, U.S.A. 2. Bachelor Degree in Nuclear Engineering, National Tsing Hua University 3. Senior Vice President, Worldwide Sales & Services, Taiwan Semiconductor Manufacturing Company Limited 4. Vice President, Worldwide Sales & Services, IBM Microelectronics Division 5. Vice President, Asia Pacific Operations, Motorola Computer Gro	1. Director, MediaTek Inc. 2. Independent Director, Remuneration Committee Member & Audit Committee Member, Vanguard International Semiconductor Corporation 3. Independent Director, Remuneration Committee Member & Audit Committee Member, Global Unichip Corp. 4. Professor, College of Technology Management, National Tsing Hua University					

04/21/2024 : Unit: Year : Thousand shares : %

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		Note 1	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name		Relation
Independent Director	R.O.C.	Ming-To Yu	Male 61~70	07/15/2021	3	06/09/2015	0	0	0	0	0	0	0	0	1. Master of Business Administration, The Wharton School, University of Pennsylvania, U.S.A. 2. Master of Public Administration, National Chengchi University 3. Chief Financial Officer, Xiaomi Corporation, Beijing 4. Chief Financial Officer and Spokesperson, MediaTek Inc. 5. Financial Manager, Taiwan Semiconductor Manufacturing Company Limited	1. Independent Director, Remuneration Committee Member & Audit Committee Member, Control Technology Co., Ltd. 2. Director, ULSee Co, Ltd. 3. Chairman, Granary Investment Co. 4. Director, YE SIANG ENTERPRISE CO., LTD. 5. Director, Ren cheng Creative Co.,	None	None	None	None
Independent Director	R.O.C.	T.C. Chen	Male 71~80	07/15/2021	3	2016.06.14	0	0	0	0	0	0	0	0	1. Ph.D. in Engineering and Applied Science, Yale University, U.S.A. 2. Bachelor Degree in Physics, National Cheng Kung University 3. Fellow Member, Institute of Electrical and Electronics Engineers (IEEE)	1. Fellow, IBM 2. Vice President Science & Technology, IBM	None	None	None	None

Note 1: Where the chairman and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

Note 2: How-Han Investment Corporation changed its representative from Ms. Teresa Cheng to Mr. Evans Yang on January 17, 2023, and then from Mr. Evans Yang to Mr. Chris Lu on July 26, 2023. Therefore, the disclosed is information during the term of office of individual representatives.

## Major shareholders of the institutional shareholders

04/21/2024

Name of Institutional Shareholders	Major Shareholders	
How-Han Investment Corporation	Teresa Cheng	25.00%
	Charles Hsu	15.00%
	Felix Hsu	20.00%
	Alexander Hsu	20.00%
	Rosalind Hsu	20.00%

Major shareholders of the Company's major institutional shareholders : None.

## B. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

04/21/2024

Criteria Name	Professional Qualification and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Charles Hsu Chairman	Principal Education : Ph.D. in Electrical Engineering, University of Illinois, Urbana-Champaign, U.S.A. Principal Experience : Chairman, Institute of Electronics Engineering, National Tsing Hua University Researcher, IBM T.J. Watson Research Center, NY, U.S.A.	N/A	2
Mu-Chuan Hsu Director	Principal Education : Bachelor Degree in Medicine, China Medical University Principal Experience : Attending Physician, Department of Obstetrics & Gynecology, National Taiwan University Hospital Superintendent, North Town Women & Children Hospital	N/A	0
Li-Jeng Chen Director	Principal Education : Master of Air Transportation Management, University of Hawaii, Travel Industry Management School, U.S.A. Principal Experience : Chief Investment Officer, Cathay Securities Investment Trust Portfolio Manager, Invesco Global Technology Fund	N/A	0
Michael Ho Director	Principal Education : Master Degree in Electrical and Electronics Engineering, National Tsing Hua University Principal Experience : Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	N/A	0

Criteria Name	Professional Qualification and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Felix Hsu Director	Principal Education : Ph.D. in Materials / Bioengineering, University of California, San Diego, U.S.A. Master of Neurobiology and Anatomy, Boston University, U.S.A. Bachelor of Science in Biology and Chemistry, Duke University, U.S.A. Principal Experience : Principle Investigator for study sponsored by the A+ Enterprise Innovation and Research Development Refinement Program, by the Ministry of Economic Affairs	N/A	0
Teresa Cheng Director (Note)	Principal Education : Master of Science, Computer Science and Applied Mathematics, University of Illinois at Urbana-Champaign, U.S.A. Bachelor Degree in Economics, National Taiwan University Principal Experience : Chief Information Officer, Macronix International Co., Ltd. Department Manager, Software Development, BDC Corporation Associate Researcher, Manufacturing Information System, North American Philips Labs., NY, U.S.A. Software Engineer, IBM T.J. Watson Research Center, NY, U.S.A.	N/A	1
Evans Yang Director (Note)	Principal Education : Ph.D. in Electrical Engineering, National Tsing Hua University Principal Experience : Technical Manager, Product Engineering Center, Powerchip Technology Corporation Director of President's Office, PowerFlash Technology Corp.	N/A	0
Chris Lu Director (Note)	Principal Education : Master Degree in Photonics and Optoelectronics, National Taiwan University Principal Experience : R&D Engineer, Philips Electronics Ltd. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited.	N/A	0



Criteria Name	Professional Qualification and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Kenneth Kin Independent Director (Convener of Remuneration Committee)	Principal Education : Ph.D. Nuclear Engineering and Applied Physics, Columbia University, U.S.A. Bachelor Degree in Nuclear Engineering, National Tsing Hua University Principal Experience : Senior Vice President, Worldwide Sales & Services, Taiwan Semiconductor Manufacturing Company Limited Vice President, Worldwide Sales & Services, IBM Microelectronics Division Vice President, Asia Pacific Operations, Motorola Computer Gro Any conditions defined in Article 30 of the Company Act : None.	The Independent Directors of the Company are all in compliance with the provisions of article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	2
Ming-To Yu Independent Director (Convener of Audit Committee)	Principal Education : Master of Business Administration, The Wharton School, University of Pennsylvania, U.S.A. Master of Public Administration, National Chengchi University Principal Experience : Chief Financial Officer, Xiaomi Corporation, Beijing Chief Financial Officer and Spokesperson, MediaTek Inc. Financial Manager, Taiwan Semiconductor Manufacturing Company Limited Any conditions defined in Article 30 of the Company Act : None.		1
T.C. Chen Independent Director	Principal Education : Ph.D. in Engineering and Applied Science, Yale University, U.S.A. Bachelor Degree in Physics, National Cheng Kung University Principal Experience : Fellow Member, Institute of Electrical and Electronics Engineers (IEEE) Any conditions defined in Article 30 of the Company Act : None.		0

Note : How-Han Investment Corporation changed its representative from Ms. Teresa Cheng to Mr. Evans Yang on January 17, 2023, and then from Mr. Evans Yang to Mr. Chris Lu on July 26, 2023. Therefore, the disclosed is information during the term of office of individual representatives.

### C. Board Diversity Policy and Implementation Status

The composition of Directors is stipulated in the “Corporate Governance Practice Principles” of the Company, in consideration of diversification and the operation, type of business activities, and demands of development, the properly diversified policies are provided for the major two phases including but not limited to essential conditions and value (in gender, age, nationality, culture, etc.) and professional knowledge and skills (e.g. law, accounting, industry, finance, marketing, technology, etc.), and they generally possess the knowledge, skills and competence necessary for practicing their jobs.

Currently, the 9 members of the Board of this term have professional backgrounds in industries, academia, medical and pharmaceutical science, and professional specialties in the scopes of management, leadership and policy decision, industrial knowledges, academy and financial. The relevant information also disclosed on the Company’s website.

Among the Directors, three Directors with employee identity take a ratio of 33.3%, two Directors with the relationship of relatives by blood within the second degree take a ratio of 22.2%, three Independent Directors take a ratio of 33.3% and the seniority of them are 8, 9, and 15 years respectively. The age distribution of the Board members shows that there are one Director aged 31~40, three Directors aged 51~60, three Directors aged 61~70 and two Directors aged 71~80. In addition, the Company also concerns about the gender distribution of the Board; it is the target to have at least one seat of female Director. Currently, there are one female Director which account for 11.1%.

Among the Directors and Independent Directors of the Company, there are no circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities and Exchange Act, please take a reference to the information of Directors and their independence in page 11~21 of this Annual Report.

3.2.2 Management Team

04/21/2024 ; Unit: Thousand shares : %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Michael Ho	Male	11/01/2021	44	0.06	57	0.08	0	0	1. Master Degree in Electrical and Electronics Engineering, National Tsing Hua University 2. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited	1. Director, PUFsecurity Corporation 2. Executive Director, eMemory Japan Corporation 3. Director, PUFsecurity Technology (Shanghai) Corporation 4. Supervisor, Taiwan Advanced Automotive Technology Development Association	None	None	None	None
Senior Vice President	R.O.C.	Chris Lu	Male	01/01/2014	20	0.03	84	0.11	0	0	1. Master Degree in Photonics and Optoelectronics, National Taiwan University 2. R&D Engineer, Philips Electronics Ltd. 3. Principal Engineer, Taiwan Semiconductor Manufacturing Company Limited.	None	None	None	None	None

04/21/2024 ; Unit: Thousand shares ; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President and Chief of Technology Officer	R.O.C.	Ching-Yuan Lin	Male	02/21/2008	100	0.13	34	0.05	0	0	1. Master Degree in Physics, National Central University 2. EMBA, National Tsing Hua University 3. Technical Manager, Technology, Taiwan Semiconductor Manufacturing Company Limited 4. Technical Manager, Technology, Vanguard International Semiconductor Corporation	None	None	None	None	None
Vice President	R.O.C.	Anita Chang (Note 2)	Female	02/21/2008	37	0.05	0	0	0	0	1. Master Degree in Economics, National Taiwan University 2. Section Manager, Tze Chiang Foundation of Science and Technology	None	None	None	None	None
Vice President	R.O.C.	John Ho	Male	01/01/2014	62	0.08	0	0	0	0	1. Master Degree in Electronics Engineering, National Chiao Tung University 2. Engineer, Vanguard International Semiconductor Corporation 3. Engineer, Comax Tech, Inc.	None	None	None	None	None

04/21/2024 ; Unit: Thousand shares : %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		Note	
					Shares	%	Shares	%	Shares	%			Title	Name		Relation
Vice President	R.O.C.	Evans Yang (Note 3)	Male	01/01/2014	32	0.04	0	0	0	0	0	1. Director & Vice President, PUFsecurity Corporation 2. Supervisor, PUFsecurity Technology (Shanghai) Corporation 3. Director of President's Office, PowerFlash Technology Corp.	None	None	None	None
Vice President	R.O.C.	Hsin-Ming Chen	Male	10/26/2022	0	0	0	0	0	0	1. Master Degree in Electrical and Electronics Engineering, National Tsing Hua University 2. Senior Engineer, Taiwan Semiconductor Manufacturing Company Limited	None	None	None	None	None
Accounting and Financial Officer / Corporate Governance Officer	R.O.C.	Teresa Kuo	Female	08/02/2011	17	0.02	0	0	0	0	1. Bachelor Degree in Accounting, Tamkang University 2. Internal Auditing Officer, United Epitaxy Company, Ltd.	None	None	None	None	None

Note 1: Where the president or person of an equivalent post (the highest level manager) and the chairman of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

Note 2: Ms. Anita Chang retired on March 31, 2023, so the information is as of March 31, 2023.

Note 3: Mr. Evans Yang retired on July 26, 2023, so the information is as of July 26, 2023.

### 3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

#### A. Remuneration of Directors

12/31/2023 ; Unit: NT\$ thousands ; Thousand shares ; %

Title / Name	Remuneration						Amount and Ratio of Total Remuneration (A+B+C+D) to Net Income (%)				Relevant Remuneration Received by Directors Who are Also Employees				Amount and Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company		
	Base Compensation (A) (Note 1)		Severance Pay (B) (Note 2)		Directors Compensation(C) (Note 3)		Allowances (D) (Note 4)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)		Total Compensation (A+B+C+D+E+F+G)				
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	The company	Companies in the consolidated financial statements			
Chairman Charles Hsu	22,640	22,666	0	0	5,808	5,808	25	25	0	0	0	0	0	0	28,473	28,499	1.93%	1.93%	0
Director Mu-Chuan Hsu	0	0	0	0	2,905	2,905	25	25	0	0	0	0	0	0	2,930	2,930	0.20%	0.20%	0
Director Li-Jeng Chen	0	0	0	0	4,356	4,356	25	25	1,708	1,708	60	4,000	4,000	0	4,381	4,381	0.30%	0.30%	0
Director Michael Ho	0	0	0	0	4,356	4,356	25	25	10,461	10,461	108	6,459	6,459	0	4,381	4,381	0.30%	0.30%	0
Director How-Han Investment Corporation (Note 7)	0	0	0	0	5,808	5,808	0	0	0	0	0	0	0	0	5,808	5,808	0.39%	0.39%	0
Representative of Director : Felix Hsu	0	0	0	0	0	0	20	20	0	0	0	0	0	0	20	20	0.00%	0.00%	0
Representative of Director : Teresa Cheng (Note 7)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Representative of Director : Evans Yang (Note 7)	0	0	0	0	0	0	10	10	1,340	1,340	61	0	0	61	1,411	1,411	0.10%	0.10%	0

12/31/2023 : Unit: NT\$ thousands : Thousand shares : %

Title / Name	Remuneration				Amount and Ratio of Total Remuneration (A+B+C+D) to Net Income (%)				Relevant Remuneration Received by Directors Who are Also Employees				Amount and Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company				
	Base Compensation (A) (Note 1)		Severance Pay (B) (Note 2)		Directors Compensation(C) (Note 3)		Allowances (D) (Note 4)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)			Companies in the consolidated financial statements			
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock					
Representative of Director : Chris Lu (Note 7)	0	0	0	0	0	0	10	10	2,472	2,472	78	3,230	0	0	5,790	5,790	0.39%	0.39%	0
Independent Director Kenneth Kin	840	840	0	2,355	60	60	3,255	60	0	0	0	0	0	0	3,255	3,255	0.22%	0.22%	0
Independent Director Ming-To Yu	840	840	0	2,355	60	60	3,255	60	0	0	0	0	0	0	3,255	3,255	0.22%	0.22%	0
Independent Director T.C. Chen	840	840	0	2,355	60	60	3,255	60	0	0	0	0	0	0	3,255	3,255	0.22%	0.22%	0

1. Please state the policy, system, standard and structure of remuneration payment for independent directors, and state the correlation between remuneration payment and responsibilities, risks, investment time and other factors:

The Independent Directors jointly participated in the compensation distribution with the Directors in 2023. 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. After review and discussion by the Remuneration Committee, this was all submitted to the Board of Directors for resolution. The rationality of relevant remuneration of Independent Directors 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.

2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements and reinvestment companies in the most recent year to compensate directors for their services, such as being independent contractors: None.

Note 1 : Base compensation for directors in 2023 (including director's salary, duty allowance, severance pay, bonus and reward, etc.)

Note 2 : Allowance or funding of pension obligation.

Note 3 : Directors compensation of 2023 is resolved by the Board of Directors on February 21, 2024.

Note 4 : The directors' professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provisions of such tangible objects as dormitory and car, etc...) If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration.

Note 5 : It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.

Note 6 : The directors who acted as employees concurrently (including President, Vice President, managerial officer and employee) received employee compensation (including stock dividend and cash dividend) of 2023 is resolved by the Board of Directors on February 21, 2024. The employee compensation paid to directors who are also employees is a proposed number.

Note 7 : How-Han Investment Corporation has two Directors. One of the representatives was changed from Ms. Teresa Cheng to Mr. Evans Yang on January 17, 2023, and then from Mr. Evans Yang to Mr. Chris Lu on July 26, 2023. Therefore, the disclosed is information during the term of office of individual representatives.

**B. Remuneration of Supervisors : None.**



C. Remuneration of the President and Vice Presidents

12/31/2023 ; Unit: NT\$ thousands ; Thousand shares ; %

Title	Name	Salary(A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)			Amount and Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Remuneration Paid to the President and Vice Presidents from Non-consolidated Affiliates or Parent Company	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	The company		Companies in the consolidated financial statements
President	Michael Ho													
Senior Vice President	Chris Lu													
Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin													
Vice President	Anita Chang (Note 4)	19,954	19,954	832	832	21,292	21,292	19,378	0	19,378	0	61,456	4.17%	0
Vice President	John Ho													
Vice President	Evans Yang (Note 5)													
Vice President	Hsin-Ming Chen													

Note 1 : Allowance or funding of pension obligation.

Note 2 : It means the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the President and Vice Presidents in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by The Company to the driver, but exclude the same from the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-based payment", including obtaining employee stock options, new restricted employee shares and participating in cash increase subscription shares, shall also be included in the remuneration.

Note 3 : The President and Vice Presidents received employee compensation of 2023 is resolved by the Board of Directors on February 21, 2024. The employee compensation paid to President and Vice Presidents is a proposed number.

Note 4: Ms. Anita Chang retired on March 31, 2023, so the information is as of March 31, 2023.

Note 5: Mr. Evans Yang retired on July 26, 2023, so the information is as of July 26, 2023.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Anita Chang	Anita Chang
NT\$1,000,000 ~ NT\$1,999,999	Evans Yang	Evans Yang
NT\$2,000,000 ~ NT\$3,499,999		
NT\$3,500,000 ~ NT\$4,999,999		
NT\$5,000,000 ~ NT\$9,999,999	John Ho	John Ho
NT\$10,000,000 ~ NT\$14,999,999	Chris Lu, Ching-Yuan Lin, Hsin-Ming Chen	Chris Lu, Ching-Yuan Lin, Hsin-Ming Chen
NT\$15,000,000 ~ NT\$29,999,999	Michael Ho	Michael Ho
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
NT\$100,000,000 or above		
Total	7	7

#### D. Employee Compensation to Executive Officers

12/31/2023 ; Unit: NT\$ thousands ; %

Executive Officers	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
	President	Michael Ho				
	Senior Vice President	Chris Lu				
	Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin	0	20,992	20,992	1.42%
	Vice President	John Ho				
	Vice President	Hsin-Ming Chen				
	Accounting and Financial Officer / Corporate Governance Officer	Teresa Kuo				

Note : The executive officers received employee compensation of 2023 is resolved by the Board of Directors on February 21, 2024. The employee compensation paid to executive officers is a proposed number.

3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT\$ thousands ; %

Title	Item	Companies in the consolidated financial statements								
		The company			2022			2023		
		Total	Ratio to Net Income	Total	Ratio to Net Income	Total	Ratio to Net Income	Total	Ratio to Net Income	
Remuneration of Directors (Excluding remuneration paid for positions as employees)		60,976	3.78%	55,778	3.78%	60,976	3.78%	55,804	3.78%	
Remuneration of the President and Vice Presidents		76,206	4.73%	61,456	4.17%	76,222	4.73%	61,456	4.17%	
Net Income		1,611,909	-	1,474,443	-	1,611,909	-	1,474,443	-	

Note : The decrease in remuneration of directors (excluding remuneration paid for positions as employees) and remuneration of the president and vice presidents were due to the decrease in net income in 2023.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the co-relation between operating performance and future risks.

(1) The Remuneration Committee had been established on October 20, 2011 under the approval of the Board of Directors. With respect to the remunerations of Directors, President, Vice President and managers, the Remuneration Committee shall periodically review the performances of Directors and managers as well as the policies, system, standards and structure of the remunerations according to the organization rules thereof, and shall periodically assess the remunerations of Directors and managers, then propose to the Board of Directors for approval after the suggestions are made.

(2) Pursuant to the provisions of Article 25 in the Articles of Incorporation, that no more 2% of the profit 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 in 2023. 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.

(3) To fulfill corporate governance, enhance the functionality of the Company’s Board of Directors, and establish performance objectives that will reinforce the Board of Directors’ efficiency, the Company conducts performance evaluation every year in accordance with the Rules for Board of Directors Performance Assessment. Each evaluation shall be completed prior to the first quarterly Board Meeting of the following year. The Board members’ evaluation indicators consist of six major measurement items (including alignment of the goals and missions of the Company; awareness of the duties of a Director; participation in the operation of the Company; management of internal relationship and communication; the Director’s professionalism and continuing education; and internal control). For the content of performance evaluation of individual Directors, please take a reference to the evaluation of the Board of Directors in page 36~38 of this Annual Report.

(4) 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. 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. In accordance with the Company’s “Salary Management Rule”, the Company upholds the concept of sharing profits with employees, while simultaneously taking into account external competitiveness, internal fairness, and legality as preconditions for such. To encourage the managers to grow together with the Company, the Company provides bonuses for three traditional festivals every year; and the Company also establishes annual goals each year in conjunction with operating performance. Quarterly bonuses, performance bonuses, project bonuses, and employee compensation are awarded in accordance with goal achievement status and managers’ contributions to the Company.

(5) Performance evaluations for the Company’s managers are as follows:

a. In accordance with the Company’s Performance Management Regulations, managers (including President and Vice President-level) performance is evaluated twice a year. Three major factors – Implementation Ability, Values, and Management Competence – are evaluated. Given that managers play a role as top-ranking in the Company, they must have the ability to think about the organization’s future and directions for movement. In terms of Management Competence (with measurement factors including talent guidance and development, authorization and delegation, customer orientation, operational decision-making ability, etc.) we also place great emphasis on the professional skill of Formulating Strategic Orientations, so that managers can demonstrate the many behaviors required to achieve management competence.

b. Evaluation indexes for the President are based on achievement of the Company’s overall annual objectives, including the Company’s consolidated revenue achievement rate, budget achievement rate, after-tax net-profit achievement rate, new product and technology development, customer satisfaction, market competitiveness, talent cultivation, etc. Each index is calculated at a weighted ratio. By compounding the comprehensive assessment of factors, including the Company’s overall profit for the year, future risks, and development strategy, remuneration is finally drawn up

and submitted to the Remuneration Committee and Board of Directors for resolution.

c. Evaluation indexes for Vice Presidents are based on achievement of the Vice President's annual goals, including management effectiveness in the posts they hold, and annual goal achievement by the center/business group to which they belong (e.g., product market share, new customers, new products, new technology introduction, etc.), implementation and guidance of plans, building systems, talent cultivation, realization of corporate culture, etc. Each index is calculated at a weighted ratio.

(6) Co-relation between operating performance and future risks:

a. The review of benefit payment standards and systems referred to in the Company's remuneration policies primarily considers the Company's overall operating status. Performance achievement rates and contributions are used to determine the benefit payment standards, so as to enhance the overall workforce group efficiency of the Board of Directors, and the various business groups/center departments. The Company also makes reference to the prevailing remuneration standard in the industry, to ensure that remuneration to the Company's management is competitive in the industry and sufficient to retain outstanding management talent.

b. The Company's managers performance goals are all appropriately controlled for future risk; the remuneration policy is linked to a certain extent with future risk. To ensure that the risks possibly occurring within the scope of each manager's responsibilities can be managed and prevented, all the Company's remuneration policies are linked with ratings given according to the results of actual performance appraisals. Management deliberate all risk factors in making any important decisions for the Company. Performance from decisions is reflected in the Company's profitability, which, in turn, is further reflected in management remuneration and risk control performance.

c. The remuneration paid by the Company and its subsidiaries to Directors, Presidents, and Vice Presidents includes long-term reward instruments, provided in forms such as employee stock option certificates. Payment is not fully given in the year in which the earnings were made, so the actual value of the payment is associated with future stock prices. In other words, those who receive such remuneration share future business risks with the Company.

d. The rationality of relevant remunerations of Directors and managers shall be examined by the Remuneration Committee and Board of Directors, 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.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in 2023. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Charles Hsu	5	0	100.00%	
Director	Mu-Chuan Hsu	5	0	100.00%	
Director	Li-Jeng Chen	5	0	100.00%	
Director	Michael Ho	5	0	100.00%	
Director	How-Han Investment Corporation Representative : Felix Hsu	4	1	80.00%	
Director	How-Han Investment Corporation Representative : Teresa Cheng	0	0	0.00%	How-Han Investment Corporation changed its representative from Ms. Teresa Cheng to Mr. Evans Yang on January 17, 2023, and then from Mr. Evans Yang to Mr. Chris Lu on July 26, 2023.  Ms. Teresa Cheng, Mr. Evans Yang and Mr. Chris Lu should attend 0, 3 and 2 times, respectively.
Director	How-Han Investment Corporation Representative : Evans Yang	2	0	66.67%	
Director	How-Han Investment Corporation Representative : Chris Lu	2	0	100.00%	
Independent Director	Kenneth Kin	5	0	100.00%	
Independent Director	Ming-To Yu	5	0	100.00%	
Independent Director	T.C. Chen	5	0	100.00%	

#### Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act : The Company had established the Audit Committee, that the provisions of Article 14-3 shall not apply. With respect to the descriptions for the matters listed in Article 14-5 of the Securities and Exchange Act, please take a reference to 3.3.2 Audit Committee in page 39~40 of this Annual Report.
- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None.

2. Any recusal of Directors due to conflicts of interests during the period of 2023 and up to April 21, 2024 is set forth below:

(1) The tenth meeting of eighth Board of Directors (2023.02.22)

Subject: The 2022 performance assessment of managers.

Resolution: Director Mr. Evans Yang concurrently serves as manager, shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2023.02.22 without any objection.

Subject: The proposal of distribution of 2022 employees' compensation and team operation bonus to management team.

Resolution: Chairmen Mr. Charles Hsu, Directors Ms. Li-Jeng Chen, Mr. Michael Ho and Mr. Evans Yang are the persons to be distributed in this proposal, Director Mr. Felix Hsu is the son of Chairman, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2023.02.22 without any objection.

(2) The eleventh meeting of eighth Board of Directors (2023.04.26)

Subject: The proposal for release of Directors from non-competition restrictions.

Resolutions: Director Mr. Michael Ho and Mr. Evans Yang are the persons in this proposal, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Audit Committee convened on 2023.04.26 without any objection.

(3) The twelfth meeting of eighth Board of Directors (2023.07.26)

Subject: The employee stock option certificates of subsidiary which are distributed to the managers of the Company and its subsidiary.

Resolution: 1. The employee stock option certificates of the subsidiary, PUFsecurity, were distributed to the Chairman Mr. Charles Hsu due to his position as the manager of that subsidiary, and distributed to the Directors Ms. Li-Jeng Chen and Mr. Michael Ho due to their positions as the managers of the Company. Therefore, they should recuse themselves from the discussion and voting according to law.

2. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2023.07.26 without any objection.

Subject: The proposal of distribution of the respective remuneration of Directors of the Company in 2022.

Resolutions: 1. Recusal of Directors: Independent Directors shall vote, the chairperson was served by the Independent Director Mr. Kenneth Kin. Chairman Mr. Charles Hsu, Directors Ms. Li-Jeng Chen and Mr. Mu-Chuan Hsu are persons to be distributed under this proposal, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.

2. Recusal of Independent Director : Directors shall vote, the chairperson was Chairmen Mr. Charles Hsu. Independent Directors Mr. Kenneth Kin, Mr. Ming-To Yu, Mr. T.C. Chen are persons to be distributed under this proposal who shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote.

3. The above, after the chairperson inquired the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2023.07.26 without any objection.

(4) The fifteenth meeting of eighth Board of Directors (2024.02.21)

Subject: The 2023 performance assessment of managers.

Resolution: Director Mr. Chris Lu concurrently serves as manager, shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2024.02.21 without any objection.

Subject: The proposal of distribution of 2023 employees' compensation and team operation bonus to management team.

Resolution: Chairmen Mr. Charles Hsu, Directors Ms. Li-Jeng Chen, Mr. Michael Ho and Mr. Chris Lu are the persons to be distributed in this proposal, Director Mr. Felix Hsu is the son of Chairman, that they shall enter into recusal pursuant to the law, and shall not participate in the discussion and vote. The chairperson was changed to be served by the Independent Director Mr. Kenneth Kin. After inquiring the other Directors attended at the meeting, this proposal was approved according to the examination result concluded by the Remuneration Committee convened on 2024.02.21 without any objection.

3. The evaluation of the Board of Directors:

The Board of Directors of the Company has approved formulation of the Rules for Board of Directors Performance Assessment on October 28, 2020, and taken the performance appraisal on an annual basis then making the appraisal result reported to the Board of Directors, which will be used as a reference for the remuneration and nomination for the renewal of respective Director.



Frequency	Period	Scope	Measures	Items
Annual	2023.01.01 ~ 2023.12.31	Board of Directors  Individual Members of the Board of Directors  Functional Committee	Self-evaluation from the Board of Directors  Self-evaluation from Individual Members of the Board of Directors  Self-evaluation from the Functional Committee  Note: The assessment results are rated from 1 to 5: Score 1 – Very poor (strongly disagree); Score 2 – Poor (disagree); Score 3 – Medium (neither agree nor disagree); Score 4 – Good (agree); Score 5 – Excellent (strongly agree).	Self-evaluation from the Board of Directors : 1. Participation in the operation of the Company 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors 4. Election and continuing education of the Directors 5. Internal control  Self-evaluation from Individual Members of the Board of Directors : 1. Alignment of the goals and missions of the Company 2. Awareness of the duties of a Director 3. Participation in the operation of the Company 4. Management of internal relationship and communication 5. The Director's professionalism and continuing education 6. Internal control  Self-evaluation from the Functional Committee (including Audit Committee and Remuneration Committee) : 1. Participation in the operation of the Company 2. Awareness of the duties of the Functional Committee 3. Improvement of quality of decisions made by the Functional Committee 4. Makeup of the Functional Committee and election of its members 5. Internal control

For 2023, the average Board of Directors score was from 4 to 5 points; the average Board of Directors member score was from 4.7 to 5 points; the average Audit Committee score was from 4.7 to 5 points; and the average Remuneration Committee score was from 4.9 to 5 points. Most of the indicative scores in the overall assessment results are excellent. With respect to the indicators that failed to reach the level of ‘excellent’, such as Directors' attendance at shareholders' meetings, it will be strengthened, hoping to increase the attendance rate of Directors at shareholders' meetings. The assessment results mentioned above were submitted as a report to the Board of Directors on February 21, 2024.

4. The targets of enhancing the competence of Board of Directors in current year and latest year (ex. establishing the Audit Committee, enhancing the information transparency etc.) and the assessment of execution:
  - (1) The Remuneration Committee had been established on October 20, 2011 by the Company, who takes charge of assisting the Board of Directors in assessing and establish the salary and remuneration of Directors and managers periodically, and on a regular schedule review the performance assessment of Directors and managers and the remuneration policy, system, standards and structure.
  - (2) In order to further conform to the spirits of corporate governance, the Audit Committee had been voluntarily established on June 9, 2015, exercise the authority provided for in the Securities and Exchange Act, Company Act and other laws and regulations.
  - (3) The “ Investor Relations” had been established on the website of the Company, which provides investors the information of financial, business, material information and corporate governance for reference, and have specific persons appointed to maintain the information; the spokesperson system and email address of Audit Committee had been established, for shareholders to inquire the financial , business related information of the Company.
  - (4) The Company is dedicated in implementing corporate governance evaluation to improve the information transparency, in 2023, the Company was honorably ranked as “Top 20%” in the corporate governance evaluation system. Besides, the Company was also selected as “TPEX Corporate Governance Index”, “TPEX 50 Index”, “TPEX 200 Index”, “TPEX Compensation Index”, “TPEX RGA Quality 50 Index”, “TPEX Semiconductor Leaders Total Return Index”, “TIP TPEX ESG Index”, “TIP TPEX ESG Growth Total Return Index”, “TIP TPEX ESG ITE Total Return Index” , “TPEX FactSet Climate Resilience Index”, “TPEX FactSet SC Climate Resilience Index” and “TPEX FactSet SC Climate NZ Elite TR Index” constituents.

### 3.3.2 Audit Committee

The main purpose of Audit Committee is assisting the Board of Directors in performing the supervision on the quality and faith of execution regarding accounting, audit, financial report process and financial control of the Company. For professional qualifications and experience of members, please take a reference to information of Independent Directors in page 21 of this Annual Report.

The focuses of its practice in 2023 are set forth below:

1. Reviewing and approving the financial reports:  
Reviewing and approving 2022 financial report, and 2023 Q1 to Q3 financial reports
2. Reviewing and approving the business report and proposal for distribution of profit:  
Reviewing and approving the business report and proposal for distribution of profit of 2022
3. Assessing the effectiveness of internal control system:  
Reviewing the internal audit reports and assessing the effectiveness of internal control system for 2022
4. Reviewing and approving the fees, independence and performance of certified public accountant:  
Reviewing and approving the fees, independence and performance of certified public accountant for 2023
5. Reviewing and approving the the change of CPA for the internal transfer of Deloitte & Touche
6. Reviewing and approving the proposal to increase the capital of subsidiary
7. Reviewing and approving the release of Directors from non-competition restrictions
8. Reviewing and approving the loan contract signed with bank
9. Reviewing and approving the proposal to purchase new office and parking spaces in the 10th Phase of Tai Yuen Hi-Tech Industrial Park
10. Reviewing and approving the transfer of employee stock option certificates to general shares and relevant change of registration
11. Reviewing and approving the proposal of audit plan
12. Reviewing and approving the amendments of “Internal Control System” and relevant “Implement of Internal Audit”
13. Reviewing and approving the proposal of annual budget

A total of 5 (A) Audit Committee meetings were held in 2023. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Independent Director	Kenneth Kin	5	0	100.00%	
Independent Director	Ming-To Yu	5	0	100.00%	
Independent Director	T.C. Chen	5	0	100.00%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, Independent Directors' dissenting or qualified opinions, or content of major suggestions, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
  - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: After being approved by the concurrence of one-half or more of all members of the Audit Committee, all of these matters were sent to Board of Directors for approval by resolutions, there was not the situation of being approved by the concurrence of two-thirds or more of all members of the Board of Directors and without the approval of Audit Committee, please take a reference to the Major Resolutions of Board Meetings in page 82~85 of this Annual Report.
  - (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors : None.
2. Any recusal of Independent Directors due to conflicts of interests during the period of 2023 and up to April 21, 2024: None.
3. The Communication Situation Between the Independent Directors and Internal Audit Officer and CPA (shall include the communicated material matters, style and result in terms of financial, business status of the Company)
  - (1) The Audit Officer attended to each meeting of the Audit Committee, and reported the audit practices during the meeting, the Independent Directors may thoroughly communicate with Audit Officer in face.
  - (2) The Audit Officer will periodically submit audit report to the Independent Directors for review.
  - (3) The CPA of the Company attended to the meeting of Audit Committee for reviewing each quarter financial report and reported the situation of review or audit, the members of Audit Committee and CPA may thoroughly communicate with each other in face.

