

**DAVICOM SEMICONDUCTOR, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND
2022**

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

DAVICOM Semiconductor, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2023, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company name: DAVICOM SEMICONDUCTOR, INC.

Representative: HAO, TING

February 29, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of DAVICOM SEMICONDUCTOR, INC.

Opinion

We have audited the accompanying consolidated balance sheets of DAVICOM Semiconductor, Inc. and its 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, based on our audits and the reports of other auditors (please refer to the *Other matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

The Group's key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(9) for accounting policies on accounts receivable recognition and valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT\$20,988 thousand as at December 31, 2023.

The Group's accounts receivable arises from selling goods, and collecting in accordance with credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality.

Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivables should be grouped appropriately and the assumptions should be assessed and analyzed. The aging categories, expected loss ratio and forward-looking information usually include subjective judgement, therefore, the valuation of accounts receivable was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging categories, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Based on subsequent collections, discussed with management for its assessment of recoverability of past due receivables and further evaluate the possibility of the impairment from past due receivables.

Evaluation of inventories

Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT\$31,438 thousand and NT\$19,111 thousand as at December 31, 2023, respectively.

The Company is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realisable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, the estimate of inventory valuation losses was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to value loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.

5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

Other matters

Reference to report of the other auditors

We did not audit the financial statements of wholly-owned consolidated subsidiaries that are included in the financial statements. Total assets of the subsidiary amounted to NT\$286,487 thousand and NT\$326,772 thousand as at December 31, 2023 and 2022, constituting 24.87% and 27.37% of consolidated total assets, respectively. Operating income of the subsidiary amounted to NT\$10,490 thousand and NT\$11,100 thousand, for the years ended December 31, 2023 and 2022, constituting 4.32% and 3.61% of consolidated total operating income, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

Parent company only financial reports

We have audited and expressed an unqualified opinion including an *Other Matter* paragraph on the parent company only financial statements of DAVICOM Semiconductor, Inc. as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the Parent Company Only financial statements

Management is responsible for the preparation and fair presentation of the 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 controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Parent Company Only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Lin, Chia-Hung

Hsiao, Chun-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

February 29, 2024

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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DAVICOM SEMICONDUCTOR, 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)	\$ 695,332	61	\$ 727,900	61
1150	Notes receivable, net	6(3)	-	-	499	-
1170	Accounts receivable, net	6(3)	20,988	2	24,162	2
1200	Other receivables		1,430	-	373	-
1220	Current tax assets		3,645	-	-	-
130X	Inventories, net	6(4)	31,438	3	44,672	4
1410	Prepayments		1,640	-	1,227	-
1470	Other current assets		4,029	-	22	-
11XX	Total Current Assets		<u>758,502</u>	<u>66</u>	<u>798,855</u>	<u>67</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	61,055	5	50,565	4
1600	Property, plant and equipment, net	6(5)	141,294	12	145,367	12
1755	Right-of-use assets	6(6)	86,081	8	88,559	7
1760	Investment property, net	6(8)	92,043	8	95,010	8
1780	Intangible assets		718	-	1,005	-
1840	Deferred income tax assets	6(24)	7,197	1	6,883	1
1900	Other non-current assets	6(9)	5,125	-	7,566	1
15XX	Total Non-current Assets		<u>393,513</u>	<u>34</u>	<u>394,955</u>	<u>33</u>
1XXX	Total Assets		<u>\$ 1,152,015</u>	<u>100</u>	<u>\$ 1,193,810</u>	<u>100</u>

(Continued)

DAVICOM SEMICONDUCTOR, 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	%
Current liabilities					
2130	Current contract liabilities	\$ 135	-	\$ 144	-
2150	Notes payable	153	-	138	-
2170	Accounts payable	3,562	-	5,512	1
2200	Other payables	28,883	3	32,968	3
2230	Current income tax liabilities	-	-	5,449	-
2280	Current lease liabilities	1,546	-	1,535	-
2300	Other current liabilities	4,379	-	1,324	-
21XX	Current Liabilities	<u>38,658</u>	<u>3</u>	<u>47,070</u>	<u>4</u>
Non-current liabilities					
2570	Deferred income tax liabilities	1,915	-	1,869	-
2580	Non-current lease liabilities	71,520	6	73,068	6
2600	Other non-current liabilities	6,506	1	6,843	1
25XX	Non-current liabilities	<u>79,941</u>	<u>7</u>	<u>81,780</u>	<u>7</u>
2XXX	Total Liabilities	<u>118,599</u>	<u>10</u>	<u>128,850</u>	<u>11</u>
Equity attributable to owners of parent					
Share capital					
3110	Common stock	831,171	72	831,171	70
Capital surplus					
3200	Capital surplus	63,597	6	84,000	7
Retained earnings					
3310	Legal reserve	95,866	8	88,782	7
3320	Special reserve	12,799	1	22,711	2
3350	Undistributed earnings	51,157	5	59,410	5
Other equity interest					
3400	Other equity interest	(12,859)	(1)	(12,799)	(1)
Treasury shares					
3500	Treasury shares	(8,315)	(1)	(8,315)	(1)
31XX	Equity attributable to owners of the parent	<u>1,033,416</u>	<u>90</u>	<u>1,064,960</u>	<u>89</u>
3XXX	Total Equity	<u>1,033,416</u>	<u>90</u>	<u>1,064,960</u>	<u>89</u>
Significant contingent liabilities and unrecognised contract commitments					
3X2X	Total Liabilities and Equity	<u>\$ 1,152,015</u>	<u>100</u>	<u>\$ 1,193,810</u>	<u>100</u>

