

**FOXSEMICON INTERGRATED  
TECHNOLOGY INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDIT REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(STOCK CODE: 3413)**

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

FOXSEMICON INTEGRATED TECHNOLOGY INC.  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Foxsemicon Integrated Technology Inc.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Foxsemicon Integrated Technology Inc. and subsidiaries (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Assestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public 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 Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

### ***Sales revenue cut-off***

#### Description

Please refer to Note 4(31) for accounting policy on revenue recognition, Note 5(1) for critical judgement on revenue recognition, and Note 6(19) for details of revenue. For the year ended December 31, 2023, the balance of revenue amounted to NT\$13,051,357 thousand.

Among the Group's transaction types, warehouse sales revenue is recognized when customers accept the goods (when control of the product is transferred). Since all of the Group's warehouses are located in the United States or Singapore, the controls of those are more difficult than the direct shipment. Therefore, sale revenue is recognized based on the report provided by warehouse custodians. The process of revenue recognition contains numerous manual procedures, and it would potentially result in inaccurate timing of revenue recognition and the discrepancy between physical inventory quantities in the warehouses and quantities in accounting records. Since there are numerous daily revenue from warehouses and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, cut-off of sales revenue from distribution warehouse has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed and tested the appropriateness of internal controls over the cut-off of hub sales revenue for a specific period prior to and after the balance sheet date, and performing cut-off testing, including agreeing to respective supporting documents provided by hub custodians, and validated the proper timing of recognizing movements of inventories and respective transfer of cost of goods sold.
2. Confirmed the inventory quantities with warehouse custodians and agreed the results to accounting records.

#### ***Evaluation of inventories***

##### Description

Please refer to Note 4(14) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for details of inventories. As of December 31, 2023, the balances of inventories and allowance for valuation loss on inventories amounted to NT\$2,708,768 thousand and NT\$88,639 thousand respectively.

The Group is primarily engaged in manufacture and sales of semiconductors and automation equipment and components. As technology changes rapidly, the life cycles of electronic products are short, prices are easily influenced by fluctuation in market price, there is higher risk of incurring inventory valuation losses or obsolescence. The Group measures inventories sold at the lower of cost and net realizable value. For inventories that are over a certain age and individually identified obsolete or ruined inventory, losses are recognized at net realizable value.

The Group's allowance for inventory valuation losses mainly arises from individually identified obsolete or ruined inventory, and since the value of inventories is significant, inventory types are various, the individual identification of inventory usually involves human judgement and the valuation contains uncertainty. Thus, we identified the valuation of allowance for valuation loss on inventories as one of key audit matters.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Ascertained whether the policies and procedures on allowance for inventory valuation losses were reasonable and consistently applied in all the periods.
2. Verified the appropriateness of the system logic in calculating the ageing of inventories, and confirmed the information in the reports is consistent with the relevant policies.
3. Assessed the reasonableness of separately identified obsolete and damaged inventories and verified against information obtained during the stock count.
4. For net realizable value of inventories over normal age and those individually identified obsolete and damaged inventory, we discussed with the management, obtained supporting documents and reviewed the calculation of inventory loss.

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

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

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

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

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

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

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

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

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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Hsu, Sheng-Chung

Wu, Jen-Chieh

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 29, 2024

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

**FOXSEMICON INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 6,956,133	36	\$ 8,543,988	43
1136	Current financial assets at amortized cost	6(1)	3,627,151	19	1,268,520	7
1170	Accounts receivable	6(4) and 7	782,640	4	977,844	5
1200	Other receivables	7	121,882	1	10,624	-
130X	Inventory	6(5)	2,620,129	13	3,807,053	19
1410	Prepayments		216,603	1	198,677	1
11XX	Total current assets		14,324,538	74	14,806,706	75
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	27,550	-	232,097	1
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	292,437	1	194,076	1
1550	Investments accounted for using equity method		96,705	-	76,383	-
1600	Property, plant and equipment	6(6) and 8	3,780,898	20	3,540,849	18
1755	Right-of-use assets	6(7) and 7	318,207	2	294,244	2
1760	Investment property	6(8)	28,913	-	35,874	-
1840	Deferred income tax assets	6(24)	9,516	-	9,956	-
1900	Other non-current assets	6(1) and 8	490,959	3	500,007	3
15XX	Total non-current assets		5,045,185	26	4,883,486	25
1XXX	Total assets		\$ 19,369,723	100	\$ 19,690,192	100

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**FOXSEMICON INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term loans	6(9)	\$ 35,000	-	\$ 417,640	2
2120	Current financial liabilities at fair value through profit or loss	6(2)	-	-	1,336	-
2130	Current contract liabilities		339,282	2	15,935	-
2170	Accounts payable		941,407	5	1,438,868	7
2200	Other payables	6(10)	1,464,158	8	1,891,429	10
2230	Current tax liabilities		251,149	1	425,627	2
2280	Current lease liabilities	7	47,235	-	32,782	-
2320	Long-term liabilities, current portion	6(13)(14)	64,715	-	1,879,870	10
2399	Other current liabilities, others	6(11)	393,363	2	596,891	3
21XX	<b>Total current liabilities</b>		<u>3,536,309</u>	<u>18</u>	<u>6,700,378</u>	<u>34</u>
	<b>Non-current liabilities</b>					
2530	Bonds payable	6(13)	1,865,038	10	-	-
2540	Long-term loans	6(14)	1,571,780	8	1,506,039	8
2570	Deferred income tax liabilities	6(24)	47,413	-	38,837	-
2580	Non-current lease liabilities	7	285,457	2	269,089	1
2600	Other non-current liabilities	6(11)	461,486	2	344,692	2
25XX	<b>Total non-current liabilities</b>		<u>4,231,174</u>	<u>22</u>	<u>2,158,657</u>	<u>11</u>
2XXX	<b>Total Liabilities</b>		<u>7,767,483</u>	<u>40</u>	<u>8,859,035</u>	<u>45</u>
	<b>Equity</b>					
	<b>Equity attributable to owners of parent</b>					
	Share capital					
3110	Common stock	6(15)	971,861	5	967,921	5
3130	Certificate of entitlement to new shares from convertible bond		246	-	-	-
3140	Advance receipts for share capital		2,286	-	2,588	-
	Capital surplus	6(17)				
3200	Capital surplus		4,051,311	21	3,939,329	20
	Retained earnings	6(18)				
3310	Legal reserve		943,255	5	713,397	4
3320	Special reserve		6,336	-	6,336	-
3350	Unappropriated retained earnings		5,586,669	29	5,166,593	26
	Other equity interest					
3400	Other equity interest		40,276	-	34,993	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>11,602,240</u>	<u>60</u>	<u>10,831,157</u>	<u>55</u>
36XX	<b>Non-controlling interests</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>11,602,240</u>	<u>60</u>	<u>10,831,157</u>	<u>55</u>
	Significant Contingent Liabilities and Unrecognized Contract Commitments	9				
	Significant Events after the Balance Sheet Date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 19,369,723</u>	<u>100</u>	<u>\$ 19,690,192</u>	<u>100</u>

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

**FOXSEMICON INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(Expressed in thousands of New Taiwan dollars, except for earning per share amounts)

		Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
Items						
4000	Operating revenue	6(19) and 7	\$ 13,051,357	100	\$ 14,843,221	100
5000	Operating costs	6(5)	( 9,636,790)	( 74)	( 10,399,687)	( 70)
5900	Gross profit from operations		<u>3,414,567</u>	<u>26</u>	<u>4,443,534</u>	<u>30</u>
	Operating expenses	6(22)				
6100	Selling expenses		( 368,097)	( 3)	( 438,636)	( 3)
6200	Administrative expenses		( 510,639)	( 4)	( 505,059)	( 3)
6300	Research and development expenses		( 508,787)	( 4)	( 547,100)	( 4)
6450	Impairment gain (loss)	12(2)	<u>2,989</u>	<u>-</u>	<u>( 1,679)</u>	<u>-</u>
6000	Total operating expenses		<u>( 1,384,534)</u>	<u>( 11)</u>	<u>( 1,492,474)</u>	<u>( 10)</u>
6900	Net operating income		<u>2,030,033</u>	<u>15</u>	<u>2,951,060</u>	<u>20</u>
	Non-operating income and expenses					
7100	Interest income		239,953	2	87,779	-
7010	Other income	6(20)	161,015	1	90,103	1
7020	Other gains and losses	6(21)	131,791	1	( 191,997)	( 1)
7050	Finance costs		( 41,535)	-	( 39,577)	-
7060	Share of loss of associates and joint ventures accounted for using equity method		<u>( 8,828)</u>	<u>-</u>	<u>( 6,666)</u>	<u>-</u>
7000	Total non-operating revenue and expenses		<u>482,396</u>	<u>4</u>	<u>( 60,358)</u>	<u>-</u>
7900	Profit (loss) before income tax		2,512,429	19	2,890,702	20
7950	Income tax expense	6(24)	( 521,961)	( 4)	( 546,339)	( 4)
8200	Profit for the period		<u>\$ 1,990,468</u>	<u>15</u>	<u>\$ 2,344,363</u>	<u>16</u>

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**FOXSEMICON INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(Expressed in thousands of New Taiwan dollars, except for earning per share amounts)

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Remeasurement of defined benefit plan	6(12)	(\$ 925)	-	\$ 8,356	-
8316	Unrealized gain on valuation of financial assets at fair value through the comprehensive	6(3)	78,482	1	( 95,549)	( 1)
8310	Components of other comprehensive income that will not be reclassified to profit or loss		77,557	1	( 87,193)	( 1)
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8361	Financial statements translation difference of foreign operations		( 71,890)	( 1)	73,589	1
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		( 1,309)	-	989	-
8360	Other comprehensive loss that will be reclassified to profit or loss		( 73,199)	( 1)	74,578	1
8300	<b>Other comprehensive income for the year</b>		\$ 4,358	-	(\$ 12,615)	-
8500	<b>Total comprehensive income for the year</b>		\$ 1,994,826	15	\$ 2,331,748	16
	Profit attributable to:					
8610	Owners of the parent		\$ 1,990,468	15	\$ 2,319,754	16
8620	Non controlling interest		-	-	24,609	-
			\$ 1,990,468	15	\$ 2,344,363	16
	Total comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,994,826	15	\$ 2,307,139	16
8720	Non controlling interest		-	-	24,609	-
			\$ 1,994,826	15	\$ 2,331,748	16
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(25)	\$ 20.48		\$ 24.64	
9850	Diluted earnings per share		\$ 18.22		\$ 21.96	