3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company had established the “Corporate Governance Practice Principles” based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and made it disclosed on the Company’s website and Market Observation Post System.	None
2. Shareholding structure & shareholders’ rights				None
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company had established spokesperson system and delegated specific person to take charge of shareholder services and handle the proposals submitted by shareholders, and further employed the legal counsel to assist replying and handling the legal inquiries from the shareholders.	
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company on schedule possesses the list of major shareholders of the actual controlling company and the ultimate owner of the major shareholders according to the shareholders roster provided by the stock agency when the share transfer registration is suspended.	
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The assets, finance, business and accounting affairs of the affiliates are under the charge of specific person as well as controlled and audited by the parent company.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company had established the “Ethical Corporate Management Practice Principles” in which definitely provided that the personnel of the Company shall obey the provisions of the Securities and Exchange Act, and shall in no event make use of undisclosed information for insiders trading, as well as shall not disclose to any third party, to prevent insiders from trading with undisclosed information.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board established a diversity policy, specific management goals and implemented it accordingly?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Has the Company established the rules and methodology for evaluating the performance of its Board of Directors and taken the</p>	V		<p>(1) Please take a reference to the Board Diversity Policy and Implementation Status in page 22 of this Annual Report.</p> <p>(2) The Company had established Remuneration Committee and Audit Committee; other functional committees will be established according to the demands of business operation in the future.</p> <p>(3) Please take a reference to the evaluation of the Board of Directors in page 36~38 of this Annual Report.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>performance appraisal on an annual basis then making the appraisal result reported to the Board of Directors, which will be used as a reference for the remuneration and nomination for the renewal of respective director?</p> <p>(4) Does the Company regularly evaluate the independence of CPAs?</p>	V		<p>(4) The Company’s CPAs provide an annual Audit Quality Indicator (AQI) report based on the "Guidelines for the Preparation of Audit Quality Indicators for Accounting Firms" issued by the Financial Supervisory Commission. The report includes 13 indicators that serves as a reference for evaluating the independence and suitability of our CPAs. The Audit Committee and Board of Directors of the Company also annually evaluate the independence of CPAs pursuant to the provisions of No. 10 of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and obtain the Confirmation of Independence from CPAs; the latest evaluation date is December 20, 2023.</p>	
<p>4. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications, and appoint a chief corporate</p>	V		<p>The corporate governance officer had been appointed by the Board of Directors on October 26, 2022 to be in charge of corporate governance affairs. The main responsibilities of the corporate</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
governance officer who takes charge of the corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders’ meetings according to the laws, and producing minutes of board meetings and shareholders’ meetings, etc.)?			governance officer are to handle matters relating to board meetings and shareholders meetings according to laws, produce the minutes of board meetings and shareholders meetings, assist in onboarding and continuous development of directors, provide information required for business execution by directors, and assist directors with legal compliance, etc. The corporate governance officer took a total of 12 hours of training in 2023, and the course content had disclosed on the corporate website.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The stakeholders of the Company may find the corresponding contact information through the “Stakeholder Engagement” on the website of the Company, or express opinions by sending emails to the members of Audit Committee. Furthermore, the area of “ESG” on the corporate website interprets the ESG policy and explicit achieves in detail which provides the stakeholders for the ideas related to ESG of the Company.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company delegates the Brokerage Registry and Transfer Services Department of KGI Securities Co., Ltd. to deal with the shareholder affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to	V		(1) The Company has a corporate website both in Chinese and English	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	V		<p>to disclose both financial standings and the status of corporate governance.</p> <p>(2) The Company had built a corporate website both in Chinese and English and appointed designated people to handle information collection and disclosure; carried out the spokesman system; participate in the investor conference held by the external institutes without a fixed schedule, and voluntarily webcast the investor meeting each quarter, the information for investor conference had been disclosed on the Market Observation Post System and the corporate website.</p> <p>(3) The Company had published and reported its annual financial reports of 2022 and 2023 on February 23, 2023 and February 22, 2024 respectively, and the financial reports for the first, second and third quarters of 2023 and the financial reports for the first quarter of 2024 as well as its operating status for each month had been published and reported before the specified deadline.</p>	
8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g.,	V		(1) The Company actively protects the rights and benefits of employees and is concerned with employees, except obeying the provisions related to labor laws and regulations, also	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>provide the leave better than labor laws and regulations.</p> <p>(2) The Company had established the unit of Investor Relations which can immediately handle the inquiries rendered by the investors.</p> <p>(3) The procurement unit of the Company manages the suppliers pursuant to the Procedures for Control of Procurement Operation, and re-examine the list of qualified suppliers, to secure the supplier quality.</p> <p>(4) The stakeholders may communicate through the Stakeholder Engagement of the corporate website.</p> <p>(5) All Directors of the Company actively participated in various professional enhancement courses, the Directors profession enhancement status had disclosed on the Market Observation Post System.</p> <p>(6) The Board Meeting is convened at least quarterly, the status of attendance is good, the Director had avoided the vote or discussion if he/she has a personal interest in the matter under discussion.</p> <p>(7) The internal control system, fiscal year budgets and necessary management rules and procedures are the risk control policies and measurement standards, and those system, budgets and procedures shall</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>be examined by the Audit Committee and approved by the Board of Directors; the unit being in charge has to report the status of execution to Audit Committee and the Board.</p> <p>(8) The Company had established the Procedures for Control of Customer Services Provision, the Procedures for Customer Satisfaction Survey, which provide the handling procedures, and periodically evaluate the satisfactory of customers to make sure the customers have best services.</p> <p>(9) The Directors and manager had been insured for liabilities and this is disclosed on the Market Observation Post System.</p>	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>(1) The Company has introduced the ISO27001 Information Security Management System, and obtained the ISO27001 certification in April 2023.</p> <p>(2) The Company has completed the greenhouse gas inventory and obtained the ISO14064-1 external verification in April 2023.</p> <p>(3) The ESG Report of 2022 has disclosed relevant ESG information with reference to SASB standards and TCFD framework.</p> <p>(4) The Annual Report of 2023 has voluntarily disclosed the individual remuneration of Directors.</p>				

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Information of Remuneration Committee Members

04/21/2024

Title	Criteria Name	Professional Qualification and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director	Kenneth Kin	Please take a reference to the professional qualification and experience & status of independence of Independent Directors in page 21 of this Annual Report.		2
Independent Director	Ming-To Yu			1
Independent Director	T.C. Chen			0

#### B. Attendance of Members at Remuneration Committee Meetings

The Remuneration Committee of the Company takes charge of assisting the Board of Directors in executing and assessing the entire remuneration and welfare policies of the company, and shall periodically review the performances of Directors and managers as well as the policies, system, standards and structure of the remunerations according to the organization rules thereof, and shall periodically assess the remunerations of Directors and managers, then propose to the Board of Directors for approval after the suggestions are made. The focuses of its practice in 2023 are set forth below:

- (1) Reviewing and approving the distribution of employees' compensation and the remuneration of Directors.
- (2) Reviewing and approving the performance assessment of managers.
- (3) Reviewing and approving the distribution of employees' compensation and team operation bonus to management team.
- (4) Reviewing and approving the distribution of pension benefits for management team member.
- (5) Reviewing and approving the distribution for the respective remuneration of Directors.
- (6) Reviewing and approving the employee stock option certificates of subsidiary which are distributed to the managers.

Resolutions of the remuneration committee and the Company's response to the remuneration committee's opinion in 2023, please take a reference to the Major Resolutions of Board Meetings in page 82~85 of this Annual Report.

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in 2023. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Kenneth Kin	2	0	100.00%	
Committee Member	Ming-To Yu	2	0	100.00%	
Committee Member	T.C. Chen	2	0	100.00%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.3.5 Sustainable Development Promotion Status and Deviations from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Whether the Company has established a management structure for promoting sustainable development and set up an exclusively (or concurrently) dedicated unit handled by senior management officer(s) authorized by the Board of Directors, and under the supervision of the Board of Directors?	V		The Company has established a Sustainable Management Committee, chaired by the President, to align with global ESG trends. And the dedicated unit was promoted from the President’s Office to the "Sustainable Management Committee" by the Board of Directors resolution on October 24, 2023. In addition to continuously promoting and overseeing and the Company’s sustainable development, the committee will convene regular meetings to review the current implementation, making timely adjustment and amendments as needed. The Chairman of the Sustainable Management Committee will also report annually to the Board of Directors on the implementation of sustainable development. The 2023 sustainable development implementation report is published on the corporate website.	None
2. Does the Company make the risk assessment on the issues concerning environment, society and corporate governance which are related to the operation of Company according to the materiality principle, and establish relevant risk management policies or strategy?	V		To ensure the thorough implementation of sustainable strategy, the Company has its President convene Management Examination Meeting every six months to review the issues related to environment, society and corporate governance which are concerned by stakeholders; in consideration of the materiality principle, the Company establishes risk assessment which is relevant to the business operation, and proposes related policies and	None

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			measures. Please refer to page 146~148 of this Annual Report. The information with respect to the issues which are concerned by stakeholders and the communication performances is disclosed in the “Stakeholder Engagement” area on the corporate website.	
3. Environment Topic				None
(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		Given the business characteristics of the Company, the verification of the Environmental Management System (EMS) does not apply to the Company.	None
(2) Does the Company endeavor to improve energy more efficiently and use renewable materials which have low impact on the environment?	V		The Company complies with all environmental regulations on environmental protection, and practices source reductions and recycling.	None
(3) Does the Company evaluate the potential risk and opportunity caused by the climate change currently and in the future, and take measures corresponding to the climate relevant issues?	V		The Company has evaluated that climate change may cause disaster hazard, market risk, operation risk etc., and to minimize the impact of increased operation costs caused by the relevant potential risks, the Company alters the green environmental protection from duties to opportunities by the innovation of core technologies, implementing component reduced product design which substitutes the complex manufacturing process required by the	None

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																								
	Yes	No	Abstract Explanation																									
			conventional non-volatile memory, and reduces the emission of carbon dioxide; depending on the innovation in several aspects of strategy, market, management, research and development, and accompanying with power of implementation, the Company keeps change for sustainability. For the implementation status of the Company’s climate-related information, please refer to page 64~72 of this Annual Report.																									
(4) Does the Company make statistics of total greenhouse gas emissions, water consumption and waste weight of the Company during past two years, and establish strategies for energy conservation, carbon and greenhouse gas reduction, water consumption saving or waste management?	V		<p>Following ISO14064-1: 2018, including the Company and all subsidiaries to conduct GHG inventory. The Company has finished the GHG inventory of 2022 and passed the external verification. Setting 2022 as the base year, the Company will regularly disclose the results of GHG inventory and continue working towards our goals. We hope to reduce the organization's energy intensity by 1% in 2025. The GHG emission data for 2022 and 2023 are as follows:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Unit</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Category 1</td> <td>ton CO<sub>2</sub>e</td> <td>15.6618</td> <td>21.5232</td> </tr> <tr> <td>Category 2</td> <td>ton CO<sub>2</sub>e</td> <td>1,653.5073</td> <td>1,630.4527</td> </tr> <tr> <td>Category 3~5</td> <td>ton CO<sub>2</sub>e</td> <td>27.4432</td> <td>74.0786</td> </tr> <tr> <td>Total</td> <td>ton CO<sub>2</sub>e</td> <td>1,696.6123</td> <td>1,726.0545</td> </tr> <tr> <td>energy intensity</td> <td>ton CO<sub>2</sub>e / million turnover</td> <td>0.5274</td> <td>0.5659</td> </tr> </tbody> </table> <p>Note 1: The increase in Category 1 mainly comes from the addition of new ice water hosts and dehumidifiers.  Note 2: After the epidemic was lifted, business trips became more frequent than in 2022, leading to an increase in Category 3 emissions.</p>	Category	Unit	2022	2023	Category 1	ton CO <sub>2</sub> e	15.6618	21.5232	Category 2	ton CO <sub>2</sub> e	1,653.5073	1,630.4527	Category 3~5	ton CO <sub>2</sub> e	27.4432	74.0786	Total	ton CO <sub>2</sub> e	1,696.6123	1,726.0545	energy intensity	ton CO <sub>2</sub> e / million turnover	0.5274	0.5659	None
Category	Unit	2022	2023																									
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Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Abstract Explanation													
			<p>We use water in our daily operations for food services and sanitation. Therefore, water-related risks have fewer impacts on the organization’s operation. The main water sources are the Touqian River and Baoshan Reservoir in Hsinchu. Our future goal is to decrease the water intensity by 1% in 2025. The Taiyuen Hi-Tech Industrial Park (Science Park), where the Company is located, has a sewage recovery system. This will be used to water plants and flowers around the Science Park. The domestic sewage is discharged to the domestic sewage treatment facilities in Science Park before being released to the water system without significant impact on the water system. The water consumption data for 2022 and 2023 are as follows:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Unit</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>water consumption</td> <td>m<sup>3</sup></td> <td>5,780.4</td> <td>6,106.0</td> </tr> <tr> <td>water intensity</td> <td>m<sup>3</sup>/million</td> <td>1.7970</td> <td>2.0018</td> </tr> </tbody> </table> <p>The major waste generated by the organization is commercial waste, and no manufacturing waste is produced. We implement careful waste management of waste collection, recycling, and disposal. The waste is collected by employees in the temporary waste storage area. The cleaning service company that we have a contract with assists in its recycling and removal. The waste is then transported by a qualified waste-handling operator for treatment and final disposal. The weight of commercial</p>	Category	Unit	2022	2023	water consumption	m <sup>3</sup>	5,780.4	6,106.0	water intensity	m <sup>3</sup> /million	1.7970	2.0018	
Category	Unit	2022	2023													
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Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																
	Yes	No	Abstract Explanation																	
			<p>waste data for 2022 and 2023 are as follows:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Unit</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>General Waste</td> <td>metric tons</td> <td>4.176</td> <td>4.565</td> </tr> <tr> <td>Resource Garbage</td> <td>metric tons</td> <td>7.112</td> <td>10.049</td> </tr> <tr> <td>Total</td> <td>metric tons</td> <td>11.288</td> <td>14.614</td> </tr> </tbody> </table> <p>Note 1: Waste disposal sites: all are off-site (outsourced processing).  Note 2: Treatment methods: incineration, recycling, and other disposal operations.</p> <p>After returning to normal office work after the epidemic, the relative water consumption and domestic waste volume also increased.</p> <p>To practice energy conservation and carbon reduction, the Company has been taking proactive actions, including implementing highly efficient energy-saving light-emitting diode (LED), inspecting and maintaining the air-conditioning systems, adopting electronic spreadsheets, and constantly reducing waste. We hope to create a zero-pollution environment in the future.</p>	Category	Unit	2022	2023	General Waste	metric tons	4.176	4.565	Resource Garbage	metric tons	7.112	10.049	Total	metric tons	11.288	14.614	
Category	Unit	2022	2023																	
General Waste	metric tons	4.176	4.565																	
Resource Garbage	metric tons	7.112	10.049																	
Total	metric tons	11.288	14.614																	
<p>4. Society Topic</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>The “Human Rights Protection Policy” had been established by the Company and publicly disclosed on the corporate website. The Company abides by local laws and regulations, and complies with internationally recognized human rights standards such as &lt;UN Guiding Principles on Business and Human Rights&gt;, &lt;International Labor Organization</p>	None																

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Declaration of Fundamental Principles and Rights at Work&gt;, &lt;Universal Declaration of Human Rights&gt;, &lt;Responsible Business Alliance Code of Conduct&gt;, and treat all employees, contractors and contingent workers, interns with dignity and respect. The management policies and practical measures are summarized as follows:</p> <ol style="list-style-type: none"> <li>1. Provide a safe working environment, establish the safety and health management organization, care about the personal safety of each employee, devote effort and attention to reducing the risk of occupational accidents and protecting both the physical and mental health of employees.</li> <li>2. Medical services 6 times every month, providing related consulting services and health guidance; establishing the maternity health protection plan, which performs a vocational adequacy assessment and medical interview guidance for female employees during pregnancy or within one year after childbirth, and protecting their occupational health and safety.</li> <li>3. Performing high quality physical examinations with expenses fully paid by the Company.</li> <li>4. Respecting human rights in the workplace and complying with labor statutes; child labor is forbidden. Providing employees with fluent</li> </ol>	

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>communication channels to establish harmonious labor relations in the work environment.</p> <p>5. Protect the processing, collection and use of personal information, setting up an adequate information security management mechanism to effectively control access to information and prevent the risk of divulgement.</p> <p>Additionally, comprehensive training sessions on human rights protection were conducted in 2023, accumulating a total of 52.6 training hours with 327 employees actively participating. The Company will pay continued attention to the topic of human rights protections, promoting relevant training to develop human rights awareness and reduce the possibility of the occurrence of related risks.</p>	
(2) Does the Company establish and implement rational employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?	V		<p><u>Employee Remuneration</u></p> <p>It is definitely provided for 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.</p>	None

Promotion Item	Implementation Status		Abstract Explanation	Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>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. The employee promotion is processed according to the “Rules for Performance Management”, two assessments are performed each year which will be the basis for the salary adjustment, promotion, bonus.</p> <p><u>Employee Welfare Measures</u></p> <p>The Company places a high priority on aiming at a balance between employees' work commitments and personal lives. In addition to offering competitive salaries, we provide comprehensive leave packages and engage in activities that surpass statutory requirements. We offer employees benefit from a daily afternoon tea subsidy, weekly club activities, and seasonal birthday celebrations organized by the Welfare Committee. Furthermore, there are travel subsidy, the family day and year-end party held each year to foster the goal Company has set. Employees who serve as sales representatives/managers would be provided with car insurance subsidy, etc.</p>	

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>The Company cares about the health of our employees, we perform free physical examination each year.</p> <p><u>Leave System</u> In addition to the leaves stipulated in the Labor Standards Act, the Company grants birthday leave, physical examination leave, and 7 days of eMemory Holidays. Under certain requirements, 7 days of full-pay sick leaves will be given which are better than those provided by laws.</p> <p><u>Reflect the Corporate Business</u> <u>Performance or Achievements in the Employee Remuneration</u> In 2023, the average employee benefit expenses and average salary expenses of the Company decreased 10.7% and 12.2% in comparison with those of the preceding year. In order to uphold the sustainability and fortify the risk management of the company, the Company will align operational strategies with a comprehensive review of the compensation system.</p>	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a	V		The Company is dedicated in the topics of securing labor health and working environment by periodically implementing safety and health education and holding “Fire Safety Seminar” , “CPR First Aid Training” propaganda courses pursuant to the occupational safety and health relevant	None

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
regular basis?			<p>laws and regulations. And by providing specific parking spaces or transportation allowances, nursery room, full time security system, multifunction rest area etc. the employees can enjoy a comfortable and healthy environment.</p> <p>At our company, we prioritize the well-being of our employees as integral to our success. We offer comprehensive fitness allowances, benefiting over 330 individuals annually, and conduct regular health examinations, with support extended to more than 300 employees over the past two years. Additionally, our on-site nursing staff ensures proactive health management and offers personalized health consultation services to our workforce.</p>	
(4) Does the Company provide its employees with career development and training sessions?	V		<p>In order to improve the scheduled milestone and develop the employees’ abilities in profession and management to make human resources efficiently available and obtain the knowledge, skill and ability required for work, develop the goals of each stage on the basis of deeply establishing human resource of the Company. Every Wednesday is set as eMemory’s Learning Day to hold various internal training courses. In addition, financial support for external training courses is provided. Cross-disciplinary learning programs and training plans at all</p>	None

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			levels have been established. The goal of employee’s career development, learning capability, execution status, effectiveness review will be further planned and connected with internal practices, that the annual program planning can be proposed.	
(5) Has the Company complied with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer or customer protection policies and complaint procedures?	V		The major business of the Company is silicon IP licensing, that labeling will not be applicable for the products are intangible. The Company has passed the TÜV Rheinland ISO9001:2015 Quality Management System certification and ISO26262 Road Vehicles-Functional Safety certification and obtained corresponding certificates. The NeoBit & NeoEE AS series products have passed the TÜV Rheinland ISO26262 (Road Vehicles-Functional Safety) & Industrial Specifications IEC 61508 (Functional safety of electrical/ electronic/ programmable electronic safety-related systems) certification and obtained corresponding certificates. In order to continue to strengthen information security governance and customer privacy protection, the Company obtained ISO27001 Information Security Management System certification in 2023 to ensure the effectiveness and continuity of the Company's information and communications business operations. This	None



Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>will better protect the privacy and data security of stakeholders.</p> <p>The Company upholds a philosophy of “excellence in quality, service first, and fully meeting customer needs,” with an emphasis on improving product quality to prioritize customer satisfaction. We are committed to providing safe, dependable, high-quality products and establishing good communication channels with customers to ensure transparent and effective complaint handling processes.</p> <p>Furthermore, we conduct annual customer satisfaction surveys and have consistently received high ratings over the years, with an average score of 95.81 in 2023. We will continuously endeavor to provide even more exceptional products and a better service experience for our customers.</p>	
(6) Does the Company establish supplier management policy and request suppliers to comply with related standards on the topics of environmental protection, occupational safety and health or labor right, and their implementation status?	V		<p>The Company established “eMemory Supplier Code of Conduct” to require the supply chain vendors for being qualified with the requirements of safe working environment, that their employees shall be respected with dignity, facilitating environment protection in business operation and complying with ethics.</p> <p>Except requiring the suppliers for following the code of conduct, the major suppliers are also required for signing the “eMemory Supplier Social Responsibility Commitment” and complying with the</p>	None

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>local laws and regulations implemented in the place their businesses are operated. Otherwise, the suppliers are also encouraged to require their downstream suppliers, contractors and service providers for recognizing and adopting the “eMemory Supplier Code of Conduct” . The supplier will be required for performing the self-examination pursuant to the “Supplier_Checking List” annually by the Company, where the five phases of labor, health and safety, environment protection, ethics and management system are included in the content, and the suppliers are required for complying with the regulations related to the subjects of environment protection, health and safety etc. There were 33 “Supplier_Checking List” distributed to the suppliers in 2023, and all of the checking list forms were received after the suppliers filled in them. Two of the companies are RBA members, that is, suppliers that fully comply with the checking list items. The Quality Management &amp; Process Integration Department will review the collected checking list forms and make them as a basis for supplier management. If it is necessary, the on-site audit will be performed to ensure the supply chain’s performance of corporate social responsibility.</p>	

Promotion Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
5. Does the Company refer to international reporting rules or guidelines to publish ESG Report to disclose non-financial information of the Company? Has the said Report acquired 3rd certification party verification or statement of assurance?	V		The Company voluntarily adopt the Sustainability Reporting Guidelines set by the Global Reporting Initiative (GRI) in preparing the Chinese and English versions of the Company’s ESG report, and disclose this on the Company's website as well as the Market Observation Post System.	None
6. If the Company has established the sustainable development practice principles based on “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation : None.				
7. Other important information to facilitate better understanding of the Company’s sustainable development practices :				
<p>(1) The Company has established the ESG area on the corporate website, in which interprets the ESG policy of the Company and explicit achievements, that the internal and external persons can be clearly aware of the ESG ideas of the Company.</p> <p>(2) The Company participates in the philanthropic activities and gives back to the society. In 2023, we donated NT\$ 1,800,000 to National Tsing Hua University for scholarships and academic research fund, NT\$ 300,000 to “Tzu Chi Foundation” for the earthquake disaster in Turkey, NT\$ 250,000 to “Teach for Taiwan”, donated stationery to “Paramitas Foundation Taiwan”, ordered gift boxes from the charity group “TriBake Workshop” and participated in the Christmas flower bazaar for “Development Center of Spinal Cord Injury”.</p> <p>(3) The Company dedicated to diversified learning program, except internally providing various knowledge inheritance courses, especially cooperate in opening related courses with universities and colleges, hope this can well fulfill the social responsibility by the opportunity of sharing resources, and establish the cooperation platform for both the industries and academies, share and exchange the practices of industry with academia.</p>				

### 3.3.6 Climate-related Information of Listed Companies

Climate-related information implementation status		Execution Status							
Items		Risk Category	Climate change risks	Aspect	Potential impact on operations and finances	Time Frame	Climate Change Opportunities	Aspect	Potential impact on operations and finances
1. Description on the Board and Management's oversight and governance on climate-related risks and opportunities		Transition risks	Changes in market preferences -The rising demand for low-carbon emission products	Market, Technology risk	Customers require products with low energy consumption and low carbon emissions. Companies that cannot adapt will incur transition risks	Short term	Develop low-carbon products and services	Markets, Products, and Services	Meet customers' product needs and drive revenue growth
			Customers demand low-carbon strategies to align with trends	Market risk	1. Foundries have been asked to increase green power procurement 2. Customers and foundries are gradually required to implement low-carbon strategies. If the company fails to implement them, it may lead to a bad impression	Short-Medium term	Greenhouse gas emission reduction, supply chain management plan	Markets	Establish environmentally friendly partnerships with customers to enhance brand value
2. Description on how the identified climate risks and opportunities impact the company's business, strategies, and finance (short, mid, long term)									

Execution Status								
Items	Risk Category	Climate change risks	Aspect	Potential impact on operations and finances	Time Frame	Climate Change Opportunities	Aspect	Potential impact on operations and finances
	Transition risks	Impact on corporate reputation	Reputation risk	<p>1. Failure to comply with policies, regulations or the goals of international climate change action initiatives, resulting in negative news for the company</p> <p>2. When stakeholders raise ESG-related proposals, the company can only respond passively or be unable to respond</p>	Medium term	Improve corporate reputation	Reputation	Actively respond to climate change issues and improve the company's various sustainability or ESG indicators, thereby strengthening the company's sustainable brand value, responding to the expectations and trust of stakeholders, and helping to enhance the company's long-term operations
		Green energy policy	Policy and Legal risk	<p>1. Taiwan regulations require the expansion of renewable energy sources or the payment of fees, resulting in an increase in electricity prices</p> <p>2. Insufficient green energy results in the inability to purchase sufficient green power, which affects customers' perception of the company and their cooperative relationship</p>	Medium-Long term	The rise of the renewable energy market	Energy Source	Using renewable energy can not only reduce dependence on fossil fuels and reduce sensitivity to carbon prices.

Items		Execution Status						
Risk Category	Climate change risks	Aspect	Potential impact on operations and finances	Time Frame	Climate Change Opportunities	Aspect	Potential impact on operations and finances	
Transition risks	Greenhouse gas emission control and carbon tax	Policy and Legal risk	The imposition of carbon fees and carbon taxes leads to an increase in operating costs	Medium-Long term	Greenhouse Gas Emissions Reduction Plan	Energy Source	Using renewable energy can not only reduce dependence on fossil fuels and reduce sensitivity to carbon prices	
	Extreme climate - Strong typhoon/extreme rainfall - Drought	Chronic risk	The intensity and frequency of natural disasters such as typhoons and rains have increased, causing employees to be unable to go to work When water conditions turn to orange light (water restriction 15%) or above, tap water supply is reduced daily. Water restriction causes suppliers to be unable to produce and deliver goods	Short term	Strengthen climate resilience to achieve sustainable operations	Resilience	Integrate climate scenarios into the risk management of the company's business model to cope with the impact of climate change on the company and improve corporate resilience	
Physical risks	Warming increases electricity consumption	Acute risk	Rising temperatures will increase air conditioning load and increase operating costs	Short term	Greenhouse Gas Emissions Reduction Plan	Energy source and Resource Efficiency	Save electricity and save operating costs	

Items		Execution Status					
3. Description on the impact extreme climate events and transitional actions have on finance		In response to extreme climate events, eMemory comprehensively assesses the relevant financial impacts and takes transformation actions as follows:					
<b>Risk Category</b>	<b>Climate change risks</b>	<b>Aspect</b>	<b>Potential impact on operations and finances</b>	<b>Climate Change Opportunities</b>	<b>Aspect</b>	<b>Potential impact on operations and finances</b>	
<b>Physical risks</b>	<b>Extreme climate - Strong typhoon/extreme rainfall - Drought</b>	Chronic risk	The intensity and frequency of natural disasters such as typhoons and rains have increased, causing employees to be unable to go to work When water conditions turn to orange light (water restriction 15%) or above, tap water supply is reduced daily. Water restriction causes suppliers to be unable to produce and deliver goods	<b>Strengthen climate resilience to achieve sustainable operations</b>	Resilience	Integrate climate scenarios into the risk management of the company's business model to cope with the impact of climate change on the company and improve corporate resilience	
		In response to extreme weather events, eMemory's response measures are as follows:					
		<ol style="list-style-type: none"> <li>1. Establish a water contingency plan</li> <li>2. Continue to pay attention to and supervise the government's ability to strengthen cross-regional water resource dispatching</li> <li>3. Monitor whether the water shortage trend in the foundry affects production</li> <li>4. Establish an instant remote office system</li> </ol>					

Items	Execution Status
<p>4. Description on how the climate risk identification, assessment, and management process is integrated in the overall risk management system</p>	<p>To face climate-related risks and opportunities, eMemory establishes the “Sustainable Operation Procedure” to internalize corporate social responsibility in our operating strategy and management. It demonstrates our determination on implementing sustainable development in the long run. There are 6 measures as follows:</p> <ol style="list-style-type: none"> <li>1. Increase efficiency in energy consumption and plan to adopt renewable energy to decrease GHG emission during operation</li> <li>2. Achieve Net Zero emission in 2050</li> <li>3. Strengthen strategies to respond to climate-change-related risks and create corresponding competitive advantages</li> <li>4. By using our technology and IPs, customers can decrease production costs and shorten development time, which allows them to decrease carbon emissions and achieve sustainability</li> <li>5. Develop green products for environmental protection and resource reuse</li> <li>6. Comply with environmental protection regulations and laws</li> </ol> <p>By conducting risk assessments regarding the market, policies, and legal, technology, reputation, and acute and chronic effects, eMemory evaluates risks and opportunities related to climate change and develops corresponding methods to minimize potential impacts.</p>
<p>5. Should scenario analysis is used to assess the Company's resilience in face of climate change risks, explanations on the scenario, parameters, hypothesis, analysis factors and major financial impacts should be provided</p>	<p>None.</p>
<p>6. Should there be transitional programs in response to managing climate-related risks, please explain the program's content and metrics and targets used to identify and manage physical and transitional risks</p>	<p>eMemory evaluates the disaster risks, market risks, operating risks, etc. that climate change may cause. In order to reduce the impact of increased operating costs caused by related potential risks, eMemory uses core technology innovation to replace traditional non-volatile components with streamlined component designs. The complex manufacturing process required for memory reduces carbon dioxide emissions and turns green environmental protection from responsibility into an opportunity; through innovation in strategy, marketing, management, R&amp;D, and other aspects, coupled with execution capabilities, we continue to change for sustainability. In response to the trends and impacts of climate change, our company comprehensively assesses risk issues and formulates specific plans and practices as follows:</p>



Execution Status						
Items	Risk Category	Climate change risks	Aspect	Potential impact on operations and finances	Identification Level	Management Measures
	Transition risks	Changes in market preferences -The rising demand for low-carbon emission products	Market, Technology risk	Customers require products with low energy consumption and low carbon emissions. Companies that cannot adapt will incur transition risks.	Mid	In response to trends such as energy conservation, carbon reduction, and green energy development, we seek new business opportunities: 1. Develop IP specifications for reduced power consumption operations 2. Priority support is given to IPs needed by IC industries related to green energy development, such as solar energy, energy removal power equipment, wind power & water power, etc. 3. Continue to expand BCD process IP requirements, make power control applications more popular and comprehensively reduce power waste 4. Meet the needs of customers and the energy-saving market through IP process scaling design and industrial operation characteristics.
		Customers demand low-carbon strategies to align with trends	Market risk	1. Foundries have been asked to increase green power procurement 2. Customers and foundries are gradually required to implement low-carbon strategies. If the company fails to implement them, it may lead to a bad impression.	Low	1. Continue to utilize the characteristics of the IP industry to reduce the proportion of corporate energy use and monitor project execution results through daily operation management indicators. 2. Actively responding to customers' low-carbon strategies, eMemory Electronics passed the ISO14064-1 greenhouse gas inventory verification in 2023 and set carbon emission reduction goals and policies. 3. Plan a renewable energy power purchase agreement to obtain renewable energy and green power purchase certificates. 4. Continue to promote supplier management: issue and evaluate annual supplier ESG self-assessment forms, perform written audits, and conduct on-site visits to key suppliers.

Execution Status						
Items	Risk Category	Climate change risks	Aspect	Potential impact on operations and finances	Identification Level	Management Measures
	Transition risks	Impact on corporate reputation	Reputation risk	<p>1. Failure to comply with policies, regulations or the goals of international climate change action initiatives, resulting in negative news for the company.</p> <p>2. When stakeholders raise ESG-related proposals, the company can only respond passively or be unable to respond.</p>	Low	<p>Explain or clarify reports and take specific actions to comply with policies, regulations or international goals related to climate change</p>
		Green energy policy	Policy and Legal risk	<p>1. Taiwan regulations require the expansion of renewable energy sources or the payment of fees, resulting in an increase in electricity prices</p> <p>2. Insufficient green energy results in the inability to purchase sufficient green power, which affects customers' perception of the company and their cooperative relationship</p>	Mid	<p>1. Promote power saving plans</p> <p>2. Purchase renewable energy certificates</p> <p>- Complete the ten-year green power procurement and achieve the green power target of more than 15% in 2024</p> <p>- Use effective actions, education, and training to target energy conservation and carbon reduction.</p> <p>3. Continue to data cloud storage and reduce equipment energy consumption and maintenance costs.</p>
		Greenhouse gas emission control and carbon tax		<p>The imposition of carbon fees and carbon taxes leads to an increase in operating costs.</p>	Low	

Items		Execution Status					
Risk Category	Climate change risks	Aspect	Potential impact on operations and finances	Identification Level	Management Measures		
Physical risks	<ul style="list-style-type: none"> <li>- Strong typhoon/extreme rainfall</li> <li>- Drought</li> </ul>	Chronic risk	The intensity and frequency of natural disasters such as typhoons and rains have increased, causing employees to be unable to go to work. When water conditions turn to orange light (water restriction 15%) or above, tap water supply is reduced daily. Water restriction causes suppliers to be unable to produce and deliver goods.	Low	<ol style="list-style-type: none"> <li>1. Establish a water contingency plan</li> <li>2. Continue to pay attention to and supervise the government's ability to strengthen cross-regional water resource dispatching</li> <li>3. Monitor whether the water shortage trend in the foundry affects production.</li> <li>4. Establish an instant remote office system</li> </ol>		
		Acute risk	Rising temperatures will increase air conditioning load and increase operating costs	Low	<ol style="list-style-type: none"> <li>1. Prioritize green building design for newly purchased offices</li> <li>2. Continue to replace old air-conditioning equipment with new ones and promote air-conditioning energy-saving measures</li> <li>3. Set up planting to increase the amount of greening and reduce the urban heat island effect</li> <li>4. Reduce the use of paper and other materials and reduce the energy consumption of equipment through digitalization, such as distributing online questionnaires.</li> </ol>		
7. Should the internal carbon pricing is used as the planning tool, the pricing mechanism should be explained		None					

Items	Execution Status
<p>8. Should climate-related targets are in place, information such as their scope of action, GHG emissions, planned timeline, and yearly achieved progress should be stated; for targets achieved through carbon offset and RECs, the source of offset amount and number of RECs should be stated</p>	<p>eMemory conducted GHG inventory in 2022 and actively obtained ISO14064-1:2018 certification in 2023. The organization's emissions are reviewed every year, and performance is reviewed against reduction targets. eMemory is committed to establishing the Science-Based Targets initiative (SBTi) targets, aiming to reduce carbon emissions by 25% of the base year by 2030 and achieve the major goal of net zero emissions (Net Zero) by 2050.</p>
<p>9. Carbon inventory and assurance efforts, reduction targets, strategies and specific action plans</p>	<p>In 2023, eMemory emitted a total of 1,726.0545tons of CO2e, including 21.5232 tons of CO2e for category 1, 630.4527 tons of CO2e for category 2, 43.6135 tons of CO2e for category 3, 1.1758 tons of CO2e for category 4, and 29.2893 tons of CO2e for category 5. The energy consumption inside and outside the organization totals 3,286,386.115 degrees (11,830,990 million joules) and 13,012.0383 degrees (46,843 million joules). We selected turnover as an organization-specific metric and calculated the energy intensity ratio as 0.5659 (tons of CO2e/million turnover). We hope to reduce the organization's energy intensity by 1% in 2025, also planning to linearly reduce gray energy consumption by at least 4.2% per year, setting a reduction target based on the scenario of " 1.5°C temperature rise".</p>

3.3.7 Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company establish the ethical corporate management policies which are approved by the Board of Directors, and clearly specify in the rules and external documents the ethical corporate management policies and measures, and the commitment made by the Board of Directors and senior management on rigorous and thorough implementation of such policies?</p> <p>(2) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess business activities within their business scope which</p>	V		<p>(1) The Company engages in commercial activities by basing on the fair, honest, trustworthy, transparent principle, that the “Ethical Corporate Management Practice Principles” had been established and approved by the Board of Directors to make ethical management practicable and prevent form unethical conducts, as well as publicly disclose “Ethical Corporate Management Practice Principles” on the corporate website and Market Observation Post System. The Board of Directors has approved that the Sustainability Management Committee is responsible for promoting and overseeing the Company’s integrity and ethical practices, and the Chairman of the committee will also report annually to the Board of Directors on the implementation of ethical corporate management.</p> <p>(2) The Company had established the “Work Rules” in which provided definitely that all the employees are required to be honesty without accepting bribes to prevent the benefit of the Company from being damaged for the individual benefit of the employee; the handling procedures and</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>are at a higher risk of being involved in unethical conduct, and establish prevention programs, which at least include preventive measures against the conducts provided for in paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(3) Dose the Company clearly and thoroughly prescribe the operational procedures, guidelines, discipline for violation and complaints system in the programs of preventing unethical conducts, on rigorous and thorough implementation of such programs, and review the programs periodically?</p>	V		<p>the reward and penalty system for inhibiting the Director, manager, employee etc. to provide or accept improper benefits are also definitely provided in the “Ethical Corporate Management Practice Principles” of the Company.</p> <p>(3) The clear directions of “Ethical Corporate Management Practice Principles” for performance of duties, operation procedures, discipline for violation and complaint channel, stakeholders may find the corresponding contact information through the area of ”Stakeholder Engagement” on the corporate website, or send emails to the Company or the members of Audit Committee to inform of unethical or complain.</p>	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners’ ethical records and include</p>	V		<p>(1) The sales unit and procurement unit of the Company respectively evaluates customer’s credit and manages the quality of supplier’s services pursuant</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
ethics-related clauses in business contracts?			to the internal procedures. The Company also cooperate with customers to sign the Supplier Code of Conduct or Supplier Social Responsibility Commitment and requires major suppliers to sign the “eMemory Supplier Social Responsibility Commitment” in which the requirement of ethical conduct has been provided.	
(2) Does the Company establish a dedicated unit that is under the Board of Directors and responsible for establishing the ethical corporate management, and report to the Board of Directors the ethical corporate management policies, prevention programs and the status of implementation under supervising periodically (at least on an annual basis)?	V		(2) On December 24, 2023, the Board of Directors had appointed the "Sustainable Management Committee" as the dedicated unit which is responsible for establishing the ethical corporate management, and report to the Board of Directors the ethical corporate management, prevention programs and the status of implementation under supervising on an annual basis. The 2023 ethical corporate management implementation report is published on the corporate website.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The recusal for Directors’ interest conflict had been provided in the “Rules of Procedure for Board of Directors Meetings”, that the Director him/herself or the corporate he/she represents for has a stake in the matter under discussion at the meeting where there is a likelihood that the interests of the Company would be prejudiced, may	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company had established effective accounting system, internal control system for rigorous and thorough implementation of ethical corporate management, and based on the results of assessment of the risk of involvement in unethical conducts under internal control	V		<p>state opinions or answer the inquiry but not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. Furthermore, the “Ethical Corporate Management Practice Principles” of the Company has provided the situation that in the event the personnel of the Company find there is conflict to the interests of his/her or the entity he/she represents for, or there is a likelihood that himself or herself, his or her spouse, parent, child or the stakeholder may obtain the improper benefits when executing the business of the Company, shall report the related events to his/her direct supervisor and the unit in charge, and the direct supervisor shall provide proper direction.</p> <p>(4) In order to fulfill the ethical management, the Company had established effective accounting system and internal audit system. The financial reports of the Company had been reviewed by the CPAs with audit report. Based on the results of assessment of the risk of involvement in unethical conducts, the internal auditor devises internal audit plans and performs the examination.</p>	



Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>operation, does the internal auditor devise internal audit plans and perform the examination on the compliance with programs of preventing from unethical conducts, or delegate a certified public accountant to perform the examination?</p> <p>(5) Does the Company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>(5) The fulfillment of ethical principle by employees is highly valued during the daily business, that the “Information Environment and Information Safety Propaganda” course is arranged in the new employee’s training courses, which emphasize on well preserving and keeping the confidentiality of either tangible information equipment or intangible information assets to prevent the confidentiality of the Company from being revealed. The course of “Personal Information Protection Act Propaganda” puts emphasis on the execution of non-disclosure agreement by the personnel who handles personal information to well conform to the confidentiality obligations and not illegally use the personal information. And the course of “Insider Trading Propaganda” which propagates the inhibition of making use of undisclosed information to conduct insider trading</p>	

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			and disclose to others. In 2023, we introduced the "Integrity & Anti-Corruption Propaganda" course to enhance employees' understanding of work ethics, reinforce the implementation of our integrity management policy, and proactively deter dishonest conduct. A total of 21 new employees participated in these courses, accumulating 31.5 hours of training. Course materials were uploaded to the Company's internal learning system for accessibility to all employees.	
<p>3. Operation of the integrity channel</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company establish the standard operational procedures</p>	V		<p>(1) The whistle-blowing system and related processing procedures had been established in the “Stakeholders Engagement” area on the corporate website, and the company's internal platform, myeMemory, also established an Employee Suggestion Mailbox and Internal Grievance Procedure, providing a way for employees to express their opinions, or the whistle-blowing can be made by sending an email to the member of Audit Committee, the whistle-blowing case will be handled by a person appointed by the Company according to the accused.</p> <p>(2) After receiving the whistleblowing case, according to the matters, the Company shall appoint a person to</p>	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
for investigation when whistle-blowing case occurs, the follow-up measures as well as the confidential mechanism after the investigation?  (3) Does the Company provide proper whistleblower protection?	V		accept and investigate the case. The appointed person shall report to the Company and the whistleblower about handling methods, schedule and result, the whistleblower and appointed person shall keep the investigation and related information confidential, that it shall not be disclosed, and the Company shall protect the whistleblower from revenge or other improper treatment.  (3) As mentioned in the above, the Company shall protect the whistleblower from improper treatment due to the whistleblowing. The involved person who fails to keep the confidentiality and causes the confidentiality revealed shall be disciplined pursuant to the related rules.	
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The “Ethical Corporate Management Practice Principles” of the Company had been established and publicly disclosed on the corporate website and Market Observation Post System; the execution status of ethical management of the Company is further interpreted on the corporate website and in the Annual Report.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation : None.				
6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies) : None.				