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

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17)	\$ 242,572	100	\$ 307,090	100
5000	Operating costs	6(4)(22)(23)	(78,942)	(33)	(87,251)	(28)
5900	Net operating margin		<u>163,630</u>	<u>67</u>	<u>219,839</u>	<u>72</u>
	Operating expenses	6(22)(23)				
6100	Selling expenses		(34,517)	(14)	(31,505)	(10)
6200	General and administrative expenses		(48,640)	(20)	(50,301)	(17)
6300	Research and development expenses		(66,024)	(27)	(74,524)	(24)
6450	Impairment on expected credit losses	6(3) and 12(2)	<u>550</u>	<u>-</u>	<u>300</u>	<u>-</u>
6000	Total operating expenses		(148,631)	(61)	(156,030)	(51)
6900	Operating income		<u>14,999</u>	<u>6</u>	<u>63,809</u>	<u>21</u>
	Non-operating income and expenses					
7100	Interest income	6(18)	10,578	4	4,117	1
7010	Other income	6(19)	26,556	11	33,817	11
7020	Other gains and losses	6(20)	4,882	2	(14,462)	(5)
7050	Finance costs	6(21)	(665)	-	(653)	-
7000	Total non-operating income and expenses		<u>41,351</u>	<u>17</u>	<u>22,819</u>	<u>7</u>
7900	Income from continuing operations before income tax		<u>56,350</u>	<u>23</u>	<u>86,628</u>	<u>28</u>
7950	Income tax expense	6(24)	(5,606)	(2)	(17,597)	(6)
8000	Profit for the period from continuing operations		<u>50,744</u>	<u>21</u>	<u>69,031</u>	<u>22</u>
8200	Profit for the period		<u>\$ 50,744</u>	<u>21</u>	<u>\$ 69,031</u>	<u>22</u>
	Other comprehensive income					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans		\$ 471	-	\$ 2,256	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(94)	-	(451)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(60)	-	9,912	3
8360	Components of other comprehensive income that will be reclassified to profit or loss		(60)	-	9,912	3
8300	Total other comprehensive income for the period		<u>\$ 317</u>	<u>-</u>	<u>\$ 11,717</u>	<u>4</u>
8500	Total comprehensive income for the period		<u>\$ 51,061</u>	<u>21</u>	<u>\$ 80,748</u>	<u>26</u>
	Profit, attributable to:					
8610	Owners of parent		<u>\$ 50,744</u>	<u>21</u>	<u>\$ 69,031</u>	<u>22</u>
	Comprehensive income, attributable to:					
8710	Owners of parent		<u>\$ 51,061</u>	<u>21</u>	<u>\$ 80,748</u>	<u>26</u>
	Basic earnings per share	6(25)				
9750	Total basic earnings per share		<u>\$ 0.61</u>		<u>\$ 0.84</u>	
	Diluted earnings per share	6(25)				
9850	Total diluted earnings per share		<u>\$ 0.61</u>		<u>\$ 0.84</u>	

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

DAVICOM SEMICONDUCTOR, 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									
		Common stock	Additional paid-in capital	Treasury share transactions	Others	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from translation of foreign operations	Treasury shares	Total equity
<u>Year ended December 31 2022</u>											
Balance at January 1, 2022		\$ 846,321	\$ 82,458	\$ -	\$ 38,714	\$ 81,835	\$ -	\$ 69,517	(\$ 22,711)	(\$ 50,851)	\$1,045,283
Profit for the year		-	-	-	-	-	-	69,031	-	-	69,031
Other comprehensive income for the year		-	-	-	-	-	-	1,805	9,912	-	11,717
Total comprehensive income		-	-	-	-	-	-	70,836	9,912	-	80,748
Appropriation and distribution of earnings	6(16)										
Legal reserve		-	-	-	-	6,947	-	(6,947)	-	-	-
Special reserve		-	-	-	-	-	22,711	(22,711)	-	-	-
Cash dividends		-	-	-	-	-	-	(39,796)	-	-	(39,796)
Cash dividends distributed from capital surplus	6(15)(16)	-	(41,921)	-	-	-	-	-	-	-	(41,921)
Decrease in treasury shares	6(14)	(15,150)	(1,476)	-	-	-	-	(11,489)	-	28,115	-
Treasury stock sold to employees	6(13)	-	-	6,225	-	-	-	-	-	14,421	20,646
Balance at December 31, 2022		<u>\$ 831,171</u>	<u>\$ 39,061</u>	<u>\$ 6,225</u>	<u>\$ 38,714</u>	<u>\$ 88,782</u>	<u>\$ 22,711</u>	<u>\$ 59,410</u>	<u>(\$ 12,799)</u>	<u>(\$ 8,315)</u>	<u>\$1,064,960</u>
<u>Year ended December 31 2023</u>											
Balance at January 1, 2023		\$ 831,171	\$ 39,061	\$ 6,225	\$ 38,714	\$ 88,782	\$ 22,711	\$ 59,410	(\$ 12,799)	(\$ 8,315)	\$1,064,960
Profit for the year		-	-	-	-	-	-	50,744	-	-	50,744
Other comprehensive income (loss) for the year		-	-	-	-	-	-	377	(60)	-	317
Total comprehensive income (loss)		-	-	-	-	-	-	51,121	(60)	-	51,061
Appropriation and distribution of earnings	6(16)										
Legal reserve		-	-	-	-	7,084	-	(7,084)	-	-	-
Reversal of special reserve		-	-	-	-	-	(9,912)	9,912	-	-	-
Cash dividends		-	-	-	-	-	-	(62,202)	-	-	(62,202)
Cash dividends distributed from capital surplus	6(15)(16)	-	(20,403)	-	-	-	-	-	-	-	(20,403)
Balance at December 31, 2023		<u>\$ 831,171</u>	<u>\$ 18,658</u>	<u>\$ 6,225</u>	<u>\$ 38,714</u>	<u>\$ 95,866</u>	<u>\$ 12,799</u>	<u>\$ 51,157</u>	<u>(\$ 12,859)</u>	<u>(\$ 8,315)</u>	<u>\$1,033,416</u>