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

**FOXSEMICON INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											Non-controlling interests	Total equity
		Capital				Retained Earnings			Other equity interest					
		Common stock	Certificate of entitlement to new shares from convertible bond	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total			
2022														
Balance at January 1, 2022		\$ 878,008	\$ -	\$ 1,056	\$ 2,093,841	\$ 558,372	\$ 6,336	\$ 3,863,061	(\$ 59,831)	\$ 115,795	\$ 7,456,638	\$ 67,251	\$ 7,523,889	
Profit for the year		-	-	-	-	-	-	2,319,754	-	-	2,319,754	24,609	2,344,363	
Other comprehensive income (loss) for the year		-	-	-	-	-	-	8,356	74,578	( 95,549)	( 12,615)	-	( 12,615)	
Total comprehensive income		-	-	-	-	-	-	2,328,110	74,578	( 95,549)	2,307,139	24,609	2,331,748	
Appropriations of 2021 earnings	6(18)													
Legal reserve		-	-	-	-	155,025	-	( 155,025)	-	-	-	-	-	
Cash dividends		-	-	-	-	-	-	( 840,021)	-	-	( 840,021)	-	( 840,021)	
Issuance of shares		81,172	-	-	1,625,238	-	-	-	-	-	1,706,410	-	1,706,410	
Conversion of convertible bonds	6(17)	3,769	-	-	64,847	-	-	-	-	-	68,616	-	68,616	
Executive employee stock options	6(17)	4,972	-	1,532	86,947	-	-	-	-	-	93,451	-	93,451	
Change in non controlling interest		-	-	-	696	-	-	( 29,532)	-	-	( 28,836)	( 92,612)	( 121,448)	
Share-based payment	6(16)(17)	-	-	-	67,760	-	-	-	-	-	67,760	752	68,512	
Balance at December 31, 2022		\$ 967,921	\$ -	\$ 2,588	\$ 3,939,329	\$ 713,397	\$ 6,336	\$ 5,166,593	\$ 14,747	\$ 20,246	\$ 10,831,157	\$ -	\$ 10,831,157	
2023														
Balance at January 1, 2023		\$ 967,921	\$ -	\$ 2,588	\$ 3,939,329	\$ 713,397	\$ 6,336	\$ 5,166,593	\$ 14,747	\$ 20,246	\$ 10,831,157	\$ -	\$ 10,831,157	
Profit for the year		-	-	-	-	-	-	1,990,468	-	-	1,990,468	-	1,990,468	
Other comprehensive income (loss) for the year		-	-	-	-	-	-	( 925)	( 73,199)	78,482	4,358	-	4,358	
Total comprehensive income		-	-	-	-	-	-	1,989,543	( 73,199)	78,482	1,994,826	-	1,994,826	
Appropriations of 2022 earnings	6(18)													
Legal reserve		-	-	-	-	229,858	-	( 229,858)	-	-	-	-	-	
Cash dividends		-	-	-	-	-	-	( 1,339,609)	-	-	( 1,339,609)	-	( 1,339,609)	
Conversion of convertible bonds	6(17)	6	246	-	3,853	-	-	-	-	-	4,105	-	4,105	
Executive employee stock options	6(17)	3,934	-	( 302)	39,814	-	-	-	-	-	43,446	-	43,446	
Share-based payment	6(16)(17)	-	-	-	68,086	-	-	-	-	-	68,086	-	68,086	
Change in equity of associates and joint ventures accounted for using equity method	6(17)	-	-	-	229	-	-	-	-	-	229	-	229	
Balance at December 31, 2023		\$ 971,861	\$ 246	\$ 2,286	\$ 4,051,311	\$ 943,255	\$ 6,336	\$ 5,586,669	(\$ 58,452)	\$ 98,728	\$ 11,602,240	\$ -	\$ 11,602,240	

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

**FOXSEMICON INTERGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 2,512,429	\$ 2,890,702
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including investment property and right-of-use assets)	6(8)(22)	399,683	301,206
Amortization expense	6(22)	10,199	12,478
Gain on reversal of payable		( 3,880 )	( 2,617 )
Share-based payments	6(16)	68,086	68,512
Additional provision recognized	6(11)	38,784	28,073
Share of loss of associates and joint ventures accounted for using equity method		8,828	6,666
Expected credit (gains) losses recognized	12(2)	( 2,989 )	1,679
(Gain) Loss on financial assets at fair value through profit or loss	6(21)	( 175,518 )	69,611
Loss on disposal of property, plant and equipment	6(21)	3,109	1,680
Interest income		( 239,953 )	( 87,779 )
Interest expense		41,535	39,577
Dividend income		( 4,023 )	( 8,499 )
Realized profit of deferred income		( 62,927 )	( 2,894 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss, mandatorily		411	( 351 )
Accounts receivable net		172,110	708,115
Accounts receivable related parties		-	181,946
Other receivable		( 2,437 )	( 3,559 )
Inventories		1,150,890	( 912,892 )
Prepayment		( 20,889 )	( 39,314 )
Changes in operating liabilities			
Accounts payable		( 486,783 )	( 775,061 )
Other payable		( 412,015 )	846,711
Contract liabilities		323,347	( 29,064 )
Other current liabilities		( 21,198 )	( 9,236 )
Defined benefit plans asset/Accrued pension liabilities		853	( 837 )
Cash inflow generated from operations		3,297,652	3,284,853
Income taxes paid		( 656,353 )	( 426,266 )
Net cash flows from operating activities		2,641,299	2,858,587

(Continued)



**FOXSEMICON INTERGRATED TECHNOLOGY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Financial assets at amortized cost		(\$ 2,358,631 )	\$ 292,120
Acquisition of financial assets at fair value through profit or loss	12(3)	( 14,404 )	( 6,843 )
Disposal of financial assets at fair value through profit or loss		256,545	-
Acquisition of financial assets at fair value through other comprehensive income		-	( 49,170 )
Acquisition of Investments accounted for using equity method		( 30,230 )	( 82,060 )
Acquisition of property, plant and equipment	6(27)	( 544,808 )	( 2,114,229 )
Dividends received		4,023	8,499
Proceeds from disposal of property, plant and equipment		375	163
Interest received		239,953	87,779
Increase in other non-current assets		( 73,935 )	( 529 )
Net cash flows used in investing activities		( 2,521,112 )	( 1,864,270 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		( 21,233 )	( 19,464 )
Issuance of common stock	6(15)	-	1,706,410
Increase in short-term loans	6(28)	923,540	193,341
Decrease in short-term loans	6(28)	( 1,305,172 )	-
Payments of lease liabilities	6(28)	( 46,816 )	( 28,961 )
Acquisition of supplemental loan		-	419,016
Repayments of supplemental loan		( 44,150 )	( 71,359 )
Proceeds from long-term debt	6(28)	141,208	1,112,146
Repayments of long-term debt		( 30,932 )	-
Payment of cash dividends	6(18)	( 1,339,609 )	( 840,021 )
Change for non controlling interest	6(27)	-	( 121,448 )
Executive employee stock options		43,446	93,451
Net cash flows (used in) from financing activities		( 1,679,718 )	2,443,111
Effect of changes in foreign currency exchange rates on cash		( 28,324 )	38,583
Net (decrease) increase in cash and cash equivalents		( 1,587,855 )	3,476,011
Cash and cash equivalents at beginning of year		8,543,988	5,067,977
Cash and cash equivalents at end of year		<u>\$ 6,956,133</u>	<u>\$ 8,543,988</u>

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

FOXSEMICON INTEGRATED TECHNOLOGY INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

(1) Foxsemicon Integrated Technology Inc. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on April 26, 2001, and in accordance with the “Act for Establishment and Administration of Science Parks”, the investment in the science park was approved in April 2003. The company was listed on the Taiwan Stock Exchange Corporation (the “TSEC”) in July 28, 2015.

(2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in research, development, design, manufacturing and sales of subsystems and system integration of semiconductor equipment, subsystems and system integration of TFT-LCD, nano equipment, LED lighting, LED display product and other application product, photoelectric, communication wafer materials and medical devices.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS<sup>®</sup>”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

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

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

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

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and financial asset at fair value through profit or loss.
  - (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and Unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Remark
			December 31, 2023	December 31, 2022	
Foxsemicon Integrated Technology Inc.	FOXSEMICON INTEGRATED TECHNOLOGY INC. (SAMOA)	Holding company of overseas reinvestment business	100	100	
Foxsemicon Integrated Technology Inc.	FOXSEMICON LLC. (LLC)	A company engaged in import and export freight forwarding business	100	100	
Foxsemicon Integrated Technology Inc.	FOX AUTOMATION TECHNOLOGY INC.	Manufacture of machinery, equipment and electronic components	100	100	(2)
Foxsemicon Integrated Technology Inc.	Frontier Integrated Global Solutions, Inc.	Manufacture of machinery, equipment and electronic components	100	100	
Foxsemicon Integrated Technology Inc.	Kainova Technology Inc.	Manufacture of machinery, equipment and electronic components	100	100	
Foxsemicon Integrated Technology Inc.	FOXSEMICON INNOVATIONS HOLDING INC.	Holding company of overseas reinvestment business	100	100	
Foxsemicon Integrated Technology Inc.	UNIEQ TECHNOLOGY PTE.LTD	Holding company of overseas reinvestment business	100	-	(3)
Foxsemicon Integrated Technology Inc.	UniEQ Integrated Technology CO., Ltd.	Manufacture of machinery, equipment and electronic components	100	-	(4)
FOXSEMICON INNOVATIONS HOLDING INC.	FOXSEMICON TECHNOLOGY, LLC	Research and development and manufacture of machinery, equipment and	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Remark
			December 31, 2023	December 31, 2022	
Kainova Technology Inc.	Kaivaco Technology Nanjing Inc.	Manufacture of machinery, equipment and electronic components	100	100	(5)
FOXSEMICON INTEGRATED TECHNOLOGY INC.	MINDTECH CORPPORATION (MINDTECH)	Holding company of overseas reinvestment business	100	100	
FOXSEMICON INTEGRATED TECHNOLOGY INC.	SUCCESS PRAISE CORPORATION (SUCCESS PRAISE)	A location for overseas trading for some companies in Mainland China	100	100	
FOXSEMICON INTEGRATED TECHNOLOGY INC.	SMART ADVANCE CORPORATION (SMART ADVANCE)	A location for overseas trading for some companies in Mainland China	100	100	(1)
FOXSEMICON INTEGRATED TECHNOLOGY INC.	EVER DYNAMIC CORP	A location for overseas trading for some companies in Mainland China	100	100	(1)
FOXSEMICON INTEGRATED TECHNOLOGY INC.	LOYAL NEWS INTERNATIONAL LIMITED (LOYAL NEWS)	A location for overseas trading for some companies in Mainland China	100	100	(1)
MINDTECH CORPORATION	Foxsemicon Integrated Technology (Shanghai) Inc.	Production and sales of electronic special equipment, test instruments, and industrial molds	100	100	(5)
Foxsemicon Integrated Technology (Shanghai) Inc.	Foxsemicon Integrated Technology (Kunshan) Inc.	Develop and produce new alloy materials and electronic special equipment for production and sales	100	100	
Foxsemicon Integrated Technology (Shanghai) Inc.	Shanghai Envofox Integrated Technology Limit Inc.	Operation of environmental protection automatic control system and environmental engineering production and sales business	100	100	

(1) The Company's shareholding ratio in EVER DYNAMIC CORP, LOYAL NEWS INTERNATIONAL LIMITED and SMART ADVANCE CORPORATION was 100%. However, all the companies mentioned above ceased operation in 2014.