### 3.3.8 Corporate Governance Guidelines and Regulations

To enhance corporate management system, the Company had established the corporate management related rules such as Rules of Procedure for Shareholders Meetings, Rules of Procedure for Board of Directors Meetings, Rules for Election of Directors, Rules for Board of Directors Performance Assessment, Corporate Governance Practice Principles, Sustainable Development Practice Principles, Ethical Corporate Management Practice Principles, Rules Governing the Scope of Powers of Independent Directors, Audit Committee Charter and Remuneration Committee Charter, relevant contents of the fore mentioned rules are available on the Market Observation Post System and the corporate website.

### 3.3.9 Other Important Information Regarding Corporate Governance

To implement the hierarchical responsibilities management mechanism, the delegation of authorization had been established and authorized by the Board of Directors; the internal control system includes the management of related party transactions, supervision and management of subsidiaries, management of operation of Board meetings, management of Audit Committee meeting operations and management of Remuneration Committee meeting operations, that internal audit unit shall annually arrange the audit and report to the Audit Committee and Board of Directors.

The Company further established the rules related to corporate governance including Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee, Procedures for Lending Funds to Other Parties, and Procedures for Repurchase of Shares which are available on the Market Observation Post System and the corporate website.

The Directors of the Company continually participate in the corporate governance and professional knowledge training courses and obtained the certified documents every fiscal year pursuant to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”. The Directors profession enhancement status had disclosed on the Market Observation Post System.

### 3.3.10 Internal Control System Execution Status

#### A. Statement of Internal Control System

eMemory Technology Inc.  
Statement of Internal Control System

February 21, 2024

Based on the findings of a self-assessment, eMemory Technology Inc. (eMemory) states the following with regard to its internal control system during the year 2023:

1. eMemory's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and eMemory takes immediate remedial actions in response to any identified deficiencies.
3. eMemory evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. eMemory has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, eMemory believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of eMemory's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on February 21, 2024, with none of the nine attending Directors expressing dissenting opinions, and all affirming the content of this Statement.

eMemory Technology Inc.

Chairman : Charles Hsu

President : Michael Ho

- B. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.3.11 Legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, disclose the penalty, the main shortcomings, and condition of improvement.: None.

3.3.12 Major Resolutions of Shareholders' Meeting, Board Meetings, Audit Committee and Remuneration Committee

A. Major Resolutions of Shareholders' Meeting in 2023

Major Resolutions	Status of Execution
Acknowledgement of the Business Report and Financial Statements of 2022	Approved by resolution.
Acknowledgement of the Proposal for Profit Distribution of 2022	July 7, 2023 was set as the distribution closing date, July 21, 2023 was set as the distribution date. ( cash dividend was distributed by NT\$ 19 per share)
Approval of Proposal to Distribute the Cash from Capital Surplus	July 7, 2023 was set as the distribution closing date, July 21, 2023 was set as the distribution date. (cash derived from Capital Surplus was distributed by NT\$1.5 per share)
Approval of Amendment to the "Rules of Procedure for Shareholders Meetings"	Approved by resolution, and implemented according to the amendment to the articles.
Approval of Release of Directors from Non-Competition Restrictions	Approved by resolution.

B. Major Resolutions of Board Meetings, Audit Committee and Remuneration Committee in 2023 and up to April 21, 2024

Time	Term	Major Resolutions	Status of Execution
2023.02.22	The tenth meeting of eighth term	<ol style="list-style-type: none"> <li>1. Approved the distribution of employees' compensation and Directors' remuneration of 2022 (*2)</li> <li>2. Approved the transfer of employee stock option certificates first issued in 2016 to general shares and relevant changes in the registration (*1)</li> <li>3. Approved the financial report and business report of 2022 (*1)</li> <li>4. Approved the proposal of profit distribution of 2022 (*1)</li> </ol>	All of the items were executed according to the resolutions.

Time	Term	Major Resolutions	Status of Execution
		<ol style="list-style-type: none"> <li>5. Approved the proposal of distributing cash from capital surplus</li> <li>6. Approved the proposed amendments of “Rules of Procedure for Shareholders Meetings” , “Rules of Procedure for Board of Directors Meetings” and “Standard Operational Protocol for Responding to Requests from Directors”</li> <li>7. Approved the proposal of convening the 2023 general shareholders’ meeting</li> <li>8. Approved the 2022 performance assessment of managers (*2)</li> <li>9. Approved the proposal of distribution of 2022 employees’ compensation and team operation bonus to management team (*2)</li> <li>10. Approved the proposal for the distribution of pension benefits for management team member (*2)</li> <li>11. Approved the internal control self-assessment report and the “Statement of Internal Control System” of 2022 (*1)</li> <li>12. Approved the proposal to increase the capital of subsidiary (*1)</li> <li>13. Approved the professional fees of 2023 for CPA (*1)</li> </ol>	
2023.04.26	The eleventh meeting of eighth term	<ol style="list-style-type: none"> <li>1. Approved the 2023 first quarter consolidated financial report (*1)</li> <li>2. Approved the proposed amendments for “Rules of Procedure for Shareholders Meetings”</li> <li>3. Approved the proposal for release of Directors from non-competition restrictions (*1)</li> <li>4. Approved the subject amendment for convening the 2023 general shareholders’ meeting</li> <li>5. Approved the proposal for personnel appointment</li> </ol>	All of the items were executed according to the resolutions.
2023.07.26	The twelfth meeting of eighth term	<ol style="list-style-type: none"> <li>1. Acknowledged the loans that had been signed with the bank for business operation needs (*1)</li> <li>2. Approved the change of CPA for the internal transfer of Deloitte &amp; Touche (*1)</li> </ol>	All of the items were executed according to

Time	Term	Major Resolutions	Status of Execution
		<ol style="list-style-type: none"> <li>3. Approved the transfer of employee stock option certificates first issued in 2016 to general shares and relevant change of registration (*1)</li> <li>4. Approved the 2023 second quarter consolidated financial report (*1)</li> <li>5. Approved the employee stock option certificates of subsidiary which are distributed to the managers of the Company (*2)</li> <li>6. Approved the distribution proposal for the respective remuneration of Directors of the Company in 2022 (*2)</li> <li>7. Approved the change and the distribution of pension benefits for management team member (*2)</li> </ol>	the resolutions.
2023.10.24	The thirteenth meeting of eighth term	<ol style="list-style-type: none"> <li>1. Approved the transfer of employee stock option certificates first issued in 2016 to general shares and related changes of registration (*1)</li> <li>2. Approved the cancellation of the third treasury shares</li> <li>3. Approved the 2023 third quarter consolidated financial report (*1)</li> <li>4. Approved the proposal to purchase new office and parking spaces in the 10th Phase of Tai Yuen Hi-Tech Industrial Park (*1)</li> <li>5. Approved the proposal to amend the Company's corporate governance-related regulations</li> </ol>	All of the items were executed according to the resolutions.
2023.12.20	The fourteenth meeting of eighth term	<ol style="list-style-type: none"> <li>1. Approved the proposal for 2024 budget (*1)</li> <li>2. Approved the amendments of “Internal Control System” and the relevant “Implementation rules for internal audits” (*1)</li> <li>3. Approved the proposal for 2024 audit plan of the Company and its subsidiaries (*1)</li> <li>4. Approved the assessment of the independence and performance of the CPA appointed by the Company (*1)</li> </ol>	All of the items were executed according to the resolutions.



Time	Term	Major Resolutions	Status of Execution
2024.02.21	The fifteenth meeting of eighth term	<ol style="list-style-type: none"> <li>1. Approved the distribution of employees' compensation and Directors' remuneration of 2023 (*2)</li> <li>2. Approved the financial report and business report of 2023 (*1)</li> <li>3. Approved the proposal for the profit distribution of 2023 (*1)</li> <li>4. Approved the election of directors for the 9th term</li> <li>5. Approved the proposal of convening the 2024 general shareholders' meeting</li> <li>6. Approved the 2023 performance assessment of managers (*2)</li> <li>7. Approved the proposal for the distribution of 2023 employees' compensation and team operation bonus to the management team (*2)</li> <li>8. Approved the internal control self-assessment report and the "Statement of Internal Control System" of 2023 (*1)</li> <li>9. Approved the proposal to amend the Company's corporate governance-related regulations</li> <li>10. Approved the professional fees of 2024 for CPA (*1)</li> </ol>	Except the distributions under proposal 1 & 7 are not completed, and the proposal 2~5 will be determined during the shareholders' meeting on 2024.06.19, the other items were executed according to the resolutions.

\*1: The matters that Audit Committee of the Company submits to the Board of Directors for approval Pursuant to Article 14-5 of the "Securities and Exchange Act".

\*2: The matters that Remuneration Committee of the Company submits to the Board of Directors for approval Pursuant to Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

3.3.13 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors : None.

3.3.14 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D : None.

3.4 Information Regarding the Company's Audit Fee of Independent Auditors

3.4.1 Amounts of the Audit Fees and Non-Audit Fees Paid to Independent Auditors and to the Accounting Firm to Which They Belong and to Any Affiliated Enterprises As Well As the Details of Non-Audit Services:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche	Yu-Feng Huang and Su-Li Fang	2023.01.01 ~ 2023.03.31	1,720	540	2,260	1. The Company has changed CPAs for the internal transfer of Deloitte & Touche since the second quarter of 2023. 2. The non-audit fees including tax compliance audit, annual English report translation and the Annual Report for the shareholders' meeting review.
	Cheng-Chih Lin and Ya-Yun Chang	2023.04.01 ~ 2023.12.31				

3.4.2 When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in Which Such Change Took Place Are Lower Than Those for the Previous Year, The Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall Be Disclosed: None.

3.4.3 When the Audit Fees Paid for the Current Year Are Lower Than Those for the Previous Fiscal Year by 10 Percent Or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) Therefore Shall Be Disclosed: None.

### 3.5 Replacement of CPA

#### A. Regarding the former CPA

Replacement Date	Approved by the Board Meeting on 2023.07.26		
Replacement reasons and explanations	The original CPAs of the Company were Yu-Feng Huang and Su-Li Fang from Deloitte & Touche. Due to internal restructuring at Deloitte & Touche, the CPAs of the Company were changed to Cheng-Chih Lin and Ya-Yun Chang, beginning the second quarter of 2023.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	The Company
	Termination of appointment	CPA	-
	No longer accepted (continued) appointment	CPA	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	None	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	Remarks/specify details:		
Other Revealed Matters	None		

B. Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Cheng-Chih Lin and Ya-Yun Chang
Date of appointment	Approved by the Board Meeting on 2023.07.26
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

C. Reply Letter from the former CPA : None.

3.6 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions in the Company's Independent Auditing Firm or Its Affiliates During 2023.

3.7 Changes in Shareholding and Shares Pledged by the Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More

A. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2023		2024 (As of April 21)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Charles Hsu	0	0	0	0
Director	Mu-Chuan Hsu	0	0	0	0
Director	Li-Jeng Chen	0	3,000	(7,000)	0
Director and President	Michael Ho	0	0	0	0
Director	How-Han Investment Corporation	0	0	0	0
Independent Director	Kenneth Kin	0	0	0	0
Independent Director	Ming-To Yu	0	0	0	0
Independent Director	T.C. Chen	0	0	0	0
Senior Vice President	Chris Lu	0	0	0	0
Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin	(44,000)	0	8,750	0
Vice President	Anita Chang (Note 1)	0	0	0	0
Vice President	John Ho	0	0	(3,000)	0
Vice President	Evans Yang (Note 2)	(9,000)	0	0	0
Vice President	Hsin-Ming Chen	0	0	0	0
Accounting and Financial Officer / Corporate Governance Officer	Teresa Kuo	(1,000)	0	4,000	0

Note 1 : Ms. Anita Chang retired on on March 31, 2023, so the information is as of March 31, 2023.

Note 2 : Mr. Evans Yang retired on July 26, 2023, so the information is as of July 26, 2023.

B. Shares Trading with Related Parties: None.

C. Shares Pledge with Related Parties: None.

### 3.8 Relationship among the Top Ten Shareholders

04/21/2024 ; Unit: Share ; %

Name	Current Shareholding		Spouse's / minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
SmallCap World Fund Inc.	5,933,919	7.95	N/A	N/A	N/A	N/A	None	None	None
Government of Singapore	4,243,093	5.68	N/A	N/A	N/A	N/A	None	None	None
New Labor Pension Fund	2,833,200	3.79	N/A	N/A	N/A	N/A	None	None	None
Li-Jeng Chen	2,338,000	3.13	-	-	-	-	None	None	None
Norges Bank	1,995,000	2.67	N/A	N/A	N/A	N/A	None	None	None
Fubon Life Insurance Co., Ltd Representative : Richard M. Tsai	1,636,000	2.19	N/A	N/A	N/A	N/A	None	None	None
Charles Hsu	1,429,407	1.91	6,423	0.01	-	-	None	None	None
Mu-Chuan Hsu	1,273,179	1.71	366,279	0.49	-	-	None	None	None
Fidelity Emerging Markets Fund	1,185,000	1.59	N/A	N/A	N/A	N/A	None	None	None
Allianz Global Investors Taiwan Technology Fund	1,133,000	1.52	N/A	N/A	N/A	N/A	None	None	None

### 3.9 Ownership of Shares in Affiliated Enterprises

04/21/2024 ; Unit: Thousand shares ; %

Affiliated Enterprises (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers (Note 2)		Total Ownership	
	Shares	%	Shares	%	Shares	%
iMQ Technology Inc.	2,057	2.24	4,352	4.75	6,409	6.99

Note 1 : Investments accounted for using equity method.

Note 2 : If the Director or Supervisor is a legal entity, its shares include legal entity and its representative.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

Unit: Thousand shares / NT\$ thousands

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
09/2000	10	40,000	400,000	30,895	308,950	Set up Capital : 308,950	Technology : 60,000	09/22/2000 Jin (089) Sun Tzu No.089134296
01/2002	10	40,000	400,000	40,000	400,000	Cash Offering : 91,050	None	01/09/2002 Jin So Sun Tzu No.09101006950
12/2003	10	60,000	600,000	46,000	460,000	Cash Offering : 60,000	None	12/11/2003 Yuan Shang Tzu No. 0920034610
11/2004	10	61,500	615,000	32,689	326,889	Capital Reduction : 203,111 Cash offering : 70,000	None	11/24/2004 Yuan Shang Tzu No.0930032426
10/2005	10	61,500	615,000	33,425	334,249	Exercise of Employee Stock : 7,360	None	10/24 /2005Yuan Shang Tzu No.0940028474
01/2006	10	61,500	615,000	33,500	334,999	Exercise of Employee Stock : 750	None	01/23/2006 Yuan Shang Tzu No.0950001176A
08/2006	10	61,500	615,000	38,357	383,565	Capitalization of Profits : 41,133 Capitalization of Employee Bonus : 7,433	None	08/01/2006Yuan Shang Tzu No.0950019826
10/2006	10	61,500	615,000	39,446	394,455	Exercise of Employee Stock : 10,890	None	10/23/2006 Yuan Shang Tzu No.0950027836
01/2007	10	61,500	615,000	39,452	394,515	Exercise of Employee Stock : 60	None	01/10/2007Yuan Shang Tzu No.0960000825
08/2007	10	61,500	615,000	44,869	448,694	Exercise of Employee Stock : 4,940 Capitalization of Profits : 41,721 Capitalization of Employee Bonus : 7,518	None	08/31/2007 Yuan Shang Tzu No.0960023515
10/2007	10	61,500	615,000	45,415	454,154	Exercise of Employee Stock : 5,460	None	10/16/2007 Yuan Shang Tzu No.0960027729
01/2008	10	61,500	615,000	45,558	455,584	Exercise of Employee Stock : 1,430	None	01/28/2008 Yuan Shang Tzu No.0970002528
04/2008	10	61,500	615,000	45,744	457,444	Exercise of Employee Stock : 1,860	None	04/29/2008 Yuan Shang Tzu No.0970011421
07/2008	10	61,500	615,000	53,497	534,974	Exercise of Employee Stock : 1,690 Capitalization of Profits : 64,050 Capitalization of Employee Bonus : 11,790	None	07/29/2008 Yuan Shang Tzu No.0970020537
11/2008	10	61,500	615,000	53,966	539,664	Exercise of Employee Stock : 4,690	None	11/06/2008 Yuan Shang Tzu No.0970031028
01/2009	10	61,500	615,000	54,116	541,164	Exercise of Employee Stock : 1,500	None	01/19/2009 Yuan Shang Tzu No.0980001857
04/2009	10	61,500	615,000	54,300	543,004	Exercise of Employee Stock : 1,840	None	04/20/2009 Yuan Shang Tzu No.0980010553
08/2009	10	80,000	800,000	60,392	603,916	Exercise of Employee Stock : 800 Capitalization of Profits : 54,116 Capitalization of Employee Bonus : 5,995	None	08/05/2009 Yuan Shang Tzu No.0980021773

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital (Amount)	Capital Increased by Assets Other than Cash (Amount)	Other
10/2009	10	80,000	800,000	60,427	604,266	Exercise of Employee Stock : 350	None	10/26/2009 Yuan Shang Tzu No.0980030178
02/2010	10	80,000	800,000	62,422	624,221	Exercise of Employee Stock : 19,955	None	02/11/2010 Yuan Shang Tzu No.0990004274
03/2010	10	80,000	800,000	62,452	624,521	Exercise of Employee Stock : 300	None	06/02/2010 Yuan Shang Tzu No.0990015194
08/2010	10	100,000	1,000,000	65,358	653,567	Exercise of Employee Stock : 320 Capitalization of Profits : 18,727 Capitalization of Employee Bonus : 10,000	None	08/26 /2010Yuan Shang Tzu No.0990024779
10/2010	10	100,000	1,000,000	65,378	653,777	Exercise of Employee Stock : 210	None	10/29/2010 Yuan Shang Tzu No.0990032379
01/2011	10	100,000	1,000,000	76,086	760,855	Exercise of Employee Stock : 7,078 Cash offering : 100,000	None	02/09/2011 Yuan Shang Tzu No.1000003917
01/2012	10	100,000	1,000,000	76,514	765,138	Exercise of Employee Stock : 4,283	None	01/17/2012 Yuan Shang Tzu No.1010001845
05/2012	10	100,000	1,000,000	76,706	767,058	Exercise of Employee Stock : 1,920	None	05/09/2012 Yuan Shang Tzu No.1010013550
11/2012	10	100,000	1,000,000	76,833	768,323	Exercise of Employee Stock : 1,265	None	11/06/2012 Yuan Shang Tzu No.1010034298
02/2016	10	100,000	1,000,000	75,783	757,823	Cancellation of Treasury Shares: 10,500	None	02/18/2016 Zhu Shang Tzu No. 1050004206
04/2018	10	100,000	1,000,000	75,791	757,908	Exercise of Employee Stock : 85	None	05/09/2018 Zhu Shang Tzu No. 1070013293
07/2019	10	100,000	1,000,000	75,805	758,050	Exercise of Employee Stock : 142	None	08/20/2019 Zhu Shang Tzu No. 1080023864
10/2019	10	100,000	1,000,000	75,831	758,314	Exercise of Employee Stock : 264	None	11/05/2019 Zhu Shang Tzu No. 1080032062
02/2020	10	100,000	1,000,000	75,834	758,336	Exercise of Employee Stock : 22	None	03/02/2020 Zhu Shang Tzu No. 1090005834
10/2020	10	100,000	1,000,000	76,056	760,561	Exercise of Employee Stock : 2,225	None	11/10/2020 Zhu Shang Tzu No. 1090031845
02/2021	10	100,000	1,000,000	76,073	760,726	Exercise of Employee Stock :165	None	03/10/2021 Zhu Shang Tzu No. 1100006431
04/2021	10	100,000	1,000,000	76,080	760,797	Exercise of Employee Stock :71	None	05/07/2021 Zhu Shang Tzu No. 1100013101
10/2021	10	100,000	1,000,000	76,123	761,234	Exercise of Employee Stock :437	None	11/10/2021 Zhu Shang Tzu No. 1100033006
02/2022	10	100,000	1,000,000	76,126	761,262	Exercise of Employee Stock :28	None	03/04/2022 Zhu Shang Tzu No. 1110006693
07/2022	10	100,000	1,000,000	76,162	761,622	Exercise of Employee Stock :360	None	08/09/2022 Zhu Shang Tzu No. 1110025360
10/2022	10	100,000	1,000,000	76,184	761,844	Exercise of Employee Stock :222	None	11/11/2022 Zhu Shang Tzu No. 11110036385
02/2023	10	100,000	1,000,000	76,186	761,864	Exercise of Employee Stock :20	None	03/07/2023 Zhu Shang Tzu No. 1120006764
07/2023	10	100,000	1,000,000	76,188	761,884	Exercise of Employee Stock :20	None	08/08/2023 Zhu Shang Tzu No. 1120026011
10/2023	10	100,000	1,000,000	76,209	762,092	Exercise of Employee Stock :208	None	11/15/2023 Zhu Shang Tzu No. 1120037246
10/2023	10	100,000	1,000,000	74,642	746,422	Cancellation of Treasury Shares: 15,670	None	11/15/2023 Zhu Shang Tzu No. 1120037246
Note	10	100,000	1,000,000	74,656	746,562	Exercise of Employee Stock :140	None	Note

Note : The 14,050 shares of the employee stock options executed from January to April 2024 have not been registered.

04/21/2024 ; Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	74,656,242 (Note)	25,343,758	100,000,000	TPEX stocks

Note : The 14,050 shares of the employee stock options executed from January to April 2024 have not been registered.

#### 4.1.2 Status of Shareholders

04/21/2024

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	16	288	8,827	813	9,944
Shareholding (shares)	0	2,690,500	14,506,994	13,612,896	43,845,852	74,656,242
Percentage (%)	0	3.60	19.43	18.24	58.73	100.00

#### 4.1.3 Shareholding Distribution Status

04/21/2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	7,706	329,274	0.44
1,000 ~ 5,000	1,426	2,636,419	3.53
5,001 ~ 10,000	221	1,689,210	2.26
10,001 ~ 15,000	112	1,426,002	1.91
15,001 ~ 20,000	80	1,439,508	1.93
20,001 ~ 30,000	87	2,127,573	2.85
30,001 ~ 40,000	67	2,331,524	3.12
40,001 ~ 50,000	32	1,460,869	1.96
50,001 ~ 100,000	87	5,902,851	7.91
100,001 ~ 200,000	65	8,940,174	11.98
200,001 ~ 400,000	32	8,771,781	11.75
400,001 ~ 600,000	8	4,031,542	5.40
600,001 ~ 800,000	4	2,675,275	3.58
800,001 ~ 1,000,000	4	3,661,375	4.90
1,000,001 or over	13	27,232,865	36.48
Total	9,944	74,656,242	100.00



#### 4.1.4 List of Major Shareholders

04/21/2024

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
SmallCap World Fund Inc.	5,933,919	7.95
Government of Singapore	4,243,093	5.68
New Labor Pension Fund	2,833,200	3.79
Li-Jeng Chen	2,338,000	3.13
Norges Bank	1,995,000	2.67
Fubon Life Insurance Co., Ltd	1,636,000	2.19
Charles Hsu	1,429,407	1.91
Mu-Chuan Hsu	1,273,179	1.71
Fidelity Emerging Markets Fund	1,185,000	1.59
Allianz Global Investors Taiwan Technology Fund	1,133,000	1.52

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$ / Thousand shares

Item	Year	2024 (As of April 21) (Note 4)			
		2022	2023		
Market Price per Share (Note 1)	Highest Market Price	2,225.0	2,680.0	3,250.0	
	Lowest Market Price	899.0	1,320.0	2,190.0	
	Average Market Price	1,338.11	2,013.50	2,634.09	
Net Worth per Share (Note 2)	Before Distribution	41.01	40.50	46.31	
	After Distribution	20.51	(Note 2)	N/A	
Earnings per Share	Weighted Average Shares	74,586	74,629	74,651	
	Earnings Per Share	21.61	19.76	5.77	
Dividends per Share (Note 3)	Cash Dividends	20.5	(Note 3)	N/A	
	Stock Dividends	Dividends from Retained Earnings	-	(Note 3)	N/A
		Dividends from Capital Surplus	-	(Note 3)	N/A
	Accumulated Undistributed Dividends	-	(Note 3)	N/A	
Return on Investment	Price / Earnings Ratio (Note 5)	64.82	102.02	N/A	
	Price / Dividend Ratio (Note 6)	68.33	115.20	N/A	
	Cash Dividend Yield Rate (Note 7)	1.46%	0.87%	N/A	

Note 1: Market price per share is based on the information posted on the official website of TPEX.

Note 2: Information on 2022 is based on the resolution of the Shareholders' Meeting in 2023; the distribution of profits for 2023 is still pending on the final resolution of the Shareholders' Meeting in 2024.

Note 3: Cash dividend paid by eMemory for 2023 is NT\$17.5 per share (dividend from the retained earnings). This proposal is pending on the final resolution of the Shareholders' Meeting in 2024.

Note 4: The net worth and earnings per share in this column are the information on the reviewed consolidated financial statements for the first quarter of 2024.

Note 5: Price / Earnings Ratio = Average Closing Price per Share in current year / Earnings per Share.

Note 6: Price / Dividend Ratio = Average Closing Price per Share in current year / Cash Dividends per Share.

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price per Share in current year.

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

If there is any profit in an annual general financial statement of the Company, such profit shall be distributed in the following orders:

1. Reserve for tax payments.
2. Offset accumulated losses, if any.
3. Legal reserve, which is 10% of remaining net profits after deducting the aforementioned items. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
4. Allocation or reverse of special reserves as required by law or government authorities.
5. The remaining net profits and retained earnings from previous years will be allocated as shareholders' dividend. The Board will prepare a distribution proposal and submit it to the Shareholders' Meeting for review and approval by a resolution.

Since the Company is in an industry in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment and capital needs, and capital budgeting plans. The proposal should strike a balance between the shareholders' benefits and the Company's long-term financial plans. Dividends to shareholders shall not be less than 50% of the remaining retained earnings available for distribution and may be distributed in cash or in stock. Cash dividends shall not be lower than 10% of total dividends to shareholders. Each year the Board shall prepare a profit distribution proposal and present it at the Shareholders' Meeting for approval.

##### B. Proposed Distribution of Dividend

The proposal for 2023 profit distribution was resolved by the Board dated February 21, 2024; pending on the final resolution of the Shareholders' Meeting scheduled on June 19, 2024 with authorization to the Chairman for setting the ex-dividend day.

**eMemory Technology Inc.**  
**Statement of Profit Distribution**  
**2023**

Unit: NT\$

Item	Amount	
	Subtotal	Total
<b>Beginning Balance of Unappropriated Earnings</b>		<b>\$ 312,462,361</b>
Net Profit of 2023	1,474,443,425	
Cancellation of Treasury Shares	(388,104,257)	
Remeasurement of Defined Benefit Plans Counted in Retained Earnings	2,082,744	
Special Reserve Appropriated	<u>(189,836)</u>	
<b>Balance After Adding Adjustments to Net Profit for the Year</b>		<b><u>1,088,232,076</u></b>
<b>Retained Earnings Available for Distribution</b>		<b>1,400,694,437</b>
<b>Distribution of Shareholder Dividends - Cash (NT\$ 17.5 per share)</b>		<b><u>(1,306,408,985)</u></b>
<b>Ending Balance of Unappropriated Earnings</b>		<b><u>\$ 94,285,452</u></b>

Chairman: Charles Hsu                      President: Michael Ho                      Accounting Officer: Teresa Kuo

Remarks: 1. According to the Rule No.871941343 issued by the Ministry of Finance on April 30, 1998, when distributing earnings, it shall be identified respectively; the earnings distributed in this year shall be those of the latest year.

2. The shareholder cash dividends is in a total amount of NT\$ 1,306,408,985, to be distributed by NT\$ 17.5 per share, this is calculated by basing on the issued 74,651,942 outstanding shares up to February 20, 2024, and rounded down to the nearest whole number, the fractional balance less than NT\$ 1 shall be summed up and recognized as other income of the Company.

C. Anticipation of Future Change in Dividend Policy: None.

4.1.7 Impact to 2022 Business Performance and EPS Resulting from Stock Dividend Distribution:  
Not applicable.

4.1.8 Compensation of Employees, Directors and Supervisors

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

If there is any pre-tax profit, 1% to 25% of the profit shall be distributed to eligible employees in the form of cash or stock for profit sharing. No higher than 2% of the profit shall be distributed to directors for compensation.

- B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

In case of variation between the amount resolved by the resolution of the Shareholders' Meeting and the estimation in the financial statements, the difference is recognized as a change in accounting estimate and recognized as income or loss in current period.

C. Distribution of Compensation Approved in the Board of Directors Meeting

- (1) Employee compensation sharing, stock dividend, and remuneration to the directors and the supervisors in the year of recognition varied with the estimation, disclose the differences, specify the cause, and the settlement of the problem:

a. The employees' compensation and the remuneration of Directors of 2023 had been resolved by the Board of Directors on February 21, 2024, the distribution of mentioned compensation and remuneration is set forth below:

① The distribution of employees' compensation is in an amount of NT\$ 302,976,635.

② The distribution of remuneration of Directors is in an amount of NT\$ 30,297,663.

b. There is no difference between the distributed amounts mentioned above and the assessed amounts of employees' compensation and remuneration of Directors.

- (2) The amount of employee stock compensation planned to be released in proportion to the net income of the individual financial statements of The Company and to total employee compensation: Not applicable.

- D. Information of 2022 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated

Unit: Thousand shares / NT\$ thousands

Item	Amount for Distribution Resolved by the Board of Directors	Estimation in the Year of Recognition	Difference	Shares (1,000 shares)	Share Price (NT\$)	Note to the Difference
Employees' Compensation	344,259	344,259	-	-	-	N/A
Remuneration of Directors	34,426	34,426	-	-	-	N/A

- 4.1.9 Status of Repurchase of Shares: The Company's treasury shares have exceeded the transfer period and are regarded as unissued shares according to the Securities and Exchange Act. The capital reduction has been completed in October 2023.

- 4.2 Bonds Status of Corporate Bonds, Preferred Stocks, Global Depository Receipts (GDRs): Not applicable.

### 4.3 Status of Employee Stock Options

#### 4.3.1 Issuance of Employee Stock Options

04/21/2024 ; Unit: Thousand shares / NT\$ thousands

Type of Stock Option	First Stock Option of 2016 ( Issuance on 02/23/2016)
Approval Date and Total Units	12/30/2015 2,000
Issue Date	02/23/2016
Units Issued	500
Units Still Available	0
Percentage of Shares Exercisable to Outstanding Common Shares	0.66%
Option Duration	10 years (to 02/22/2026)
Source of Option Shares	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	441
Value of Shares Exercised	140,941
Shares Unexercised	30.25 (Note)
Adjusted Exercise Price Per Share (NT\$)	318.4
Percentage of Shares Unexercised to Outstanding Common Shares	0.04%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited

Note : The shares had been deducted due to employee turnover.