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

DAVICOM SEMICONDUCTOR, 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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 56,350	\$ 86,628
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(5)(6)(8)	9,882	9,840
Amortisation	6(22)	2,884	4,418
Impairment on expected credit gain	12(2)	(550)	(300)
Net loss on financial assets at fair value through profit or loss	6(2)(20)	(8,490)	30,620
Interest expense	6(21)	665	653
Interest income	6(18)	(10,578)	(4,117)
Stock-based payment	6(13)	-	6,207
Deferred charges transferred to research and experimental expenses		-	1,364
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss- non-current		(2,000)	(7,000)
Notes receivable		499	(221)
Accounts receivable		3,724	10,216
Other receivables		(34)	(62)
Inventories		13,234	(9,851)
Prepayments		(413)	3,239
Other current assets		(4,007)	(22)
Changes in operating liabilities			
Current contract liabilities		(9)	(143)
Notes payable		15	(2,548)
Accounts payable		(1,950)	(1,837)
Other payables		(4,085)	5,009
Other current liabilities		3,055	105
Net defined benefit liabilities		114	(8,744)
Cash inflow generated from operations		58,306	123,454
Interest received		9,541	4,099
Interest paid		(665)	(653)
Income tax paid		(15,062)	(17,453)
Net cash flows from operating activities		<u>52,120</u>	<u>109,447</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(5)	(315)	(392)
Decrease in refundable deposits		-	54
Increase in intangible assets		(157)	(183)
Acquisition of investment property	6(8)	(49)	(237)
Increase in other assets		-	(965)
Net cash flows used in investing activities		<u>(521)</u>	<u>(1,723)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in guarantee deposits received	6(26)	20	76
Repayment of principal portion of lease liabilities	6(6)(26)	(1,537)	(1,522)
Payments of cash dividends	6(16)	(62,202)	(39,796)
Cash dividends from capital surplus	6(15)(16)	(20,403)	(41,921)
Employee purchases of treasury shares		-	14,439
Net cash flows used in financing activities		<u>(84,122)</u>	<u>(68,724)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		(45)	9,912
Net (decrease) increase in cash and cash equivalents		(32,568)	48,912
Cash and cash equivalents at beginning of year		727,900	678,988
Cash and cash equivalents at end of year		<u>\$ 695,332</u>	<u>\$ 727,900</u>

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

DAVICOM SEMICONDUCTOR, 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 ORGANISATION

(1) Davicom Semiconductor, Inc. (the “Company”) was incorporated as a corporation under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, production, manufacturing, and sales of communications network ICs.

(2) On August 6, 2007, the Company was authorized to trade its common stocks on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to 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[®]”) 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:

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

The above standards and interpretations have no significant impact to the 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 the FSC and will become effective from 2024 are as follows:

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

The above standards and interpretations have no significant impact to the 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by 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 of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(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 at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with 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 unrealised 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 recognised 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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 (%)		Description
			December 31, 2023	December 31, 2022	
Davicom Semiconductor, Inc.	Medicom Corp.	Manufacturing and designing of IC	100.00	100.00	-
Davicom Semiconductor, Inc.	Davicom Investment Inc.	Investment company	100.00	100.00	-
Davicom Semiconductor, Inc.	TSCC Inc.	Reinvestment business	100.00	100.00	-
Davicom Semiconductor, Inc.	Aidialink Corp.	Wireless communication machinery and equipment manufacturing industry	100.00	100.00	-
TSCC Inc.	JUBILINK LIMITED	Reinvestment business	100.00	100.00	-

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

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

E. Significant restrictions on fund remittance from subsidiaries to the parent company: 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other 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 that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) 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 realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(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 amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income 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.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the 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 amortised cost are recognised and derecognised 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 recognised in profit or loss when the asset is derecognised 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.

(9) 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 recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(10) Impairment of financial assets

The Group assesses at each balance sheet date including accounts receivable that have a significant financing, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) Inventories

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

(13) Investments accounted for using the 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 recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the 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 recognise 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 not do affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the 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 Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- 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 recognised in profit or loss.
- G. When the Group disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate, and loses significant influence over this associate, the amounts previously recognised 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 recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2~51 years
Computer communications equipment	4 years
Other equipment	4 years

(15) Leasing arrangements (lessee) – right-of-use assets/lease liability

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost 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 recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 5~51 years.