(2) For the year ended December 31, 2022, the company purchased the equity of the subsidiary FOX AUTOMATION TECHNOLOGY INC. from non-controlling interests, and the shareholding ratio was increased to 99.88% and 100% in September 30, 2022 and December 31, 2022, respectively. Please refer to Note 6(26).

- (3) The company invested in the establishment of UNIEQ TECHNOLOGY PTE. LTD. in September 2023, and it was included in the consolidated financial statement preparation entity from the investment date.
- (4) The company invested in the establishment of UniEQ Integrated Technology CO., Ltd. in November 2023, and it was included in the consolidated financial statement preparation entity from the investment date.
- (5) The disclosure of the subsidiary mentioned above reinvesting in Mainland China, please refer to Note 13.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities presented in each balance sheet are converted at the exchange rates prevailing at the date of that balance sheet;
  - ii. Income and expense presented in each comprehensive income statement are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or jointly controlled entities after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entities, such transactions should be accounted for as disposal of all interest in these foreign operations.
  - (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

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

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that



meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

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

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

(9) Financial assets at amortized cost

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

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The Group initially measures accounts and notes receivable at fair value and subsequently recognizes the amortized interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognized in profit or loss.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor) — operating leases

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

(14) Inventories

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

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost, including goodwill recognized at the time of acquisition, and less any accumulated impairment loss arising from subsequent evaluations.

- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Loan costs incurred during the construction period are capitalised.

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
  - Buildings and structures: 25~35 year(s)
  - Machinery and equipment: 5~10 year(s)
  - Other equipment: 3~8 year(s)

(17) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental loan interest rate. Lease payments are comprised of the Fixed payments. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 35 years.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Loans

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

(21) Notes and accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The Group initially measures notes and accounts payable at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Convertible bonds payable

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

- A. The embedded call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds is initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds

payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realized the asset and settle the liability simultaneously.

(26) Provisions

Provisions (including warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognized as expenses in the period in which the employees render service.

B. Pension

(a) Defined contribution plan

For defined contribution plans, the Company has no legal or constructive obligation to make additional contributions after a fixed amount is contributed to a public or privately managed and independent pension fund. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Share-based payment - employees' bonus and compensation

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns

with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realized the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realized the asset and settle the liability simultaneously.
- F. Tax incentives arising from research and development expenditures were accounted for using income tax credits.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

- A. The Group manufactures and sells related products of semi-conductor equipment. Sales are recognized when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- B. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or when the product is delivered to



the shipping warehouse and the product is pulled in by the customer, or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

- C. The Group is engaged in environmental automation, environmental engineering and other related services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labor hours spent relative to the total expected labor hours. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
- D. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(32) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(33) Operating segments

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below: .

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

Revenue recognition

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognizes revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognizes revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the good or service before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, information on the carrying amount of inventories is provided in Note6(5).

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash and cash on hand	\$ 1,718	\$ 431
Checking accounts and demand deposits	2,666,817	2,550,965
Cash equivalents		
Time deposits	4,287,598	5,992,592
	<u>\$ 6,956,133</u>	<u>\$ 8,543,988</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The time deposits above mature within three months and subject to an insignificant risk of changes in value. Additionally, as of December 31, 2023 and 2022, time deposits maturing in excess of three months were not in conformity with cash and cash equivalents as defined, amounting to \$3,627,151 and \$1,268,520, respectively, and which were reclassified to "financial assets carried at amortized cost - current". Interest income recognized in profit or loss amounted to \$123,281 and \$54,714.
- C. Information about cash and cash equivalents that were pledged to others as collateral were classified as other non-current assets by the liquidity, please refer to Note 8.

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 27,360	\$ 232,097
Derivative instruments	190	-
	<u>\$ 27,550</u>	<u>\$ 232,097</u>
Items	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ -	\$ 1,336

- A. Financial assets at fair value through profit or loss is as follows:
- (a) Beneficiary certificate: Private fund investment.
- (b) Derivative instruments: Unsecured convertible bonds under repurchase and resale agreement.
- B. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2023	2022
Derivative instruments	\$ 1,938	(\$ 12,753)
Beneficiary certificates	174,873	( 56,858)
	<u>\$ 176,811</u>	<u>(\$ 69,611)</u>

- C. The Group entered into an agreement of retirement of partner and disposed of the Partnership of Jinan Fujie Industrial Investment Fund Partnership (limited partnership) on December 12, 2023. Disposal price is RMB 89,012 thousands, acquired cash RMB 84,699 thousands and 18% equity of MEM'S CORE CO., Ltd.. As of December 31, 2023, the amount of cash RMB 25,410 thousands has not been received, shown as "Other receivables".
- D. The Group did not have financial assets measured at fair value through other comprehensive income pledged to others.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items :		
Equity instruments		
Listed stocks	\$ 189,524	\$ 117,291
Unlisted stocks	<u>102,913</u>	<u>76,785</u>
	<u>\$ 292,437</u>	<u>\$ 194,076</u>

- A. The Group has elected to classify investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.
- B. The Group recognized net gain and loss in other comprehensive income for fair value change for the years ended December 31, 2023 and 2022, amounting to gain \$78,482 and loss \$95,549, respectively. Dividend income from equity instruments recognized in profit or loss held at end of period, amounting to \$4,023 and \$4,361, respectively. The Group did not derecognize dividend income from equity instruments during the year.
- C. The Group doesn't have financial assets measured at fair value through other comprehensive income pledged to others.

(4) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 144	\$ 981,065
Accounts receivable	782,728	2,550,965
Less: Allowance for uncollectible accounts	( <u>232</u> )	( <u>3,221</u> )
	<u>\$ 782,640</u>	<u>\$ 2,547,744</u>

- A. The Group did not hold any collateral on its accounts.
- B. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$1,702,545.
- C. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 681,344	(\$ 21,442)	\$ 659,902
Work in progress	767,215	( 6,338)	760,877
Finished goods	1,260,209	( 60,859)	1,199,350
	<u>\$ 2,708,768</u>	<u>(\$ 88,639)</u>	<u>\$ 2,620,129</u>

  

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,017,760	(\$ 9,096)	\$ 1,008,664
Work in progress	1,345,883	( 7,922)	1,337,961
Finished goods	1,504,242	( 43,814)	1,460,428
	<u>\$ 3,867,885</u>	<u>(\$ 60,832)</u>	<u>\$ 3,807,053</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2023	2022
Cost of goods sold	\$ 9,648,364	\$ 10,529,144
Loss on decline in market value	39,710	25,308
Sales of scraps	( 91,387)	( 188,572)
Others	40,103	33,807
	<u>\$ 9,636,790</u>	<u>\$ 10,399,687</u>

(6) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2023					
Cost	\$ 576,627	\$ 2,513,392	\$ 659,977	\$ 1,685,949	\$ 5,435,945
Accumulated depreciation	( 335,717)	( 1,104,468)	( 454,911)	-	( 1,895,096)
	<u>\$ 240,910</u>	<u>\$ 1,408,924</u>	<u>\$ 205,066</u>	<u>\$ 1,685,949</u>	<u>\$ 3,540,849</u>
2023					
Opening net book amount as at					
January 1	\$ 240,910	\$ 1,408,924	\$ 205,066	\$ 1,685,949	\$ 3,540,849
Additions	39,462	260,253	104,815	213,888	618,418
Disposals	-	( 2,572)	( 912)	-	( 3,484)
Transfers	10,344	425,260	5,268	( 436,018)	4,854
Depreciation charge	( 20,181)	( 255,302)	( 68,449)	-	( 343,932)
Net exchange differences	( 2,995)	( 28,392)	( 2,713)	( 1,707)	( 35,807)
Closing net book amount as at					
December 31	<u>\$ 267,540</u>	<u>\$ 1,808,171</u>	<u>\$ 243,075</u>	<u>\$ 1,462,112</u>	<u>\$ 3,780,898</u>
At December 31					
Cost	\$ 624,660	\$ 3,141,027	\$ 756,666	\$ 1,462,112	\$ 5,984,465
Accumulated depreciation	( 357,120)	( 1,332,856)	( 513,591)	-	( 2,203,567)
	<u>\$ 267,540</u>	<u>\$ 1,808,171</u>	<u>\$ 243,075</u>	<u>\$ 1,462,112</u>	<u>\$ 3,780,898</u>

	Buildings and structures	Machinery and equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2022					
Cost	\$ 570,324	\$ 1,951,737	\$ 614,272	\$ 531,679	\$ 3,668,012
Accumulated depreciation	( 313,232)	( 928,940)	( 397,253)	-	( 1,639,425)
	<u>\$ 257,092</u>	<u>\$ 1,022,797</u>	<u>\$ 217,019</u>	<u>\$ 531,679</u>	<u>\$ 2,028,587</u>
<u>2022</u>					
Opening net book amount as at					
January 1	\$ 257,092	\$ 1,022,797	\$ 217,019	\$ 531,679	\$ 2,028,587
Additions	1,100	209,451	34,455	1,509,706	1,754,712
Disposals	-	( 1,525)	( 318)	-	( 1,843)
Transfers	( 158)	344,662	13,266	( 357,928)	( 158)
Depreciation charge	( 19,475)	( 179,507)	( 61,728)	-	( 260,710)
Net exchange differences	<u>2,351</u>	<u>13,046</u>	<u>2,372</u>	<u>2,492</u>	<u>20,261</u>
Closing net book amount as at					
December 31	<u>\$ 240,910</u>	<u>\$ 1,408,924</u>	<u>\$ 205,066</u>	<u>\$ 1,685,949</u>	<u>\$ 3,540,849</u>
At December 31					
Cost	\$ 576,627	\$ 2,513,392	\$ 659,977	\$ 1,685,949	\$ 5,435,945
Accumulated depreciation	( 335,717)	( 1,104,468)	( 454,911)	-	( 1,895,096)
	<u>\$ 240,910</u>	<u>\$ 1,408,924</u>	<u>\$ 205,066</u>	<u>\$ 1,685,949</u>	<u>\$ 3,540,849</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings and structures. Rental contracts are typically made for periods of 5 to 35 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for loan purposes.
- B. Short-term leases with a lease term of 12 months, include dormitories and transportation equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 95,415	\$ 101,476
Buildings and structures	222,792	192,768
	<u>\$ 318,207</u>	<u>\$ 294,244</u>
	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,869	\$ 7,075
Buildings and structures	47,775	31,292
	<u>\$ 53,644</u>	<u>\$ 38,367</u>

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets was \$81,918 and \$216,655. Information relating to acquire right-of-use assets from related parties is provided in Note 7.

E. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,224	\$ 5,585
Expense on short-term lease contracts	47,034	31,834
	<u>\$ 58,258</u>	<u>\$ 37,419</u>

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$105,074 and \$66,380, respectively.



(8) Investment property

	Buildings and structures	
	2023	2022
At January 1		
Cost	\$ 74,156	\$ 73,842
Accumulated depreciation	( 38,282)	( 35,997)
	<u>\$ 35,874</u>	<u>\$ 37,845</u>
Opening net book amount as at January 1	\$ 35,874	\$ 37,845
Transfer (out) in	( 4,854)	158
Depreciation charge	( 2,107)	( 2,129)
Closing net book amount as at December 31	<u>\$ 28,913</u>	<u>\$ 35,874</u>
At December 31		
Cost	\$ 63,544	\$ 74,156
Accumulated depreciation	( 34,631)	( 38,282)
	<u>\$ 28,913</u>	<u>\$ 35,874</u>

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

	Years ended December 31,	
	2023	2022
Rental income from investment property	<u>\$ 15,540</u>	<u>\$ 16,070</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 2,107</u>	<u>\$ 2,129</u>

B. The fair value of the investment property held by the Group as December 31, 2023 and 2022 were \$95,184 and \$111,080, respectively, which were based on the valuation of market prices estimated using comparison approach which is categorized within Level 3 in the fair value hierarchy.

(9) Short-term loans

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 35,000</u>	0.50%~2.00%	None.
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 417,640</u>	1.90%~3.7%	None.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payable	585,867	723,487
Processing fees payable	269,113	541,328
Employees' compensation payable	262,448	209,416
Others	346,730	417,198
	<u>\$ 1,464,158</u>	<u>\$ 1,891,429</u>

(11) Other current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Provisions	\$ 288,324	\$ 511,931
Supplemental loan	52,919	56,772
Others	52,120	28,188
	<u>\$ 393,363</u>	<u>\$ 596,891</u>

A. Information of contract liabilities is provided in Note 6(19).

B. The Group entered into supplemental capacity addendum contracts with its customers. The Group received the supplemental loans in advanced and reserves certain capacity to the customers. The deposits would be returned in accordance with the contracts, except the parts on December 31, 2023 and 2022 amounting to \$104,235 and \$327,172 due more than one year are classified as "other non-current liabilities". Besides, the amount of estimated volume discounts in the contracts has been recognized as refund liabilities.

C. The information of provisions is as follows:

	<u>Provisions for warranty</u>
	<u>2023</u>
Balance at January 1	\$ 56,772
Additional provisions recognized	451,548
Reversed during the year	( 412,764)
Used during the year	( 42,452)
Net exchange differences	( 185)
Balance At December 31	<u>\$ 52,919</u>

The provisions of the Group are related to the sales of the semi-conductor and automatic equipment. Provisions are estimated based on the information of the historical warranty data of the products.

(12) Pension

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows: (shown as "Other non-current (assets) liabilities")

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 36,976	\$ 36,122
Fair value of plan assets	( 41,226)	( 41,017)
Net defined benefit asset	<u>(\$ 4,250)</u>	<u>(\$ 4,895)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
2023			
At January 1	\$ 36,122	\$ 41,017	(\$ 4,895)
Interest cost	470	-	470
Interest income	-	533	( 533)
	<u>36,592</u>	<u>41,550</u>	<u>( 4,958)</u>
Remeasurements:			
Return on plan assets	-	156	( 156)
Change in financial assumptions	307	-	307
Experience adjustments	<u>774</u>	<u>-</u>	<u>774</u>
	<u>1,081</u>	<u>156</u>	<u>925</u>
Pension fund contribution	-	217	( 217)
Paid pension	( 697)	( 697)	-
At December 31	<u>\$ 36,976</u>	<u>\$ 41,226</u>	<u>(\$ 4,250)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset
2022			
At January 1	\$ 41,358	\$ 37,061	\$ 4,297
Current service cost	78	-	78
Interest cost	290	-	290
Interest income	-	259	(259)
	<u>41,726</u>	<u>37,320</u>	<u>4,406</u>
Remeasurements:			
Return on plan assets	-	2,752	(2,752)
Change in financial assumptions	(2,026)	-	(2,026)
Experience adjustments	(3,578)	-	(3,578)
	<u>(5,604)</u>	<u>2,752</u>	<u>(8,356)</u>
Pension fund contribution	-	945	(945)
At December 31	<u>\$ 36,122</u>	<u>\$ 41,017</u>	<u>(\$ 4,895)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31	
	December 31, 2023	December 31, 2022
Discount rate	<u>1.20%</u>	<u>1.30%</u>
Future salary increases	<u>3.50%</u>	<u>3.50%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>760</u> )	<u>\$ 783</u>	<u>\$ 672</u>	(\$ <u>658</u> )
	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>801</u> )	<u>\$ 826</u>	<u>\$ 717</u>	(\$ <u>701</u> )

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$63.
- (g) As of December 31, 2023, the weighted average duration of that retirement plan is 9 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group’s subsidiary in Mainland China contributes monthly pension insurance premiums at 16% of local employees' total salaries in accordance with the pension regulations in the People’s Republic of China (PRC). Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022, were \$125,065 and \$102,759, respectively.

(13) Bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bonds payable	\$ 1,903,700	\$ 1,908,000
Less: Discount on bonds payable	( 38,662)	( 59,062)
	\$ 1,865,038	\$ 1,848,938
Less: Long-term liabilities, current portion	-	( 1,848,938)
	<u>\$ 1,865,038</u>	<u>\$ -</u>

A. The issuance of domestic convertible bonds by the Company

The terms of the second unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$2,000,000, which the amount of fundraising is \$2,010,000 and the par rate is 0%, second domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature five years from the issue date November 16, 2020 to November 16, 2025 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on November 16, 2020.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price was NTD 196.9 per share upon issuance. The Company adjusted the conversion price to NTD 171 per share as the terms of the bonds on July 9, 2023.
- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- v. The bondholders may request the Company to repurchase the convertible bonds at face value when the bonds are issued for three years.
- vi. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$158,325 were separated from the liability component and were recognized in ‘capital surplus—share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognized in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation ranged between 1.1122% and 1.5518%.

C. The conversion of domestic convertible bonds by the Company:

For the years ended December 31, 2023 and 2022, the \$100 and \$72,000 of the Company’s second unsecured domestic convertible bonds had been converted into 1 and 377 thousands shares of common stocks, and have been completed the registered. And as of December 31, 2023, holders of convertible bonds with a face value of \$4,200 exercised the conversion right and obtained 24,559 units of certificate of entitlement to new shares from convertible bond (each unit can be exchanged for one outstanding share of the Company.) The registration has not been completed up till December 31, 2023.

(14) Long-term loans

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 1,233,339	0.76%~1.395%	Property, plant and equipment
Bank unsecured borrowings	<u>403,156</u>	0.76%~0.90%	None
	1,636,495		
Less: Long-term liabilities, current portion	( <u>64,715</u> )		
	<u>\$ 1,571,780</u>		
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 1,217,659	0.635%~1.27%	Property, plant and equipment
Bank unsecured borrowings	<u>319,312</u>	0.635%~0.775%	None
	1,536,971		
Less: Long-term liabilities, current portion	( <u>30,932</u> )		
	<u>\$ 1,506,039</u>		

A. The credit contracts that the subsidiary of the Company signed with the banks are provided the joint guarantee line by the parent company, please refer to Note 13.

B. Please refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(15) Share capital

- A. As of December 31, 2023, the Company's authorised capital was \$1,500,000, consisting of 150,000 thousand shares of ordinary share (including 8,500 thousand shares reserved for employee share options), and the paid-in capital was \$971,861 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2023	2022
At January 1	96,792	87,801
Executive employee stock options	393	497
Inssuance of shares - Private placement	-	8,117
Conversion of convertible bonds	1	377
At December 31	97,186	96,792

- B. To increase the Company's working capital, the stockholders at their annual stockholders' meeting on December 30, 2021 adopted a resolution to raise additional cash through private placement with the effective date set on April 26, 2022. The number of shares to be issued through the private placement is 8,117 thousand shares at a subscription price of \$210.22 (in dollars) per share. The amount of capital raised through the private placement was \$1,706,410 which had been registered. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(16) Share-based payment

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

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Employee share options	2017.12.27	1,000	5 years	Description (1)
Employee share options	2019.09.27	1,000	5 years	Description (1)
Employee share options	2020.10.30	1,000	5 years	Description (1)
Employee share options	2021.08.09	1,500	5 years	Description (1)
Employee share options	2022.07.08	1,500	5 years	Description (1)

Employees receive 20% after 2 years of service, 60% after 3 years of service, and 100% after 4 years of service.



B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of options (thousand shares)	Weighted- average exercise price (in dollars)	No. of options (thousand shares)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	4,910	\$ 179.5	4,060	\$ 178.3
Options exercised	( 363)	119.4	( 650)	168.3
Options given	1,100	167.4	1,500	178.0
Options overdue	( 197)	156.8	-	-
Options outstanding at December 31	<u>5,450</u>	182.0	<u>4,910</u>	179.5
Options exercisable at December 31	<u>1,249</u>	163.0	<u>710</u>	131.7

Note: Some of the exercised stock options have not been registered, so those are shown as “Advance receipts for share capital”.

C. The Company issued common stock for years ended December 31, 2023 and 2022 amounting to 134,600 and 391,600 shares because employees exercised their stock options under the stock option plan. The registration for the shares mentioned. The registration for the shares mentioned 228,600 and 258,800 shares have not been completed in December 31, 2023 and 2022.