4.3.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

04/21/2024

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised				
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	
Executive officers	President	Michael Ho											
	Senior Vice President	Chris Lu											
	Senior Vice President and Chief of Technology Officer	Ching-Yuan Lin											
	Vice President	John Ho	91,500	0.12%	64,000	324.2~318.4	20,412	0.08%	27,500	318.4	8,756	0.04%	
	Vice President	Hsin-Ming Chen											
	Accounting and Financial Officer / Corporate Governance Officer	Teresa Kuo											
	Department Manager	Shih-Chen Wang											
Employees	Project Deputy Director	Hung-Hsiang Wang											
	Senior Director	Chun-Hung Lin											
	Director	Chun-Fu Lin											
	Sales Director	Shih-Yun Lin	90,500	0.12%	90,500	331.6~318.4	28,910	0.12%	0	318.4	0	0%	
	Senior Director	Wein-Town Sun											
	Director	Hsin-Kun Hsu											
	Staff Project Manager	Shih-Chan Huang											
	Senior Director	Tsung-Mu Lai											
	Department Manager	Ming-Shan Lo											

4.4 Status of New Restricted Employee Shares : Not applicable.

4.5 Status of New Share Issuance in Connection with Mergers and Acquisitions : Not applicable.

4.6 Financing Plans and Implementation : Not applicable.

## V. Business Overview

### 5.1 Business Activities

#### 5.1.1 Scope of business

##### A. Main business activities

- ① CC01080 Electronic Parts and Components Manufacturing
- ② I501010 Product Designing
- ③ F601010 Intellectual Property (IP)
- ④ CC01050 Data Storage and Processing Equipment Manufacturing
- ⑤ Research, development, manufacture and sales of the following products:
  - a. Embedded One-Time Programmable Memory SIP
  - b. Embedded Flash Memory SIP
  - c. Embedded Multi-Time-Programmable Memory SIP
  - d. Embedded Resistive-Random-Access Memory, RRAM SIP
  - e. Physically Unclonable Function SIP

##### B. Revenue composition

Unit : NT\$ thousands

Revenue Streams	2022		2023	
	Net Revenue	Revenue Contribution	Net Revenue	Revenue Contribution
Licensing	742,072	23.1%	925,838	30.4%
Royalty	2,474,639	76.9%	2,124,487	69.6%
Total	3,216,711	100.0%	3,050,325	100.0%

##### C. Products and services as of now

Founded in September 2000, eMemory is a Silicon Intellectual Property (SIP) design company owning over 1,170 patents. eMemory is dedicated to the technology development and applications of embedded non-volatile memories.

eMemory focuses on technology innovation, namely the creation of new embedded non-volatile memories within existing process platforms (e.g. Logic, Radio-Frequency, High Voltage, and BCD processes). Unlike other companies that introduce new materials/processes or adopt unstable device operation modes for their non-volatile memory technology, eMemory technology platforms are already available in world-wide foundries with our versatile offerings able to meet the different needs of IC design houses. This ensures shorter product development time and prevents process incompatibility issue.

SIP contends intellectual property. Users (customers) are licensed for use with the rights to manufacture or design products, while the property right is still possessed by the inventor. Users will be charged when using the SIP for product design or production. eMemory collects License fee, Usage fee, or Non-Recurring Engineering (NRE), Royalty, or a combination of the above. Descriptions of the fees are as follows:

① License Fee

eMemory's main licensing customers are semiconductor foundries. Due to patent entry barrier or expertise in mass production, customers must rely on eMemory's technology and IP solutions. License fee generally refers to the fee charged according to individual process platform (e.g. 0.5um , 0.35um , 0.25um , 0.18um , 0.13um , 55nm , 40nm , 28/22nm, 16/12nm, 7/6nm, 5/4nm, 3nm and so on).

② Usage Fee

Usage fee is applicable to customers who adopt available macro. Customers are subject to a fee for each usage. In other words, if a customer uses the same macro on 3 different products, the customer shall pay the usage fee for 3 times.

③ NRE

This is the fee for the development of customized macro.

④ Royalty

In general, this is the fee charged according to a certain ratio of the wafer or product price.

D. New product development plan

eMemory focuses on the design and development of embedded NVM technologies. Our proprietary SIP technologies include OTP, MTP, Flash and PUF have all been deployed on various process platforms in key foundries. These technologies have also been introduced to different production processes in leading foundries for mass production. New development plans will further push our core technologies towards advanced nodes, ranging from 12 nm down to 3nm logic process technologies. To respond to TSMC's "more-than-Moore" strategy, eMemory will expand value-added solutions onto matured process platforms by deploying IP into high-voltage, MEMS, BCD, CIS, analog, and SOI processes to meet the needs of one-stop shopping SIP solutions. In addition, eMemory also actively invests in research efforts for the development of emerging memory on 40nm process platforms and below to expand the new generation of memory silicon intellectual property. The development plans are as follows:

- ① Increase process platform penetration by proactively deploying on platforms utilized by emerging applications such as ADAS, AI, IoT, etc..
- ② Expand the product applications from existing customers (of NeoBit) by developing NeoEE and NeoMTP with advanced specs.
- ③ Expedite the development progress of advanced technologies for NeoFuse and expand technology deployment for NeoPUF by collaborating with the subsidiary, PUFsecurity Corp., closely to develop the total security solutions for IC.
- ④ Continue the development for NeoFlash to deploy to more technology platforms and improve the spec. to meet automotive requirements.
- ⑤ Collaborate with partners on the development of RRAM and MRAM technologies.

5.1.2 Industry overview

A. Current status and future development of the industry

(1) SIP industry background



IP (Intellectual Property) refers to intangible asset recognized and protected by law. Without permission from IP owners, no replication or use is allowed. Silicon Intellectual Property (hereinafter, "SIP") is a function block, consisting of IPs and know-hows, which has been initially defined and qualified for repetitive usage.

SIP cell is a pre-designed and qualified macro. With adjustable parameters, these cells can be tailor-made per customer requirements or product specifications. IC designers use these SIP cells to realize a part of the design functions without redesigning this function block. To get a head start, the use of SIP substantially brings down development timeline thereby accelerates the time to market.

SIP was originated after the mid-1990s. Nowadays, consumer electronics products are getting lighter, slimmer, and smaller. A System-on-a Chip (SoC) utilizing SIP blocks can greatly reduce the time for product qualification and integration; hence product developers can focus their efforts on verifying few new functions. This in turn minimizes the required engineering efforts that are needed to meet the customer adjustment requests. Therefore, product developers can concentrate on product core competencies while being agile enough to respond to unpredictable market demands.

High complexity and short development time in IC industry highlight the importance of IC design productivity. It is foreseen that the number of transistors in a semiconductor chip will increase year-over-year. Through purchasing or licensing SIP cells, it gains a greatly competitive advantage. It not only reduces IC designers' burden but also greatly shorten product development time, as well as increase products' competitive advantages in time-to-market. As such, the inevitable trend is to design the System-on-a Chip by using SIP cells.

## (2) Industry outlook

According to the reviews from Semiconductor Industry Association (SIA), in 2023, the production value generated by the worldwide semiconductor industry amounted to nearly US\$527 billion, indicating a 8.2% decline compared to 2022. The foundry utilization dropped significantly in 2023 as inventory adjustment took place. The accumulated inventory was resulted from the double-booking and over optimism in 2022. eMemory was affected by industry-wide correction as the royalty declined as customers took less wafers. On the other hand, the license fee and technology service fee continued to maintain the positive growth; therefore, eMemory has only a 5.2% decline in 2023, ahead of the worldwide semiconductor industry.

eMemory has focused on the SIP business and became a pure SIP vendor since 2013. By then all revenue with 100% gross margin were from royalty and upfront fees (including license fee and technical service fee). Due to the continuous improvement of internal operation logistics and global business development, the revenue from upfront fees and royalties will continue to grow year-over-year.

Right in the information age, demand for SIP will grow further along with the IC design industry market size. The innovative SIP licensing business model leads IP vendors towards niche markets as it doesn't involve production but creates a good value of technology licensing with license fee and royalty in return. Having advantages of low operation cost and high gross margin, IP industry is superior to other entities in the

semiconductor industry value chain.

The development of SoCs created a structural change in IC design industry. Soon afterwards, when the benefits of reusable SIP cells were understood, it contributed to even higher growth in the SoC development. Currently, with many of the global leading foundries (with advanced process and high production capacity) and numerous IC design houses all located in Asia, there is unlimited business potential for SIP providers who are also in Asia.

#### B. IC industry supply chain in Taiwan

Group	Roles	Products	Major Players
Upstream	SIP Development, Design Service and IC Design	SIP cells, Circuitry Product	eMemory, MTK, Novatek, GUC
Midstream	Mask & Wafer Production	Wafer	TSMC, UMC, VIS
Downstream	Package & Testing	Backend services for IC package and test	ASE, SPIL, KYEC

SIP is among the top in the upstream of IC industry and facilitates the overall productivity in IC design and manufacturing.

#### C. Megatrend in IC industry

##### (1) Reusable SIP

Product delivery timeline is a major indicator of competitiveness. As the industry is inclined toward specialization, the use of SIP cells will be the key to success.

##### (2) Qualified and reliable SIP

Expense on product development is heavy due to the complexity and uncertain product specifications in a SoC design. In the advanced process nodes, using non-qualified SIP equals risk. Therefore, the adoption of qualified SIP from a third party will greatly reduce production risks; among which foundries are the most objective and convincing. SIP qualified by multiple foundry companies not only indicates the production flexibility of fab-to-fab porting but also demonstrates the wide availability in various process platforms.

##### (3) Continuous deployment in advanced process nodes

From 55nm down to 3nm, logic NVM SIPs in logic or high performance computing (HPC) process platforms are frequently deployed into memory repair, security setting, feature selection, chip identification, analog trimming, Digital Rights Management (DRM) and code storage. These are used in application processors, FPGA, AI accelerators, multi-media, SSD drive, network processors and commodity DRAMs.

In the age of IoT, smartphones, autotronics and bioelectronics where data security is at the utmost, this category will play a key role. Logic NVM provides the storage capability of analog trimming, security as well as chip identification for display driver IC, power management IC and sensor controller.

As for high density (1~4M Bytes) requirements, Logic NVM SIP is embedded for code storage to supersede ROM and reaches a high level of integration as well as meeting the needs of security. They are widely applied in wireless applications including Wi-Fi, Bluetooth, smartphones, and automotive MCUs.

(4) High security SIP

eMemory has been devoted to the research and development of innovative PUF technology. With the advantages of OTP's implementation in a wide range of platforms, the stable and excellent NeoPUF technology, after integrating with security functions, is widely used in IoT, AI, 5G and other applications. eMemory also collaborates with PUFsecurity, eMemory's subsidiary, and other world-class security solution companies to provide NeoPUF-based security functions. These solutions utilize PUF's random and unique properties, which is applied to the secret key, identification and other advanced security applications.

D. Competition

From the perspectives of Logic NVM SIP which eMemory specializes in, the other competitors in Taiwan are still utilizing old technology and struggle to achieve technical stability. On the other hand, two of the foreign main competitors have been acquired, thus the result of acquisition is not yet clear. From the perspective of design services, except for Andes and M31 that offers other SIP licensing, the remaining, such as Global Unichip Corp., Faraday Technology Inc. and Alchip, concentrate on providing ASIC services as well as turnkey services with foundry strategic alliances. Therefore, those design service companies will derive less of their revenue from license fees and royalties, as compared to eMemory.

E. Key performance indicators (KPI)

Quantity of new tape outs (NTO) with eMemory IP					
2022			2023		
Target	Actual	Completion Rate	Target	Actual	Completion Rate
600	615	103%	630	572	91%

Due to the problem of excess inventory in 2023, IC design companies were relatively conservative in new product development and resulted in less new products. And it is expected to the growth will resume 2024 after inventory correction.

5.1.3 Short and long term business development plan

eMemory continuously increases market share through innovation, wide product applications and strategic partnerships worldwide. eMemory keeps playing a leading role as a SIP provider in embedded memory technology.

A. Short-term

(1) Marketing plan

- a. Expand NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP's popularity through existing sales channels.

- b. Actively promote the development of NeoFlash technology, especially in line with the BCD platform's demand for higher-capacity memory for the new generation of smart PMICs. Engage more foundries to implement NeoFlash technology in order to be a new technical standard.
- c. In response to the popularization of smart self-driving cars, develop more automotive specifications in the existing IP technologies, and actively go for certification of high-level safety regulations like ISO26262.
- d. Collaborate with major companies in Europe, America, and Japan to develop local markets.
- e. Establish subsidiaries or regional sales units in the US, Japan, China regions to serve customers nearby and increase operational efficiency to improve customer satisfaction and stickiness.
- f. Develop product applications of emerging memory technology which is co-developed with technology partners, including the developments of RRAM and MRAM.
- g. Focus on the establishment of groundwork and expertise of SIP products and to optimize investment and return.
- h. Provide customers with more comprehensive SIP platforms across worldwide foundries.
- i. Increase the revenue contribution from NeoFuse, NeoPUF, NeoEE, and NeoMTP SIP.
- j. Enhance on-time delivery to meet customer's needs.
- k. Introduce existing technologies and SIP to new application segments.
- l. Leverage distribution channels of partner foundries to enhance product promotion.
- m. Utilize social media to gain exposure, popularity and technical expertise through publishing newsletters of new technology, application, and platform along with whitepapers.
- n. Improve online system to maximize the bandwidth in serving customers 24/7.

(2) Financial plan

Make use of a robust business model to maintain a sound financial structure and optimized working capital.

B. Long-term

(1) Marketing plan

- a. Establish technical service and sales local offices worldwide to boost regional sales, reputation, and market share.
- b. Establish a one-stop shopping SIP platform to provide customers with comprehensive SIP choices and services.
- c. Continue developing emerging technologies, new products, applications, strategic partnerships, and markets.
- d. Collaborate with worldwide foundries through strategic alliances to establish new technology and manufacturing platform and strengthen competitiveness.
- e. Uplift adoption rate in advanced process nodes and develop new applications

targeting products with higher ASP to enhance royalty income.

- f. Develop high value-added and reliable logic NVM SIP, including industrial, automotive and security applications.
- g. eMemory collaborates with PUFsecurity, eMemory’s subsidiary, and other world-class security solution companies to provide NeoPUF-based security solutions which utilize PUF’s random and unique properties applied in the secret key, identification and other advance security functions for IoT, AI and 5G applications.

(2) Financial plan

Make use of diverse fundraising and financial initiatives to form a sound financial structure.

5.2 Technology and R&D Outlook

5.2.1 R&D expense in previous year to the date this report was printed

Unit : NT\$ thousands

	2023	2024 (As of March 31)
R&D Expense(A)	846,465	241,881
Net Revenue (B)	3,050,325	802,764
(A)/(B)	27.7%	30.1%

5.2.2 Technology or product successfully developed in previous year to the date this report was printed

Technology or product The Company successfully developed in previous year to the date this report was printed is as the following:

Date	Item
2023 to April 21, 2024	<p>1. NeoBit</p> <ul style="list-style-type: none"> <li>(1) Scaling down OTP IP macro to 55nm BCD continuously and extending widely to 0.18/0.13um BCD processes in order to fulfil customer demands on pure 5V PMIC solutions.</li> <li>(2) Kick off automotive OTP IP macros development in multiple foundry’s 0.18/0.15um BCD processes (in phase of design signoff or functionalities verification completed).</li> <li>(3) In response to ESG and the trend of reducing manufacturing process steps, extensive collaborations with foundry partners on multiple OTP solutions embedded in 3.3V or 5V Logic MR processes are undergoing.</li> </ul> <p>2. NeoFuse</p> <ul style="list-style-type: none"> <li>(1) Complete the functional verification of OTP IP in the leading and enhanced 3nm FinFET process.</li> <li>(2) Complete the reliability qualification of OTP IP in 4nm FinFET process.</li> <li>(3) Complete the reliability qualification of OTP IP in automotive 5nm FinFET process.</li> </ul>

Date	Item
	<p>(4) Complete the reliability qualification of 14nm OTP IP with automotive specifications and expand OTP IP development activities in several 12/14nm process platforms.</p> <p>(5) Complete the functional verification of OTP IP in 19nm DRAM process.</p> <p>(6) Complete the reliability verification of OTP IP in 20nm DRAM process and expand the OTP IP portfolio to several 20nm derivative processes.</p> <p>(7) Complete the functional verification of OTP IP spec in 28nm embFlash process for automotive applications.</p> <p>(8) Complete the functional verification of OTP array operation in leading 16nm HV FinFET process.</p> <p>(9) Complete the reliability qualification of OTP IP in 22nm HV platforms and extend OTP IP portfolio to other 22nm HV and automotive 55HV processes.</p> <p>(10) Complete the design signoff of OTP IP macro in leading 40nm BCD platform and extend worldwide OTP IP developments in 0.11um to 55nm BCD.</p> <p>(11) Per request by key customers, more OTP IP development activities are in 0.15um PMIC project for automotive applications.</p> <p>3. NeoPUF</p> <p>(1) Complete the design signoff of NeoPUF as well as the digital design of PUFrt in leading and enhanced 3nm FinFET process.</p> <p>(2) Complete the design signoff of NeoPUF as well as the digital design of PUFrt in 28nm embFlash process for automotive applications.</p> <p>(3) Through the cooperations with PUFsecurity Corporation, PUFrt and PUFcc security IP (with NeoPUF as the core) are being developed for more customers in the technology platforms ranging from mature 55 nm planar to advanced 5nm FinFET process.</p> <p>4. NeoEE</p> <p>(1) Completed the function verification of the DNW version of 80nm BCD NeoEE IP with 36% area reduction, for PMIC application with negative substrate bias.</p> <p>(2) Completed the IP design of 0.13um 1.8V/5V embedded SPD EEPROM, using for DDR5 DIMM module.</p> <p>5. NeoMTP</p> <p>(1) Completed the IP design of automotive Grade NeoMTP on 90nm BCD process for automotive PMIC application.</p> <p>(2) Expand NeoMTP new design platform in multiple foundries with IP size reduction by 20%~30% and completed the function verification from 0.18um to 55nm BCD and the qualification on 0.18um and 0.13um BCD process.</p>

Date	Item
	(3) Completed the IP design of NMOS FTP with IP size reduction by 20% on the four HV process platforms from 80nm to 0.11um. It is much suitable for ePaper and ESL driver IC application.
	6. RRAM
	(1) Hardware proven the down-sizing version of 22nm embedded RRAM IP for eFlash-replacement or external Flash-replacement in high-end MCU application.
	7. NeoFlash
	(1) Completed the NeoFlash IP design of 40nm LP process for high-end MCU application.
	(2) Completed the automobile grade NeoFlash IP design of 90nm BCD process for high-end PMIC application.

### 5.3 Market Outlook and Production and Sales Overview

#### 5.3.1 Market analysis

##### A. Main geographic regions for sales of products (services)

Unit : NT\$ thousands

Geographic Regions	2022	2023
Domestic	1,966,669	1,846,521
Asia	1,070,871	1,013,258
Others	179,171	190,546
Total	3,216,711	3,050,325

##### B. Market share

According to the statistics compiled by IEK, the production value of Taiwan's IC design industry in 2023 amounted to \$1,074 billion NTD. In 2023, eMemory's revenue was \$ 3,050,325 thousand NTD, which was 0.28% of the total market production value. The market share increased slightly from 0.26% in 2022. With the introduction of newly developed technologies of NeoEE, NeoFuse, and NeoMTP and NeoPUF, the full product IP technologies portfolio is in place. The Company can provide customers diverse technical services which will benefit operational performance. With steady growth in business operation and increasing number of customers and new product adaptations, the revenue generates from technical service and licensing fee will continue to grow. Likewise, revenue from royalty will also increase, and market share of eNVM SIP will surge.

##### C. Market supply/demand and growth in the future

###### (1) Future market supply and demand

SIP is increasingly important as global IC providers' demand in advanced process node

raise. The main market applications include mobile communication, consumer electronics, industrial electronics, and autotronics. eMemory has researched and developed a series of eNVM and hardware security technologies used for micro controllers ICs, LCD panel control ICs, LCD screen driver ICs, PMICs, Image Signal Processor (ISP), high frequency signal ICs, short-range communication ICs, Bluetooth ICs, oscillator controller ICs, MP3 control ICs, battery management ICs, voice ICs, TWS ICs, WiFi ICs, AI chip, DDR5 peripheral ICs, DRAM chip and autotronic ICs.

From the company's perspective, the market supply and demand suggested the rapid growth of portable devices in recent years increased the number of IC contained in the products, including CPUs, panel driver ICs, panel controller ICs, PMICs, touch panel ICs, communication ICs, and base band ICs. Furthermore, the fast growth new application markets, such as fingerprint ICs, portable DRAM, CMOS image sensors, Image Signal Processor (ISP), and TDDI, will also contribute to the revenue.

According to market data, after reaching a peak at the end of 2021, smartphone shipments declined somewhat in 2022 due to the malfunction of supply chain management, caused by the COVID-19 epidemic, which lead to excess inventory of various chips in 2023. And then cause the foundry Capacity utilization has been in recession for several quarters in a row. Although the entire industry has temporarily entered a period of restructuring, smart phones still has the highest demand in the consumer electronic field. Mobile devices are going to grow due to the continuous launch of innovative high-end products and the momentum comes from demand for mid to low-end products at the emerging markets. Besides, new applications in AR/VR and autotronics will also drive the total production value to grow.

## (2) Market growth potentials

As the integration of SoC increases, the demand for light-weighted compact products become the mainstream of IC technology development. Factors including increasing proportion of design outsourcing, raising cost of new process mask and technology development, and the IC complexity which lead to longer cycle time, all of which have made SIP become the key to accelerate SoC development. The complex SoC design and production process resulted in increasing division of labor in the semiconductor industry. The use of SIP for SoC design reduces designers' burdens and the development time substantially. This is critical for enhancing competitive advantage in terms of time-to-market; as the result, SoC becomes increasingly dependent on SIP.

The rapid development of semiconductor production node and the increasing demand for compact, slim, and light-weighted products which require a greater variety of functions has led the IC design to the integration of multi-functionality and embedded design including application processor IC, stacked CMOS image sensor, fingerprint sensor, autotronic image system. As such, the raising era of communication, home appliance, and personal service communication, the scale of the IC design market continues to expand. The destructive innovation eNVM SIP from eMemory transcend traditional logic process



into the eNVM logic process, which makes SoC circuit design simple and easy to accomplish, while reducing SoC development and manufacturing cost, and achieve higher performance efficiency to meet the requirement of IoT and autotronics. We not only build the floating gate structure on mature manufacturing platform but also introduce the NeoFuse and NeoPUF on advanced node platforms (5nm~65nm). This provides our clients product development and testification under multiple platform, increasing flexibility for the production and enhancing the competitiveness of the business. As such, the promising future of silicon intellectual device is foreseen.

#### D. Competitive advantages

##### (1) Rich eNVM technologies portfolio

eMemory has dedicated its resources in the research and development of eNVM since its establishment, focusing on the application of NeoBit, NeoFuse, NeoEE, NeoMTP, and NeoFlash technologies. These technologies were successfully adopted by leading foundries for mass production in 0.5 um to 4 nm process nodes. Furthermore, our technologies expanded to the development of 3nm advance nodes, fulfilling customers' different needs. The eNVM technology is applicable to all kinds of CMOS process (including logic, analog, M-M, HV, SiGe, CIS, EEPROM, and DRAM, etc) with wide applications, allowing customers to directly apply into their design without modifying components characters of customers' products to shorten the development time. For example, it takes 2~3 years to introduce eNVM (e.g., embedded flash or EERROM) technology in 0.13um and 90nm process platform. It may take even longer for 55nm and 28nm process. Yet it takes only 6 to 9 months for porting NeoBit, NeoEE, NeoFuse, or NeoMTP technology to each process node. Furthermore, our existing NeoFlash technology can provide high-dendity memory IP with only 2 to 3 added photomasks based on the traditional logic process. In response to the new generation of IC industry, multiple functional chips are integrated into a single system on a chip (SOC), this technology has excellent cost structure and is the best solution for integrated chips. For example, recent trend of smart power management ICs consider to merge microcontroller units, so we have cooperated with several foundries to deploy NeoFlash technology into several high-end BCD processe. It is believed that the next few years will bring another wave of revenue growing up.

##### (2) eNVM IP technology features one-time/multiple-times programmable function; allowing higher flexibility of production and sales for customers

In general, program code mask must be introduced in ROM device manufacturing process. In other words, program code is already added in the production process that there is no flexibility for product program code adjustment later on. In addition, program codes of different versions also pose problems for mask and inventory management. NeoBit, NeoFuse, NeoPUF, NeoEE, and NeoMTP eNVM can be directly added to the memory device in the logic device manufacturing process. The product itself features

one-time/multiple-times (OTP/MTP) programmable function. Therefore, special application providers can write in the program code before delivery to specific customers, or provide the code for the customers so that they could update the program code or data. These features provide IC providers greater production and sales flexibility, bringing the advantage of greater variety in small quantity and fast delivery.

(3) eMemory has been devoted to the research and development of Physical Unclonable Function (PUF) technology

With the advantages of OTP's implementation in a wide range of platforms, the stable and excellent NeoPUF technology will be widely extended to new fields. eMemory collaborates created PUFsecurity, eMemory's subsidiary, to launch a series of PUF-based hardware security solutions (PUFrt, PUFiot, PUFflash, PUFse etc) by using NeoPUF. These solutions are high-security, high-performance, easy-to-use, low-cost solution for chip security and be expected to be used in IoT, AI and 5G applications to achieve the goal of secure operation, secure computing, and secure storage.

(4) Strong research and development team

The Company has oriented towards the research and development of its own technologies since its establishment. The Chairman of eMemory, Dr. Charles Hsu, is a member of world-renowned NVM Committee. Former Director of the Institute of Electronics Engineering at National Tsing-Hua University, Dr. Hsu first propose the P-type tunneling flash memory in 1992, and has been awarded the "Outstanding Research Award" by National Science Commission in 1997 and 1999.

Chairman Hsu leads a research and development team with outstanding professionals and rich work experience, and has acquired more than 1170 patents around the world. The patented technology of eNVM developed by this team has won the "2005 National Invention and Creation Award" in October 2005, the Innovative Enterprise Award of the "Industrial Technology Advancement Award" by Ministry of Economic Affairs in October 2008, the "2008 National Invention and Creation Award" by Intellectual Property Bureau of Ministry of Economic Affairs, the "Excellent Manufacturers Innovation Product Award and R&D Achievement Award" by Hsinchu Science Park Bureau of Ministry Science and Technology in December 2017, the Excellence in Innovation First Prize of the "National Industry Innovation Award" by Ministry of Economic Affairs in April 2019, and Security technology NeoPUF won the "National Invention and Creation Gold Medal Award" in October 2020 . In December 2023, the NeoPUF-based security solution received Hsinchu Science Park Outstanding Innovative Product Award; and NeoFlash received the Best IP/Processor of the Year and Innovation Award from EE Awards Asia.

The Company is dedicated to the development of advanced technologies and makes ceaseless effort in the training and recruitment of talents. By providing full-range design resources and reliable technical supports, The Company makes the products of its customers highly competitive.

(5) Outstanding management team

Most of the management team members came from renowned companies, who have rich experience in business operation and are specialized in research and development, business, and operation management. With the same believe, the team leads the company towards substantial growth.

(6) Strong partnership with leading foundries

Our collaborative foundries are all worldwide leading foundries with the best process technology, yield rate, and delivery. Our eNVM technology, IP licensing, manufacturing technology, and design service has passed strict qualification and successfully assisted foundries to launch mass production. eMemory was recognized as as the Best IP Partner by TSMC once again in 2023 and it had made the only memory SIP provider receiving this recognition in 14 consecutive years. With TSMC's sole leading position in foundry manufacturing and exceptional standards set for SIP partners, it shows how eMemory's R&D capability and managerial performance outperforms other international competitors. We also received the best SMIC IP Partner Award from 2013 to 2016. In addition, the company has also been highly-recognized by other worldwide foundries. Looking towards the future, the strategic alliance with foundries will bring growth momentum and further expanded the market share.

(7) Zero-inventory contributed to the capital flexibility

The sole business of the company is eNVM and hardware security IP licensing with zero-inventory. The company is not a manufacturer. Without factories, machinery, and equipment and other sizable capital expenditures, eMemory can use the working capital with high flexibility.

(8) Full-range and efficient service quality

eMemory has established a customer technical service system. With well-developed process management mechanism, eMemory can provide customers the timely and accurate delivery of technical documents. Unlike other foreign SIP suppliers, when the SIP supplied is not compatible with customers' products, it is the customers who is responsible for seeking for solutions. eMemory encourages customers to embed NVM IP on process platforms to reduce the difficulty of technology integration. In addition, eMemory security IP derivative from the embedded IP technology is completely compatible to enhance the competitiveness of customer's products. Therefore, eMemory can offer comprehensive and good solutions to the customers as they face challenges.

E. Favorable and unfavorable factors for corporate development and the responding measures

(1) Favorable factors

a. Specialization of the semiconductor industry

The close relation of the upper- and lower-stream of the industry is beneficial to the formation of the supply chain.

With more than 30 years of experience, the semiconductor industry in Taiwan has a

complete semiconductor industry chain.

The prosperity of Taiwan IC design industry also stimulates the growth in SIP industry. Leading foundries include TSMC, UMC, VIS, and PSMC can provide the platform for SIP qualification. The reliability and the complete SIP portfolio provide customers a solid product foundation. Therefore, the cooperative relation between eMemory and the customers could be bolstered.

b. Customer advantage

eMemory is located in Asia where the majority of the world's major foundries are located. For example, IDMs are located in Japan and Korea, and IC design houses are located in Taiwan and China. In addition, eMemory has established a complete customer base and long-term support from customers over the years, with high customer engagement and great advantages for the new products adoption.

(2) Unfavorable factors and responding measures

a. Insufficient SIP design talents in Taiwan

SIP design is a typical knowledge economy, the key to success lies in the R&D ability. However, there is a scarcity of talents with profound and professional knowledge. Moreover, in order to cultivate the centripetal force for employees, it takes higher cost in human resources.

**【Responding Measures】**

- i. The company provide external and internal education and on-the-job training for employees. Moreover, with the cooperative programs with universities, the company can also recruits students with good performance.
- ii. An employee's incentive program is also introduced. Employees with excellent performance will be rewarded correspondingly.

b. The industry is promising, leading to the increasing number of competitors

SIP will be the trend of the semiconductor industry. As IC designs became increasingly complex, particularly in SoC designs, IP licensing has become an indispensable part of the operation. eMemory is the leader of eNVM and hardware security IP technology. The eNVM technology has become a critical circuit block for mainstream products, which will attract more competitors.

**【Responding Measures】**

- i. Develop high value-added design service technology to provide rapid and accurate solutions for customers.
- ii. Develop applications for new products and assist customers to enhance their products performance or competitiveness.
- iii. Continue innovating and providing customers a full-range solution for eNVM and hardware security solutions.
- iv. Broaden the client base and continue to develop the international market and increase the market share.
- v. Continue to enhance service quality.

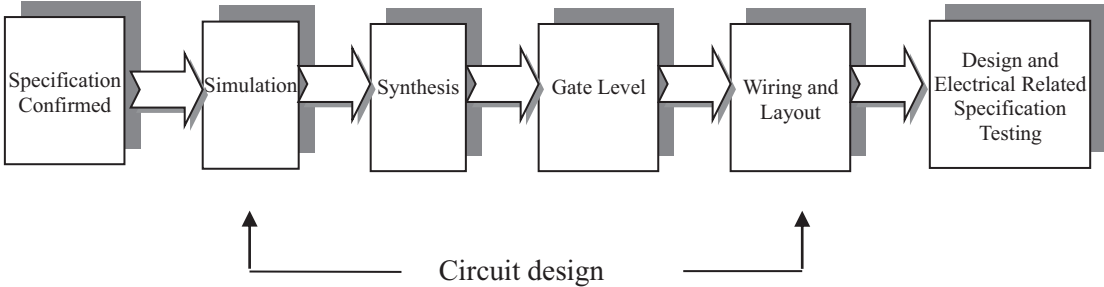
5.3.2 Main products’ applications and production flows

A. Main products’ applications

The main products are embedded memory and hardware security IP design service. The main applications of embedded memory include communication equipments, autotronics, home appliances, and communication and consumer electronics.

B. Main products’ production flow

eMemory is an IP provider without physical products. The IP service flow chart is shown below:



5.3.3 Supply of Key Materials

eMemory is a professional SIP provider, offering production technology and design service of eNVM technology and IP licensing. The principal business is licensing and does not require supply of materials.

#### 5.3.4 Major suppliers and clients

##### A. Major suppliers in the last two years

Under the adjustment of business strategy from the second half of 2011 onward, The Company decided to focus on IP production and planned to gradually reduce the proportion of income from wafer production service, and made no purchase of wafer in the last two years.

##### B. Major clients in the last two years

Unit: NT\$ thousands

Item	2022			2023			2024 (As of March 31)					
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company A	1,074,365	33.4%	-	Company A	939,321	30.8%	-	Company A	191,691	23.9%	-
2	Company B	491,412	15.3%	-	Company B	545,344	17.9%	-	Company B	170,686	21.3%	-
3	Others	1,650,934	51.3%		Others	1,565,660	51.3%		Others	440,387	54.8%	
	Net Sales	3,216,711	100.0%		Net Sales	3,050,325	100.0%		Net Sales	802,764	100.0%	

Note: The major revenue contribution from Company-A is royalty. In the past two years, the major items are the smart phone and mobile device's power management IC, display driver IC, fingerprint IC and MEMS sensor IC etc. MCU, digital TV, STB and Bluetooth ICs are also included.

### 5.3.5 Production in the last two years

The company is a professional company of SIP, which is not engaged in production and manufacturing; therefore, the production is not applicable.

### 5.3.6 Shipments and sales in the last two years

Unit: NT\$ thousands

Shipments & Sales Major Products	Year	2022				2023			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Licensing		0	171,408	0	570,664	0	260,614	0	665,224
Royalty		0	1,795,261	0	679,378	0	1,585,908	0	538,579
Total		0	1,966,669	0	1,250,042	0	1,846,522	0	1,203,803

### 5.4 Human Resources

Year		2022	2023	2024 (As of April 21)
Number of Employees	Sales & Marketing	52	60	62
	Administration	57	54	57
	R&D	222	237	241
	Total	331	351	360
Average Age		40	40	40
Average Years of Service		7.83	8.03	8.09
Education	Ph.D.	4.0%	3.7%	3.9%
	Masters	63.7%	65.8%	65.8%
	Bachelor's Degree	32.0%	30.2%	30%
	Senior High School	0.3%	0.3%	0.3%
	Below Senior High School	-	-	-

Note : Including employees of the Company and its subsidiaries.

### 5.5 Environmental Protection Expenditure

Any losses suffered by the company in the previous year to the date this report was printed due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## 5.6 Labor-Management Relations

### 5.6.1 Employee benefit program, continuing learning, training, retirement system and its implementation, and the labor-management agreement and the protection measures of employees' rights

#### A. Employee benefit program

The "Employee Welfare Committee" of the Company had been established on September 18, 2002, and approved by the Hsinchu Science Park Bureau for reference, the funds are set aside monthly, the employee welfare activities are periodically held, the welfare programs are planned detailedly and so budgeted, including gift coupons for annual holidays, group entertainment activities, domestic and overseas travel activities, subsidies for wedding and funeral, subsidies for birth, pension for hospitalization, birthday party, year-end party lottery, physical examination, labor and health insurances, group insurance(including spouse and child are insured for free), travel accident insurance for business trip, free dessert/beverage bar, subsidy for afternoon tea coupon, subsidy for parking space, subsidy for gymnastic for fit, specific nursing room, personal birthday leave, health examination leave, and eMemory Holidays which are granted under the conditions better than the requirements of laws and regulations.

#### B. Employees' continuing learning and training status

(1) To orientate the rapid change of technology in the industry and ensure the development of employees' talents to achieve the joint target for the Company, that training is a major part of the management of human resource. The scope covers related trainings including employees' skill, knowledge, language, system and management, which will improve the professional skill and knowledge of employees as well as enhancing the working attitude. The Company offers training opportunities and financial support to employees with expectation that employees would leverage their knowledge to enhance the quality and professionalism of their work. These efforts are aim to the revenue growth of the Company while concurrently facilitate the personal career advancement and achieve broader goal of the organization.

#### (2) Implementation of 2023 trainings

Items	Number of Courses	Total participants	Total Hours	Total Expenses
1. New Employee Training	5	100	486.8	0
2. Vocational Training	241	1,468	3,807.5	384,866
3. Supervisor Training	7	63	164.6	188,866
4. General Training (Including the courses of environmental safety, tool technique, etc.)	61	1,235	2,236.6	158,833
Total amounts	314	2,866	6,695.5	732,565

Note : Including employees of the Company and its subsidiaries.



#### C. Retirement system and its implementation

The Rules for Retirement Management of the Company had been established pursuant to the Labor Act and Labor Pension Act, all of the employees are covered, the affairs related to conditions of retirement, standards of payment and procedures for application are definitely provided, and the Supervisory Committee of Labor's Retirement Preparation Fund is also established according to the law, the preparation fund is deposited in the Bank of Taiwan under the title of Supervisory Committee of Labor's Retirement Preparation Fund every month; in conforming with the Labor Pension Act, from the day of July 1, 2005, the employees who originally are covered by the rules and choose to be applicable to the new Act, the seniority of such employees or the employees who is employed after the enforcement of new Act shall be applicable to the defined contribution plan, the pension payment shall be contributed by the employer by no less than 6% per month, and deposit in the individual accounts of labor pension at the Bureau.