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(18) 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Employee benefit

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

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

(21) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market 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. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill

or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the 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 realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved 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.

(25) Revenue recognition

- A. The Group manufactures and sells communications network ICs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. When the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. No element of financing is deemed present as the sales are made with a credit term of 30 to 75 days, which is consistent with market practice.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) 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 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

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Group considers future cash flow estimates. The amount of the impairment loss is measured by the difference between the carrying amount of the asset and the estimated future cash flow at the original effective interest rate of the financial asset. If the actual cash flow is less than expected, there may be significant impairment losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable 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 realisable 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 114	\$ 128
Checking accounts and demand deposits	357,060	498,141
Time deposits	338,158	229,631
	<u>\$ 695,332</u>	<u>\$ 727,900</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 Group has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 39,761	\$ 39,761
Beneficiary certificates	29,000	29,000
Limited partnership	8,000	6,000
Subtotal	76,761	74,761
Valuation adjustment	(15,706)	(24,196)
	<u>\$ 61,055</u>	<u>\$ 50,565</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 8,490</u>	<u>(\$ 30,620)</u>

B. As of December 31, 2023, the Group has no financial assets at amortised cost pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ -	\$ 499
Accounts receivable	21,739	25,463
Less: Allowance for uncollectible accounts	(751)	(1,301)
	<u>\$ 20,988</u>	<u>\$ 24,162</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 21,593	\$ -	\$ 25,463	\$ 499
Up to 30 days	146	-	-	-
	<u>\$ 21,739</u>	<u>\$ -</u>	<u>\$ 25,463</u>	<u>\$ 499</u>

The above ageing analysis was based on past due date.

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 \$34,356.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Work in progress	\$ 19,120	(\$ 11,069)	\$ 8,051
Finished goods	31,429	(8,042)	23,387
	<u>\$ 50,549</u>	<u>(\$ 19,111)</u>	<u>\$ 31,438</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Work in progress	\$ 26,315	(\$ 9,958)	\$ 16,357
Finished goods	34,938	(6,623)	28,315
	<u>\$ 61,253</u>	<u>(\$ 16,581)</u>	<u>\$ 44,672</u>

The cost of inventories recognised as expenses for the period:

	Years ended December 31,	
	2023	2022
Cost of goods sold	\$ 76,412	\$ 87,251
Loss on decline in market value	2,530	-
	<u>\$ 78,942</u>	<u>\$ 87,251</u>

(5) Property, plant and equipment

	2023			
	<u>Buildings and structures</u>	<u>Computer communications equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 207,909	\$ 496	\$ 381	\$ 208,786
Accumulated depreciation	(62,929)	(336)	(154)	(63,419)
	<u>\$ 144,980</u>	<u>\$ 160</u>	<u>\$ 227</u>	<u>\$ 145,367</u>
Opening net book amount as at January 1	\$ 144,980	\$ 160	\$ 227	\$ 145,367
Additions	56	239	20	315
Depreciation charge	(4,158)	(137)	(93)	(4,388)
Closing net book amount as at December 31	<u>\$ 140,878</u>	<u>\$ 262</u>	<u>\$ 154</u>	<u>\$ 141,294</u>
<u>At December 31</u>				
Cost	\$ 207,965	\$ 735	\$ 401	\$ 209,101
Accumulated depreciation	(67,087)	(473)	(247)	(67,807)
	<u>\$ 140,878</u>	<u>\$ 262</u>	<u>\$ 154</u>	<u>\$ 141,294</u>
	2022			
	<u>Buildings and structures</u>	<u>Computer communications equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 207,641	\$ 555	\$ 522	\$ 208,718
Accumulated depreciation	(58,802)	(281)	(287)	(59,370)
	<u>\$ 148,839</u>	<u>\$ 274</u>	<u>\$ 235</u>	<u>\$ 149,348</u>
Opening net book amount as at January 1	\$ 148,839	\$ 274	\$ 235	\$ 149,348
Additions	268	17	107	392
Depreciation charge	(4,127)	(131)	(115)	(4,373)
Closing net book amount as at December 31	<u>\$ 144,980</u>	<u>\$ 160</u>	<u>\$ 227</u>	<u>\$ 145,367</u>
<u>At December 31</u>				
Cost	\$ 207,909	\$ 496	\$ 381	\$ 208,786
Accumulated depreciation	(62,929)	(336)	(154)	(63,419)
	<u>\$ 144,980</u>	<u>\$ 160</u>	<u>\$ 227</u>	<u>\$ 145,367</u>

The Group has no financial assets at fair value through profit or loss pledged to others.

(6) Leasing arrangements – lessee

A. The Group leases assets including land. Rental contracts are made for periods of 20 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 borrowing purposes.

B. 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	\$ 57,873	\$ 59,725
Buildings	28,208	28,834
	<u>\$ 86,081</u>	<u>\$ 88,559</u>

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,852	\$ 1,852
Buildings	626	626
	<u>\$ 2,478</u>	<u>\$ 2,478</u>

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$0 and \$13,732, respectively.

D. The information on profit and loss accounts relating 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	<u>\$ 613</u>	<u>\$ 626</u>
Expense on short-term lease contracts	<u>\$ 119</u>	<u>\$ 156</u>
Expense on leases of low-value assets	<u>\$ 245</u>	<u>\$ 179</u>

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$2,514 and \$2,483, respectively.