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date shares)	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (year)	Expected dividends (%)	Risk-free interest rate (%)	Fair value per unit
Employee share options	2017.12.27	\$ 198.5	198.5	47.84%	3.5~4.5 year(s)	-	0.58~ 0.64%	69.9~ 78.8
Employee share options	2019.09.27	115.5	115.5	44.51~ 46.91%	3.5~4.5 year(s)	-	0.57~ 0.60%	38.07~ 45
Employee share options	2020.10.30	173	173	46.48~ 49.21%	3.5~4.5 year(s)	-	0.22~ 0.23%	61.8~ 65.95
Employee share options	2021.08.09	229	229	45.82~ 47.45%	3.5~4.5 year(s)	-	0.23~ 0.29%	79.12~ 90.95
Employee share options	2022.07.08	178	178	44.45~ 45.87%	3.5~4.5 year(s)	-	0.96~ 1.02%	59.43~ 69.03

E. The Group's compensation cost and capital surplus arising from share-based payment transaction amounted to \$68,086 and \$68,512, For the years ended December 31, 2023 and 2022, respectively.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023				
	Share premium	Options	Employee stock options	Others	Total
At January 1	\$ 3,693,366	\$ 107,541	\$128,200	\$10,222	\$ 3,939,329
Share-based payment transactions	-	-	68,086	-	68,086
Employee stock options exercised	54,161	-	( 14,347)	-	39,814
Employee stock options overdue	-	-	( 12,798)	12,798	-
Conversion of convertible bonds	4,097	( 244)	-	-	3,853
Changes in equity of associates and joint ventures accounted	-	-	-	229	229
At December 31	<u>\$ 3,751,624</u>	<u>\$ 107,297</u>	<u>\$169,141</u>	<u>\$23,249</u>	<u>\$ 4,051,311</u>

	2022				
	Share premium	Options	Employee stock options	Others	Total
At January 1	\$ 1,877,491	\$ 111,630	\$ 95,194	\$ 9,526	\$ 2,093,841
Issuance of common stock	1,625,238	-	-	-	1,625,238
Share-based payment transactions	-	-	67,760	-	67,760
Employee stock options exercised	121,701	-	( 34,754)	-	86,947
Change for non - controlling interest	-	-	-	696	696
Conversion of convertible bonds	68,936	( 4,089)	-	-	64,847
At December 31	<u>\$ 3,693,366</u>	<u>\$ 107,541</u>	<u>\$128,200</u>	<u>\$10,222</u>	<u>\$ 3,939,329</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses (including adjusted undistributed earnings), and then the 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. At least, special reserve shall be appropriated or reversed according to the relevant regulations. The remainder, along with the accumulated unappropriated earnings in the prior year, shall be appropriated to shareholders as dividends, proposed the distribution plan by the Board of Directors and resolved by the shareholders at their meeting.
- B. In accordance with the Company Act, the resolution, for all or part of distributable dividends and bonus, capital surplus or legal reserve distributed in cash, will be adopted if more than 2/3 of the directors attend the Board of Directors' meeting and more than 1/2 of the directors present agree to the resolution. This will then be reported to the shareholders' meeting. The regulation which requires approval by the shareholders is not applicable for the above.
- C. The Company's dividend policy shall takes into account current and future investment environment, capital needs, domestic and foreign competition, and capital budget, etc. along with shareholders' interests and the long-term financial plans. The accumulated distributable earnings are appropriated as dividends or bonuses to shareholders, of which the distributable earnings during the current year shall account for at least 15% The dividends and bonuses can be distributed in the form of cash or shares and cash dividend shall account for at least 10% of the total dividends and bonuses distributed.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

E. The appropriation of earnings for 2022 and 2021 have been resolved by the shareholders' meeting on May 30, 2023 and May 27, 2022, respectively, as follows:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 229,858		\$ 155,025	
Cash dividends	<u>1,339,609</u>	\$ 13.8	<u>840,021</u>	\$ 8.7
	<u>\$ 1,569,467</u>		<u>\$ 995,046</u>	

The appropriation of 2022 and 2021 earnings mentioned above is not difference to the propose from the Board of Directors in February 2023 and 2022.

F. The appropriation of 2023 earnings as proposed by the Board of Directors on February 29, 2024 is as follows:

	2023	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 198,954	
Cash dividends	<u>1,173,260</u>	\$ 12.0
	<u>\$ 1,372,214</u>	

The appropriation mentioned above of 2023 earnings has not been resolved by the shareholders as of February 29, 2024.

Information about the appropriations of earnings as proposed by the Board of Directors and resolved by the shareholders can be demanded in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	<u>\$ 13,051,357</u>	<u>\$ 14,843,221</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods over time and at a point in time.

Disaggregation of revenue for the years ended December 31, 2023 and 2022 is as follows:

Years ended December 31, 2023	America	China	Taiwan	Others	Total
Revenue from external customer contracts recognized at a point in time	<u>\$ 11,051,122</u>	<u>\$ 401,383</u>	<u>\$ 1,087,403</u>	<u>\$ 511,449</u>	<u>\$ 13,051,357</u>
Years ended December 31, 2022	America	China	Taiwan	Others	Total
Revenue from external customer contracts recognized at a point in time	<u>\$ 12,506,351</u>	<u>\$ 536,341</u>	<u>\$ 1,184,302</u>	<u>\$ 616,227</u>	<u>\$ 14,843,221</u>

B. Contract assets and liabilities

(a) Contract liabilities were advance sales receipts. As of December 31, 2023 and 2022, contract liabilities were all from contracts with customers. And as of January 1, 2022, the balance of contract liabilities amounted to \$44,999, respectively. Please refer to Note 7 for details of information on related parties.

(b) Revenue recognized that was included in the contract liability balance at the beginning of years ended December 31, 2023 and 2022 were \$15,935 and \$28,823 respectively.

(20) Other income

	Years ended December 31,	
	2023	2022
Grants income	\$ 101,444	\$ 16,964
Rent income	15,540	16,070
Dividends income	4,023	8,499
Other income, others	40,008	48,570
	<u>\$ 161,015</u>	<u>\$ 90,103</u>

The grants mentioned above were related to property, plant, and equipment, and were recognized on a systematic basis over the depreciation periods.

(21) Other gains and losses

	Years ended December 31,	
	2023	2022
Gain and losses on financial assets at fair value through profit or loss	\$ 176,811	(\$ 69,611)
Losses on disposals of property, plant and equipment	( 3,109)	( 1,680)
Net foreign exchange loss	( 38,608)	( 117,417)
Other gains and losses	( 3,303)	( 3,289)
	<u>\$ 131,791</u>	<u>(\$ 191,997)</u>

(22) Expenses by nature

Additional disclosures related to operating costs and operating expenses are as follows:

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 2,625,137	\$ 2,724,668
Depreciation expense (Note)	397,576	299,077
Amortisation expense	10,199	12,478
	<u>\$ 3,032,912</u>	<u>\$ 3,036,223</u>

Note: Depreciation expense includes provision for property, plant and equipment and right-of-use assets.

(23) Employee benefit expense

<u>Nature</u>	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Wages and salaries	\$ 2,130,012	\$ 2,322,446
Employee stock options	68,086	68,512
Labour and health insurance fees	136,769	123,186
Pension costs	125,002	102,868
Other personnel expenses	165,268	107,656
	<u>\$ 2,625,137</u>	<u>\$ 2,724,668</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall be distributed as employees' compensation and directors' remuneration after it is resolved by the Board of Directors and reported to the shareholders. The ratio shall be 3%~8% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees compensation was accrued at \$139,500 and \$125,239, respectively; while directors' remuneration was accrued at \$11,370 and \$12,251, respectively.
- C. Employees' compensation and directors' and supervisors' remuneration of 2023 and 2022 as resolved by the Board of Directors on February 29, 2024 and February 24, 2023 were agreed with those amounts recognized in the 2023 and 2022 financial statements and will be distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors can be demanded in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax expense

- A. Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the year	\$ 496,290	\$ 565,774
Tax on undistributed surplus earnings	53,620	36,521
Effect from research and development tax credits	( 73,513)	( 64,292)
Prior year income tax underestimation	36,698	4,978
Total current tax	<u>513,095</u>	<u>542,981</u>
Deferred tax:		
Origination and reversal of temporary differences	8,866	3,358
Income tax expense	<u>\$ 521,961</u>	<u>\$ 546,339</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 676,854	\$ 726,210
Effect from items disallowed by tax regulation	( 168,907)	( 145,021)
Effect from research and development tax credits	( 73,513)	( 64,292)
Additional 5% tax on undistributed surplus earnings	53,620	36,521
Prior year income tax underestimation	36,698	4,978
Temporary differences not recognised as deferred tax assets	( 2,791)	( 12,057)
Income tax expense	<u>\$ 521,961</u>	<u>\$ 546,339</u>

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

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

	2023			
	January 1	Recognised in profit or loss	Net exchange differences	December 31
Temporary differences:				
— Deferred tax assets:				
Allowance for inventory valuation loss	\$ 409	\$ 88	\$ -	\$ 497
Salaries accrued at end of year	6,527	-	( 120)	6,407
Government grants	2,044	( 378)	( 30)	1,636
Impairment loss on investments accounted for using the equity method	976	-	-	976
	<u>\$ 9,956</u>	<u>(\$ 290)</u>	<u>(\$ 150)</u>	<u>\$ 9,516</u>
— Deferred tax liabilities:				
Recognised investment profit or loss which is adopting equity method	( 36,663)	( 9,208)	-	( 45,871)
Unrealized exchange gain	( 2,174)	632	-	( 1,542)
	<u>(\$ 38,774)</u>	<u>(\$ 8,576)</u>	<u>\$ -</u>	<u>(\$ 47,413)</u>

2022				
	January 1	Recognised in profit or loss	Net exchange differences	December 31
Temporary differences:				
— Deferred tax assets:				
Allowance for inventory valuation loss	\$ 287	\$ 122	\$ -	\$ 409
Unrealized exchange loss	3,116	( 3,116)	-	-
Salaries accrued at end of year	6,567	133	( 173)	6,527
Government grants	2,305	( 434)	173	2,044
Impairment loss on investments accounted for using the equity method	976	-	-	976
	<u>\$ 13,251</u>	<u>(\$ 3,295)</u>	<u>\$ -</u>	<u>\$ 9,956</u>
— Deferred tax liabilities:				
Recognised investment profit or loss which is adopting equity method	( 38,774)	2,111	-	( 36,663)
Unrealized exchange gain	-	( 2,174)	-	( 2,174)
	<u>(\$ 38,774)</u>	<u>(\$ 63)</u>	<u>\$ -</u>	<u>(\$ 38,837)</u>

D. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	Years ended December 31,	
	2023	2022
Amount of allowance for bad debts in excess of the limit for tax purpose	\$ 55,105	\$ 36,889
Allowance for inventory valuation loss	62,880	48,162
Loss on investments accounted for using the equity method	4,115	31,849
Others	42,183	42,392
	<u>\$ 164,283</u>	<u>\$ 159,292</u>

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



(25) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,990,468</u>	<u>97,192</u>	<u>\$ 20.48</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,990,468	97,192	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	16,251	11,158	
Employee stock options	-	1,036	
Employees' compensation	<u>-</u>	<u>755</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,006,719</u>	<u>110,141</u>	<u>\$ 18.22</u>
<u>Year ended December 31, 2022</u>			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,319,754</u>	<u>94,141</u>	<u>\$ 24.64</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,319,754	94,141	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	16,090	10,408	
Employee stock options	-	1,053	
Employees' compensation	<u>-</u>	<u>761</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,335,844</u>	<u>106,363</u>	<u>\$ 21.96</u>