#### D. Labor-management agreement

In order to build up the harmonious labor-management relations, the Company provides the grievance channels of employee forum and employee voice channels etc. which the opinions of employees can be smoothly rendered, and the President will report the current status of the Company to employees quarterly to make employees thoroughly understand the situation of the Company's operation. The labor-management relations are harmonious from the establishment of the Company up to the current date, that all relevant affairs are handled pursuant to the related provisions of laws and regulations.

#### E. Protection measures for the rights of employees

The excellent document control system is set up by the Company in which the management rules are recorded, and the rights, obligations and welfare of employees are definitely provided therein, the welfare are reviewed periodically and updated on the document control system from time to time to protect the rights of employees.

5.6.2 Loss deriving from labor-management dispute (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions) in the last two years to the date this report was printed, disclose the amount possibly incurred for the time being and in the future, and the responding measures. If this amount cannot be reasonably estimated, specify the reasons

The labor-management relations are harmonious from the establishment of the Company up to the current date, that there is not any concern of losses caused by the labor dispute happens right now and in the future.

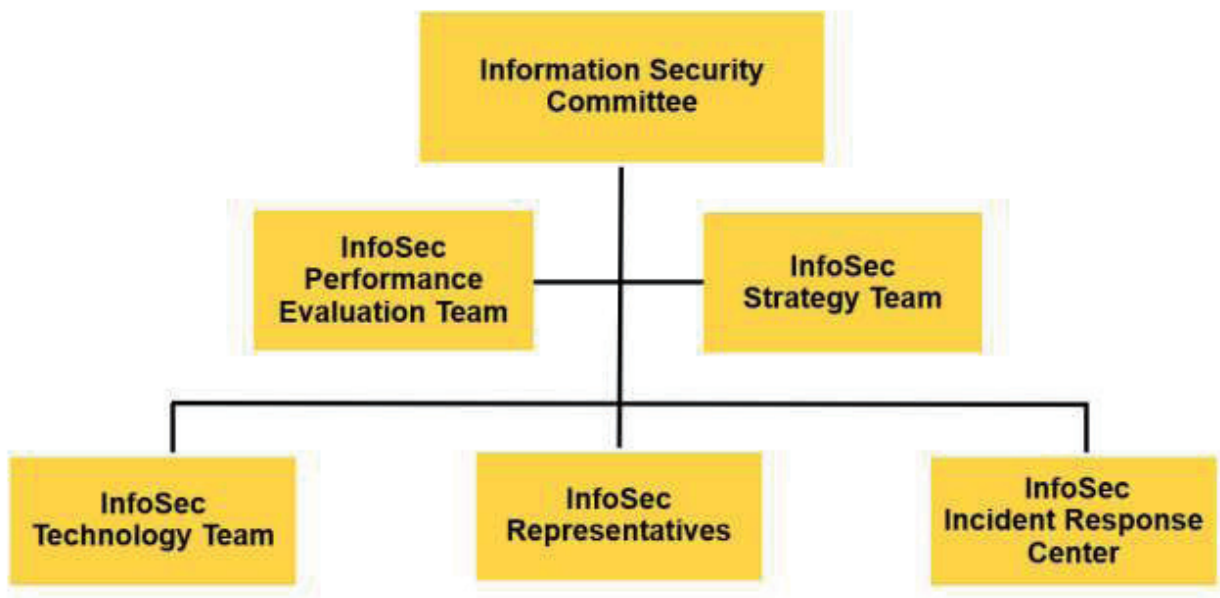
## 5.7 Cyber Security Management

5.7.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management

### A. Cyber Security Risk Management Framework

To continuously strengthen information security governance, the Company established the “Information Security Committee” in April 2013, responsible for formulating information security management policies and related regulations. In 2022, the Company adopted the ISO27001 information security management system and expanded the information security promotion organization. The President serves as the chairman of the new "Information Security Committee", while the Top-level Executives serve as committee members, jointly promoting and supervising the planning and implementation of information security strategy.

The “Information Security Committee” holds meetings on a quarterly basis to review the operation of information security management system and reports the progress of annual information security program to the Chairman. In addition, the Audit Office conducts annual audits of information security management operations and reports the audit results to the Board of Directors.



**Information Security Promotion Organization**

### B. Cyber Security Policies

The Company adopts the structure of ISO27001 Information Security Management System (ISMS) as the basis for the company to establish an information security management system. Based on the PDCA (Plan-Do-Check-Action) cycle and the principles of gradual and continuous improvement, the Company ensures the effectiveness and sustainability of our business information operations, maintains the confidentiality, integrity, and availability of information assets, as well as legal compliance with all information security regulations.

### C. Concrete Management Programs

The Company has proposed specific information security strategies from four perspectives:

- (1) Promote information security policies: The "Information Security Committee" supervises the planning and implementation of security strategies to ensure the effective promotion and implementation of the information security policies.
- (2) Strengthen the maturity of information security governance: the Company has introduced the world-class standards of information security management system and obtained the ISO27001 certification in April 2023. The certificate is valid from April 5, 2023 to October 31, 2025.
- (3) Strengthen technical defense capabilities: In reference to the five major core functions of the Cyber Security Framework (CSF) proposed by the US National Institute of Standards and Technology (NIST) – namely, Identify, Protect, Detect, Respond, and Recover, and by integrating the requirements of ISO27001, we comprehensively review and enhance our information security defense capabilities.
- (4) Enhance personnel's information security awareness: the Company holds "Information Security Policy and Information Security Awareness" education and training courses for all employees every year. We also pay close attention to the latest information security intelligence from the government and the industry.

### D. Investments In Resources For Cyber Security Management

The Company has been actively investing in enterprise information security. In 2023, we allocated a lot of resources for planning, monitoring, and implementation of information security systems. The measures and achievements we have completed are as follows:

- (1) Implement the ISO27001 information security management system and also propose specific measures in accordance with the "Cyber Security Guidelines for TWSE/TPEX-Listed Companies" issued by the competent authority.
- (2) Regularly hold information security strategy planning and execution meetings every month and "Information Security Committee" meetings every quarter. In 2023, 12 information security strategy planning and execution meetings, and 4 "Information Security Committee" meetings have been held.
- (3) Strengthen the awareness of information security protection among colleagues. New employees and all employees receive annual information security education and policy dissemination.
- (4) Reinforce the access control of information and communication systems and related facilities, conduct account and permission inventory operations, adopt the principle of minimum access rights, review privileged accounts, strengthen password management mechanisms, etc.
- (5) Strengthen the protection and monitoring of the Company's local area network and equipment, restrict access between different local network areas to reduce the malware lateral movement risks, and reinforce audits on server activities to strengthen continuous diagnosis and protection, etc. Complete network access control, restrict network access rights of unauthorized devices, prevent the Company's network resources from being used improperly, and reduce the risk of network threats.

- (6) Strengthen the security of software and operating systems, formulate information security protection and control measures for application system development and maintenance, perform system patch updates in a timely manner, regularly conduct system vulnerability scanning, and perform source code scanning and security testing before systems go online, etc.

5.7.2 List any losses suffered by the Company in the previous year to the date this report was printed due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## 5.8 Major Contract

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	GLOBALFOUNDRIES Singapore	11/25/2002~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Renesas Technology	04/01/2003~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	09/03/2003~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Singapore	01/01/2004~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Alpha Microelectronics	05/01/2004~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	01/04/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Ricoh	04/01/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Powerchip	04/06/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Toshiba	10/31/2005~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Silterra	04/07/2006~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	MagnaChip	09/28/2007~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Fujitsu Microelectronics	12/19/2007~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dongbu HiTek	06/24/2008~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	05/23/2008~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsumi Electronic	04/01/2009~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsumi Electronic	07/07/2009~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TI	02/01/2010~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HLMC	08/10/2011~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GSMC	09/28/2011~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Mitsubishi Electric	03/29/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	06/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	01/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	MagnaChip	10/12/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	NXP Semiconductors	11/01/2012~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	UMC	03/01/2013~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	TSMC	03/04/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SK hynix	03/18/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Powerchip	09/01/2014~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	08/31/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES U.S.A.	09/07/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CSMC	09/11/2015~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SMIC	01/01/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	PSMC	05/06/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Dongbu HiTek	05/18/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Vanguard	07/01/2016~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Japan Semiconductor Corporation	05/09/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SHARP	07/20/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GLOBALFOUNDRIES Singapore	07/23/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
Development Agreement	HFC	10/10/2017~	Development Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HeJian Technology	12/05/2017~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Winbond	02/21/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HHGrace	04/25/2018~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CanSemi	07/24/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	CanSemi	10/21/2019~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SK Hynix Wuxi	07/23/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	Key Foundry	11/01/2020~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	SMIC-Tianjin	03/22/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HLMC	05/20/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HHGrace	07/19/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	XMC	07/20/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HLIC	10/01/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	GTA Semiconductor	10/01/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights

Contract	Contracting Party	Term of Agreement	Major Contents	Limitation
License Agreement	Renesas Electronics	12/15/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	12/15/2021~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	VIS-SG	01/01/2022~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	USJC	02/10/2022~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	PSMC	03/07/2022~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	HHGrace	03/11/2022~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	UMC	10/01/2022~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	VIS	11/04/2022~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	DB	09/01/2023~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights
License Agreement	RSC	09/25/2023~	Technology License Agreement	Comply with the obligations for confidential information and intellectual property rights



## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Consolidated Financial Summary

##### A. Consolidated Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years ( Note1 )					2024(As of March 31)
		2019	2020	2021	2022	2023	( Note 1 )
Current Assets		1,416,756	1,898,915	2,621,819	3,333,909	2,954,593	3,443,217
Property, Plant and Equipment		477,171	467,393	460,310	460,797	473,470	467,004
Intangible Assets		73,805	76,814	72,436	74,187	79,299	111,562
Other Assets		65,595	34,450	32,743	29,218	250,335	253,953
Total Assets		2,033,327	2,477,572	3,187,308	3,898,111	3,757,697	4,275,736
Current Liabilities	Before Distribution	305,153	448,093	639,785	786,828	689,585	774,801
	After Distribution	825,019	1,118,644	1,683,614	2,316,526	(Note 2)	N/A
Non-current Liabilities		26,160	23,836	24,732	17,959	14,334	20,025
Total Liabilities	Before Distribution	331,313	471,929	664,517	804,787	703,919	794,826
	After Distribution	851,179	1,142,480	1,708,346	2,334,485	(Note 2)	N/A
Equity Attributable to Shareholders of the Parent		1,702,014	1,996,271	2,475,376	3,060,204	3,023,274	3,457,255
Capital Stock		758,336	760,592	761,235	761,845	746,423	746,521
Capital Surplus	Before Distribution	404,446	391,907	303,181	210,522	114,313	117,527
	After Distribution	293,046	280,148	191,342	98,593	(Note 2)	N/A
Retained Earnings	Before Distribution	1,009,056	1,308,111	1,846,184	2,497,055	2,167,708	2,598,285
	After Distribution	600,590	749,319	914,194	1,079,286	(Note 2)	N/A
Other Equity		(65,586)	(60,101)	(30,986)	(4,980)	(5,170)	(5,078)
Treasury Stock		(404,238)	(404,238)	(404,238)	(404,238)	0	0
Non-controlling Interest		0	9,372	47,415	33,120	30,504	23,655
Total Equity	Before Distribution	1,702,014	2,005,643	2,522,791	3,093,324	3,053,778	3,480,910
	After Distribution	1,182,148	1,335,092	1,478,962	1,563,626	(Note 2)	N/A

Note 1 : The financial information for year 2019 to 2022 was audited by the CPAs, and the financial information for the first quarter of 2024 was reviewed by the CPAs.

Note 2 : 2023 dividend distribution is pending for shareholders' approval at the Shareholders' Meeting.

## B. Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years ( Note )					2024 (As of March 31) ( Note )
	2019	2020	2021	2022	2023	
Operating Revenue	1,410,085	1,776,653	2,363,824	3,216,711	3,050,325	802,764
Gross Profit	1,410,085	1,776,653	2,363,824	3,216,711	3,050,325	802,764
Income from Operations	621,323	822,586	1,268,812	1,853,418	1,692,600	420,621
Non-operating Income and Expenses	11,861	8,209	14,286	55,506	58,392	90,878
Income before Tax	633,184	830,795	1,283,098	1,908,924	1,750,992	511,499
Income from Continuing Operations	542,072	706,845	1,093,654	1,604,141	1,462,657	423,055
Loss of Discontinued Operations	0	0	0	0	0	0
Net Income (Loss)	542,072	706,845	1,093,654	1,604,141	1,462,657	423,055
Other Comprehensive Income (Income after Tax)	(5,258)	5,004	24,812	(2,973)	1,884	172
Total Comprehensive Income	536,814	711,849	1,118,466	1,601,168	1,464,541	423,227
Net Income Attributable to Shareholders of the Parent	542,072	707,999	1,101,157	1,611,909	1,474,443	430,577
Net Income Attributable to Non-controlling Interest	0	(1,154)	(7,503)	(7,768)	(11,786)	(7,522)
Comprehensive Income Attributable to Shareholders of the Parent	536,814	713,006	1,125,980	1,608,867	1,476,336	430,669
Comprehensive Income Attributable to Non-controlling Interest	0	(1,157)	(7,514)	(7,699)	(11,795)	(7,442)
Earnings Per Share	7.30	9.52	14.78	21.61	19.76	5.77

Note : The financial information for year 2019 to 2023 was audited by the CPAs, and the financial information for the first quarter of 2024 was reviewed by the CPAs.

## 6.1.2 Parent Company Financial Summary

### A. Parent Company Balance Sheet

Unit: NT\$ thousands

Item		Year	Financial Summary for The Last Five Years ( Note1 )				
			2019	2020	2021	2022	2023
Current Assets			1,388,394	1,796,991	2,539,933	3,192,646	2,802,864
Property, Plant and Equipment			475,318	465,056	458,656	458,760	469,013
Intangible Assets			73,584	74,477	67,213	66,254	68,939
Other Assets			93,234	127,124	67,679	134,400	344,312
Total Assets			2,030,530	2,463,648	3,133,481	3,852,060	3,685,128
Current Liabilities	Before Distribution		302,356	443,541	633,373	773,897	648,287
	After Distribution		822,222	1,114,092	1,677,202	2,303,595	(Note 2)
Non-current Liabilities			26,160	23,836	24,732	17,959	13,567
Total Liabilities	Before Distribution		328,516	467,377	658,105	791,856	661,854
	After Distribution		848,382	1,137,928	1,701,934	2,321,554	(Note 2)
Equity Attributable to Shareholders of the Parent			1,702,014	1,996,271	2,475,376	3,060,204	3,023,274
Capital Stock			758,336	760,592	761,235	761,845	746,423
Capital Surplus	Before Distribution		404,446	391,907	303,181	210,522	114,313
	After Distribution		293,046	280,148	191,342	98,593	(Note 2)
Retained Earnings	Before Distribution		1,009,056	1,308,111	1,846,184	2,497,055	2,167,708
	After Distribution		600,590	749,319	914,194	1,079,286	(Note 2)
Other Equity			(65,586)	(60,101)	(30,986)	(4,980)	(5,170)
Treasury Stock			(404,238)	(404,238)	(404,238)	(404,238)	0
Non-controlling Interest			0	0	0	0	0
Total Equity	Before Distribution		1,702,014	1,996,271	2,475,376	3,060,204	3,023,274
	After Distribution		1,182,148	1,325,720	1,431,547	1,530,506	(Note 2)

Note 1 : The financial information for year 2019 to 2023 was audited by the CPAs.

Note 2 : 2023 dividend distribution is pending for shareholders' approval at the Shareholders' Meeting.

## B. Parent Company Statement of Comprehensive Income

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years ( Note )				
	2019	2020	2021	2022	2023
Operating Revenue	1,409,329	1,771,831	2,349,722	3,109,833	2,931,463
Gross Profit	1,409,329	1,771,831	2,349,772	3,109,833	2,931,463
Income from Operations	643,842	881,816	1,333,761	1,883,867	1,745,529
Non-operating Income and Expenses	(10,658)	(49,867)	(43,361)	32,511	16,683
Income before Tax	633,184	831,949	1,290,400	1,916,378	1,762,212
Income from Continuing Operations	542,072	707,999	1,101,157	1,611,909	1,474,443
Loss of Discontinued Operations	0	0	0	0	0
Net Income (Loss)	542,072	707,999	1,101,157	1,611,909	1,474,443
Other Comprehensive Income (Income after Tax)	(5,258)	5,007	24,823	(3,042)	1,893
Total Comprehensive Income	536,814	713,006	1,125,980	1,608,867	1,476,336
Net Income Attributable to Shareholders of the Parent	542,072	707,999	1,101,157	1,611,909	1,474,443
Net Income Attributable to Non-controlling Interest	0	0	0	0	0
Comprehensive Income Attributable to Shareholders of the Parent	536,814	713,006	1,125,980	1,608,867	1,476,336
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0
Earnings Per Share	7.30	9.52	14.78	21.61	19.76

Note : The financial information for year 2019 to 2023 was audited by the CPAs.

### 6.1.3 Auditors' Opinions from 2019 to 2023

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Yu-Feng Huang, Su-Li Fang	An Unmodified Opinion
2020	Deloitte & Touche	Yu-Feng Huang, Su-Li Fang	An Unmodified Opinion
2021	Deloitte & Touche	Yu-Feng Huang, Su-Li Fang	An Unmodified Opinion
2022	Deloitte & Touche	Yu-Feng Huang, Su-Li Fang	An Unmodified Opinion
2023	Deloitte & Touche	Cheng-Chih Lin, Ya-Yun Chang	An Unmodified Opinion

## 6.2 Five-Year Financial Analysis

### 6.2.1 Consolidated Financial Analysis

Item		Year					2024 (As of March 31) (Note 1)
		Financial Analysis for the Last Five Years (Note 1)					
		2019	2020	2021	2022	2023	
Financial Structure	Debt Ratio (%)	16.29	19.05	20.85	20.65	18.73	18.59
	Ratio of Debt to Equity (%)	19.47	23.64	26.85	26.30	23.28	22.99
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	362.17	434.21	553.44	675.20	648.01	749.66
Solvency	Current Ratio (%)	464.28	423.78	409.80	423.72	428.46	444.40
	Quick Ratio (%)	455.73	417.67	404.11	420.51	424.38	440.92
	Times Interest Earned (Times)	3,538.34	5,036.12	11,772.54	13,257.42	3,962.52	1,938.50
Operating Performance	Accounts Receivable Turnover (Times)	9.33	13.49	20.25	18.56	13.94	13.55
	Average Collection Period	39	27	18	20	26	27
	Inventory Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Accounts Payable Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Average Days in Sales	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
	Property, Plant and Equipment Turnover (Times)	2.91	3.76	5.10	6.98	6.53	6.83
	Total Assets Turnover (Times)	0.68	0.79	0.83	0.91	0.80	0.80
Profitability	Return on Total Assets (%)	26.21	31.35	38.61	45.28	38.22	42.15
	Return on Stockholders' Equity (%)	31.56	38.29	49.25	58.24	48.47	53.15
	Pre-tax Income to Paid-in Capital (%)	83.50	109.23	168.55	250.57	234.58	274.07
	Profit Ratio (%)	38.44	39.79	46.27	49.87	47.95	52.70
	Earnings Per Share (NT\$)	7.30	9.52	14.78	21.61	19.76	5.77
Cash Flow	Cash Flow Ratio (%)	194.17	206.17	210.61	213.76	221.25	226.99
	Cash Flow Adequacy Ratio (%)	106.15	117.12	134.79	142.40	123.06	159.80
	Cash Reinvestment Ratio (%)	(0.07)	18.34	24.91	19.45	(0.12)	47.96
Leverage	Operating Leverage	2.00	1.94	1.71	1.62	1.69	1.78
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
1. The decrease in times interest earned was mainly due to the decrease in profit in 2023.							
2. The decrease in accounts receivable turnover and the increase in average collection period were mainly due to the decrease in revenue, but the increase in amount of average accounts receivable in 2023.							
3. The decrease in cash reinvestment ratio was mainly due to the increase in cash dividends paid in 2023.							

Note 1 : The financial information for year 2019 to 2023 was audited by the CPAs, and the financial information for the first quarter of 2024 was reviewed by the CPAs.

Note 2 : eMemory did not have inventory for the year. Therefore, eMemory did not apply inventory turnover, accounts payable turnover and average days in sales.

## 6.2.2 Parent Company Financial Analysis

Item		Year	Financial Analysis for the Last Five Years (Note 1)				
		2019	2020	2021	2022	2023	
Financial Structure	Debt Ratio (%)	16.18	18.97	21.00	20.56	17.96	
	Ratio of Debt to Equity (%)	19.30	23.41	26.59	25.88	21.89	
	Ratio of Long-term Capital to Property, Plant and Equipment (%)	363.58	434.38	545.09	670.97	647.50	
Solvency	Current Ratio (%)	459.19	405.15	401.02	412.54	432.35	
	Quick Ratio (%)	450.64	399.38	395.18	406.74	427.88	
	Times Interest Earned (Times)	3,538.34	7,496.04	11,839.53	13,309.18	22,593.46	
Operating Performance	Accounts Receivable Turnover (Times)	9.30	13.42	20.30	19.79	14.95	
	Average Collection Period	39	27	18	18	24	
	Inventory Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
	Accounts Payable Turnover (Times)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
	Average Days in Sales	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
	Property, Plant and Equipment Turnover (Times)	2.92	3.77	5.09	6.78	6.32	
	Total Assets Turnover (Times)	0.68	0.79	0.84	0.89	0.78	
Profitability	Return on Total Assets (%)	26.23	31.51	39.35	46.15	39.13	
	Return on Stockholders' Equity (%)	31.56	38.29	49.25	58.24	48.47	
	Pre-tax Income to Paid-in Capital (%)	83.50	109.38	169.51	251.54	236.09	
	Profit Ratio (%)	38.46	39.96	46.86	51.83	50.30	
	Earnings Per Share (NT\$)	7.30	9.52	14.78	21.61	19.76	
Cash Flow	Cash Flow Ratio (%)	202.23	221.82	223.01	223.14	242.95	
	Cash Flow Adequacy Ratio (%)	105.37	114.41	133.52	142.39	124.86	
	Cash Reinvestment Ratio (%)	0.94	21.16	27.80	21.05	1.42	
Leverage	Operating Leverage	1.94	1.82	1.63	1.54	1.58	
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The increase in times interest earned was mainly due to the decrease in interest expense in 2023.
2. The decrease in accounts receivable turnover and the increase in average collection period were mainly due to the decrease in revenue, but the increase in amount of average accounts receivable in 2023.
3. The decrease in cash reinvestment ratio was mainly due to the increase in cash dividends paid in 2023.

Note 1 : The financial information for year 2019 to 2023 was audited by the CPAs.

Note 2 : eMemory did not have inventory for the year. Therefore, eMemory did not apply inventory turnover, accounts payable turnover and average days in sales.

\* Glossary

1. Financial Structure

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Ratio of Debt to Equity = Total Liabilities / (Total Equity- Non-controlling Interests)
- (3) Ratio of Long-term Capital to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Solvency

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

- (1) Accounts Receivable Turnover = Operating Revenue / Average Accounts Receivables
- (2) Average Collection Period = 365 / Accounts Receivable Turnover
- (3) Inventory Turnover = Cost of Sales / Average Inventory
- (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payables
- (5) Average Days in Sales = 365 / Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Operating Revenue / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Operating Revenue / Average Total Assets

4. Profitability

- (1) Return on Total Assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Stockholders' Equity = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
- (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
- (4) Profit Ratio = Net Income / Operating Revenue
- (5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

### 6.3 Audit Committee's Review Report

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 business report, financial statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit eMemory's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and profit allocation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To eMemory Technology Inc. 2024 General Shareholders' Meeting

eMemory Technology Inc.

Chairman of the Audit Committee: Ming-To Yu

February 21, 2024



- 6.4 Consolidated Financial Statements for the Years Ended December 31 2023 and 2022, and Independent Auditors' Report : Please refer to page 151~215 of this Annual Report.
- 6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report : Please refer to page 216~272 of this Annual Report.
- 6.6 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties : None.
- 6.7 Certification Details of Employees who are Related to the Release of the Company's Financial Information Transparency

Title	Name	Issuing Institution	Certification
Accounting and Financial Officer	Teresa Kuo	The Institute of Internal Auditors, ROC (Taiwan)	Qualified Internal Auditor (QIA)
		The Institute of Internal Auditors, ROC (Taiwan)	Certified Internal Auditor (CIA)
Internal Auditing Officer	Grace Mai	The Institute of Internal Auditors, ROC (Taiwan)	Certified Internal Auditor (CIA)
		Securities & Futures Institute	Basic Competence Exams for Enterprise Internal Control
		Ministry of Economic Affairs	Intangible Asset Certified Valuation Analyst – Entry Level Certification

## VII. Financial Status, Financial Performance, and Risk Management

### 7.1 Financial Status

Unit: NT\$ thousands

Item	Year	2023	2022	Difference	
				Amount	%
Current Assets		2,954,593	3,333,909	(379,316)	(11.38)
Property, Plant and Equipment		473,470	460,797	12,673	2.75
Intangible Assets		79,299	74,187	5,112	6.89
Other Assets		250,335	29,218	221,117	756.78
Total Assets		3,757,697	3,898,111	(140,414)	(3.60)
Current Liabilities		689,585	786,828	(97,243)	(12.36)
Non-current Liabilities		14,334	17,959	(3,625)	(20.18)
Total Liabilities		703,919	804,787	(100,868)	(12.53)
Equity Attributable to Shareholders of the Parent		3,023,274	3,060,204	(36,930)	(1.21)
Capital Stock		746,423	761,845	(15,422)	(2.02)
Capital Surplus		114,313	210,522	(96,209)	(45.70)
Retained Earnings		2,167,708	2,497,055	(329,347)	(13.19)
Other Equity		(5,170)	(4,980)	(190)	3.82
Treasury Stock		0	(404,238)	404,238	(100.00)
Non-controlling Interest		30,504	33,120	(2,616)	(7.90)
Total Equity		3,053,778	3,093,324	(39,546)	(1.28)

Analysis of Deviation over 20% :

1. The increase in other assets was mainly due to the purchase of real estate, which resulted the increase in prepayments for building.
2. The decrease in non-current liabilities was mainly due to the retirement of some employees, which resulted the decrease in net defined benefit liabilities.
3. The decrease in capital surplus was mainly due to cash derived from capital surplus.
4. The decrease in treasury stock was mainly due to the fact that the transfer period has expired and is regarded as the Company's unissued shares in accordance with the Securities and Exchange Act, and the capital reduction has been completed in 2023.

## 7.2 Financial Performance

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	2023	2022	Difference	%
Operating Revenue	3,050,325	3,216,711	(166,386)	(5.17)
Gross Profit	3,050,325	3,216,711	(166,386)	(5.17)
Income from Operations	1,692,600	1,853,418	(160,818)	(8.68)
Non-operating Income and Expenses	58,392	55,506	2,886	5.20
Income before Tax	1,750,992	1,908,924	(157,932)	(8.27)
Income from Continuing Operations	1,462,657	1,604,141	(141,484)	(8.82)
Loss of Discontinued Operations	0	0	0	0
Net Income (Loss)	1,462,657	1,604,141	(141,484)	(8.82)
Other Comprehensive Income (Income after Tax)	1,884	(2,973)	4,857	(163.37)
Total Comprehensive Income	1,464,541	1,601,168	(136,627)	(8.53)
Net Income Attributable to Shareholders of the Parent	1,474,443	1,611,909	(137,466)	(8.53)
Net Income Attributable to Non-controlling Interest	(11,786)	(7,768)	(4,018)	51.73
Comprehensive Income Attributable to Shareholders of the Parent	1,476,336	1,608,867	(132,531)	(8.24)
Comprehensive Income Attributable to Non-controlling Interest	(11,795)	(7,699)	(4,096)	53.20
Earnings Per Share	19.76	21.61	(1.85)	(8.56)
Analysis of Deviation over 20% :				
1. The increase in other comprehensive income (income after tax) was mainly due to the increase in the recognition of unrealized gain on investments in equity instruments at fair value through other comprehensive income in 2023.				
2. The increase in loss of net income attributable to non-controlling interest was mainly due to increased subsidiary losses and decreased shareholding ratio of the parent company.				
3. The increase in loss of comprehensive income attributable to non-controlling interest was mainly due to the increase in the loss of exchange differences on the translation of the financial statements of foreign operations from subsidiaries.				

## 7.3 Cash Flow

### 7.3.1 Cash Flow Analysis for 2023

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies (4)	Cash Surplus (Deficit) (1)+(2)-(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
\$3,066,268	\$1,525,717	\$1,843,305	(\$17,156)	\$2,731,524	0	0

#### A. Analysis of Cash Flow

- (1) Operating Activities : Net cash generated from operating activities was mainly from net income.
- (2) Investing Activities : Net cash used in investing activities was primarily for capital expenditures.
- (3) Financing Activities : Net cash used in financing activities was mainly for payment of cash dividends.

B. Remedial Actions for Liquidity Shortfall : Not applicable.

### 7.3.2 Cash Flow Projection for 2024

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Generated from Operating Activities (2)	Net Cash Used in Investing Activities and Financing Activities (3)	Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies (4)	Cash Surplus (Deficit) (1)+(2)-(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Investment Plans
\$2,731,524	\$1,904,794	\$1,462,321	\$0	\$3,173,997	0	0

#### A. Analysis of Cash Flow

- (1) Operating Activities : Net cash generated from operating activities was mainly from net income.
- (2) Investing Activities : Net cash used in investing activities was primarily for capital expenditures.
- (3) Financing Activities : Net cash used in financing activities was mainly for payment of cash dividends.

B. Remedial Actions for Liquidity Shortfall : Not applicable.

## 7.4 Major Capital Expenditure Items

### 7.4.1 Major Capital Expenditure Items and Source of Capital

On October 24, 2023, the Company's Board of Directors approved the acquisition of real estate for Tai Yuan Hi-Tech Industrial Park Phase 10 and parking spaces in amount of NT\$1,815,000 thousand. This office building is a pre-sale construction project and is expected to be completed and handed over in 2027. The payment schedule will be paid in installments based on the project progress and the schedule stipulated in the sales contract. The Company's capital sources mainly come from future operating profits, and are supported by adjusting the shareholder dividend rate, selling the original office, or borrowing from banks, etc.

### 7.4.2 Expected Benefits :

Cooperate with the Company's long-term development strategy, operational needs and recruit more outstanding talents.

## 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The objectives of the Company's investment policy are for stable gains and the cultivation of business relation with the investees. In 2023, the investment accounted for under the equity method caused loss amounted to NT\$3,317 thousand. The main reason for the increase in losses was that the recovery of China's manufacturing economic environment after the epidemic continued to be weak and sluggish, and end customers were slow to remove inventory, thus affecting the invested company's shipment volume and revenue performance in 2023. In the future, the Company will seek long-term strategic investment and continue taking caution in the evaluation and management of all investment planning.

## 7.6 Analysis of Risk Management

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

- A. Interest rate: The interest income of the Company for 2023 was in the amount of NT\$65,245 thousand, and the interest expense was in the amount of NT\$442 thousand; both of which accounted for a rather low percentage of operating revenue as well as profit and loss for the year respectively. It is expected that changes in the interest rate in the future will not have a significant effect on the overall operations as well as profit and loss of the Company.
- B. Foreign exchange volatility: The majority of the sales of the Company are denominated in USD and JPY and some of the purchases were denominated in USD. Any changes in the exchange rate will affect the accounts receivable and payable denominated in foreign currencies and the profit position of the Company. For hedging off risks

deriving from exchange rate fluctuation, the Company has appointed designated personnel to keep track of the changes in exchange rate, as well as keeping close liaison with associated banks to gather exchange rate forecast to understand banks' exchange rate trend and information, and reduce the adverse impact of exchange rate changes on the Company's profit and loss.

C. Inflation: Inflation has never caused any significant impact on the Company's income. The Company's management is highly sensitive to the market trend. If there is an anticipation of inflation that increase the purchase cost, the Company will seek to reorient its business policy, including the adjustment of the price of sales. As such to keep inflation risk is kept under control.

#### 7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

In 2023 and 2024 to April 21, the Company did not engage in any high-risk, high-leveraged investments, lending or endorsement guarantees, and derivative transactions.

### 7.6.3 Research & Development Plans and Expense Projection

The Company keeps its effort in eNVM development in line with the future trend in the industry and expedite new SIP development in advanced process nodes to increase Company's competitiveness.

Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoBit OTP development in 55nm BCD & 0.18/0.13um BCD processes to fulfil customer demands on pure 5V PMIC solutions	Expect to complete IP characterization and qualification in 2024.	USD 200K	IP design needs to fulfill the strict requirement by PMIC applications
NeoBit development in multiple foundry's 0.18/0.15um BCD processes for automotive OTP IP specifications	Expect to complete IP characterization and qualification in 2024.	USD 200K	IP design needs to fulfill automotive specification
NeoBit developments in 3.3V or 5V Logic MR processes to meet the trend for mask reductions	Expect to complete IP characterization and qualification in 2024.	USD 150K	IP Quality and yield stability
Early NeoFuse OTP development in next generation 2nm GAA FinFET process for the mobile or high-performance computing applications	Expect to complete IP design signoff in 2025.	USD 900K	IP Quality, yield stability & IP design needs to meet the wide operation range and high temperature requirement
NeoFuse development in leading 3nm FinFET process for the mobile or high-performance computing applications	Expect to complete IP characterization and qualification in 2025.	USD 900K	IP Quality, yield stability & IP design needs to meet the wide operation range and high temperature requirement
NeoFuse development in 12/14nm FinFET process for the IoT applications	Expect to complete IP characterization in 2024 and qualification in 2025.	USD 350K	IP design needs to fulfill IoT specification
NeoFuse development in 28nm embFlash process for automotive specifications	Expect to complete IP qualification in 2024.	USD 200K	IP Quality, yield stability & IP design needs to fulfill automotive specification

Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoFuse development in 16nm HV FinFET process for OLED display driver ICs	Expect to complete IP design signoff in 2024.	USD 350K	IP Quality and yield stability
NeoFuse OTP IP development in advanced WoW package process (wafer on wafer)	Expect to complete IP design signoff in 2024.	USD 250K	IP Quality and yield stability
NeoFuse development in advanced 19nm DRAM process	Expect to complete IP qualification and release to customer for risk run in 2024.	USD 200K	Programming performance of Memory cell and yield of the IP
NeoFuse development in 40nm BCD process for advanced PMIC applications	Expect to complete IP characterization in 2024 and qualification in 2025.	USD 250K	IP Quality and yield stability
PUFrt security module development based on NeoPUF technology	Expect to complete IP design signoff of next 3nm products in 2024.	USD 300K	Design to meet security guideline
PUFrt security module development based on NeoPUF technology	Expect to complete IP design signoff of 6nm products in 2024.	USD 250K	Design to meet security guideline
NeoEE development in 55nm BCD DNW process	Qualification will be completed in 2025.	USD 200K	Superior Immunity design against program-disturbance
SPD EEPROM SPEC NeoEE development in 0.13um 1.8V/5V process	Function verification will be completed in 2024.	USD 250K	Data retention and re-write cycles
NeoMTP development for DDR5 PMIC in 90nm BCD	Qualification will be completed in 2024.	USD 150K	Memory cell's Data retention performance
New FTP development in 80nm HV process	Function verification and Qualification will be completed in 2024.	USD 300K	Memory cell's program Erase characteristics and Data retention performance
NeoMTP development in 55nm BCD process	Qualification will be completed in 2024.	USD 150K	Memory cell's Data retention performance



Plans in Recent Years	Progress and Schedule of Completion	R&D Expenditure	Major Factors Affecting Project Success
NeoMTP development in 90nm Automotive BCD process	Function verification will be completed in 2024, and Qualification will be completed in 2025.	USD 400K	IP Design, Yield, and Reliability to fulfill automotive specification
NeoMTP G-2 development in 80nm Automotive BCD process	Function verification will be completed in 2024, and Qualification will be completed in 2025.	USD 500K	IP Design, Yield, and Reliability to fulfill automotive specification
Automotive grade NeoFlash development in 80nm BCD process	Qualification will be completed in 2025.	USD 600K	Overall Quality of the IP and Fab ONO process
Automotive grade NeoFlash development in 40nm Low Power process	Automobile grade IP design will be completed in 2024.	USD 600K	Overall Quality of the IP and Fab ONO process
Automotive grade RRAM development in 22nm ULP process	Automobile Function verification will be completed in 2024.	USD 200K	Design quality of the IP 、 Fab Process stability
Automotive grade RRAM development in 55nm BCD process	Automobile design will be completed in 2024.	USD 200K	Design quality of the IP 、 Fab Process stability

#### 7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company runs its routine operation in compliance with applicable domestic and foreign laws, and monitors closely all domestic and foreign governmental policy and regulation changes that might impact the operation and financial operations. In 2023 and 2024 to April 21, there was no influence on the financial and operation performance of the Company due to changes of domestic and foreign governmental policy and regulation.