(7) Leasing arrangements – lessor

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2023 and 2022, the Group recognised rent income in the amounts of \$25,987 and \$25,819, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
2023	\$ -	\$ 23,342
2024	23,452	1,763
2025	17,319	-
	<u>\$ 40,771</u>	<u>\$ 25,105</u>

(8) Investment property

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
At January 1		
Cost	\$ 150,144	\$ 149,907
Accumulated depreciation	(55,134)	(52,145)
	<u>\$ 95,010</u>	<u>\$ 97,762</u>
Opening net book amount as at January 1	\$ 95,010	\$ 97,762
Additions	49	237
Depreciation charge	(3,016)	(2,989)
Closing net book amount as at December 31	<u>\$ 92,043</u>	<u>\$ 95,010</u>
At December 31		
Cost	\$ 150,193	\$ 150,144
Accumulated depreciation	(58,150)	(55,134)
	<u>\$ 92,043</u>	<u>\$ 95,010</u>

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	<u>\$ 25,987</u>	<u>\$ 25,819</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>(\$ 6,046)</u>	<u>(\$ 5,788)</u>

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was both \$166,474, which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	<u>Overall capital interest rate</u>	<u>Ratio of salvage value</u>
Cost approach	2.145%	5.00%
		<u>Capitalisation rate</u>
Income approach		8.20%

(9) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deferred charges	\$ 2,883	\$ 5,324
Guarantee deposits paid	102	102
Restricted assets	<u>2,140</u>	<u>2,140</u>
	<u>\$ 5,125</u>	<u>\$ 7,566</u>

Details of the Group's financial assets pledged to others as collateral are provided in Note 8.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and bonus payable	\$ 21,640	\$ 25,360
Processing fees payable	2,518	3,101
Others	<u>4,725</u>	<u>4,507</u>
	<u>\$ 28,883</u>	<u>\$ 32,968</u>

(11) Other non-current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net defined benefit liability	\$ 3,015	\$ 3,372
Guarantee deposits received	<u>3,491</u>	<u>3,471</u>
	<u>\$ 6,506</u>	<u>\$ 6,843</u>

(12) Pensions

A. (a) The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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 and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of 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 and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations (\$	34,853)	(\$ 37,006)
Fair value of plan assets	<u>31,838</u>	<u>33,634</u>
Net defined benefit liability	<u>(\$ 3,015)</u>	<u>(\$ 3,372)</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 37,006)	\$ 33,634	(\$ 3,372)
Current service cost	(102)	-	(102)
Interest (expense) income	(406)	<u>370</u>	(36)
	<u>(37,514)</u>	<u>34,004</u>	<u>(3,510)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	321	321
Experience adjustments	<u>150</u>	<u>-</u>	<u>150</u>
	<u>150</u>	<u>321</u>	<u>471</u>
Pension fund contribution	-	24	24
Paid pension	<u>2,511</u>	<u>(2,511)</u>	<u>-</u>
At December 31	<u>(\$ 34,853)</u>	<u>\$ 31,838</u>	<u>(\$ 3,015)</u>

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 37,116)	\$ 22,744	(\$ 14,372)
Current service cost	(102)	-	(102)
Interest (expense) income	(186)	113	(73)
	<u>(37,404)</u>	<u>22,857</u>	<u>(14,547)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,858	1,858
Change in demographic assumptions	771	-	771
Experience adjustments	<u>(373)</u>	<u>-</u>	<u>(373)</u>
	<u>398</u>	<u>1,858</u>	<u>2,256</u>
Pension fund contribution	-	8,919	8,919
At December 31	<u>(\$ 37,006)</u>	<u>\$ 33,634</u>	<u>(\$ 3,372)</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 and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as 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,	
	2023	2022
Discount rate	1.10%	1.10%
Future salary increases	2.00%	2.00%

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

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 569)	\$ 588	\$ 493	(\$ 483)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 619)	\$ 640	\$ 539	(\$ 527)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$135.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 1.2 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	33,160
1-5 year(s)		1,359
Over 5 years		334
	\$	<u>34,853</u>

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022, were \$4,571 and \$4,423, respectively.

(13) Share-based payment (Period from January 1, 2023 to December 31, 2023: None)

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 (in thousand shares)	Contract period	Vesting conditions
Treasury stock transferred to employees	2022.07.01	888	-	Vested immediately

B. The information on the fair value of the transferred employees of the Company's treasury shares is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Fair value per unit
Treasury stock transferred to employees	2022.07.01	23.25	16.26	6.99

C. For the year ended December 31, 2022, compensation costs for employees of the Company due to the transfer of treasury shares amounted to \$6,207.

(14) Share capital

A. As of December 31, 2023, the Company’s authorized capital was \$1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was \$831,171 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	\$ 82,605	\$ 81,717
Treasury stock transferred to employees	-	888
At December 31	\$ 82,605	\$ 82,605

B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2023	
		Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	512	\$ 8,315

Name of company holding the shares	Reason for reacquisition	December 31, 2022	
		Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	512	\$ 8,315

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition. The Board of Directors at their meeting in January of 2022 adopted a resolution to decrease treasury shares by 1,515 thousand shares amounting to \$28,115. The registration of alteration have been completed on February 15, 2022.