(26) Transactions with non-controlling interest

For the years ended December 31, 2022, the company paid the cash \$121,448 to purchase 15.12% equity of the subsidiary FOX AUTOMATION TECHNOLOGY INC. The non-controlling interests decreased in \$92,612, the equity attributable to owners of the parent decreased in \$28,836.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 618,418	\$ 1,754,712
Add: Opening balance of payable on equipment	61,902	28,292
Add: Ending balance of prepaid on equipment	374,349	448,149
Less: Ending balance of payable on equipment	( 61,712)	( 61,902)
Less: Opening balance of prepaid on equipment	( 448,149)	( 55,022)
Cash paid during the period	<u>\$ 544,808</u>	<u>\$ 2,114,229</u>

(28) Changes in liabilities from financing activities

	Lease liabilities	Short-term borrowings	Long-term borrowings (Including current portion)	Bonds payable (Including current portion)	Liabilities from financing activities-gross
At January 1, 2023	\$ 301,871	\$ 417,640	\$ 1,536,971	\$ 1,848,938	\$ 4,105,420
Changes in cash flow from financing activities	( 46,816)	( 381,632)	110,276	-	( 318,172)
Impact of changes in foreign exchange rate	( 4,281)	-	-	-	( 4,281)
Changes in other non-cash items	81,918	( 1,008)	( 10,752)	16,100	86,258
At December 31, 2023	<u>\$ 332,692</u>	<u>\$ 35,000</u>	<u>\$ 1,636,495</u>	<u>\$ 1,865,038</u>	<u>\$ 3,869,225</u>

  

	Lease liabilities	Short-term borrowings	Long-term borrowings (Including current portion)	Bonds payable (Including current portion)	Liabilities from financing activities-gross
At January 1, 2022	\$ 105,057	\$ 221,440	\$ 424,825	\$ 1,897,858	\$ 2,649,180
Changes in cash flow from financing activities	( 34,546)	193,341	1,112,146	-	1,270,941
Impact of changes in foreign exchange rate	5,868	2,859	-	-	8,727
Changes in other non-cash items	225,492	-	-	( 48,920)	176,572
At December 31, 2022	<u>\$ 301,871</u>	<u>\$ 417,640</u>	<u>\$ 1,536,971</u>	<u>\$ 1,848,938</u>	<u>\$ 4,105,420</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Hon Hai Precision Industry Co., Ltd. and its subsidiaries (Hon Hai and subsidiaries)	Group with significant influence over the Group
Foxconn Technology Co., Ltd and its subsidiaries (Foxconn Technology and subsidiaries)	Other related parties
General Interface Solution (GIS) Holding Limited and its subsidiaries (GIS and subsidiaries)	Other related parties

### (2) Significant related party transactions

#### A. Sales

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
Group with significant influence over the Group		
- Hon Hai and subsidiaries	\$ <u>28,865</u>	\$ <u>134,784</u>

There are no similar transactions for reference for the price of the Group's sales of goods to related parties. The collection term to related parties is 30~45 days after the invoice date.

#### B. Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
Group with significant influence over the Group	\$ 644	\$ 36,675
- Hon Hai and subsidiaries		
Allowance for uncollectible accounts	<u>-</u>	<u>(11)</u>
	\$ <u>644</u>	\$ <u>36,664</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 30~45 days after the date of sales.

#### C. Other receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables from related parties:		
Group with significant influence over the Group	\$ 1,983	\$ 1,194
Group - Hon Hai and subsidiaries		
Other related parties		
- GIS and subsidiaries	1,806	2,030
- Others	<u>1,603</u>	<u>1,633</u>
	\$ <u>5,392</u>	\$ <u>4,857</u>

Other receivables from related parties mainly refer to payments on behalf of others.

D. Lease transactions - lessee

(a) The Group leases buildings from Hon Hai and its subsidiaries. Rental contracts are typically made for periods from years 2023 to 2027. Rents are paid quarterly.

(b) Additions to right-of-use assets:

	Years ended December 31,	
	2023	2022
Group with significant influence over the Group - Hon Hai and subsidiaries	\$ <u>81,918</u>	\$ <u>8,544</u>

(c) Lease liabilities

i. Outstanding balance:

	December 31, 2023	December 31, 2022
Group with significant influence over the Group - Hon Hai and subsidiaries	\$ <u>71,355</u>	\$ <u>7,502</u>

ii. Interest expense:

	Years ended December 31,	
	2023	2022
Group with significant influence over the Group - Hon Hai and subsidiaries	\$ <u>4,854</u>	\$ <u>1,225</u>

E. Key management compensation

	Years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 64,266	\$ 43,591
Post-employment benefits	540	472
	\$ <u>64,806</u>	\$ <u>44,063</u>

8. Pledged Assets

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

Pledged asset	Purpose	Book value	
		December 31, 2023	December 31, 2022
Unfinished construction (shown as property, plant and equipment)	Long-term borrowings	\$ 1,402,087	\$ 1,388,506
Time deposits (shown as other non-current assets)	Guarantee of Science Park Bureau	8,915	4,988
Time deposits (shown as other non-current assets)	Customs guarantee	1,902	1,894
		\$ <u>1,412,904</u>	\$ <u>1,395,388</u>

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

### (1) Contingencies

Except for the recognized provision, the Group was not expected any material liabilities that could arise from the contingent liabilities.

### (2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 344,336	\$ 426,161
Investments accounted for using equity method	-	30,710
	<u>\$ 344,336</u>	<u>\$ 456,871</u>

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

The Board of Directors have approved the proposal for the appropriation of earnings in 2023 on February 29, 2024, as described in Note6(18).

## 12. Others

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide the maximum returns for shareholders and to positively reduce the gearing ratio and the cost of capital.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 27,550	\$ 232,097
Financial assets at fair value through other comprehensive income	292,437	194,076
Financial assets at amortized cost (Note)	<u>11,487,806</u>	<u>10,800,976</u>
	<u>\$ 11,807,793</u>	<u>\$ 11,227,149</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	\$ -	\$ 1,336
Financial liabilities at amortized cost (Note)	40,077,060	7,133,846
Lease liability	<u>332,692</u>	<u>301,871</u>
	<u>\$ 40,409,752</u>	<u>\$ 7,437,053</u>

Note: Financial assets at amortized cost included cash and cash equivalents, current financial assets at amortized cost, accounts receivable and other receivables; and financial liabilities at amortized cost included long-term and short-term loans, accounts payable, other payables, long-term liabilities-current portion and bonds payable.

## B. Financial risk management policies

### (a) Categories of risk

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

### (b) Objectives of management

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

#### i. Nature

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from recognized assets and liabilities.

#### ii. Management

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

#### iii. Degree

The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023				
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	\$ 158,933	30.71	\$ 4,880,832	1%	\$ 48,808
USD:RMB	47,071	7.10	\$ 1,445,550	1%	14,456
Financial liabilities					
Monetary items					
USD:NTD	76,034	30.71	2,335,004	1%	23,350
USD:RMB	34,991	7.10	1,074,574	1%	10,746

	December 31, 2022				
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	\$ 226,276	30.71	\$ 6,948,936	1%	\$ 69,489
USD:RMB	81,937	6.97	2,516,285	1%	25,163
Financial liabilities					
Monetary items					
USD:NTD	78,301	30.71	2,404,624	1%	24,046
USD:RMB	61,682	6.97	1,894,254	1%	18,943

iv. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to \$38,608 and \$117,417, respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies which are classified as investments in financial assets at fair value through other comprehensive income. The prices of equity securities would change due to the change of the future value of investee companies. However, the fluctuation in prices are not expected to have significant influence over the value of investee companies.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term loans. Loans issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain at least 0.5%~2% of its loans at fixed rate. The Group has no significant interest rate based on the assessment.

- ii. The Group's interest rate risk arises from long-term loans. Long-term loans calculated by floating rates expose the Group to cash flow interest rate risk, but most of this risk is offset by cash and cash equivalents held at floating rates.

If the long-term borrowing rate increases or decreases by 1%, and all other factors remain unchanged, the net profit after tax from January 1 to December 31, 2023 and 2022 will decrease or increase by \$12,839 and \$7,558 respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through profit or loss. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- ii. The Group adopts industrial characteristics and past experience, the default occurs when the contract payments are past due over 90 days.
- iii. Under IFRS 9 which the Group adopts, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;



(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

v. The ageing analysis of receivables (including related parties) is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 874,453	\$ 873,867
Up to 90 days	9,480	84,697
91 to 180 days	20,306	29,618
181 to 270 days	-	3,507
271 to 360 days	241	-
Over 360 days	274	-
	<u>\$ 904,754</u>	<u>\$ 991,689</u>

vi. The Group classifies customers' accounts receivable in accordance with credit rating. The Group applies the modified approach using the loss rate methodology or provision matrix to estimate the expected credit loss. The Group used the market forecastability of SEMI and The Basel Committee on Banking Supervision to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable. On December 31, 2023 and 2022, loss allowance estimated by the provision matrix or loss rate methodology is as follows:

<u>December 31, 2023</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
Expected loss rate	0.03%	0.03%	
Total book value	<u>\$ 776,794</u>	<u>\$ 127,960</u>	<u>\$ 904,754</u>
Loss allowance	<u>(\$ 231)</u>	<u>(\$ 1)</u>	<u>(\$ 232)</u>
<u>December 31, 2022</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
Expected loss rate	0.03%	0.03%~100%	
Total book value	<u>\$ 906,770</u>	<u>\$ 84,919</u>	<u>\$ 991,689</u>
Loss allowance	<u>(\$ 271)</u>	<u>(\$ 2,950)</u>	<u>(\$ 3,221)</u>

Group 1: Standard Poor's, Fitch's, or Moody's rating of A-level, or rated as A-level in accordance with the Group's credit rating for those that do not have external credit ratings.

Group 2: Rated as other than A in accordance with the Group's credit rating for those that have no external credit ratings.

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables (including related parties) are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
At January 1	\$ 3,221	\$ 1,523
Reversal of impairment loss	( 2,989)	1,679
Effect of foreign exchange	-	19
At December 31	<u>\$ 232</u>	<u>\$ 3,221</u>

- viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed loan facilities at all times so that the Group does not breach loan limits or covenants (where applicable) on any of its loan facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. The Group's non-derivative financial liabilities are analysed into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Except for those whose maturity date were less than 360 days as of December 31, 2023 and 2022, the remaining non-derivative financial liabilities (including long-term and short-term loans, accounts payable, other payables, current portion of long-term liabilities and guarantee deposits received) are listed below:

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Over 3 years</u>
<u>Non-derivative financial liabilities:</u>			
Bonds payable (Note)	\$ -	\$ 1,903,700	\$ -
Long-term borrowings	79,038	605,412	1,047,194
Lease liability	55,293	113,592	212,267
Deposits received	288,324	104,235	-
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Over 3 years</u>
<u>Non-derivative financial liabilities:</u>			
Bonds payable (Note)	\$ 1,908,000	\$ -	\$ -
Long-term borrowings	41,616	513,151	1,055,593
Lease liability	39,327	76,467	232,345
Deposits received	511,931	327,172	-

Note : The reason of transfer of bonds payable to current liabilities is the bondholders can request the company to buy the bonds back after three years of issuance. Please refer to Note 6 (13).