#### 7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company has established protective measures for its network and computer-related information security. In addition, it is continuously reviewing and evaluating its information security regulations and procedures to ensure their appropriateness and effectiveness. In the face of ever-changing information security threats, cyber-attackers will attempt to infiltrate the Company's external website and mail servers to subsequently destroy or attempt to steal the Company's confidential information. In the event of a serious cyber-attack, important Company information may be lost, and external communications may be consequently suspended. Malicious hackers may also attempt to introduce computer viruses, malware, or ransomware into the Company's network system to interfere with the Company's operations, or extort or blackmail the Company. To prevent and reduce the damage caused by such attacks, the Company has strengthened its network firewall and network control to prevent the spread of computer viruses across regions, and established endpoint anti-virus measures according to the type of computers. It has also introduced solutions for detecting and handling malware.

For specific software and firmware whose vulnerabilities have been publicly disclosed, and where the vendors have yet to install patch updates or implement defenses against the vulnerabilities, hackers or criminal groups may have already developed zero-day vulnerability attacks or malicious programs to gain control of computer systems or spy on classified information. To prevent and reduce the damage caused by such attacks, the Company has introduced zero-day vulnerability defense software to provide appropriate protection before the vulnerabilities are patched to prevent hackers from exploiting the vulnerabilities.

The Company highly values the research and development ability enhancement. Through the strong bonding of strategic alliances with world-class foundries, the Company can keep abreast of the latest changes in the industry and access to market information ahead of the industry peers, for keeping the financial stability and flexibility. As such, the effect of technological change and industry change bring is positive effects to the Company.

#### 7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Professionalism and integrity are the fundamental principles of the Company. The Company highly values its corporate images and risk management. There is no foreseeable crisis currently. In the future, the Company will seek to optimize the shareholders' interest while realizing corporate social responsibility.

#### 7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None.

#### 7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

None.

#### 7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

Under the adjustment of business strategy from the second half of 2011 onward, the Company decided to focus on IP business and planned to gradually reduce the proportion of income from wafer business, and made no purchase of wafer since 2013 to the date this report was printed. The key customers of the Company are famous domestic and foreign foundries with stable streams of purchasing orders and consistent revenue contributions to the Company. The business relation between these foundries and the Company is positive and there is no risk deriving from overconcentration of selling.

#### 7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

None.

#### 7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

None.

#### 7.6.12 Litigation or Non-litigation Matters

- A. Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
- B. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

#### 7.6.13 Other Major Risks

##### A. Risk Management Policy

The Company's management pays utmost attention to risk management. The frequency of internal audit is arranged in line with the level of risk. The Chief Auditor also assists the Company to bolster all internal control for reducing risk to the minimum level and enhance shareholders' interest.

- B. To ensure the thorough implementation of sustainable strategy, the Company has its President convene Management Examination Meeting every six months to review the issues related to environment, society and corporate governance which are concerned by stakeholders; in consideration of the materiality principle, the company establishes risk assessment which is relevant to the business operation, and proposes related policies and measures. Please refer to page 146~148 of this Annual Report.

##### C. The Organization Structure for Risk Management

Name of Organization	Scope of Authority and Responsibility
Board of Directors	Map out the risk management policy, structure, and the culture; ensure the effectiveness of risk management mechanism and allocate resources.

Name of Organization	Scope of Authority and Responsibility
Audit Committee	Review the policy, structure and culture of risk management and propose suggestions to the Board of Directors; furthermore supervise on the effectiveness of the risk management mechanism and propose suggestions to the Board of Directors.
Senior Management (President, Vice Presidents)	Execution of the risk management decision of the Board, coordination of cross-function risk management interaction and communication, design and decision-making of business operation, assessment mid-term to long-term investment and return to reduce risks.
Audit Office	Prepare an annual audit plan based on the risk assessment results, review various internal control operations according to the annual audit plan, and track improvements found in the audit. Issue audit reports based on the audit results to provide the management with a reference for adjusting management policies and procedures, and regularly report the implementation of the audit plan to the Audit Committee and the Board of Directors.
Management Review Meeting	Periodically perform comprehensive review on the quality/information security of the Company, the content to be reviewed shall include the feedback of stakeholder, to ensure its constant normal operation.
Information Security Committee	Resolve and adjudicate information security policies and issues, and provide resources to promote information security.
Sustainable Management Committee	Study, plan and formulate the vision, policies, and objectives for sustainable development; identify risks and opportunities in sustainable development related-issues, to determine response strategies and related investments; oversee planning and implementation of the sustainable development strategy; supervise disclosure of sustainable development performance and information.
Environmental Safety Functional Units	Risk Control of labor safety and provide related education, establishment and maintenance of environmental protection, labor safety, and health system.
The Manager of Each Functional Department	Execution of risk control in routine operation and self-assessment of risk control.
Administration Center	Management and maintenance of IT system, allocation of human resources, design and arrangement of administrative and general affairs, review and institution of legitimacy of intellectual property rights.
Quality Management & Process Integration Department	To plan and execute the operation standardization, to operate the functional safety management, to plan for operation flow and project management, and to execute internal/external audits for the entire eMemory corporation.
Finance Department	Bookkeeping and compilation of management statements as reference for the management in making and revising decisions, funds management, share registration and transfer, execution, preparation and analysis of the return of short to long-term investment.

D. Risk Management Organization:

Major Risk Assessment	Risk Management Authority (1 <sup>st</sup> Tier)	Risk Review and Control (2 <sup>nd</sup> Tier)	The Board, Audit Committee and Audit Office (3 <sup>rd</sup> Tier )
1. Interest rate, exchange rate, and financial risk	Finance Department	President	1. The Board: Decision of risk assessment and control. 2. Audit Committee: Review the risk assessment and propose suggestions to the Board. 3. Audit Office: Risk inspection, assessment, monitoring, and tracking of corrective actions and report.
2. High-risk, high-leveraged investments, lending or endorsement guarantees, derivative transactions, and financial investments			
3. R&D plan	R&D Units Sales & Marketing Units InfoSec Strategy Team InfoSec Technology Team	1. Project Management (members: project manager, Sales & Marketing Units, R&D Units, Quality Management & Process Integration Department) 2. Senior Management Meeting (members: President, Officer of Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer) 3. Information Security Committee (members: President, Officer of Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer) 4. Sustainable Management Committee (members: President is convener; top-ranking managers are members; under the Committee, there are an executive secretary, investor relations section, and work groups)	
4. Changes in Technology and industry			

Major Risk Assessment	Risk Management Authority (1 <sup>st</sup> Tier)	Risk Review and Control (2 <sup>nd</sup> Tier)	The Board, Audit Committee and Audit Office (3 <sup>rd</sup> Tier)
5. Changes in policies and Regulations	President Legal Affairs Department	1. Senior Management Meeting (members: President, Officer of Administration Center, VP of Sales & Marketing Center, VP of R&D, Accounting and Financial Officer) 2. Management Review Meeting (members: President, managers of each functional departments, Quality Management & Process Integration Department)	
6. Litigation or non-litigation matters			
7. Corporate image / Sustainable Development	President Office Relevant functional departments		
8. Transfer of shares by Directors and major shareholders	Stock Affairs Unit Investor Relations Division	Chairman, President, Investor Relations Division	
9. Changes in management rights	Chairman President		
10. Others operational matters	Relevant functional departments	Chairman, President	

E. The Company made the risk assessment on the issues concerning environment, society and corporate governance which are related to the operation of Company according to the materiality principle, and established related risk management strategy and measures as followings:

Material Topic	Risk Assessment Project	Risk Management Strategy and Measures
Environment	Environmental Protection and Ecological Conservation	Environmental protection is an extremely crucial part of corporate sustainability. As a specialized silicon intellectual property company, the Company does not engage in physical production and manufacturing, so we are in a non-pollution business – neither producing nor discharging any manufacturing waste. However, we still do our best to integrate environmental protection into our policy formulation and daily business operations, so as to do our part in maintaining corporate sustainable development. Given that the Company is in a non-polluting business, authentication of general environmental management systems does not apply to us. However, we still comply with environmental

Material Topic	Risk Assessment Project	Risk Management Strategy and Measures
Environment	Environmental Protection and Ecological Conservation	laws and regulations, reducing resource waste and doing resource recycling. Following ISO14064-1: 2018, including the Company and all subsidiaries to conduct GHG inventory. The Company has finished the GHG inventory of 2022 and passed the external verification. Setting 2022 as the base year, the Company will regularly disclose the results of GHG inventory and continue working towards our goals. To practice energy conservation and carbon reduction, the Company has been taking proactive actions, including implementing highly efficient energy-saving light-emitting diode (LED), inspecting and maintaining the air-conditioning systems, adopting electronic spreadsheets, and constantly reducing waste. We hope to create a zero-pollution environment in the future.
	Climate Change	The Company has evaluated that climate change may cause disaster hazard, market risk, operation risk etc., and to minimize the impact of increased operation costs caused by the relevant potential risks, the Company alters the green environmental protection from duties to opportunities by the innovation of core technologies, implementing component reduced product design which substitutes the complex manufacturing process required by the conventional non-volatile memory, and reduces the emission of carbon dioxide; depending on the innovation in several aspects of strategy, market, management, research and development, and accompanying with power of implementation, the Company keeps change for sustainability.
Society	Workplace Safety	The Company is dedicated in the topics of securing labor health and working environment by periodically implementing safety and health education and holding “Fire Safety Seminar” , “CPR First Aid Training” propaganda courses pursuant to the occupational safety and health relevant laws and regulations. And by providing specific parking spaces or transportation allowances, nursery room, full time security system, multifunction rest area etc. the employees can enjoy a comfortable and healthy environment. At our company, we prioritize the well-being of our employees as integral to our success. We offer comprehensive fitness allowances, benefiting over 330 individuals annually, and conduct regular health examinations, with support extended to more than 300 employees over the past two years. Additionally, our on-site nursing staff ensures proactive health management and offers personalized health consultation services to our workforce.

Material Topic	Risk Assessment Project	Risk Management Strategy and Measures
Society	Product Safety	<p>The major business of the Company is silicon IP licensing, that labeling will not be applicable for the products are intangible. The Company has passed the TÜV Rheinland ISO9001:2015 Quality Management System certification and ISO26262 Road Vehicles-Functional Safety certification and obtained corresponding certificates. The NeoBit &amp; NeoEE AS series products have passed the TÜV Rheinland ISO26262 (Road Vehicles-Functional Safety) &amp; Industrial Specifications IEC 61508 (Functional safety of electrical/electronic/ programmable electronic safety-related systems) certification and obtained corresponding certificates. In order to continue to strengthen information security governance and customer privacy protection, the Company obtained ISO27001 Information Security Management System certification in 2023 to ensure the effectiveness and continuity of the Company's information and communications business operations. This will better protect the privacy and data security of stakeholders.</p> <p>The Company upholds a philosophy of “excellence in quality, service first, and fully meeting customer needs,” with an emphasis on improving product quality to prioritize customer satisfaction. We are committed to providing safe, dependable, high-quality products and establishing good communication channels with customers to ensure transparent and effective complaint handling processes. Furthermore, we conduct annual customer satisfaction surveys and have consistently received high ratings over the years, with an average score of 95.81 in 2023. We will continuously endeavor to provide even more exceptional products and a better service experience for our customers.</p>
Corporate Governance	Social Economic and Compliance	<p>By means of establishing corporate governance organization and implementing internal control system, all the personnel and operations of the Company can be ensured to comply with relevant laws and regulations.</p>

7.7 Other Materiality: None.



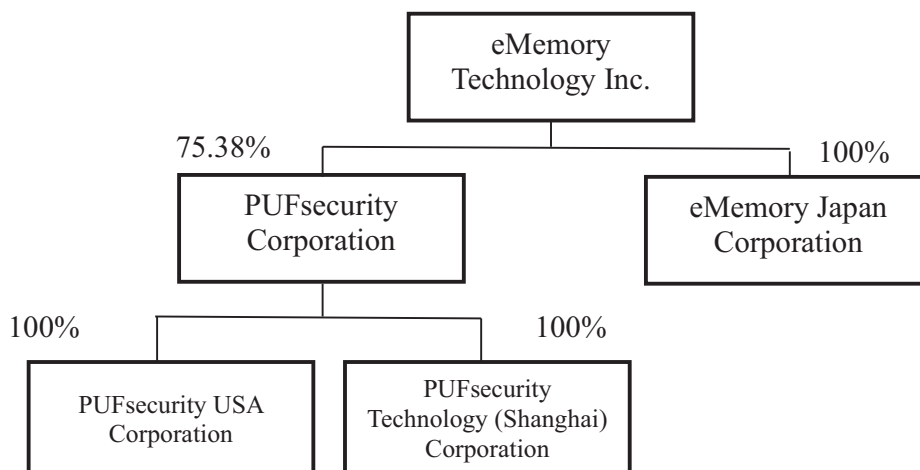
## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Consolidation Business Report of Affiliates

##### A. The Company's Affiliated Companies Chart

12/31/2023



##### B. Basic Information of Affiliated Companies :

12/31/2023 ; Unit: NT\$ thousands/ US\$ thousands

Company Name	Date of Establishment	Address	Capital	Main Businesses and Products
PUFsecurity Corporation	May 8, 2019	Hsinchu County, Taiwan	NT\$ 113,525	Product designing, software services, data processing services, intellectual property, etc.
PUFsecurity USA Corporation	July 9, 2020	USA	US\$ 270	Sales promotion
eMemory Japan Corporation	March 2, 2022	Japan	JPY\$ 100,000	Product designing, intellectual property management, technology service
PUFsecurity Technology (Shanghai) Corporation	July 22, 2022	China	US\$ 250	Product designing and related services

C. In accordance with the Article 369-3 of the Company Act, Disclose if There is a Presumption of Controlling and Subordinate Relationship : None.

D. Shareholders in Common of the Company and Its Affiliated Companies with Deemed Control and Subordination : None.

E. Business Scope of the Company and Its Affiliated Companies : Please refer to the above of Basic Information of Affiliated Companies.

F. List of Directors, Supervisors and Presidents of the Company's Affiliated Companies :

12/31/2023

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
PUFsecurity Corporation	Chairman	eMemory Technology Inc. Representative : Charles Hsu	82,563,393	75.38%
PUFsecurity USA Corporation	Chairman	Charles Hsu	PUFsecurity Corporation 270	100%
eMemory Japan Corporation	Executive Director	Michael Ho	N/A.	100%
PUFsecurity Technology (Shanghai) Corporation	Director Supervisor	Michael Ho Evans Yang	PUFsecurity Corporation N/A	100%

G. Operation Highlights of the Company's Affiliated Companies :

12/31/2023 ; Unit: NT\$ thousands (Except EPS: NT)

Company Name	Capital	Assets	Liabilities	Equity	Revenue	Operating Income	Net Income (Loss)	EPS
PUFsecurity Corporation	113,525	175,280	55,019	120,261	123,457	(66,886)	(48,891)	(0.45)
PUFsecurity USA Corporation	7,777	5,911	1,189	4,722	15,710	1,028	543	2,011.09
eMemory Japan Corporation	10,697	8,311	2,412	5,899	14,770	(6,693)	(6,102)	-
PUFsecurity Technology (Shanghai) Corporation	7,445	6,728	115	6,613	-	(956)	(810)	-

8.1.2 Consolidated Business Report and Consolidation of Financial Statements of Affiliates :  
Please refer to page 151~215 of this Annual Report.

8.2 Private Placement Securities : None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries : None.

8.4 Supplementary Notes : None.

8.5 Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Act : None.

## Appendix 1 : Consolidated Financial Statements

### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries under International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

eMemory Technology Inc.

By:

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Charles Hsu  
Chairman

February 21, 2024

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
eMemory Technology Inc.

#### Opinion

We have audited the accompanying consolidated financial statements of eMemory Technology Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

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

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

1. Royalty fees are the Group's major source of revenue; refer to Note 21 for related information. When the customers of the Group, the IC design houses, use the Group'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 Group based on a certain percentage of the wafer price.
2. The Group 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 the appropriate time.

3. We confirmed the accuracy of the timing of royalty revenue recognition by understanding the revenue recognition policy of the Group, 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.

#### **Other Matter**

We have also audited the parent company only financial statements of eMemory Technology Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the

consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, 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 Cheng-Chih Lin and Ya-Yun Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2024

#### Notice to Readers

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

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

**EEMEMORY TECHNOLOGY INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash (Notes 4, 6 and 27)	\$ 2,731,524	73	\$ 3,066,268	79	\$ 30,000	1	\$ -	-
Accounts receivable - net (Notes 4, 9, 21 and 27)	194,960	5	239,381	6	77,268	2	67,508	2
Accounts receivable - related parties (Notes 4, 21, 27 and 28)	-	-	-	-	174,743	5	181,897	5
Other receivables (Notes 4 and 27)	-	-	3,071	-	-	-	10	-
Prepayments (Note 15)	2,965	-	1,018	-	349,031	9	384,981	10
Other current assets (Notes 4, 15 and 27)	20,170	1	20,014	1	9,220	-	7,478	-
	4,974	-	4,157	-	44,486	1	139,676	3
Total current assets	2,954,593	79	3,333,909	86	2,358	-	3,299	-
<b>NON-CURRENT ASSETS</b>								
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 27)	5,369	-	4,914	-	689,585	18	786,828	20
Financial assets at amortized cost - noncurrent (Notes 4, 8, 27 and 29)	118	-	116	-	1,314	-	2,237	-
Investment accounted for using the equity method (Notes 4 and 11)	12,063	-	15,185	-	13,010	1	15,712	1
Property, plant and equipment (Notes 4, 12, 30 and 33)	473,470	13	460,797	12	10	-	10	-
Right-of-use assets (Notes 4, 13 and 33)	3,607	-	5,438	-	14,334	1	17,959	1
Intangible assets (Notes 4 and 14)	79,299	2	74,187	2	-	-	-	-
Deferred tax assets (Notes 4 and 23)	3,770	-	2,743	-	703,919	19	804,787	21
Prepayments for equipment (Notes 15 and 30)	224,714	6	-	-	-	-	-	-
Refundable deposits	694	-	822	-	-	-	-	-
Total non-current assets	803,104	21	564,202	14	746,423	20	761,845	19
					114,313	3	210,522	5
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 19 and 20)</b>								
Ordinary shares	-	-	-	-	761,844	20	635,956	16
Capital surplus	-	-	-	-	4,980	-	30,985	1
Retained earnings	-	-	-	-	1,400,884	37	1,830,114	47
Legal reserve	-	-	-	-	2,167,708	57	2,497,055	64
Special reserve	-	-	-	-	-	-	-	-
Unappropriated earnings	-	-	-	-	61	-	706	-
Total retained earnings	-	-	-	-	(5,231)	-	(5,686)	-
Other equity	-	-	-	-	(5,170)	-	(4,980)	-
Exchange differences on the translation of the financial statements of foreign operations	-	-	-	-	-	-	(404,238)	(10)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	-	-	-	3,023,274	80	3,060,204	78
Total other equity	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-
Total equity attributable to shareholders of the Company	-	-	-	-	30,504	1	33,120	1
<b>NON-CONTROLLING INTERESTS (Notes 4 and 19)</b>								
Total equity	-	-	-	-	3,053,778	81	3,093,324	79
<b>TOTAL</b>	<b>\$ 3,757,697</b>	<b>100</b>	<b>\$ 3,898,111</b>	<b>100</b>	<b>\$ 3,757,697</b>	<b>100</b>	<b>\$ 3,898,111</b>	<b>100</b>

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

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21, 28 and 33)	\$ 3,050,325	100	\$ 3,216,711	100
OPERATING COSTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>3,050,325</u>	<u>100</u>	<u>3,216,711</u>	<u>100</u>
OPERATING EXPENSES (Notes 4, 22 and 28)				
Selling and marketing expenses	229,597	8	220,275	7
General and administrative expenses	281,717	9	297,436	9
Research and development expenses	846,465	28	846,920	26
Reversal of expected credit loss (Notes 4 and 9)	<u>(54)</u>	<u>-</u>	<u>(1,338)</u>	<u>-</u>
Total operating expenses	<u>1,357,725</u>	<u>45</u>	<u>1,363,293</u>	<u>42</u>
OPERATING INCOME	<u>1,692,600</u>	<u>55</u>	<u>1,853,418</u>	<u>58</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 22)	65,256	2	15,416	-
Other income (Notes 4, 13, 22 and 28)	1,854	-	2,422	-
Other gains and losses (Notes 4, 22 and 25)	(4,959)	-	39,892	1
Finance costs (Notes 4 and 22)	(442)	-	(144)	-
Share of loss of associates (Notes 4 and 11)	<u>(3,317)</u>	<u>-</u>	<u>(2,080)</u>	<u>-</u>
Total non-operating income and expenses	<u>58,392</u>	<u>2</u>	<u>55,506</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,750,992	57	1,908,924	59
INCOME TAX EXPENSE (Notes 4 and 23)	<u>288,335</u>	<u>9</u>	<u>304,783</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>1,462,657</u>	<u>48</u>	<u>1,604,141</u>	<u>50</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	2,083	-	2,702	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (loss) (Notes 4, 19 and 27)	455	-	(6,562)	-

(Continued)



## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations (Notes 4 and 19)	\$ (663)	-	\$ 886	-
Share of the other comprehensive income of associates accounted for using the equity method (Notes 4, 11 and 19)	<u>9</u>	<u>-</u>	<u>1</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>1,884</u>	<u>-</u>	<u>(2,973)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 1,464,541</u>	<u>48</u>	<u>\$ 1,601,168</u>	<u>50</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the Company	\$ 1,474,443	48	\$ 1,611,909	50
Non-controlling interests	<u>(11,786)</u>	<u>-</u>	<u>(7,768)</u>	<u>-</u>
	<u>\$ 1,462,657</u>	<u>48</u>	<u>\$ 1,604,141</u>	<u>50</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the Company	\$ 1,476,336	48	\$ 1,608,867	50
Non-controlling interests	<u>(11,795)</u>	<u>-</u>	<u>(7,699)</u>	<u>-</u>
	<u>\$ 1,464,541</u>	<u>48</u>	<u>\$ 1,601,168</u>	<u>50</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$ 19.76</u>		<u>\$ 21.61</u>	
Diluted	<u>\$ 19.70</u>		<u>\$ 21.51</u>	

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

(Concluded)

**EEMEMORY TECHNOLOGY INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Company											
	Ordinary Shares		Retained Earnings			Other Equity			Total			
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Difference on the Translation of the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2022	76,124	\$ 761,235	\$ 303,181	\$ 526,270	\$ 60,101	\$ 1,259,813	\$ 1,846,184	\$ (112)	\$ (30,874)	\$ (404,238)	\$ 47,415	\$ 2,522,791
Appropriation of 2021 earnings	-	-	-	109,686	-	(109,686)	-	-	-	-	-	-
Reversal of 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 (loss) for the year ended December 31, 2022	-	-	-	-	-	1,611,909	1,611,909	-	-	-	(7,768)	1,604,141
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,702	2,702	818	(6,562)	-	69	(3,023)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	1,614,611	1,614,611	818	(6,562)	-	(7,699)	1,601,168
Issuance of ordinary shares under employee share options	61	610	18,812	-	-	-	-	-	-	-	8,867	28,289
Share-based payments	-	-	-	-	-	-	-	-	-	-	723	723
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(31,750)	(31,750)	706	(5,686)	-	-	-
BALANCE, DECEMBER 31, 2022	76,185	761,845	210,522	635,956	30,985	1,830,114	2,497,055	706	31,750	(404,238)	33,120	3,093,324
Appropriation of 2022 earnings	-	-	-	125,888	-	(125,888)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(26,005)	26,005	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(1,417,769)	(1,417,769)	-	-	-	-	(1,417,769)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	8,365	-	-	-	-	-	-	-	(8,365)	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	186	-	-	-	-	-	-	-	-	186
Issuance of cash dividends from capital surplus	-	-	(111,929)	-	-	-	-	-	-	-	-	(111,929)
Net profit (loss) for the year ended December 31, 2023	-	-	-	-	-	1,474,443	1,474,443	-	-	-	(11,786)	1,462,657
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	2,083	2,083	(643)	455	-	(9)	1,884
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,476,526	1,476,526	(643)	455	-	(11,795)	1,464,541
Issuance of ordinary shares under employee share options	25	248	7,633	-	-	-	-	-	-	-	90	7,971
Share-based payments	-	-	-	-	-	-	-	-	-	-	2,022	2,022
Retirement of treasury shares	(1,567)	(15,670)	(464)	-	-	(388,104)	(388,104)	-	-	404,238	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2023	74,643	746,423	114,313	761,844	4,920	1,400,884	2,167,708	61	(6,231)	-	30,504	3,053,778

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

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,750,992	\$ 1,908,924
Adjustments for:		
Depreciation expenses	40,199	39,318
Amortization expenses	85,495	35,584
Reversal of expected credit loss	(54)	(1,338)
Finance costs	442	144
Interest income	(65,256)	(15,416)
Dividend income	(363)	(932)
Share-based payments	2,022	723
Share of loss of associates	3,317	2,080
Property, plant and equipment transferred to expenses	66	-
Gain on disposal of investments	-	(86)
Net loss (gain) on foreign currency exchange	24,505	(18,580)
Intangible assets transferred to expenses	632	-
Changes in operating assets and liabilities		
Accounts receivable	36,343	(137,271)
Accounts receivable - related parties	3,038	(3,084)
Other receivables	-	5,118
Prepayments	184	7,261
Other current assets	(817)	(303)
Contract liabilities	9,760	(9,435)
Other payables	(7,124)	29,631
Other payables - related parties	(10)	10
Other current liabilities	500	51
Net defined benefit liabilities	(619)	(776)
Bonuses payable to employees and directors	(35,950)	129,992
Cash generated from operations	1,847,302	1,971,615
Interest received	63,307	14,550
Income tax paid	(384,892)	(304,269)
Net cash generated from operating activities	<u>1,525,717</u>	<u>1,681,896</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	4,654
Acquisition of financial assets at fair value through profit or loss	-	(370,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	370,086
Acquisition of property, plant and equipment	(47,462)	(38,835)
Increase in refundable deposits	-	(351)
Decrease in refundable deposits	128	-
Acquisition of intangible assets	(91,239)	(37,335)
Increase in prepayments for equipment	(224,714)	-
Dividends received	363	932
Net cash used in investing activities	<u>(362,924)</u>	<u>(70,849)</u>

(Continued)

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 30,000	\$ -
Repayment of the principal portion of lease liabilities	(3,669)	(3,233)
Dividends paid	(1,529,693)	(1,043,820)
Exercise of employee share options	7,971	28,289
Interest paid	(422)	(144)
Increase (decrease) in non-controlling interests	<u>15,432</u>	<u>(30,000)</u>
Net cash used in financing activities	<u>(1,480,381)</u>	<u>(1,048,908)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(17,156)</u>	<u>21,364</u>
NET (DECREASE) INCREASE IN CASH	(334,744)	583,503
CASH AT THE BEGINNING OF THE YEAR	<u>3,066,268</u>	<u>2,482,765</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,731,524</u>	<u>\$ 3,066,268</u>

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

(Concluded)

# EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on February 21, 2024.

### 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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company and the entities controlled by the Company (collectively, the “Group”) accounting policies.

- b. The IFRSs Accounting Standards endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated 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.

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 Group 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

See Note 10, Table 4 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity'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 consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates in other countries 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 (attributed to the shareholders of the Company and non-controlling interests as appropriate).

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group 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 Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group 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 Group's proportionate interest in the associate. The Group 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 Group'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 Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.



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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group 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 Group 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 Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- 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 Group 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group'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 Group'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 Group 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 Group 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 Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Licensing revenue

a) Technical service revenue

The Group 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 Group assesses whether the contract is, or contains, a lease.

1) The Group 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 Group 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 Group, 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 Group as lessee

The Group 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 consolidated 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 Group 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 Group 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 consolidated 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. Borrowing costs

Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group 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 Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group 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 Group with no future related costs are recognized in profit or loss in the period in which they are received.

o. 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 Group'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 rereasurement is recognized in profit or loss.

p. Share-based payment arrangements

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 Group'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 and non-controlling interests. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group 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 and non-controlling interests.

q. Taxation

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

### 1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act 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 Group 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 Group 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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group'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.



When developing material accounting estimates, the Group considers the possible impact of material 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 Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group'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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 2,731,487	\$ 3,066,233
Cash on hand	<u>37</u>	<u>35</u>
	<u>\$ 2,731,524</u>	<u>\$ 3,066,268</u>

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank deposits	0.001%-5.63%	0.001%-4.27%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI	<u>\$ 5,369</u>	<u>\$ 4,914</u>
Domestic investments		
Unlisted shares		
Ordinary shares - Syntronix Corporation	<u>\$ 5,369</u>	<u>\$ 4,914</u>

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 Group's strategy of holding these investments for long-term purposes.

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

	<b>For the Year Ended December 31, 2022</b>
Fair value at the date of derecognition	\$ 4,654
Accumulated loss on disposal of retained earnings transferred from other equity	(31,750)

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Domestic investments		
Pledged time deposits	<u>\$ 118</u>	<u>\$ 116</u>
a. Refer to Note 27 for information relating to the credit risk management and impairment of financial assets at amortized cost.		
b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.		

## 9. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Accounts receivable	\$ 195,003	\$ 239,478
Less: Allowance for impairment loss	<u>(43)</u>	<u>(97)</u>
	<u>\$ 194,960</u>	<u>\$ 239,381</u>

The average credit term is 30 to 60 days, and no interest was charged on accounts receivable. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group'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 Group 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 Group'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 Group's different customer base.

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

December 31, 2023

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	\$ 184,840	\$ 9,702	\$ 461	\$ -	\$ -	\$ 195,003
Loss allowance (lifetime ECLs)	-	(33)	(10)	-	-	(43)
Amortized cost	<u>\$ 184,840</u>	<u>\$ 9,669</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,960</u>

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	\$ 224,550	\$ 9,996	\$ 4,932	\$ -	\$ -	\$ 239,478
Loss allowance (lifetime ECLs)	-	(25)	(72)	-	-	(97)
Amortized cost	<u>\$ 224,550</u>	<u>\$ 9,971</u>	<u>\$ 4,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,381</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 97	\$ 1,435
Less: Net remeasurement of loss allowance	<u>(54)</u>	<u>(1,338)</u>
Balance at December 31	<u>\$ 43</u>	<u>\$ 97</u>

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership</u>		Remark
			<u>2023</u>	<u>2022</u>	
eMemory Technology Inc.	PUFsecurity Corporation	Product designing, software services, data processing services, intellectual property, etc.	75.38%	76.17%	1
	eMemory Japan Corporation	Product designing, intellectual property management, technology services	100%	100%	2
PUFsecurity Corporation	PUFsecurity USA Corporation	Sales promotion	100%	100%	-
	PUFsecurity Technology (Shanghai) Corporation	Product designing and related services	100%	100%	3

Remarks:

- 1) 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 its proportion of ownership to decrease from 80.82% to 79.82%.

The employees of the Group 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 at a price of NT\$7.5 per share. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 79.82% to 76.17%.

PUFsecurity Corporation increased its capital by issuing 3,000 thousand shares with a par value of NT\$10 in April 2023, and the paid-in capital increased to NT\$113,430 thousand, which was divided into 113,430 thousand shares with a par value of NT\$1. The Company subscribed for 1,457 thousand shares in cash for NT\$14,568 thousand but did not subscribe for the shares in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 76.17% to 75.41%.

The employees of the Group exercised the employee share options issued by PUFsecurity Corporation in 2023. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 75.41% to 75.38%.

- 2) The Company invested and established eMemory Japan Corporation in March 2022, and the Company remitted an investment fund of JPY50,000 thousand on October 21, 2022 and February 3, 2023.
- 3) 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.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Associates that is not individually material		
iMQ Technology Inc.	<u>\$ 12,063</u>	<u>\$ 15,185</u>
	<b>Proportion of Ownership and</b>	
	<b>Voting Rights</b>	
	<u>December 31</u>	
<b>Name of Associate</b>	<b>2023</b>	<b>2022</b>
iMQ Technology Inc.	2.28%	2.34%

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%.

The employees of iMQ Technology Inc. exercised the employee share option in 2023. Therefore, the Company's shareholding percentage decreased from 2.34% to 2.28%.

Information about associates that is not individually material

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
The Company's share of :		
Loss from continuing operations	\$ (3,317)	\$ (2,080)
Other comprehensive loss	<u>9</u>	<u>1</u>
Total comprehensive loss for the period	<u>\$ (3,308)</u>	<u>\$ (2,079)</u>

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 4.

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, 2023 and 2022 was based on the associate's financial statements which have been audited for the same years.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Assets used by the Group	\$ 473,153	\$ 460,475
Assets leased under operating leases	<u>317</u>	<u>322</u>
	<u>\$ 473,470</u>	<u>\$ 460,797</u>

### a. Assets used by the Group

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Research and Development Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2023	\$ 123,905	\$ 394,320	\$ 89,651	\$ 22,613	\$ 630,489
Additions	-	1,809	40,458	7,062	49,329
Disposals	-	(17,924)	(25,547)	(3,101)	(46,572)
Reclassified	-	-	(48)	(20)	(68)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(26)</u>	<u>(28)</u>
Balance at December 31, 2023	<u>\$ 123,905</u>	<u>\$ 378,205</u>	<u>\$ 104,512</u>	<u>\$ 26,528</u>	<u>\$ 633,150</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 111,962	\$ 49,816	\$ 8,236	\$ 170,014
Depreciation expense	-	11,620	19,881	5,057	36,558
Disposals	-	(17,924)	(25,547)	(3,101)	(46,572)
Reclassified	-	-	(1)	(1)	(2)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 105,658</u>	<u>\$ 44,149</u>	<u>\$ 10,190</u>	<u>\$ 159,997</u>
Carrying amount at December 31, 2023	<u>\$ 123,905</u>	<u>\$ 272,547</u>	<u>\$ 60,363</u>	<u>\$ 16,338</u>	<u>\$ 473,153</u>

(Continued)

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Research and Development Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2022	\$ 123,905	\$ 388,508	\$ 100,198	\$ 17,646	\$ 630,257
Additions	-	6,801	21,717	8,032	36,550
Disposals	-	(989)	(32,264)	(3,065)	(36,318)
Balance at December 31, 2022	<u>\$ 123,905</u>	<u>\$ 394,320</u>	<u>\$ 89,651</u>	<u>\$ 22,613</u>	<u>\$ 630,489</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 101,127	\$ 61,948	\$ 7,199	\$ 170,274
Depreciation expense	-	11,824	20,132	4,102	36,058
Disposals	-	(989)	(32,264)	(3,065)	(36,318)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 111,962</u>	<u>\$ 49,816</u>	<u>\$ 8,236</u>	<u>\$ 170,014</u>
Carrying amount at December 31, 2022	<u>\$ 123,905</u>	<u>\$ 282,358</u>	<u>\$ 39,835</u>	<u>\$ 14,377</u>	<u>\$ 460,475</u>

(Concluded)

b. Assets leased under operating leases

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1 and December 31, 2023	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 57	\$ 57
Depreciation expense	-	5	5
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 62</u>
Carrying amount at December 31, 2023	<u>\$ 114</u>	<u>\$ 203</u>	<u>\$ 317</u>
<u>Cost</u>			
Balance at January 1 and December 31, 2022	<u>\$ 114</u>	<u>\$ 265</u>	<u>\$ 379</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 52	\$ 52
Depreciation expense	-	5	5
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 57</u>
Carrying amount at December 31, 2022	<u>\$ 114</u>	<u>\$ 208</u>	<u>\$ 322</u>

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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Year 1	\$ <u>30</u>	\$ <u>30</u>

There was no indication of impairment for the years ended December 31, 2023 and 2022.