(15) 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. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

On May 31, 2023 and June 29, 2022, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to \$20,403 and \$41,921, respectively. In addition, on February 29, 2024, the Board of Directors proposed to distribute cash of \$4,956 from capital surplus.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 80% of the total dividends to shareholders.
- B. 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.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2022 and 2021 earnings was resolved by the shareholders on May 31, 2023 and June 29, 2022. Details are as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 7,084		\$ 6,947	
(Reversal of) special reserve	(9,912)		22,711	
Cash dividends	62,202	\$ 0.753	39,796	\$ 0.49

On May 31, 2023 and June 29, 2022, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to \$20,403 and \$41,921, respectively. The abovementioned appropriation of earnings of 2022 and 2021 was in agreement with those amounts proposed by the Board of Directors on March 7, 2023 and April 11, 2022, respectively.

E. The details of the appropriation of 2023 earnings was proposed by the Board of Directors on February 29, 2024. Details are follows:

	<u>Year ended December 31, 2023</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 5,112	
Special reserve	60	
Cash dividends	45,433	\$ 0.55

On February 29, 2023, the Board of Directors proposed the distribution of cash of \$4,956 from capital surplus. Abovementioned appropriation of earnings and distribution of cash from capital surplus has not been resolved by the shareholders.

(17) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 242,572	\$ 307,090

Disaggregation of revenue from contracts with customers.

The Group derives revenue at a point in time in the following geographical regions:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
China	\$ 123,368	\$ 176,362
Taiwan	31,213	53,263
USA	37,957	5,075
Other	50,034	72,390
	<u>\$ 242,572</u>	<u>\$ 307,090</u>

(18) Interest income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 9,485	\$ 2,828
Other interest income	1,093	1,289
	<u>\$ 10,578</u>	<u>\$ 4,117</u>

(19) Other income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rent income	\$ 25,987	\$ 25,819
Dividend income	-	7,040
Other income, others	569	958
	<u>\$ 26,556</u>	<u>\$ 33,817</u>

(20) Other gains and losses

	Years ended December 31,	
	2023	2022
Net gains (losses) on financial assets at fair value through profit (loss)	\$ 8,490	(\$ 30,620)
Net currency exchange gains	2,441	21,871
Disposal of investment gains	-	75
Other losses	(6,049)	(5,788)
	<u>\$ 4,882</u>	<u>(\$ 14,462)</u>

(21) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense	\$ 665	\$ 653

(22) Expenses by nature

	Years ended December 31,	
	2023	2022
Changes in finished goods, work-in-process and raw materials inventory	\$ 53,044	\$ 46,606
Employee benefit expense	121,383	128,002
Product testing fees	12,728	20,434
Depreciation charges on property, plant and equipment (including right-of-use assets)	6,866	6,518
Amortisation charges	2,884	4,418
Other costs and expenses	30,668	37,303
Operating costs and expenses	<u>\$ 227,573</u>	<u>\$ 243,281</u>

(23) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 102,632	\$ 109,163
Labour and health insurance fees	8,706	8,338
Pension costs	4,709	4,598
Directors' remuneration	2,132	2,755
Other personnel expenses	3,204	3,148
	<u>\$ 121,383</u>	<u>\$ 128,002</u>

A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the

profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$5,352 and \$8,227, respectively; directors' and supervisors' remuneration was accrued at \$1,259 and \$1,932, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2022 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.

Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 6,282	\$ 13,951
Additional income tax imposed on unappropriated earnings	-	1
Prior year income tax overestimation	(314)	(520)
Total current tax	<u>5,968</u>	<u>13,432</u>
Deferred tax:		
Origination and reversal of temporary differences	(362)	4,165
Income tax expense	<u>\$ 5,606</u>	<u>\$ 17,597</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	(\$ 94)	(\$ 451)

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	\$ 11,270	\$ 17,326
Expenses disallowed by tax regulation	(2,368)	6,201
Temporary differences not recognised as deferred tax assets	(716)	(251)
Effect from investment tax credits	(2,266)	(5,160)
Tax on undistributed earnings	-	1
Prior year income tax overestimation	(314)	(520)
Income tax expense	<u>\$ 5,606</u>	<u>\$ 17,597</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	Year ended December 31, 2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
– Temporary differences:				
Inventory retirement losses	\$ 814	\$ 506	\$ -	\$ 1,320
Loss for market value decline and obsolete and slow-moving inventories	3,316	-	-	3,316
Unrealised exchange loss	42	(32)	-	10
Unused compensated absences	1,478	(66)	-	1,412
Other	1,233	-	(94)	1,139
Subtotal	<u>\$ 6,883</u>	<u>\$ 408</u>	<u>(\$ 94)</u>	<u>\$ 7,197</u>
Deferred tax liabilities:				
– Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Unrealised exchange gain	(557)	(69)	-	(626)
Other	(800)	23	-	(777)
Subtotal	<u>(\$ 1,869)</u>	<u>(\$ 46)</u>	<u>\$ -</u>	<u>(\$ 1,915)</u>
Total	<u>\$ 5,014</u>	<u>\$ 362</u>	<u>(\$ 94)</u>	<u>\$ 5,282</u>