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a

market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and investment property is included in Level 3.

B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost, accounts receivable (including due from related parties), other receivables (including due from related parties), long-term and short-term loans, accounts payable, other payables and bonds payable (including current portion)) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 are as follows:

(a) The related information of natures of the assets is as follows:

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ -	\$ -	\$ 27,360	\$ 27,360
Derivative instruments	-	190	-	190
Financial assets at fair value through other comprehensive income				
Equity securities	<u>189,524</u>	<u>-</u>	<u>102,913</u>	<u>292,437</u>
	<u>\$ 189,524</u>	<u>\$ 190</u>	<u>\$ 130,273</u>	<u>\$ 319,987</u>

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ -	\$ -	\$ 232,097	\$ 232,097
Financial assets at fair value through other comprehensive income				
Equity securities	<u>117,291</u>	<u>-</u>	<u>76,785</u>	<u>194,076</u>
	<u>\$ 117,291</u>	<u>\$ -</u>	<u>\$ 308,882</u>	<u>\$ 426,173</u>
Liability				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,336</u>	<u>\$ -</u>	<u>\$ 1,336</u>

- (b) The Group's financial assets at fair value through other comprehensive income on December 31, 2023 and 2022 are financial assets included in Level 1, in order to obtain listed stocks, the Group uses closing price as their fair values.
- (c) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
At January 1	\$ 308,882	\$ 413,893
Acquired in the period	35,105	6,843
Gains and losses recognised in profit or loss	174,873 (	56,858)
Gains and losses recognised in other comprehensive income	7,953 (	61,752)
Disposal in the period	( 395,532)	-
Effect of exchange rate changes	( 1,008)	6,756
At December 31	<u>\$ 130,273</u>	<u>\$ 308,882</u>

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Private equity fund investment	\$ 27,360	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	102,913	Market comparable companies/Net asset value	Liquidity discount	32%~35%	The higher the discount rate, the lower the fair value.
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Private equity fund investment	\$ 232,097	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	76,785	Market comparable companies/Net asset value	Liquidity discount	32%	The higher the discount rate, the lower the fair value.

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2023	
			Recognised in other comprehensive income	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instruments	Liquidity discount	±5%	\$ 7,757	(\$ 7,757)
			December 31, 2022	
			Recognized in other comprehensive income	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instruments	Liquidity discount	±5%	\$ 5,674	(\$ 5,674)

(4) Other matters

The Group's information systems were attacked by cyber hackers on January, 2024. The information department has activated the relevant defense mechanism and recovery operations, and cooperated with technical experts from external information security companies to test and ensure information security. There is no significant impact to the Group's financial and business based on the Group's assessment.

13. Supplementary Disclosures

The disclosures on investee companies were based on financial statements audited by Certified Public Accountants and the following transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only.

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The Company provided purchases and sales to an investee company in the Mainland Area, Foxsemicon Integrated Technology (Shanghai) Inc., through SUCCESS PRAISE CORPORATION. The transactions have been fully written-off in the consolidated financial statements. Please refer to Note 13(1) for the significant transactions of purchases, sales, receivables and payables between the Company and investee companies in the Mainland Area.

(4) Major shareholders information

Major shareholders information: Please refer to Note 9.

14. Operating Segment Information

(1) General information

The Group is primarily engaged in the production and sales of semiconductor equipment subsystems and system integration. The chief operating decision-maker allocates resources and assesses performance based on the overall financial statements. It is identified that the Group is a single operating segment and there is only one reportable operating segment.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision-maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Information on products and services

Revenue from external customers is mainly from the sales business of abovementioned single reportable segments. Therefore products revenue is the reportable segment revenue.

(3) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended		Year ended	
	December 31, 2023	December 31, 2023	December 31, 2022	December 31, 2022
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 11,051,122	\$ 382,804	\$ 12,506,351	\$ 310,677
Taiwan	1,087,403	2,080,059	1,184,302	1,998,979
China	401,383	2,091,193	536,341	2,061,318
Others	511,449	64,921	616,227	-
	<u>\$ 13,051,357</u>	<u>\$ 4,618,977</u>	<u>\$ 14,843,221</u>	<u>\$ 4,370,974</u>

(4) Major customer information

For the years ended December 31, 2023 and 2022, details of revenue from which customers accounted for at least 10% of operating revenues in the consolidated statement of comprehensive income are as follows:

	Years ended December 31,	
	2023	2022
	Sales revenue	Sales revenue
Customer - Group A	<u>\$ 10,931,597</u>	<u>\$ 12,316,536</u>

Foxsemicon Integrated Technology Inc. and subsidiaries

Loans to others

Years ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine month period ended	Balance at	Actual amount	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2023	December 31, 2023	drawn down						Item	Value			
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Kunshan) Inc.	Other receivables due from related parties	Y	\$ 767,750	\$ 552,780	\$ 580,860	2.80%	Business transactions	\$ 2,263,002	-	\$ -	-	\$ -	\$ 2,320,448	\$ 6,961,344	Notes 1 and 2
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Shanghai) Inc.	Other receivables due from related parties	Y	307,217	-	-	2.70%	Short-term financing	-	Business operation	-	-	-	\$ 4,060,784	\$ 4,640,896	Notes 4

Note 1: For the companies who have business relationship with the Company, ceiling on total loans to others shall not exceed 60% of the net assets value of the Company.

Note 2: For the companies who have business relationship with the Company, financial limit on loans granted to a single party shall not exceed the amount of business transactions occurred between the creditor and borrower.

The amount of business transactions means the higher between the actual sales and the actual purchases in the last year or in the following year and shall not exceed 20% of the net assets value of the Company.

Note 3: The total loans between the foreign companies which the parent company holds 100% of the voting rights directly or indirectly should not exceed 100% of the parent company's net assets;

the loans to a single party shall not exceed 50% of the parent company's net assets.

Note 4: The total loans which the companies who have short-term financing with the parent company should not exceed 40% of the parent company's net assets;

the loans to a single party shall not exceed 35% of the parent company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.



Foxsemicon Integrated Technology Inc. and subsidiaries  
Provision of endorsements and guarantees to others  
Years ended December 31, 2023

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsement s/guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Technology, LLC.	Note 1	\$ 5,801,120	\$ 192,859	\$ 192,859	\$ 176,736	-	1.66	\$ 11,602,240	Y	N	N	Note 2
0	Foxsemicon Integrated Technology Inc.	FOX AUTOMATION TECHNOLOGY INC.	Note 1	5,801,120	1,360,000	-	1,233,339	-	11.72	11,602,240	Y	N	N	Note 2
0	Foxsemicon Integrated Technology Inc.	FOX AUTOMATION TECHNOLOGY INC.	Note 1	5,801,120	456,000	-	264,517	-	3.93	11,602,240	Y	N	N	Note 2
0	Foxsemicon Integrated Technology Inc.	Kainova Technology Inc.	Note 1	5,801,120	100,000	-	-	-	0.86	\$ 11,602,240	Y	N	N	Note 2

Note 1: A subsidiary that the Company and subsidiaries directly or indirectly held more than 50% equity interests of common shares.

Note 2: The ceiling on total amount of endorsements/guarantees provided to others by the Company is the Company's net assets in the latest financial statement which was reviewed or audited by independent accountant.

Limit on total endorsements/guarantees provided for a single party is 50% of the Company's net assets in the latest financial statement which was reviewed or audited by independent accountant.

Note 3: Limit on endorsements and guarantees to a company of which the Company directly or indirectly holds 100%, should not exceed 10% of the company's net assets in the latest financial statement which was reviewed or audited by independent accountant.

Limit on endorsements and guarantees to a single party shall not exceed 80% of the company's net assets.

Foxsemicon Integrated Technology Inc. and subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Years ended December 31, 2023

Table 3

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

				As of December 31, 2023				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Foxsemicon Integrated Technology Inc.	Common stock of Advanced Optoelectronic Technology, Inc.	None.	Financial asset measured at fair value through other comprehensive income-non-current	3,672,000	\$ 108,691	2.54	\$ 108,691	
Foxsemicon Integrated Technology Inc.	Common stock of ChenFull Precision Co. Ltd	None.	Financial asset measured at fair value through other comprehensive income-non-current	745,000	80,833	1.26	80,833	
Foxsemicon Integrated Technology Inc.	Partnership of AVITIC FUND	None.	Financial assets at fair value through profit or loss - non-current	-	27,360	8.00	27,360	
MINDTECH CORPORATION	Common stock of SuperbVue Solutions Inc.	None.	Financial asset measured at fair value through other comprehensive income-non-current	12,250,000	11,131	10.03	11,131	Note
MINDTECH CORPORATION	Common stock of Pollux Technologies, Inc.	None.	Financial asset measured at fair value through other comprehensive income-non-current	7,350,000	49,296	11.60	49,296	Note
MINDTECH CORPORATION	Common stock of Linyange Semiconductor, Inc.	None.	Financial asset measured at fair value through other comprehensive income-non-current	4,900,000	26,503	10.03	26,503	Note
Foxsemicon Integrated Technology (Shanghai) Inc.	MEMS CORE Co., Ltd.	None.	Financial assets at fair value through profit or loss - non-current	137,754	15,983	18.00	15,983	

Note: The shareholding ratio above is agreed upon in the investment contract and the article of association of those companies. However, it is still in the period of capital injection.

Foxsemicon Integrated Technology Inc. and subsidiaries  
Securities acquired or sold at costs, or prices at least NT\$300 million or 20% of the paid-in capital during this period  
Years ended December 31, 2023

Table 4

單位：仟元  
(除特別註明者外)

Investor	Marketable securities	General	Relationship	Transaction	Balance as at December 31, 2023		Buy		Disposal				As of December 31, 2023	
		ledger account			Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value (Note 5)	Gain (loss) on disposal	Number of shares	Amount
Foxsemicon Integrated Technology Inc.	UniEQ Integrated Technology Co., Ltd.	Note 1	UniEQ Integrated Technology Co., Ltd.	Note 2	USD	- \$ -	16,000,000	USD 45,768 thousand	- \$ -	- \$ -	- \$ -	- \$ -	16,000,000	USD 45,768 thousand
Foxsemicon Integrated Technology (Shanghai) Inc.	Jinan Fujie Industrial Investment Fund Partnership (limited partnership)"	Note 3	Jinan Fujie Industrial Investment Fund Partnership (limited partnership)"	-	RMB	Note 4	RMB 49,714 thousand		Note 4	RMB 89,012 thousand	RMB 89,012 thousand	-		

Note 1: Code of general ledger account is "investments accounted for under equity method".  
Note 2: A subsidiary directly owned by the Company with 100% ownership.  
Note 3: Code of general ledger account is "financial assets at fair value through profit or loss".  
Note 4: The Company is a limited company and has no shares.  
Note 5: The book value of financial assets at fair value through profit or loss is the amount evaluated at fair value, including the gain and loss of fair value evaluation.