The Group'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	3-10 years

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Buildings	\$ 2,488	\$ 2,978
Transportation equipment	<u>1,119</u>	<u>2,460</u>
	<u>\$ 3,607</u>	<u>\$ 5,438</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 1,837</u>	<u>\$ 7</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 2,295	\$ 1,914
Transportation equipment	<u>1,341</u>	<u>1,341</u>
	<u>\$ 3,636</u>	<u>\$ 3,255</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (1,431)</u>	<u>\$ (1,431)</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	<u>\$ 2,358</u>	<u>\$ 3,299</u>
Non-current	<u>\$ 1,314</u>	<u>\$ 2,237</u>

Discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings	1.38%-2.00%	1.38%-1.68%
Transportation equipment	2.73%	2.73%

c. Other lease information

Refer to Note 12 for operating leases related to leases arrangements of property, plant and equipment.

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	<u>\$ 4,348</u>	<u>\$ 3,070</u>
Total cash outflow for leases	<u>\$ (8,281)</u>	<u>\$ (6,447)</u>

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

**14. INTANGIBLE ASSETS**

	<b>Patents</b>	<b>Software</b>	<b>Trademarks</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2023	\$ 168,765	\$ 33,193	\$ 3,000	\$ 204,958
Additions	12,853	78,386	-	91,239
Disposals	(49)	(26,479)	-	(26,528)
Reclassification	<u>(632)</u>	<u>-</u>	<u>-</u>	<u>(632)</u>
Balance at December 31, 2023	<u>\$ 180,937</u>	<u>\$ 85,100</u>	<u>\$ 3,000</u>	<u>\$ 269,037</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 106,556	\$ 21,284	\$ 2,931	\$ 130,771
Amortization expense	16,570	68,891	34	85,495
Disposals	<u>(49)</u>	<u>(26,479)</u>	<u>-</u>	<u>(26,528)</u>
Balance at December 31, 2023	<u>\$ 123,077</u>	<u>\$ 63,696</u>	<u>\$ 2,965</u>	<u>\$ 189,738</u>
Carrying amount at December 31, 2023	<u>\$ 57,860</u>	<u>\$ 21,404</u>	<u>\$ 35</u>	<u>\$ 79,299</u>

(Continued)



	<b>Patents</b>	<b>Software</b>	<b>Trademarks</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2022	\$ 158,784	\$ 7,870	\$ 3,000	\$ 169,654
Additions	10,032	27,303	-	37,335
Disposals	<u>(51)</u>	<u>(1,980)</u>	<u>-</u>	<u>(2,031)</u>
Balance at December 31, 2022	<u>\$ 168,765</u>	<u>\$ 33,193</u>	<u>\$ 3,000</u>	<u>\$ 204,958</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 89,713	\$ 4,678	\$ 2,827	\$ 97,218
Amortization expense	16,894	18,586	104	35,584
Disposals	<u>(51)</u>	<u>(1,980)</u>	<u>-</u>	<u>(2,031)</u>
Balance at December 31, 2022	<u>\$ 106,556</u>	<u>\$ 21,284</u>	<u>\$ 2,931</u>	<u>\$ 130,771</u>
Carrying amount at December 31, 2022	<u>\$ 62,209</u>	<u>\$ 11,909</u>	<u>\$ 69</u>	<u>\$ 74,187</u> (Concluded)

The Group's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE® and NeoMTP®, etc. There are 1,309 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

## 15. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepayments		
Prepayments for annual fee on the patents	\$ 5,707	\$ 6,028
Prepayments for outsourced testing	1,816	321
Prepayments for software maintenance	1,637	1,688
Prepayments for software	1,596	7,392
Prepayments for membership	1,303	1,293
Prepayments for income tax	355	15
Others	<u>7,756</u>	<u>3,277</u>
	<u>\$ 20,170</u>	<u>\$ 20,014</u>

(Continued)

	<u>December 31</u>	
	2023	2022
Other assets		
Temporary payments	\$ 4,974	\$ 4,157
<u>Non-current</u>		
Prepayments for equipment		
Prepayments for building purchase	\$ 224,714	\$ -
		(Concluded)

## 16. SHORT-TERM LOANS

	<u>December 31</u>	
	2023	2022
<u>Unsecured loans</u>		
Bank loans	\$ 30,000	\$ -

The interest rate on bank recurring loans was 2.185% on December 31, 2023.

## 17. OTHER LIABILITIES

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Other payables		
Bonuses	\$ 123,990	\$ 125,298
Payable for annual leave	5,737	7,446
Payable for professional service fees	1,969	1,992
Others	<u>43,047</u>	<u>47,161</u>
	\$ 174,743	\$ 181,897
Other liabilities		
Receipt under custody	\$ 1,895	\$ 1,952
Receipts in advance	582	-
Temporary receipts	<u>2</u>	<u>27</u>
	\$ 2,479	\$ 1,979

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Group 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 Act 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of funded defined benefit obligation	\$ 27,961	\$ 29,520
Fair value of plan assets	<u>(14,951)</u>	<u>(13,808)</u>
Net defined benefit liabilities	<u>\$ 13,010</u>	<u>\$ 15,712</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2022	<u>\$ 31,147</u>	<u>\$ (11,957)</u>	<u>\$ 19,190</u>
Net interest expense (income)	<u>156</u>	<u>(62)</u>	<u>94</u>
Recognized in profit or loss	<u>156</u>	<u>(62)</u>	<u>94</u>
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	<u>143</u>	<u>-</u>	<u>143</u>
Recognized in other comprehensive income	<u>(1,783)</u>	<u>(919)</u>	<u>(2,702)</u>
Contributions from the employer	<u>-</u>	<u>(870)</u>	<u>(870)</u>
Balance at December 31, 2022	<u>29,520</u>	<u>(13,808)</u>	<u>15,712</u>
Net interest expense (income)	<u>443</u>	<u>(214)</u>	<u>229</u>
Recognized in profit or loss	<u>443</u>	<u>(214)</u>	<u>229</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(81)	(81)
Actuarial loss (gain)			
Changes in financial assumptions	792	-	792
Experience adjustments	<u>(2,794)</u>	<u>-</u>	<u>(2,794)</u>
Recognized in other comprehensive income	<u>(2,002)</u>	<u>(81)</u>	<u>(2,083)</u>
Contributions from the employer	<u>-</u>	<u>(848)</u>	<u>(848)</u>
Balance at December 31, 2023	<u>\$ 27,961</u>	<u>\$ (14,951)</u>	<u>\$ 13,010</u>

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:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.25%	1.50%
Expected rate of salary increase	4.50%	4.50%

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	<u>\$ (791)</u>	<u>\$ (867)</u>
0.25% decrease	<u>\$ 821</u>	<u>\$ 901</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 783</u>	<u>\$ 861</u>
0.25% decrease	<u>\$ (758)</u>	<u>\$ (833)</u>

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.

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	<u>\$ 882</u>	<u>\$ 912</u>
Average duration of the defined benefit obligation	11.5 years	12 years

## 19. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,643</u>	<u>76,185</u>
Shares issued	<u>\$ 746,423</u>	<u>\$ 761,845</u>

For the year ended December 31, 2023, the shares changed due to the employees' exercise of their employee share options and the reduction in the retirement of treasury stock.

### b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 7,633	\$ 60,421
Arising from issuance of ordinary-exercised/invalid employee share options	14,451	62,636
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interests in subsidiaries (2)	22,248	13,883
Arising from share of changes in capital surplus of associates (2)	63,134	62,948
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>6,847</u>	<u>10,634</u>
	<u>\$ 114,313</u>	<u>\$ 210,522</u>

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 22 (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 2022 and 2021 which had been approved in the shareholders' meetings on June 9, 2023 and June 15, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ <u>125,888</u>	\$ <u>109,686</u>
Reversal of special reserve	\$ <u>(26,005)</u>	\$ <u>(29,116)</u>
Cash dividends	\$ <u>1,417,769</u>	\$ <u>931,990</u>
Cash dividends per share (NT\$)	\$ 19.00	\$ 12.50

The Company's shareholders also resolved to issue cash dividends from the capital surplus of \$111,929 thousand and \$111,839 thousand in the shareholders' meetings on June 9, 2023 and June 15, 2022, respectively.

The appropriations of earnings for 2023 had been proposed by the Company's board of directors on February 21, 2024. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31, 2023</b>
Reversal of special reserve	\$ <u>(190)</u>
Cash dividends	\$ <u>1,306,409</u>
Cash dividends per share (NT\$)	\$ 17.50

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held on June 19, 2024.

d. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 706	\$ (112)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(654)	817
Share from associates accounted for using the equity method	<u>9</u>	<u>1</u>
Other comprehensive (loss) gain recognized for the year	<u>(645)</u>	<u>818</u>
Balance at December 31	<u>\$ 61</u>	<u>\$ 706</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (5,686)	\$ (30,874)
Recognized for the year		
Unrealized gain (loss) - equity instruments	<u>455</u>	<u>(6,562)</u>
Other comprehensive income (loss) recognized for the year	<u>455</u>	<u>(6,562)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>31,750</u>
Balance at December 31	<u>\$ (5,231)</u>	<u>\$ (5,686)</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 33,120	\$ 47,415
Change in percentage of ownership interests in subsidiaries	(8,365)	13,814
Share in loss for the year	(11,786)	(7,768)
Other comprehensive income (loss) during the year		
Exchange differences on the translation of the financial statements of foreign operations	(9)	69
Share-based payments	2,022	723
Exercise of employee share options by subsidiaries	90	8,867
Non-controlling interests	15,432	-
Increase in treasury stock by subsidiaries	<u>-</u>	<u>(30,000)</u>
Balance at December 31	<u>\$ 30,504</u>	<u>\$ 33,120</u>

f. 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
<u>2023</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>(1,567)</u>	<u>-</u>
<u>2022</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>-</u>	<u>1,567</u>

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 a price interval ranging from NT\$177.80 to NT\$400 per share. The Company has bought back 1,567 thousand shares at a total cost of NT\$404,238 thousand. Under the Securities and Exchange Act, shares not transferred within the said time limit shall be deemed not issued by the Company, and amendment registration shall be processed. The Company's board of directors resolved to reduce the capital on October 24, 2023, and the effective date of the capital reduction was October 31, 2023.

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.

## 20. 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			
	2023		2022	
	Number of Options	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
Balance at January 1	69	\$ 318.4	130	\$ 318.4
Options exercised	<u>(25)</u>	318.4	<u>(61)</u>	318.4
Balance at December 31	<u>44</u>	318.4	<u>69</u>	318.4
Options exercisable, end of period	<u>44</u>	318.4	<u>69</u>	318.4



The weighted-average share prices on the exercise date of the share options for the year ended December 31, 2023 and 2022 were \$1,795 and \$1,108, respectively.

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (NT\$)	\$ 318.4	\$ 318.4
Weighted-average remaining contractual life (in years)	2.15	3.15

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 for the year ended December 31, 2023 and 2022.

Qualified employees of PUFsecurity Corporation were granted 9,337 options in January 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 3 years and exercisable at certain percentages one year after the grant date. The options were granted at an exercise price of NT\$1. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 31, 2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	4,180	\$ 1
Options exercised	(4,146)	1
Options forfeited	<u>(34)</u>	1
Balance at December 31	<u>          -</u>	-
Options exercisable, end of period	<u>          -</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$          -</u>	

Options granted in January 2020 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$	0.43
Exercise price (NT\$)	\$	1
Expected volatility		47.84%-48.23%
Expected life (in years)		2-2.5 years
Expected dividend yield		-
Risk-free interest rate		0.5%-0.52%

Compensation cost recognized was NT\$1 thousand for the year ended December 31, 2022. The employee stock options were executed completely in October 2022.

Qualified employees of PUFsecurity Corporation were granted 10,663 options in July 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 3 years and exercisable at certain percentages one year after the grant date. The options were granted at an exercise price of NT\$1. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 31, 2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	4,807	\$ 1
Options exercised	(4,722)	1
Options forfeited	<u>(85)</u>	1
Balance at December 31	<u>-----</u>	-
Options exercisable, end of period	<u>-----</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$ -----</u>	

Options granted in July 2020 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$	0.04
Exercise price (NT\$)	\$	1
Expected volatility		50.07%-50.68%
Expected life (in years)		2-2.5 years
Expected dividend yield		-
Risk-free interest rate		0.25%-0.27%

Compensation cost recognized was NT\$0 for the year ended December 31, 2022. The employee stock options were executed completely in December 2022.

Qualified employees of PUFsecurity Corporation were granted 4,089 options in September 2021. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$2. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	3,995	\$ 2	4,089	\$ 2
Options exercised	(45)	2	-	-
Options forfeited	<u>(532)</u>	2	<u>(94)</u>	2
Balance at December 31	<u>3,418</u>	2	<u>3,395</u>	2
Options exercisable, end of period	<u>994</u>	2	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (NT\$)	\$ 2	\$ 2
Weighted-average remaining contractual life (in years)	2.71	3.71

Options granted in September 2021 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 0.53
Exercise price (NT\$)	\$ 2
Expected volatility	51.93%-53.25%
Expected life (in years)	3.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.28%-0.29%

Compensation cost recognized were NT\$41 thousand and NT\$68 thousand for the year ended December 31, 2023 and 2022, respectively.

Qualified employees of PUFsecurity Corporation were granted 2,090 options in June 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$4. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	2,080	\$ 4	-	\$ -
Options granted	-	-	2,090	4
Options forfeited	-	-	(10)	4
Balance at December 31	<u>2,080</u>	4	<u>2,080</u>	4
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 1.50</u>	

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (NT\$)	\$ 4	\$ 4
Weighted-average remaining contractual life (in years)	3.45	4.45

Options granted in June 2022 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 3.68
Exercise price (NT\$)	\$ 4
Expected volatility	54.33%-54.93%
Expected life (in years)	3.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	1.11%-1.18%

Compensation cost recognized were NT\$1,073 thousand and NT\$587 thousand for the year ended December 31, 2023 and 2022, respectively.

Qualified employees of PUFsecurity Corporation were granted 420 options in September 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$4. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	420	\$ 4	-	\$ -
Options granted	-	-	420	4
Options forfeited	<u>(138)</u>	4	<u>-</u>	-
Balance at December 31	<u>282</u>	4	<u>420</u>	4
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$ -</u>		<u>\$ 1.53</u>	

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (NT\$)	\$ 4	\$ 4
Weighted-average remaining contractual life (in years)	3.70	4.70

Options granted in September 2022 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 3.68
Exercise price (NT\$)	\$ 4
Expected volatility	55.52%-56.31%
Expected life (in years)	3.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	1.16%-1.18%

Compensation cost recognized were NT\$127 thousand and NT\$67 thousand for the year ended December 31, 2023 and 2022, respectively.

In March 2023, PUFsecurity Corporation issued shares, out of which some were reserved for employees' subscription. The Black-Scholes pricing model was used to price the shares, which was also used to calculate compensation costs as NT\$0; the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 3.84
Exercise price (NT\$)	\$ 10
Expected volatility	58.88%
Expected life (in years)	12 days
Expected dividend yield	-
Risk-free interest rate	0.97%

Qualified employees of PUFsecurity Corporation were granted 2,968 options in August 2023. Each option entitles the holder to subscribe for one thousand ordinary shares of PUFsecurity Corporation. The options granted are valid for 5 years and exercisable at certain percentages two year after the grant date. The options were granted at an exercise price of NT\$5. For any subsequent changes in PUFsecurity Corporation's ordinary shares, the exercise price is adjusted accordingly.

The information of employee share options was as follows:

	<b>For the Year Ended December 31, 2023</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	-	\$ -
Options granted	2,968	5
Options forfeited	<u>(3)</u>	5
Balance at December 31	<u>2,965</u>	5
Options exercisable, end of period	<u>-</u>	-
Weighted-average fair value of options granted (NT\$)	<u>\$ 1.82</u>	

Information on outstanding options is as follows:

	<b>December 31, 2023</b>
Range of exercise price (NT\$)	\$ 5
Weighted-average remaining contractual life (in years)	4.58

Options granted in August 2023 were priced using the Black-Scholes pricing model and the inputs of the model were as follows:

Grant-date share price (NT\$)	\$ 4.36
Exercise price (NT\$)	\$ 5
Expected volatility	56.84%-60.95%
Expected life (in years)	3.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	1.05%-1.09%

Compensation cost recognized was NT\$781 thousand for the year ended December 31, 2023.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Royalty revenue	\$ 2,124,487	\$ 2,474,639
Technical service revenue	<u>925,838</u>	<u>742,072</u>
	<u>\$ 3,050,325</u>	<u>\$ 3,216,711</u>

### a. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Accounts receivable (including related parties) (Note 9)	<u>\$ 194,960</u>	<u>\$ 242,452</u>	<u>\$ 102,669</u>
Contract liabilities			
Technical service revenue	<u>\$ 77,268</u>	<u>\$ 67,508</u>	<u>\$ 76,943</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group'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:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
From contract liabilities at the beginning of the year		
Technical service revenue	<u>\$ 37,007</u>	<u>\$ 53,879</u>

b. Partially completed contracts

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Domestic	\$ 1,846,521	\$ 1,966,669
Asia	1,013,258	1,070,871
Others	<u>190,546</u>	<u>179,171</u>
	<u>\$ 3,050,325</u>	<u>\$ 3,216,711</u>

## 22. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 65,245	\$ 15,416
Others	<u>11</u>	<u>-</u>
	<u>\$ 65,256</u>	<u>\$ 15,416</u>

b. Other income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Rental income	\$ 1,491	\$ 1,490
Dividend income	<u>363</u>	<u>932</u>
	<u>\$ 1,854</u>	<u>\$ 2,422</u>

c. Other gains and losses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange (loss) gain	\$ (21,403)	\$ 34,422
Government grant income (Note 25)	15,841	5,162
Others	<u>603</u>	<u>308</u>
	<u>\$ (4,959)</u>	<u>\$ 39,892</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ 264	\$ 144
Interest on bank loans	<u>178</u>	<u>-</u>
	<u>\$ 442</u>	<u>\$ 144</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 40,199</u>	<u>\$ 39,318</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 33	\$ 33
General and administrative expenses	6,048	1,787
Research and development expenses	<u>79,414</u>	<u>33,764</u>
	<u>\$ 85,495</u>	<u>\$ 35,584</u>

For the information on the amortization of intangible assets allocated to each single item, please refer to Note 14.

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 23,499	\$ 21,619
Defined benefit plans	<u>229</u>	<u>94</u>
	23,728	21,713
Share-based payments (Note 20)		
Equity-settled	2,022	723
Other employee benefits	<u>1,074,967</u>	<u>1,113,410</u>
Total employee benefits expense	<u>\$ 1,100,717</u>	<u>\$ 1,135,846</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 1,100,717</u>	<u>\$ 1,135,846</u>

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 year ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 21, 2024 and February 22, 2023, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%



Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 302,977</u>	<u>\$ 344,259</u>
Remuneration of directors	<u>\$ 30,298</u>	<u>\$ 34,426</u>

If there is a change in the amounts after the annual consolidated 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 consolidated financial statements for the year ended December 31, 2022 and 2021.

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.

### 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 289,328	\$ 301,810
Income tax on unappropriated earnings	-	1,443
Adjustments for prior years' tax	<u>34</u>	<u>16</u>
	289,362	303,269
Deferred tax		
In respect of the current year	<u>(1,027)</u>	<u>1,514</u>
Income tax expense recognized in profit or loss	<u>\$ 288,335</u>	<u>\$ 304,783</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 1,762,212</u>	<u>\$ 1,908,924</u>
Income tax expense calculated at the statutory rate	\$ 352,974	\$ 383,574
Nondeductible expenses in determining taxable income	9,233	8,612
Income tax on unappropriated earnings	-	1,443
Unrecognized deductible temporary differences and investment credits	(73,906)	(88,862)
Adjustments for prior years' tax	<u>34</u>	<u>16</u>
Income tax expense recognized in profit or loss	<u>\$ 288,335</u>	<u>\$ 304,783</u>

b. Current tax liabilities

	<u>December 31</u>	
	2023	2022
Current tax liabilities		
Income tax payable	\$ <u>44,486</u>	\$ <u>139,676</u>

c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the Year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Temporary differences	\$ <u>2,743</u>	\$ <u>1,027</u>	\$ <u>3,770</u>

For the Year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Temporary differences	\$ <u>4,257</u>	\$ <u>(1,514)</u>	\$ <u>2,743</u>

d. Income tax assessments

The tax returns through 2021 have been assessed by the tax authorities.

**24. EARNINGS PER SHARE**

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings per share	\$ <u>19.76</u>	\$ <u>21.61</u>
Diluted earnings per share	\$ <u>19.70</u>	\$ <u>21.51</u>

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**

	<u>For the Year Ended December 31</u>	
	2023	2022
Earnings used in the computation of basic earnings per share	\$ 1,474,443	\$ 1,611,909
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	-	-
Earnings used in the computation of diluted earnings per share	\$ <u>1,474,443</u>	\$ <u>1,611,909</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,629	74,586
Effect of potentially dilutive ordinary shares:		
Employees' compensation	152	277
Employee share options	<u>48</u>	<u>78</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,829</u>	<u>74,941</u>

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.

**25. GOVERNMENT GRANTS**

The Company applied for the 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 actual distribution of government grant income, which expired on November 30, 2021, was NT\$33,074 thousand, had been fully recognized as government grant income. The collateral provided by the Company included cashier checks, whose drawees are banking industries and guarantee letters. The amounts of guarantees were NT\$34,300 thousand and NT\$14,724 thousand, respectively, and the guarantees were released on July 11, 2022.

PUFsecurity Corporation applied for the A+ Industrial Innovation R&D Program “PUF-based AIoT Chip Secure Element R&D Project”, proposed by the Ministry of Economic Affairs, and the program was approved on January 14, 2022. The total funds approved amounted to NT\$70,000 thousand, and the subsidies amounted to NT\$28,000 thousand. The collateral provided by PUFsecurity Corporation included cashier checks, whose drawees are banking industries, and the amount was NT\$28,000 thousand. The accumulated government grant income recognized until December 31, 2023 was NT\$21,003 thousand.

**26. CAPITAL MANAGEMENT**

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

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

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

## 27. 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 5,369	\$ 5,369

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

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	Financial Assets at FVTOCI Equity Instruments	
	2023	2022
Balance at January 1	\$ 4,914	\$ 16,130
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	455	(6,562)
Disposal	-	(4,654)
Balance at December 31	\$ 5,369	\$ 4,914

- 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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial asset at amortized cost (Note 1)	\$ 2,934,532	\$ 3,314,003
Investment in equity instrument at FVTOCI	5,369	4,914
<u>Financial liabilities</u>		
Amortized cost (Note 2)	71,333	34,373

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

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

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable (including related parties), loans, lease liabilities and other payables (including related parties). The Group'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 Group 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 Group's main financial plans are reviewed by the board of directors in accordance with relevant regulations and internal control system.

1) Market risk

The Group'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 Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31.

Sensitivity analysis

The Group 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, payables on equipment and other payables (including related parties).

	<u>USD Impact</u>		<u>CNY Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit or loss	\$ 86,248	\$ 33,319	\$ 196	\$ 455	\$ 20	\$ 436

b) Interest rate risk

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

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value interest rate risk		
Financial assets	\$ 2,281,888	\$ 2,570,488
Cash flow interest rate risk		
Financial assets	449,717	495,861
Financial liabilities	30,000	-

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities 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 Group's pre-tax profit for the years ended December 31, 2023 and 2022 would increase/decrease by \$420 thousand and \$496 thousand, respectively, mainly due to the Group'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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group 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 consolidated balance sheets.

In order to minimize credit risk, the Group has made credit and receivable management regulations to ensure that follow-up action is taken to recover overdue debts. In addition, the Group 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 Group'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 Group 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 Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

The following table details the Group'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 Group can be required to pay. The tables included both interest and principal cash flows.

December 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liabilities	\$ 16,727 239	\$ 24,300 478	\$ 316 1,919	\$ - 1,396	\$ 41,343 4,032
Variable interest rate liabilities	<u>55</u>	<u>30,088</u>	<u>-</u>	<u>-</u>	<u>30,143</u>
	<u>\$ 17,021</u>	<u>\$ 54,866</u>	<u>\$ 2,235</u>	<u>\$ 1,396</u>	<u>\$ 75,518</u>

Additional information about the maturity analysis for financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	\$ 2,636	\$ 1,396	\$ -
Variable interest rate liabilities	<u>30,143</u>	<u>-</u>	<u>-</u>
	<u>\$ 32,779</u>	<u>\$ 1,396</u>	<u>\$ -</u>

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 13,239	\$ 20,828	\$ 316	\$ -	\$ 34,383
Lease liabilities	<u>281</u>	<u>563</u>	<u>2,532</u>	<u>2,263</u>	<u>5,639</u>
	<u>\$ 13,520</u>	<u>\$ 21,391</u>	<u>\$ 2,848</u>	<u>\$ 2,263</u>	<u>\$ 40,022</u>

Additional information about the maturity analysis for financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	<u>\$ 3,376</u>	<u>\$ 2,263</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Unsecured bank overdraft facilities (Annual revisits)		
Amount used	\$ 30,000	\$ -
Amount unused	<u>170,000</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
HeFeChip Corporation Limited	Substantive related parties (substantive related parties before September 28, 2023)
TaiWon Technology Corporation	Substantive related parties (substantive related parties before September 28, 2023)
T.C. Chen	Key management personnel



b. Operating revenue

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Substantive related parties	\$ 14,519	\$ 8,814

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

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

Line Item	Related Party Category	December 31	
		2023	2022
Accounts receivable - related parties	Substantive related parties HeFeChip Corporation Limited	\$ -	\$ 3,071

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

d. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other payables - related parties	Key management personnel T.C. Chen	\$ -	\$ 10

e. Compensation of key management personnel

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

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 121,970	\$ 142,231
Post-employment benefits	892	969
Share-based payment transactions	124	16
	<u>\$ 122,986</u>	<u>\$ 143,216</u>

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

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2023	2022
Pledged time deposits (classified as financial assets at amortized cost)	\$ 118	\$ 116

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENT

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at balance sheet date were as follows:

Detail of significant outstanding contracts of property, plant and equipment as of December 31, 2023, including tax were as follows:

Contract	Contract Amount	Payment	Unpaid Amount
Purchase of property, plant and equipment	\$ 1,815,000	\$ 235,950	\$ 1,579,050

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group'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, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 56,481	30.705 (USD:NTD)	\$ 1,734,252
USD	50	7.0827 (USD: CNY)	1,533
CNY	906	4.327	3,919
JPY	8,196	0.2172	<u>1,780</u>
			<u>\$ 1,741,484</u>

Financial liabilities

Monetary items			
USD	353	30.705	\$ 10,825
JPY	6,316	0.2172	<u>1,372</u>
			<u>\$ 12,197</u>

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 21,782	30.710 (USD:NTD)	\$ 668,941
CNY	2,065	4.408	9,104
JPY	37,521	0.2324	<u>8,720</u>
			<u>\$ 686,765</u>

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 83	30.710	\$ 2,551
JPY	32	0.2324	<u>7</u>
			<u>\$ 2,558</u> (Concluded)

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

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>
USD	30.705 (USD:NTD)	<u>\$ (6,918)</u>	30.710 (USD:NTD)	<u>\$ (2,265)</u>

### 32. SEPARATELY DISCLOSED ITEMS

In the preparation of the consolidated financial statements, major transactions between the parent and its subsidiaries and their balances have been eliminated.

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: Table 2
- 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
- 10) Intercompany relationships and significant intercompany transactions: Table 3
- b. Information on investees: Table 4
- 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 5
  - 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 6

### 33. SEGMENT INFORMATION

- a. Segment revenue, operating results and segment assets

The Group's chief operating decision maker reviews the operating results regularly for the purpose of resource allocation and performance assessment. The Group's segments are aggregated into a single reportable segment.

The measurement basis of segment information presented to the chief operating decision maker is the same as that of the consolidated financial statements. The segment revenues and operating results for the years ended December 31, 2023 and 2022 can be found in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022. The segment assets as of December 31, 2023 and 2022 can be found in the consolidated balance sheets as of December 31, 2023 and 2022.

- b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Royalty revenue	\$ 2,124,487	\$ 2,474,639
Technical service revenue	<u>925,838</u>	<u>742,072</u>
	<u>\$ 3,050,325</u>	<u>\$ 3,216,711</u>

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Domestic	\$ 1,846,521	\$ 1,966,669	\$ 475,314	\$ 466,235
Asia	1,013,258	1,070,871	1,763	-
Others	<u>190,546</u>	<u>179,171</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,050,325</u>	<u>\$ 3,216,711</u>	<u>\$ 477,077</u>	<u>\$ 466,235</u>

Non-current assets include property, plant and equipment and right-of-use assets.

d. Information about major customers

Single customers contributing 10% or more to the Group's Royalty revenue were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Company A	\$ 933,577	44	\$ 1,071,553	43
Company B	507,296	24	483,527	20

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
 DECEMBER 31, 2023  
 (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, 2023			Note
				Number of Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	
The Company	Shares Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	\$ 5,369	2.81	\$ 5,369 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, 2023.

Note 3: As of December 31, 2023, the above marketable securities had not been pledged or mortgaged.

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
The Company	Buildings	October 24, 2023	\$ 1,815,000	According to the contract payment	Winsome Development Company Limited	-	Not applicable	Not applicable	Not applicable	The price based on valuation report issued by an external independent professional valuation company is estimated to be higher than the transaction price.	Cooperate with the long-term development strategy of the Company, meet operational needs and recruit more talents.	No

TABLE 3

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Financial Statement Account	Transaction Details		
					Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	PUFsecurity Corporation	1	Sales	\$ 4,594	-	0.15
			1	Other income	369	-	0.01
			1	Other gains and losses	19,548	-	0.64
			1	Finance costs	1	-	-
			1	Contract liabilities	3,110	-	0.08
			1	Other receivables - related parties	7,510	-	0.20
		eMemory Japan	1	Operating expense	15,477	-	0.51
			1	Other receivables - related parties	2	-	-
			1	Other payables - related parties	1,685	-	0.04
1	PUFsecurity Corporation	PUFsecurity USA Corporation	3	Operating expense	15,666	-	0.51
			3	Other receivables - related parties	292	-	0.01
			3	Other payables - related parties	4,072	-	0.11

Note 1: Information about intercompany relationships should be indicated in the "No." column, and the method of filling in the number is as follows:

1. Parent company is numbered as 0 in the "No." column.
2. Subsidiaries are numbered sequentially according to their company name and the number starts from 1.

Note 2: There are three types of "Relationship":

1. Parent company to subsidiaries
2. Subsidiaries to parent company
3. Subsidiaries to subsidiaries

Note 3: If financial statement accounts are classified as items in the balance sheets, the calculation of the ratio is that ending balance is divided by total assets. If the financial statement accounts are classified as items in the income statement, the calculation of the ratio is that the accumulated amount in the interim period is divided by total sales.



## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (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, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
The Company	PUFsecurity Corporation	Hsinchu County	Product designing, software services, data processing property, etc.	\$ 275,634	\$ 261,066	82,563	75.38	\$ 89,757	\$ (37,104)	Subsidiary	
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology services	22,255	10,697	-	100.00	5,899	(6,102)	Subsidiary	
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.28	12,063	(3,317)	Investment accounted for using the equity method	
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	4,723	543	Subsidiary	

TABLE 5

## EMEMORY TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND AND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
PUFsecurity Technology (Shanghai) Corporation	Product designing, related service	\$ 7,445 (USD 250)	Notes 1 and 2	\$ -	\$ 7,445 (USD 250)	\$ -	\$ 7,445 (USD 250)	\$ (810)	100.00	\$ (810)	\$ 6,613	\$ -
<b>Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023</b>			<b>Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA</b>									
\$ 7,445 (USD 250)		\$ 7,445 (USD 250)	\$ 1,813,964									

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, 2023

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	5,251,919	7.03%
2	Government of Singapore	4,594,020	6.15%

Note: 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 consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

# 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, 2023 and 2022, 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 material accounting policy information (collectively referred to as the “financial statements”).

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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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, 2023 is stated as follows:

1. Royalty fees are the Company’s major source of revenue; refer to Note 19 for related information. When the customers of the Company and the IC design houses use 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 the appropriate time.