	Year ended December 31, 2022			
	January 1	Recognised	Recognised in other	December 31
		in profit or	comprehensive	
		loss	income	
Deferred tax assets:				
– Temporary differences:				
Inventory retirement losses	\$ 814	\$ -	\$ -	\$ 814
Loss for market value decline and obsolete and slow-moving inventories	2,636	680	-	3,316
Unrealised exchange loss	2,705	(2,663)	-	42
Unused compensated absences	1,354	124	-	1,478
Other	2,633	(949)	(451)	1,233
Subtotal	<u>\$ 10,142</u>	<u>(\$ 2,808)</u>	<u>(\$ 451)</u>	<u>\$ 6,883</u>
Deferred tax liabilities:				
– Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Unrealised exchange gain	-	(557)	-	(557)
Other	-	(800)	-	(800)
Subtotal	<u>(\$ 512)</u>	<u>(\$ 1,357)</u>	<u>\$ -</u>	<u>(\$ 1,869)</u>
Total	<u>\$ 9,630</u>	<u>(\$ 4,165)</u>	<u>(\$ 451)</u>	<u>\$ 5,014</u>

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

(Following blank)

(26) Changes in liabilities from financing activities

	Year ended December 31, 2023		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 74,603	\$ 3,471	\$ 78,074
Changes in cash flow from financing activities	(1,537)	20	(1,517)
At December 31	<u>\$ 73,066</u>	<u>\$ 3,491</u>	<u>\$ 76,557</u>

	Year ended December 31, 2022		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 60,948	\$ 3,395	\$ 64,343
Changes in cash flow from financing activities	(1,522)	76	(1,446)
Changes in other non-cash items	15,177	-	15,177
At December 31	<u>\$ 74,603</u>	<u>\$ 3,471</u>	<u>\$ 78,074</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	<u>\$ 18,661</u>	<u>\$ 18,046</u>

8. PLEGDED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Time deposits (shown as other non-current assets)	<u>\$ 2,140</u>	<u>\$ 2,140</u>	Performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Group leases out properties under operating leases. Please refer to Note 6(8) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

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 returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 61,055	\$ 50,565
Financial assets at amortised cost		
Cash and cash equivalents	\$ 695,332	\$ 727,900
Notes receivable	-	499
Accounts receivable	20,988	24,162
Other receivables	1,430	373
Guarantee deposits paid	102	124
Other financial assets	3,140	2,140
	<u>\$ 720,992</u>	<u>\$ 755,198</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 153	\$ 138
Accounts payable	3,562	5,512
Other accounts payable	28,883	32,968
Guarantee deposits received	3,491	3,471
	<u>\$ 36,089</u>	<u>\$ 42,089</u>
Lease liability	<u>\$ 73,066</u>	<u>\$ 74,603</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) 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. The Group's businesses involve some non-functional currency operations. 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)	Degree of variation	Sensitivity analysis		
				Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 8,408	30.71	\$ 258,210	1%	\$ 2,582	\$ -
CNY:NTD	14	4.33	61	1%	1	-
HKD:NTD	499	3.93	1,961	1%	20	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 76	30.71	\$ 2,334	1%	\$ 23	\$ -
December 31, 2022						
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis		
				Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 7,671	30.71	\$ 235,576	1%	\$ 2,356	\$ -
CNY:NTD	14	4.41	62	1%	1	-
HKD:NTD	500	3.94	1,970	1%	20	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 134	30.71	\$ 4,115	1%	\$ 41	\$ -

- ii. The total exchange (loss) gain, including realised and unrealised, 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 \$2,441 and \$ 21,871, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and 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 and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022, other components of equity would have increased/decreased by \$611 and \$506, 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.
 - ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. 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.
 - iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
 - iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

- v. The Group used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix, loss rate methodology is as follows:

	Group A	Group B	Total
<u>At December 31, 2023</u>			
Expected loss rate	0.03%	3.96%~3.98%	
Total book value	\$ 15,010	\$ 6,729	\$ 21,739
Loss allowance	\$ 4	\$ 747	\$ 751
<u>At December 31, 2022</u>			
Expected loss rate	0.03%	3.76%	
Total book value	\$ 20,833	\$ 4,630	\$ 25,463
Loss allowance	\$ 6	\$ 1,295	\$ 1,301

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	Years ended December 31,	
	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ 1,301	\$ 1,601
Reversal of impairment loss	(550)	(300)
At December 31	\$ 751	\$ 1,301

According to the above method, the allowance loss on the accounts receivable as of December 31, 2023, and 2022 should be \$278 and \$ 179, respectively, which is not significantly different from the amount of allowance loss on the current account. For the years ended December 31, 2023 and 2022, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

- i. Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for notes payable, accounts payable and other payables, the amount of undiscounted contractual cash flows is approximately at its carrying amount and is due within one year. The amount of undiscounted contractual cash flows of the remaining financial liabilities is as follows:

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Lease liability	\$ 2,148	\$ 2,148	\$ 6,444	\$ 74,263
Other financial liabilities (shown as other non-current liabilities)	996	2,495	-	-

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>				
Lease liability	\$ 2,148	\$ 2,148	\$ 6,444	\$ 76,411
Other financial liabilities (shown as other non-current liabilities)	-	3,471	-	-

(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.