Foxsemicon Integrated Technology Inc. and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Years ended December 31, 2023

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Foxsemicon Integrated Technology Inc.	SUCCESS PRAISE CORPORATION	Subsidiaries	Purchases	\$ 5,366,113	68	60 days from the invoice date	Note 1	No significant difference	(\$ 853,469) (	62)	
Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Kunshan) Inc.	Subsidiaries	Purchases	2,263,002	29	60 days from the invoice date	Note 1	No significant difference	( 345,106) (	25)	
Foxsemicon Integrated Technology (Shanghai) Inc.	SUCCESS PRAISE CORPORATION	Affiliated company	Sale	5,855,383	92	45 days from the invoice date	Note 1	No significant difference	1,013,151	80	
Foxsemicon Integrated Technology (Shanghai) Inc.	Frontier Integrated Global Solutions, Inc.	Affiliated company	Sale	177,838	3	45 days from the invoice date	Note 1	No significant difference	56,533	4	
Foxsemicon Integrated Technology (Kunshan) Inc.	Foxsemicon Integrated Technology (Shanghai) Inc.	Affiliated company	Sale	790,960	25	45 days from the invoice date	Note 1	No significant difference	178,154	33	
SUCCESS PRAISE CORPORATION	Frontier Integrated Global Solutions, Inc.	Affiliated company	Sale	409,444	7	45 days from the invoice date	Note 1	No significant difference	77,236	8	

Note 1: If there are no similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the transaction terms were similar to general transaction terms.

Note 2: Opposite related party transaction is not disclosed.

Foxsemicon Integrated Technology Inc. and subsidiaries  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
Years ended December 31, 2023

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31,			Overdue receivables		Amount collected subsequent to the balance sheet date	Creditor Counterparty doubtful
			2023		Turnover rate	Amount	Action taken		
Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology	Subsidiaries	\$ 549,919	Note	Not applicable	\$ 75,609	Positive	\$ 71,004	\$ -
Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology	Subsidiaries	641,219	Note	Not applicable	425	Positive	120	-
SUCCESS PRAISE CORPORATION	Foxsemicon Integrated Technology Inc.	Ultimate parent	853,469		5.2	-	-	-	-
Foxsemicon Integrated Technology (Shanghai) Inc.	SUCCESS PRAISE CORPORATION	Affiliated company	1,013,151		5.6	137,428	Subsequent collection	137,428	-
Foxsemicon Integrated Technology (Kunshan) Inc.	Foxsemicon Integrated Technology Inc.	Ultimate parent	345,106		5.4	91,960	Subsequent collection	56,762	-
Foxsemicon Integrated Technology (Kunshan) Inc.	Foxsemicon Integrated Technology (Shanghai) Inc.	Parent company	178,154		3.6	160	Subsequent collection	160	-

Note: Receivables arose from purchasing materials on behalf of others and financing inter-related party. Financing inter-related please refer to Note 13(1).

Foxsemicon Integrated Technology Inc. and subsidiaries  
Significant inter-company transactions during the reporting periods  
Years ended December 31, 2023

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Foxsemicon Integrated Technology Inc.	SUCCESS PRAISE CORPORATION	(1)	Purchases	\$ 5,366,113	45 days from the invoice date	41
0	Foxsemicon Integrated Technology Inc.	SUCCESS PRAISE CORPORATION	(1)	Accounts payable	853,469	45 days from the invoice date	4
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Shanghai) Inc.	(1)	Other receivable	549,919	45 days from the invoice date	3
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Kunshan) Inc.	(1)	Purchases	2,263,002	45 days from the invoice date	17
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Kunshan) Inc.	(1)	Accounts payable	345,106	45 days from the invoice date	2
0	Foxsemicon Integrated Technology Inc.	Foxsemicon Integrated Technology (Kunshan) Inc.	(1)	Other receivable	641,219	45 days from the invoice date	3
1	Foxsemicon Integrated Technology (Shanghai) Inc.	SUCCESS PRAISE CORPORATION	(3)	Sales	5,855,383	45 days from the invoice date	45
1	Foxsemicon Integrated Technology (Shanghai) Inc.	SUCCESS PRAISE CORPORATION	(3)	Accounts receivable	1,013,151	45 days from the invoice date	5
1	Foxsemicon Integrated Technology (Shanghai) Inc.	Frontier Integrated Global Solutions, Inc.	(3)	Sales	177,838	45 days from the invoice date	1
2	Foxsemicon Integrated Technology (Kunshan) Inc.	Foxsemicon Integrated Technology (Shanghai) Inc.	(2)	Sales	790,960	45 days from the invoice date	6
2	Foxsemicon Integrated Technology (Kunshan) Inc.	Foxsemicon Integrated Technology (Shanghai) Inc.	(2)	Accounts receivable	178,154	45 days from the invoice date	1
3	SUCCESS PRAISE CORPORATION	Frontier Integrated Global Solutions, Inc.	(3)	Sales	409,444	45 days from the invoice date	3

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: The disclosures are related parties reaching \$100 million or 20% of paid-in capital or more only, otherwise are not disclosed.

Note 4: Percentage of total consolidated revenues or total assets is calculated using the total consolidated assets at the end of the year when the subject of transaction is an asset/liability, and is calculated by total consolidated revenues during the year when the subject of transaction is a revenue/expense. However, the transactions were eliminated when preparing the consolidated financial statements.

Foxsemicon Integrated Technology Inc. and subsidiaries

Information on investees

Years ended December 31, 2023

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net income of investee as of December 31, 2023	recognised by the Company for the nine month period ended	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
Foxsemicon Integrated Technology Inc.	FOXSEMICON INTEGRATED TECHNOLOGY INC.	Samoa	Reinvestment and holding company	\$ 1,253,890	\$ 1,253,890	40,474,913	100	\$ 4,443,184	\$ 724,260	\$ 724,260	
Foxsemicon Integrated Technology Inc.	Foxsemicon Innovations Holding Inc.	US	Reinvestment and holding company	451,191	451,191	15,000,000	100	341,317	( 86,746)	( 86,746)	
Foxsemicon Integrated Technology Inc.	FOXSEMICON LLC.	US	Exports/Imports Logistics	1,751	1,751	50,000	100	32,322	( 48)	( 48)	
Foxsemicon Integrated Technology Inc.	UNIEQ TECHNOLOGY PTE.LTD	Singapore	Reinvestment and holding company	1	-	1	100	-	-	-	Note 1
Foxsemicon Integrated Technology Inc.	FOX AUTOMATION TECHNOLOGY INC.	Taiwan	Manufacturing of machinery and equipment and electronic parts	312,573	312,573	20,000,000	100	1,022,053	206,870	206,870	
Foxsemicon Integrated Technology Inc.	Frontier Integrated Global Solutions, Inc.	Taiwan	Manufacturing of machinery and equipment and electronic parts	5,000	5,000	500,000	100	50,072	28,399	28,399	
Foxsemicon Integrated Technology Inc.	Kainova Technology Inc.	Taiwan	Manufacturing of machinery and equipment and electronic parts	55,000	55,000	5,500,000	100	69,492	27,851	27,851	
Foxsemicon Integrated Technology Inc.	Lydus Medical Ltd.	Israel	Research, design and sale of medical machinery	89,790	59,560	416,310	16.21	77,818	( 41,305)	( 6,364)	Note 1
Foxsemicon Integrated Technology Inc.	SMART BREAST CORPORATION	US	Manufacturing of medical machinery	17,643	17,643	7,890,640	17.62	-	( 21,595)	-	
Foxsemicon Integrated Technology Inc.	Corporate Venture Capital Alliance Innovation Fund	Taiwan	Reinvestment and holding company	22,500	22,500	2,250,000	25	18,887	( 9,854)	( 2,464)	
Foxsemicon Integrated Technology Inc.	UniEQ Integrated Technology Co., Ltd.	Thiland	Manufacturing of machinery and equipment and electronic parts	1,447,108	-	16,000,000	100	1,427,688	( 23,393)	( 23,393)	
FOXSEMICON INTEGRATED TECHNOLOGY INC.	MINDTECH CORPORATION	Samoa	Reinvestment and holding company	2,395,380	2,395,380	34,977,541	100	4,341,933	711,513	711,513	
FOXSEMICON INTEGRATED TECHNOLOGY INC.	SUCCESS PRISE CORPORATION	Samoa	Reinvestment and holding company	116,698	116,698	3,800,000	100	101,242	12,747	12,747	
Foxsemicon Innovations Holding Inc.	Foxsemicon Technology, LLC	US	Research and Development and manufacturing of machinery and equipment and electronic parts	459,115	459,115	Note 2	100	340,788	( 85,724)	( 84,724)	

Note 1:The Company started to recognize gain or loss of associates and joint ventures accounted for using equity method in the month of acquisition

Note 2: The company is a limited company and has no shares issued.

Foxsemicon Integrated Technology Inc. and subsidiaries

Information on investments in Mainland China

Years ended December 31, 2023

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the years ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the years ended December 31, 2023 (Note 3)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Foxsemicon Integrated Technology (Shanghai) Inc.	Production and sales of electronic special equipment, test instruments, and industrial molds	\$ 2,395,380	2	\$ 2,395,380	\$ -	\$ -	\$ 2,395,380	\$ 707,175	100	\$ 707,175	\$ 4,269,248	\$ -	
Kaivaco Technology Nanjing Inc.	Production and sales of electronic special equipment, test instruments, and industrial molds	6,117	1	6,117	-	-	6,117	117	100	117	6,541	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
Foxsemicon Integrated Technology Inc.	2,395,380	3,346,513	Note 4										
Kainova Technology Inc.	6,117	6,603	80,000										

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China.

(2)Invested in Mainland China through the third party, FOXSEMICON INTERGRATED TECHNOLOGY INC.

(3)Others

Note 3:Investment income (loss) recognition is based on financial statements that are audited or reviewed by R.O.C. parent company's CPA.

Note 4: Pursuant to the amended 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Note 5:The Company reinvested in Mainland China investees, Foxsemicon Integrated Technology (Kunshan) Inc. and Shanghai EnvoFox integrated technology limit inc. through the investing business in Mainland China investee, which were not required to file an application to the Investment Commission of Ministry of Economic Affairs (MOEA).However, the investing business in Mainland China is a controlling company and shall apply the reinvestment to the Investment Commission of Ministry of Economic Affairs (MOEA).



Foxsemicon Integrated Technology Inc. and subsidiaries

Major shareholders information

December 31, 2023

Table 10

Name of major shareholders	Shares	
	Number of shares held (shares)	Ownership (%)
Applied Materials Taiwan	8,117,258	8.33
Hyield Venture Capital Co.,Ltd.	6,953,272	7.13

Note: The major shareholders' information was derived from the data using the Company issued common shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.