3. We confirmed the accuracy of the 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, 2023, 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 Cheng-Chih Lin and Ya-Yun Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2024

#### 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, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

ASSETS	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>								
Cash (Notes 4, 6 and 25)	\$ 2,594,104	71	\$ 2,935,574	76	\$ 79,194	2	\$ 67,777	2
Accounts receivable - net (Notes 4, 9, 19 and 25)	179,770	5	209,101	5	160,780	5	169,837	4
Accounts receivable - related parties (Notes 4, 19, 25 and 26)	-	-	3,071	-	1,685	-	10	-
Other receivables (Notes 4 and 25)	2,795	-	986	-	349,031	10	384,981	10
Other receivables - related parties (Notes 4, 25 and 26)	7,512	-	21,895	1	9,220	-	6,735	-
Prepayments (Note 14)	13,803	-	17,862	1	44,435	1	139,676	4
Other current assets (Notes 4, 14 and 25)	4,880	-	4,157	-	1,690	-	3,299	-
Total current assets	2,802,864	76	3,192,646	83	2,252	-	1,582	-
<b>NON-CURRENT ASSETS</b>								
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 25)	5,369	-	4,914	-	547	-	2,237	-
Financial assets at amortized cost - noncurrent (Notes 4, 8, 25 and 27)	118	-	116	-	13,010	-	15,712	1
Investment accounted for using the equity method (Notes 4 and 10)	107,719	3	120,790	3	13,567	-	17,959	1
Property, plant and equipment (Notes 4 and 11)	469,013	13	458,760	12	661,854	18	791,856	21
Right-of-use assets (Notes 4 and 12)	2,182	-	5,438	-	-	-	-	-
Intangible assets (Notes 4 and 13)	68,939	2	66,254	2	-	-	-	-
Deferred tax assets (Notes 4 and 21)	3,770	-	2,743	-	-	-	-	-
Prepayments for equipment (Notes 14 and 28)	224,714	6	-	-	746,423	20	761,845	20
Refundable deposits	440	-	399	-	114,313	3	210,522	5
Total non-current assets	882,264	24	659,414	17	1,400,884	38	1,830,114	48
<b>LIABILITIES AND EQUITY</b>								
<b>CURRENT LIABILITIES</b>								
Contract liabilities - current (Notes 19 and 26)	-	-	-	-	-	-	-	-
Other payables (Notes 15 and 25)	-	-	-	-	61	-	706	-
Other payables - related parties (Notes 15, 25 and 26)	-	-	-	-	(5,231)	-	(5,686)	-
Bonuses payable to employees and directors (Note 20)	-	-	-	-	(5,170)	-	(4,980)	-
Payables on equipment (Note 25)	-	-	-	-	-	-	(404,238)	(11)
Current tax liabilities (Notes 4 and 21)	-	-	-	-	-	-	-	-
Lease liabilities - current (Notes 4, 12 and 25)	-	-	-	-	3,023,274	82	3,060,204	79
Other current liabilities (Note 15)	-	-	-	-	-	-	-	-
Total current liabilities	648,287	18	773,897	20	648,287	18	773,897	20
<b>NON-CURRENT LIABILITIES</b>								
Lease liabilities - noncurrent (Notes 4, 12 and 25)	-	-	-	-	-	-	-	-
Net defined benefit liabilities - noncurrent (Notes 4 and 16)	-	-	-	-	-	-	-	-
Guarantee deposits received	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-
Total liabilities	648,287	18	773,897	20	648,287	18	773,897	20
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 17 and 18)</b>								
Ordinary shares	746,423	20	761,845	20	746,423	20	761,845	20
Capital surplus	114,313	3	210,522	5	114,313	3	210,522	5
Retained earnings	761,844	21	635,956	16	761,844	21	635,956	16
Legal reserve	4,980	-	30,985	1	4,980	-	30,985	1
Special reserve	-	-	-	-	-	-	-	-
Unappropriated earnings	1,400,884	38	1,830,114	48	1,400,884	38	1,830,114	48
Total retained earnings	2,167,708	59	2,497,055	65	2,167,708	59	2,497,055	65
Other equity	-	-	-	-	-	-	-	-
Exchange differences on the translation of the financial statements of foreign operations	61	-	706	-	61	-	706	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(5,231)	-	(4,980)	-	(5,231)	-	(5,686)	-
Total other equity	(5,170)	-	(4,980)	-	(5,170)	-	(4,980)	-
Treasury shares	-	-	-	-	-	-	-	-
Total equity	3,023,274	82	3,060,204	79	3,023,274	82	3,060,204	79
<b>TOTAL</b>	<u>\$ 3,685,128</u>	<u>100</u>	<u>\$ 3,852,060</u>	<u>100</u>	<u>\$ 3,685,128</u>	<u>100</u>	<u>\$ 3,852,060</u>	<u>100</u>

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 26)	\$ 2,931,463	100	\$ 3,109,833	100
OPERATING COSTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>2,931,463</u>	<u>100</u>	<u>3,109,833</u>	<u>100</u>
OPERATING EXPENSES (Notes 4, 20 and 26)				
Selling and marketing expenses	160,204	5	172,355	5
General and administrative expenses	262,912	9	285,249	9
Research and development expenses	762,872	26	769,700	25
Reversal of expected credit loss (Notes 4 and 9)	<u>(54)</u>	<u>-</u>	<u>(1,338)</u>	<u>-</u>
Total operating expenses	<u>1,185,934</u>	<u>40</u>	<u>1,225,966</u>	<u>39</u>
OPERATING INCOME	<u>1,745,529</u>	<u>60</u>	<u>1,883,867</u>	<u>61</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 20)	61,400	2	14,664	-
Other income (Notes 4, 12, 20 and 26)	2,223	-	2,760	-
Other gains and losses (Notes 4, 20, 23 and 26)	(339)	-	59,308	2
Finance costs (Notes 4, 20 and 26)	(78)	-	(144)	-
Share of loss of subsidiaries and associates (Notes 4 and 10)	<u>(46,523)</u>	<u>(2)</u>	<u>(44,077)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>16,683</u>	<u>-</u>	<u>32,511</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,762,212	60	1,916,378	62
INCOME TAX EXPENSE (Notes 4 and 21)	<u>287,769</u>	<u>10</u>	<u>304,469</u>	<u>10</u>
NET PROFIT FOR THE YEAR	<u>1,474,443</u>	<u>50</u>	<u>1,611,909</u>	<u>52</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 16)	2,083	-	2,702	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (loss) (Notes 4, 17 and 25)	455	-	(6,562)	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method (Notes 4, 10 and 17)	<u>(645)</u>	<u>-</u>	<u>818</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>1,893</u>	<u>-</u>	<u>(3,042)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,476,336</u>	<u>50</u>	<u>\$ 1,608,867</u>	<u>52</u>

(Continued)



## EMEMORY TECHNOLOGY INC.

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2023		2022	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 19.76</u>		<u>\$ 21.61</u>	
Diluted	<u>\$ 19.70</u>		<u>\$ 21.51</u>	

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

(Concluded)

**EEMEMORY TECHNOLOGY INC.**

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

	Ordinary Shares		Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings		Total	Other Equity			Total Equity
	Number of Shares (In Thousands)	Amount				Unappropriated Earnings	Treasury Shares		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	
BALANCE, JANUARY 1, 2022	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	-	-	-	-	-	(109,686)	-	-	-	-	-	
Legal reserve	-	-	-	109,686	-	29,116	-	-	-	-	-	
Reversal of special reserve	-	-	-	(29,116)	-	(931,990)	(931,990)	-	-	-	(931,990)	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	(13,814)	
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	
Appropriation of 2022 earnings	-	-	-	-	-	(125,888)	-	-	-	-	-	
Legal reserve	-	-	-	125,888	-	26,005	-	-	-	-	-	
Reversal of special reserve	-	-	-	(26,005)	-	(1,417,769)	(1,417,769)	-	-	-	(1,417,769)	
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	8,365	
Changes in percentage of ownership interests in subsidiaries	-	-	8,365	-	-	-	-	-	-	-	8,365	
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	186	-	-	-	-	-	-	-	186	
Issuance of cash dividends from capital surplus	-	-	(111,929)	-	-	-	-	-	-	-	(111,929)	
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,474,443	1,474,443	-	-	-	1,474,443	
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	2,083	2,083	(645)	455	-	1,893	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,476,526	1,476,526	(645)	455	-	1,476,336	
Issuance of ordinary shares under employee share options	25	248	7,633	-	-	-	-	-	-	-	7,881	
Retirement of treasury shares	(1,567)	(15,670)	(464)	-	-	(388,104)	(388,104)	-	-	404,238	-	
BALANCE, DECEMBER 31, 2023	74,643	746,423	114,313	761,844	4,980	1,400,884	2,167,708	61	(5,231)	-	3,023,274	

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,762,212	\$ 1,916,378
Adjustments for:		
Depreciation expenses	38,753	38,436
Amortization expenses	79,311	30,379
Reversal of expected credit loss	(54)	(1,338)
Finance costs	78	144
Interest income	(61,400)	(14,664)
Dividend income	(363)	(932)
Share-based payments	580	176
Share of loss of subsidiaries and associates	46,523	44,077
Gain on disposal of investments	-	(86)
Net loss (gain) on foreign currency exchange	23,196	(15,904)
Intangible assets transferred to expenses	35	-
Changes in operating assets and liabilities		
Accounts receivable	21,677	(109,077)
Accounts receivable - related parties	3,038	(3,084)
Other receivables	-	5,118
Other receivables - related parties	14,383	(18,314)
Prepayments	4,059	6,479
Other current assets	(723)	(352)
Contract liabilities	11,417	(10,550)
Other payables	(9,007)	21,146
Other payables - related parties	1,675	10
Other current liabilities	670	(241)
Net defined benefit liabilities	(619)	(776)
Bonuses payable to employees and directors	(35,950)	129,992
Cash generated from operations	1,899,491	2,017,017
Interest received	59,589	13,829
Income tax paid	(384,037)	(303,940)
Net cash generated from operating activities	<u>1,575,043</u>	<u>1,726,906</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	4,654
Acquisition of financial assets at fair value through profit or loss	-	(370,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	370,086
Acquisition of investments accounted for using the equity method	(26,126)	(121,763)
Acquisition of property, plant and equipment	(43,140)	(38,197)
Increase in refundable deposits	(41)	(3)
Acquisition of intangible assets	(82,031)	(29,420)
Increase in prepayments for equipment	(224,714)	-
Dividends received	363	932
Net cash used in investing activities	<u>(375,689)</u>	<u>(183,711)</u>

(Continued)

## EMEMORY TECHNOLOGY INC.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (3,299)	\$ (3,233)
Dividends paid	(1,529,693)	(1,043,820)
Exercise of employee share options	7,881	19,422
Interest paid	<u>(78)</u>	<u>(144)</u>
Net cash used in financing activities	<u>(1,525,189)</u>	<u>(1,027,775)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(15,635)</u>	<u>17,851</u>
NET (DECREASE) INCREASE IN CASH	(341,470)	533,271
CASH AT THE BEGINNING OF THE YEAR	<u>2,935,574</u>	<u>2,402,303</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,594,104</u>	<u>\$ 2,935,574</u>

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

# EMEMORY TECHNOLOGY INC.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 21, 2024.

### 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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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 IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 rereasurement 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 Act 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. MATERIAL 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.

When developing material accounting estimates, the Company considers the possible impact of material 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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 2,594,079	\$ 2,935,549
Cash on hand	<u>25</u>	<u>25</u>
	<u>\$ 2,594,104</u>	<u>\$ 2,935,574</u>

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank deposits	0.001%-5.63%	0.001%-4.27%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI	<u>\$ 5,369</u>	<u>\$ 4,914</u>

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Domestic investments		
Unlisted shares		
Ordinary shares - Syntronix Corporation	<u>\$ 5,369</u>	<u>\$ 4,914</u>
		(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 is as follows:

	<b>For the Year Ended December 31, 2022</b>
Fair value at the date of derecognition	\$ 4,654
Accumulated loss on disposal of retained earnings transferred from other equity	(31,750)

#### **8. FINANCIAL ASSETS AT AMORTIZED COST**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Non-current</u>		
Domestic investments		
Pledged time deposits	<u>\$ 118</u>	<u>\$ 116</u>

- 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**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Accounts receivable	\$ 179,813	\$ 209,198
Less: Allowance for impairment loss	<u>(43)</u>	<u>(97)</u>
	<u>\$ 179,770</u>	<u>\$ 209,101</u>

The average credit term is 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, 2023

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Gross carrying amount	\$ 169,650	\$ 9,702	\$ 461	\$ -	\$ -	\$ 179,813
Loss allowance (lifetime ECLs)	-	(33)	(10)	-	-	(43)
Amortized cost	<u>\$ 169,650</u>	<u>\$ 9,669</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,770</u>

December 31, 2022

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 97	\$ 1,435
Less: Net remeasurement of loss allowance	<u>(54)</u>	<u>(1,338)</u>
Balance at December 31	<u>\$ 43</u>	<u>\$ 97</u>

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investments in subsidiaries	\$ 95,656	\$ 105,605
Investments in associates	<u>12,063</u>	<u>15,185</u>
	<u>\$ 107,719</u>	<u>\$ 120,790</u>

### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
PUFsecurity Corporation	\$ 89,757	\$ 104,543
eMemory Japan Corporation	<u>5,899</u>	<u>1,062</u>
	<u>\$ 95,656</u>	<u>\$ 105,605</u>

<b>Name of Subsidiary</b>	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
PUFsecurity Corporation	75.38%	76.17%
eMemory Japan Corporation	100%	100%

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 its 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 at a price of NT\$7.5 per share. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 79.82% to 76.17%.

PUFsecurity Corporation increased its capital by issuing 3,000 thousand shares with a par value of NT\$10 in April 2023, and the paid-in capital increased to NT\$113,430 thousand, which was divided into 113,430 thousand shares with a par value of NT\$1. The Company subscribed for 1,457 thousand shares in cash for NT\$14,568 thousand but did not subscribe for the shares in accordance with its original shareholding proportion, which caused its proportion of ownership to decrease from 76.17% to 75.41%.

The employees of the Company and PUFsecurity Corporation exercised the employee share options issued by PUFsecurity Corporation in 2023. Therefore, eMemory Technology Inc.'s shareholding percentage decreased from 75.41% to 75.38%.

The Company invested and established eMemory Japan Corporation in March 2022, and the Company remitted an 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, 2023 and 2022 were based on the subsidiary's financial statements which have been audited for the same years.

b. Investments in associates

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Associates that is not individually material		
iMQ Technology Inc.	<u>\$ 12,063</u>	<u>\$ 15,185</u>
	<b>Proportion of Ownership and</b>	
	<b>Voting Rights</b>	
	<u>December 31</u>	
<b>Name of Associate</b>	<b>2023</b>	<b>2022</b>
iMQ Technology Inc.	2.28%	2.34%

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%.

The employees of iMQ Technology Inc. exercised the employee share option in 2023. Therefore, the Company's shareholding percentage decreased from 2.34% to 2.28%.

Information about associates that is not individually material

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
The Company's share of :		
Loss from continuing operations	\$ (3,317)	\$ (2,080)
Other comprehensive loss	<u>9</u>	<u>1</u>
Total comprehensive loss for the period	<u>\$ (3,308)</u>	<u>\$ (2,079)</u>

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 3.

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, 2023 and 2022 was based on the associate's financial statements which have been audited for the same years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Assets used by the Company	\$ 465,434	\$ 455,117
Assets leased under operating leases	<u>3,579</u>	<u>3,643</u>
	<u>\$ 469,013</u>	<u>\$ 458,760</u>

a. Assets used by the Company

	Freehold Land	Buildings	Research and Development Equipment	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 122,874	\$ 391,286	\$ 86,551	\$ 21,163	\$ 621,874
Additions	-	1,809	37,129	6,812	45,750
Disposals	-	(17,924)	(24,256)	(2,530)	(44,710)
Balance at December 31, 2023	<u>\$ 122,874</u>	<u>\$ 375,171</u>	<u>\$ 99,424</u>	<u>\$ 25,445</u>	<u>\$ 622,914</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 111,218	\$ 48,048	\$ 7,491	\$ 166,757
Depreciation expense	-	11,560	19,098	4,775	35,433
Disposals	-	(17,924)	(24,256)	(2,530)	(44,710)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 104,854</u>	<u>\$ 42,890</u>	<u>\$ 9,736</u>	<u>\$ 157,480</u>
Carrying amount at December 31, 2023	<u>\$ 122,874</u>	<u>\$ 270,317</u>	<u>\$ 56,534</u>	<u>\$ 15,709</u>	<u>\$ 465,434</u>
<u>Cost</u>					
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	<u>\$ 122,874</u>	<u>\$ 391,286</u>	<u>\$ 86,551</u>	<u>\$ 21,163</u>	<u>\$ 621,874</u>
<u>Accumulated depreciation</u>					
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	<u>\$ -</u>	<u>\$ 111,218</u>	<u>\$ 48,048</u>	<u>\$ 7,491</u>	<u>\$ 166,757</u>
Carrying amount at December 31, 2022	<u>\$ 122,874</u>	<u>\$ 280,068</u>	<u>\$ 38,503</u>	<u>\$ 13,672</u>	<u>\$ 455,117</u>

b. Assets leased under operating leases

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1 and December 31, 2023	<u>\$ 1,145</u>	<u>\$ 3,299</u>	<u>\$ 4,444</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 801	\$ 801
Depreciation expense	-	64	64
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ 865</u>
Carrying amount at December 31, 2023	<u>\$ 1,145</u>	<u>\$ 2,434</u>	<u>\$ 3,579</u>

(Continued)

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ 114	\$ 265	\$ 379
Transfers from assets used by the Company	<u>1,031</u>	<u>3,034</u>	<u>4,065</u>
Balance at December 31, 2022	<u>\$ 1,145</u>	<u>\$ 3,299</u>	<u>\$ 4,444</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 52	\$ 52
Transfers from assets used by the Company	-	689	689
Depreciation expense	<u>-</u>	<u>60</u>	<u>60</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 801</u>	<u>\$ 801</u>
Carrying amount at December 31, 2022	<u>\$ 1,145</u>	<u>\$ 2,498</u>	<u>\$ 3,643</u> (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:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Year 1	<u>\$ 61</u>	<u>\$ 61</u>

There was no indication of impairment for the years ended December 31, 2023 and 2022.

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

<b>Buildings</b>	
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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Buildings	\$ 1,063	\$ 2,978
Transportation equipment	<u>1,119</u>	<u>2,460</u>
	<u>\$ 2,182</u>	<u>\$ 5,438</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	\$ <u>-</u>	\$ <u>7</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 1,915	\$ 1,914
Transportation equipment	<u>1,341</u>	<u>1,341</u>
	<u>\$ 3,256</u>	<u>\$ 3,255</u>
Income from the subleasing of right-of-use assets (presented in other income)	<u>\$ (1,431)</u>	<u>\$ (1,431)</u>

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, 2023 and 2022.

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	\$ <u>1,690</u>	\$ <u>3,299</u>
Non-current	\$ <u>547</u>	\$ <u>2,237</u>

Discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings	1.38%-1.68%	1.38%-1.68%
Transportation equipment	2.73%	2.73%

c. Other lease information

Refer to Note 11 for operating leases related to leases arrangements of property, plant and equipment.

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ <u>2,457</u>	\$ <u>2,243</u>
Total cash outflow for leases	<u>\$ (5,833)</u>	<u>\$ (5,620)</u>

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
<u>Cost</u>				
Balance at January 1, 2023	\$ 160,920	\$ 27,968	\$ 2,883	\$ 191,771
Additions	9,211	72,820	-	82,031
Disposals	(49)	(19,818)	-	(19,867)
Reclassification	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Balance at December 31, 2023	<u>\$ 170,047</u>	<u>\$ 80,970</u>	<u>\$ 2,883</u>	<u>\$ 253,900</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2023	\$ 106,366	\$ 16,279	\$ 2,872	\$ 125,517
Amortization expense	15,975	63,326	10	79,311
Disposals	<u>(49)</u>	<u>(19,818)</u>	<u>-</u>	<u>(19,867)</u>
Balance at December 31, 2023	<u>\$ 122,292</u>	<u>\$ 59,787</u>	<u>\$ 2,882</u>	<u>\$ 184,961</u>
Carrying amount at December 31, 2023	<u>\$ 47,755</u>	<u>\$ 21,183</u>	<u>\$ 1</u>	<u>\$ 68,939</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 153,629	\$ 7,870	\$ 2,883	\$ 164,382
Additions	7,342	22,078	-	29,420
Disposals	<u>(51)</u>	<u>(1,980)</u>	<u>-</u>	<u>(2,031)</u>
Balance at December 31, 2022	<u>\$ 160,920</u>	<u>\$ 27,968</u>	<u>\$ 2,883</u>	<u>\$ 191,771</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 89,700	\$ 4,678	\$ 2,791	\$ 97,169
Amortization expense	16,717	13,581	81	30,379
Disposals	<u>(51)</u>	<u>(1,980)</u>	<u>-</u>	<u>(2,031)</u>
Balance at December 31, 2022	<u>\$ 106,366</u>	<u>\$ 16,279</u>	<u>\$ 2,872</u>	<u>\$ 125,517</u>
Carrying amount at December 31, 2022	<u>\$ 54,554</u>	<u>\$ 11,689</u>	<u>\$ 11</u>	<u>\$ 66,254</u>

The Company's major products are NeoBit®, NeoFuse®, NeoPUF®, NeoEE®, and NeoMTP®, etc. There are 1,209 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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepayments		
Prepayments for software	\$ 1,454	\$ 7,172
Prepayments for annual fee on the patents	5,707	6,028
Prepayments for software maintenance	1,637	1,688
Prepayments for membership	1,198	1,150
Others	<u>3,807</u>	<u>1,824</u>
	<u>\$ 13,803</u>	<u>\$ 17,862</u>
Other assets		
Temporary payments	<u>\$ 4,880</u>	<u>\$ 4,157</u>
<u>Non-current</u>		
Prepayments for equipment		
Prepayments for building purchase	<u>\$ 224,714</u>	<u>\$ -</u>

#### 15. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Bonuses	\$ 116,707	\$ 119,451
Payable for annual leave	5,359	7,065
Payable for professional service fees	1,553	1,426
Others	<u>37,161</u>	<u>41,895</u>
	<u>\$ 160,780</u>	<u>\$ 169,837</u>
Other liabilities		
Receipt under custody	\$ 1,670	\$ 1,555
Receipts in advance	582	-
Temporary receipts	<u>-</u>	<u>27</u>
	<u>\$ 2,252</u>	<u>\$ 1,582</u>

#### 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 Act 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of funded defined benefit obligation	\$ 27,961	\$ 29,520
Fair value of plan assets	<u>(14,951)</u>	<u>(13,808)</u>
Net defined benefit liabilities	<u>\$ 13,010</u>	<u>\$ 15,712</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2022	<u>\$ 31,147</u>	<u>\$ (11,957)</u>	<u>\$ 19,190</u>
Net interest expense (income)	<u>156</u>	<u>(62)</u>	<u>94</u>
Recognized in profit or loss	<u>156</u>	<u>(62)</u>	<u>94</u>
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	<u>143</u>	<u>-</u>	<u>143</u>
Recognized in other comprehensive income	<u>(1,783)</u>	<u>(919)</u>	<u>(2,702)</u>
Contributions from the employer	<u>-</u>	<u>(870)</u>	<u>(870)</u>
Balance at December 31, 2022	<u>29,520</u>	<u>(13,808)</u>	<u>15,712</u>
Net interest expense (income)	<u>443</u>	<u>(214)</u>	<u>229</u>
Recognized in profit or loss	<u>443</u>	<u>(214)</u>	<u>229</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(81)	(81)
Actuarial loss (gain)			
Changes in financial assumptions	792	-	792
Experience adjustments	<u>(2,794)</u>	<u>-</u>	<u>(2,794)</u>
Recognized in other comprehensive income	<u>(2,002)</u>	<u>(81)</u>	<u>(2,083)</u>
Contributions from the employer	<u>-</u>	<u>(848)</u>	<u>(848)</u>
Balance at December 31, 2023	<u>\$ 27,961</u>	<u>\$ (14,951)</u>	<u>\$ 13,010</u>

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:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.25%	1.50%
Expected rate of salary increase	4.50%	4.50%

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	<u>\$ (791)</u>	<u>\$ (867)</u>
0.25% decrease	<u>\$ 821</u>	<u>\$ 901</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 783</u>	<u>\$ 861</u>
0.25% decrease	<u>\$ (758)</u>	<u>\$ (833)</u>

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.

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plans for the next year	<u>\$ 882</u>	<u>\$ 912</u>
Average duration of the defined benefit obligation	11.5 years	12 years

## 17. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,643</u>	<u>76,185</u>
Shares issued	<u>\$ 746,423</u>	<u>\$ 761,845</u>

For the year ended December 31, 2023, the shares changed due to the employees' exercise of their employee share options and the reduction in the retirement of treasury stock.

### b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 7,633	\$ 60,421
Arising from issuance of ordinary - exercised/invalid employee share options	14,451	62,636
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interests in subsidiaries (2)	22,248	13,883
Arising from share of changes in capital surplus of associates (2)	63,134	62,948
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>6,847</u>	<u>10,634</u>
	<u>\$ 114,313</u>	<u>\$ 210,522</u>

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 2022 and 2021 which had been approved in the shareholders' meetings on June 9, 2023 and June 15, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ <u>125,888</u>	\$ <u>109,686</u>
Reversal of special reserve	\$ <u>(26,005)</u>	\$ <u>(29,116)</u>
Cash dividends	\$ <u>1,417,769</u>	\$ <u>931,990</u>
Cash dividends per share (NT\$)	\$ 19.00	\$ 12.50

The Company's shareholders also resolved to issue cash dividends from the capital surplus of \$111,929 thousand and \$111,839 thousand in the shareholders' meetings on June 9, 2023 and June 15, 2022, respectively.

The appropriations of earnings for 2023 had been proposed by the Company's board of directors on February 21, 2024. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31, 2023</b>
Reversal of special reserve	\$ <u>(190)</u>
Cash dividends	\$ <u>1,306,409</u>
Cash dividends per share (NT\$)	\$ 17.50

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held on June 19, 2024.

d. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 706	\$ (112)
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	(645)	818
Other comprehensive (loss) gain recognized for the year	(645)	818
Balance at December 31	<u>\$ 61</u>	<u>\$ 706</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ (5,686)	\$ (30,874)
Recognized for the year		
Unrealized gain (loss) - equity instruments	455	(6,562)
Other comprehensive income (loss) recognized for the year	455	(6,562)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	-	31,750
Balance at December 31	<u>\$ (5,231)</u>	<u>\$ (5,686)</u>

e. Treasury shares

	<b>Unit: In Thousands of Shares</b>			
<b>Purpose of Buy-Back</b>	<b>Number of Shares at January 1</b>	<b>Increase During the Year</b>	<b>Decrease During the Year</b>	<b>Number of Shares at December 31</b>
<u>2023</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>(1,567)</u>	<u>-</u>
<u>2022</u>				
Shares transferred to employees	<u>1,567</u>	<u>-</u>	<u>-</u>	<u>1,567</u>

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 a price interval ranging from NT\$177.80 to NT\$400 per share. The Company has bought back 1,567 thousand shares at a total cost of NT\$404,238 thousand. Under the Securities and Exchange Act, shares not transferred within the said time limit shall be deemed not issued by the Company, and amendment registration shall be processed. The Company's board of directors resolved to reduce the capital on October 24, 2023, and the effective date of the capital reduction was October 31, 2023.

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:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	69	\$ 318.4	130	\$ 318.4
Options exercised	<u>(25)</u>	318.4	<u>(61)</u>	318.4
Balance at December 31	<u>44</u>	318.4	<u>69</u>	318.4
Options exercisable, end of period	<u>44</u>	318.4	<u>69</u>	318.4

The weighted-average share prices on the exercise date of the share options for the year ended December 31, 2023 and 2022 were \$1,795 and \$1,108, respectively.

Information on outstanding options is as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Range of exercise price (NT\$)	\$ 318.4	\$ 318.4
Weighted-average remaining contractual life (in years)	2.15	3.15

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 for the year ended December 31, 2023 and 2022.



## 19. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Royalty revenue	\$ 2,124,413	\$ 2,474,635
Technical service revenue	<u>807,050</u>	<u>635,198</u>
	<u>\$ 2,931,463</u>	<u>\$ 3,109,833</u>

### a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (including related parties) (Note 9)	<u>\$ 179,770</u>	<u>\$ 212,172</u>	<u>\$ 100,634</u>
Contract liabilities			
Technical service revenue	<u>\$ 79,194</u>	<u>\$ 67,777</u>	<u>\$ 78,327</u>

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:

	<u>For the Year Ended December 31</u>	
	2023	2022
From contract liabilities at the beginning of the year		
Technical service revenue	<u>\$ 38,461</u>	<u>\$ 53,879</u>

### b. Partially completed contracts

	<u>For the Year Ended December 31</u>	
	2023	2022
Domestic	\$ 1,837,448	\$ 1,951,189
Asia	940,931	1,014,343
Others	<u>153,084</u>	<u>144,301</u>
	<u>\$ 2,931,463</u>	<u>\$ 3,109,833</u>

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Interest income

	<u>For the Year Ended December 31</u>	
	2023	2022
Bank deposits	\$ 61,390	\$ 14,660
Others	<u>10</u>	<u>4</u>
	<u>\$ 61,400</u>	<u>\$ 14,664</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Rental income	\$ 1,860	\$ 1,828
Dividend income	<u>363</u>	<u>932</u>
	<u>\$ 2,223</u>	<u>\$ 2,760</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net foreign exchange (loss) gain	\$ (20,489)	\$ 31,089
Commission income (Note 26)	19,548	27,910
Gain on disposal of investments	-	86
Others	<u>602</u>	<u>223</u>
	<u>\$ (339)</u>	<u>\$ 59,308</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ 77	\$ 144
Others	<u>1</u>	<u>-</u>
	<u>\$ 78</u>	<u>\$ 144</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 38,753</u>	<u>\$ 38,436</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 33	\$ 33
General and administrative expenses	5,486	1,743
Research and development expenses	<u>73,792</u>	<u>28,603</u>
	<u>\$ 79,311</u>	<u>\$ 30,379</u>

For the information on the amortization of intangible assets allocated to each single item, please refer to Note 13.

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits (Note 16)		
Defined contribution plans	\$ 20,134	\$ 19,151
Defined benefit plans	<u>229</u>	<u>94</u>
	<u>20,363</u>	<u>19,245</u>
Share-based payments		
Equity-settled	<u>580</u>	<u>176</u>
Other employee benefits	<u>933,507</u>	<u>1,006,582</u>
Total employee benefits expense	<u>\$ 954,450</u>	<u>\$ 1,026,003</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 954,450</u>	<u>\$ 1,026,003</u>

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 year ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 21, 2024 and February 22, 2023, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	15%	15%
Remuneration of directors	1.5%	1.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 302,977</u>	<u>\$ 344,259</u>
Remuneration of directors	<u>\$ 30,298</u>	<u>\$ 34,426</u>

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 year ended December 31, 2022 and 2021.

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:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 288,796	\$ 301,512
Income tax on unappropriated earnings	<u>-</u>	<u>1,443</u>
	288,796	302,955
Deferred tax		
In respect of the current year	<u>(1,027)</u>	<u>1,514</u>
Income tax expense recognized in profit or loss	<u>\$ 287,769</u>	<u>\$ 304,469</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 1,762,212</u>	<u>\$ 1,916,378</u>
Income tax expense calculated at the statutory rate	\$ 352,442	\$ 383,276
Nondeductible expenses in determining taxable income	9,233	8,612
Income tax on unappropriated earnings	-	1,443
Unrecognized deductible temporary differences and investment credits	<u>(73,906)</u>	<u>(88,862)</u>
Income tax expense recognized in profit or loss	<u>\$ 287,769</u>	<u>\$ 304,469</u>

### b. Current tax liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax liabilities		
Income tax payable	<u>\$ 44,435</u>	<u>\$ 139,676</u>

### c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the Year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 2,743</u>	<u>\$ 1,027</u>	<u>\$ 3,770</u>

For the Year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 4,257</u>	<u>\$ (1,514)</u>	<u>\$ 2,743</u>
d. Income tax assessments			

The tax returns through 2021 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings per share	<u>\$ 19.76</u>	<u>\$ 21.61</u>
Diluted earnings per share	<u>\$ 19.70</u>	<u>\$ 21.51</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Earnings used in the computation of basic earnings per share	\$ 1,474,443	\$ 1,611,909
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employee share options	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,474,443</u>	<u>\$ 1,611,909</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,629	74,586
Effect of potentially dilutive ordinary shares:		
Employees' compensation	152	277
Employee share options	<u>48</u>	<u>78</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,829</u>	<u>74,941</u>

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 the 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 actual distribution of government grant income, which expired on November 30, 2021, was NT\$33,074 thousand, had been fully recognized as government grant income. The collateral provided by the Company included cashier checks, whose drawees are banking industries and guarantee letters. The amounts of guarantees were NT\$34,300 thousand and NT\$14,724 thousand, respectively, and the guarantees were 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 5,369	\$ 5,369

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

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	<u>Financial Assets at FVTOCI</u>	
	<u>Equity Instruments</u>	
	2023	2022
Balance at January 1	\$ 4,914	\$ 16,130
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	455	(6,562)
Disposal	_____ -	_____ (4,654)
Balance at December 31	<u>\$ 5,369</u>	<u>\$ 4,914</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial asset at amortized cost (Note 1)	\$ 2,789,171	\$ 3,174,892
Investment in equity instrument at FVTOCI	5,369	4,914
<u>Financial liabilities</u>		
Amortized cost (Note 2)	39,123	30,241

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 29.

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, payables on equipment and other payables (including related parties).

	<u>USD Impact</u>		<u>CNY Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Profit or loss	\$ 79,969	\$ 29,200	\$ 196	\$ 455	\$ 20	\$ 436

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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 2,178,632	\$ 2,497,632
Cash flow interest rate risk		
Financial assets	415,565	438,033

### 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 assets 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, 2023 and 2022 would increase/decrease by \$416 thousand and \$438 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.

a) 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, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liabilities	\$ 15,289 <u>162</u>	\$ 23,528 <u>324</u>	\$ 316 <u>1,227</u>	\$ - <u>550</u>	\$ 39,133 <u>2,263</u>
	<u>\$ 15,451</u>	<u>\$ 23,852</u>	<u>\$ 1,543</u>	<u>\$ 550</u>	<u>\$ 41,396</u>

Additional information about the maturity analysis for financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	<u>\$ 1,713</u>	<u>\$ 550</u>	<u>\$ -</u>

December 31, 2022

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

Additional information about the maturity analysis for financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Lease liabilities	<u>\$ 3,376</u>	<u>\$ 2,263</u>	<u>\$ -</u>

b) Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank overdraft facilities (Annual revisits) Amount unused	<u>\$ 150,000</u>	<u>\$ 150,000</u>

## 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 (substantive related parties before September 28, 2023)
T.C. Chen	Key management personnel

b. Operating revenue

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Subsidiaries	\$ 4,594	\$ 2,869
	Substantive related parties	<u>14,519</u>	<u>3,084</u>
		<u>\$ 19,113</u>	<u>\$ 5,953</u>

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. Operating Expenses

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Commission expenses	Subsidiaries	\$ 832	\$ -
	R&D and design commission fees	<u>14,645</u>	<u>-</u>
		<u>\$ 15,477</u>	<u>\$ -</u>

d. Other gains and losses

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Commission income	Subsidiaries		
	PUFsecurity Corporation	<u>\$ 19,548</u>	<u>\$ 27,910</u>

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

Line Item	Related Party Category	December 31	
		2023	2022
Accounts receivable - related parties	Substantive related parties		
	HeFeChip Corporation Limited	<u>\$ -</u>	<u>\$ 3,071</u>
Other receivables - related parties	Subsidiaries		
	PUFsecurity Corporation	\$ 7,510	\$ 13,666
	eMemory Japan Corporation	<u>2</u>	<u>8,229</u>
		<u>\$ 7,512</u>	<u>\$ 21,895</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Other payables - related parties	Subsidiaries		
	eMemory Japan Corporation	\$ 1,685	\$ -
	Key management personnel		
	T.C. Chen	<u>-</u>	<u>10</u>
		<u>\$ 1,685</u>	<u>\$ 10</u>

g. Contract liabilities

Line Item	Related Party Category	December 31	
		2023	2022
Contract liabilities	Subsidiaries	<u>\$ 3,110</u>	<u>\$ 1,485</u>

h. Lease arrangements

The Company is lessor under operating leases

The Company leases out offices to its subsidiaries, PUFsecurity Corporation, under operating leases with lease terms of 1 year. As of December 31, 2023 and 2022, the balance of the operating lease receivable was \$31 thousand and \$31 thousand, respectively. Lease income recognized for the years ended December 31, 2023 and 2022 was as follows:

Related Party Category	For the Year Ended December 31	
	2023	2022
Subsidiaries		
PUFsecurity Corporation	<u>\$ 369</u>	<u>\$ 338</u>
Interest expenses		
Subsidiaries	<u>\$ 1</u>	<u>\$ -</u>

i. Compensation of key management personnel

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

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 121,970	\$ 142,231
Post-employment benefits	892	969
Share-based payment transactions	<u>145</u>	<u>-</u>
	<u>\$ 123,007</u>	<u>\$ 143,200</u>

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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged time deposits (classified as financial assets at amortized cost)	<u>\$ 118</u>	<u>\$ 116</u>

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENT

In addition to those disclosed in other notes, significant commitments and contingencies of the Company at balance sheet date were as follows:

Detail of significant outstanding contracts of property, plant and equipment as of December 31, 2023, including tax were as follows:

<b>Contract</b>	<b>Contract Amount</b>	<b>Payment</b>	<b>Unpaid Amount</b>
Purchase of property, plant and equipment	<u>\$ 1,815,000</u>	<u>\$ 235,950</u>	<u>\$ 1,579,050</u>

## 29. 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, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 52,309	30.705	\$ 1,606,142
CNY	906	4.327	3,919
JPY	8,196	0.2172	<u>1,780</u>
			<u>\$ 1,611,841</u>
Non-monetary items			
JPY	27,157	0.2172	<u>\$ 5,899</u>
<u>Financial liabilities</u>			
Monetary items			
USD	220	30.705	\$ 6,753
JPY	6,316	0.2172	<u>1,372</u>
			<u>\$ 8,125</u>

December 31, 2022

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

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

	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	Foreign Currency	Exchange Rate	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.705 (USD:NTD)	\$ (6,588)	30.710 (USD:NTD)	\$ (2,311)

### 30. 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: Table 2
- 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 3
- 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 4
  - 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 5

## EMEMORY TECHNOLOGY INC.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(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, 2023			Note
				Number of Shares (In Thousands)	Carrying Value	Percentage of Ownership (%)	
The Company	Shares Syntronix Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	1,210	\$ 5,369	2.81	\$ 5,369 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, 2023.

Note 3: As of December 31, 2023, the above marketable securities had not been pledged or mortgaged.



**EMEMORY TECHNOLOGY INC.**

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
The Company	Buildings	October 24, 2023	\$ 1,815,000	According to the contract payment	Winsome Development Company Limited	-	Not applicable	Not applicable	Not applicable	The price based on valuation report issued by an external independent professional valuation company is estimated to be higher than the transaction price.	Cooperate with the long-term development strategy of the Company, meet operational needs and recruit more talents.	No

TABLE 3

## EMEMORY TECHNOLOGY INC.

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(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, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023	December 31, 2022	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.	\$ 275,634	\$ 261,066	82,563	75.38	\$ 89,757	\$ (37,104)	Subsidiary	
	eMemory Japan Corporation	Japan	Product designing, intellectual property management, technology services	22,255	10,697	-	100.00	5,899	(6,102)	Subsidiary	
	iMQ Technology Inc.	Hsinchu City	Electronic parts and components manufacturing	27,900	27,900	2,057	2.28	12,063	(3,317)	Investment accounted for using the equity method	
PUFsecurity Corporation	PUFsecurity USA Corporation	USA	Sales promotion	7,777	7,777	-	100.00	4,723	543	Subsidiary	

TABLE 4

## EMEMORY TECHNOLOGY INC.

INFORMATION ON INVESTMENTS IN MAINLAND AND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
PUFsecurity Technology (Shanghai) Corporation	Product designing, related service	\$ 7,445 (USD 250)	Notes 1 and 2	\$ -	\$ 7,445 (USD 250)	\$ -	\$ 7,445 (USD 250)	\$ (810)	100.00	\$ (810)	\$ 6,613	\$ -
<b>Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023</b>	<b>Investment Amount Authorized by the Investment Commission, MOEA</b>	<b>Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA</b>										
\$ 7,445 (USD 250)	\$ 7,445 (USD 250)	\$ 1,813,964										

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, 2023**

No.	Name	Shares	
		Number of Shares Held	Ownership Percentage
1	SmallCap World Fund Inc.	5,251,919	7.03%
2	Government of Singapore	4,594,020	6.15%

Note: 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.

**eMemory Technology Inc.**

**Chairman : Charles Hsu**

**ememory**

EMBEDDED WISELY, EMBEDDED WIDELY