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

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposits paid, notes and accounts payables, other payables and lease liability (includes current and non-current) approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<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				
Equity securities	\$ 22,528	\$ -	\$ 30,995	\$ 53,523
Limited partnership	-	-	7,532	7,532
Total	<u>\$ 22,528</u>	<u>\$ -</u>	<u>\$ 38,527</u>	<u>\$ 61,055</u>

<u>December 31, 2022</u>	<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				
Equity securities	\$ 22,321	\$ -	\$ 21,957	\$ 44,278
Limited partnership	-	-	6,287	6,287
Total	<u>\$ 22,321</u>	<u>\$ -</u>	<u>\$ 28,244</u>	<u>\$ 50,565</u>

(b)The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

<u>Market quoted price</u>	<u>Closed-end fund</u>
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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

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

	Years ended December 31,	
	2023	2022
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	\$ 28,244	\$ 50,558
Acquired in the period	2,000	7,000
Gains (losses) recognised in profit or loss	8,283	(29,314)
At December 31	<u>\$ 38,527</u>	<u>\$ 28,244</u>

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

H. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.

I. 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:					
Unlisted shares	\$ 30,995	Market comparable companies	Discount for lack of marketability	1.47	The higher the discount for lack of marketability, the lower the fair value
		Net asset value	Control premium	0.65	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	0.66	The higher the discount for lack of marketability, the lower the fair value
Limited partnership	7,532	Net asset value	Not applicable	-	Not applicable
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 21,957	Market comparable companies	Discount for lack of marketability	1.47	The higher the discount for lack of marketability, the lower the fair value
		Net asset value	Control premium	0.65	The higher the multiple and control premium, the higher the fair value
			Discount for lack of marketability	0.66	The higher the discount for lack of marketability, the lower the fair value
Limited partnership	6,287	Net asset value	Not applicable	-	Not applicable

13. Supplementary Disclosures

(1) Significant transactions information

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry and is mainly engaged in distribution of communications Network ICs or related services. The Chief Operating Decision-Maker who allocates resources and assesses performance of the Group as a whole has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Years ended December 31,	
	2023	2022
Revenue from external customers	\$ 242,572	\$ 307,090
Depreciation and amortisation (including investment property, right-of-use assets)	12,766	14,258
Income tax expense	5,606	17,597
Reportable segments income	50,744	69,031
Assets of reportable segments	1,152,015	1,193,810
Capital expenditure in non-current assets of reportable segments	521	812
Liabilities of reportable segments	118,599	128,850

(3) Reconciliation for segment income (loss)

The revenue from external customers, profit or loss, assets and liabilities reported to the Chief Operating Decision-Maker is measured in manner consistent with that financial statements. Thus, reconciliation is not required.

(4) Information on products and services

Details of revenue are as follows:

	Years ended December 31,	
	2023	2022
Sales revenue	\$ 242,572	\$ 299,141
Service revenue	-	7,949
	<u>\$ 242,572</u>	<u>\$ 307,090</u>

(5) Geographical information

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 123,368	\$ -	\$ 176,362	\$ -
Taiwan	31,213	325,261	53,263	337,507
USA	37,957	-	5,075	-
Others	50,034	-	72,390	-
	<u>\$ 242,572</u>	<u>\$ 325,261</u>	<u>\$ 307,090</u>	<u>\$ 337,507</u>

(6) Major customer information

For the years ended December 31, 2023 and 2022, details of the Group's sale revenue from customers accounted for more than 10% of sales amounts in the consolidated statements of comprehensive income are as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
C	\$ 47,814	21	\$ 75,447	25
L	33,859	15		
A	33,404	14	34,156	11
B	15,955	7	23,940	8
	<u>\$ 131,032</u>	<u>57</u>	<u>\$ 133,543</u>	<u>44</u>

(Following blank)

DAVICOM Semiconductor, Inc. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2023				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
The Company	Unitech Capital Inc.	—	Financial assets at fair value through profit or loss - non-current	1,000,000	\$ 29,850	2.00%	\$ 29,850	
The Company	Mesh Cooperative Ventures, Inc.	—	Financial assets at fair value through profit or loss - non-current	800,000	7,532	0.82%	7,532	
The Company	M2 COMMUNICATION INC.	—	Financial assets at fair value through profit or loss - non-current	250,000	1,145	2.47%	1,145	
Davicom Investment Inc.	Global Mobile Corp.	—	Financial assets at fair value through profit or loss - non-current	892,458	-	0.32%	-	
Davicom Investment Inc.	Schroder fund	—	Financial assets at fair value through profit or loss - non-current	2,900,000	22,528	-	22,528	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

DAVICOM Semiconductor, Inc. and subsidiaries
Information on investees (not including investees in Mainland China)
December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income(loss) Company for the year ended December 31, 2023		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value				
The Company	TSCC Inc.	Samoa	General investment	\$ 143,224	\$ 143,224	4,400,000	100.00%	\$ 104,123	\$ 3,028	\$ 3,028	-	
The Company	Davicom Investment Inc.	Taiwan	General investment	222,000	222,000	21,200,000	100.00%	210,573	1,542	1,542	-	
The Company	Medicom Corp.	Taiwan	Designing and manufacturing of IC	20,036	62,036	100,000	100.00%	608 (391) (391)	-	
The Company	Aidialink Corp.	Taiwan	Wireless communication machinery and equipment manufacturing industry	81,070	81,070	8,000,000	100.00%	71,258 (1,509) (1,509)	-	
TSCC Inc.	Jubilink Ltd.	British Virgin Islands	General investment	-	-	22,775,207	100.00%	-	-	-	-	

DAVICOM Semiconductor, Inc. and subsidiaries

Major shareholders information

December 31, 2023

Table 3

Name of major shareholders	Shares	
	Number of shares	Shareholding Percentage (%)
As of December 31, 2023, the company has no shareholders holding more than 5% of the shares.		