

DAVICOM Semiconductor, Inc.

2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: <http://newmops.twse.com.tw>

DAVICOM Annual Report is available at: <http://www.davicom.com.tw>

Printed on May 10, 2024

Contact Information

Spokesperson

Name: Chun-Chun Yang

Title: Chief Financial Officer

Tel: 886-3-579-8797

E-mail: james_yang@davicom.com.tw

Deputy Spokesperson

Name: Kuei-Feng Chiu

Title: Accounting Manager

Tel: 886-3-579-8797

E-mail: addie_chiu@davicom.com.tw

Headquarters, Branches and Plant

Address: No.6, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan

Tel: 886-3- 579-8797

Stock Transfer Agent

Fubon Securities Co., Ltd.

Address: 11F, No.17, Xuchang St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Website: <http://www.fbs.com>

Tel: 886-2-2361-1300

Auditors

PWC Accounting Firm

Auditors: Chia-Hung Lin and Chun-Yuan Hsiao

Address: 27F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Website: <http://www.pwc.com.tw>

Tel.: 886-2-2729-6666

Overseas Securities Exchange

None

Corporate Website

<http://www.davicom.com.tw>

Contents

I. Letter to Shareholders	3
II. Company Profile	
2.1 Date of Incorporation.....	7
2.2 Company History	7
III. Corporate Governance Report	
3.1 Organization.....	12
3.2 Directors, Supervisors and Management Team.....	14
3.3 Remuneration of Directors (including Independent Directors), President, and Vice President.....	20
3.4 Implementation of Corporate Governance	29
3.5 Information on the professional fees of the attesting CPAs	66
3.6 Replacement of CPA.....	66
3.7 Where the company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed.	66
3.8 Net Changes in Shareholding.....	67
3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.....	68
3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.....	68
IV. Capital Overview	
4.1 Capital and Shares.....	69
4.2 Status of Corporate Bonds.....	75
4.3 Status of Preferred Stocks	75
4.4 Status of GDR/ADR.....	75
4.5 Employee Stock Options.....	75
4.6 Status of New Employees Restricted Stock Issuance.....	75
4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters	75
4.8 Financing Plans and Implementation.....	75
V. Operational Highlights	
5.1 Business Activities.....	76
5.2 Market and Sales Overview.....	78
5.3 Human Resources.....	82
5.4 Environmental Protection Expenditure.....	82
5.5 Labor Relations.....	82
5.6 Information Security Management.....	82
5.7 Important Contracts.....	82

VI. Financial Information	
6.1 Five-Year Financial Summary.....	83
6.2 Five-Year Financial Analysis.....	87
6.3 Audit Committee’s Review Report.....	91
6.4 2022 Only Financial Statement and Report of Independent Accountants	92
6.5 2022 Consolidated Financial Statement and Report of Independent Accountants.....	92
6.6 The Impact on the Company’s Financial Status in Cases where the Company or its Affiliates have Financial Difficulties.....	92
VII. Review of Financial Conditions, Financial Performance, and Risk Management	
7.1 Analysis of Financial Status.....	93
7.2 Analysis of Financial Performance.....	93
7.3 Analysis of Cash Flow.....	94
7.4 Major Capital Expenditure Items.....	94
7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year.....	94
7.6 Analysis of Risk Management.....	95
7.7 Other Material Events.....	97
VIII. Special Disclosure	
8.1 Summary of Affiliated Companies.....	98
8.2 Private Placement Securities in the Most Recent Years.....	99
8.3 Holding or Disposition of the Company Stocks by Subsidiaries.....	99
8.4 Other Necessary Supplement.....	99
IX. Any Events that Had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan.....	99

I. Letter to Shareholders

Annual Report for the year 2023

Dear Shareholders,

As of the end of December – 2023, DAVICOM generated pre-tax net income of NT \$56.35 million on consolidated revenue over NT \$242.57 million. Our company has been consecutively posting profits for 72 quarters.

In 2023, our company's product line is focused on four main axes: ethernet chip, E-paper driver chip, video decoder chip, and AI chip. Due to the prolonged conflict in Ukraine, unabated global inflation, and ongoing tensions in the U.S.-China trade and tech war, coupled with the lingering impact of the pandemic on the global economy, a rapid recovery has proven elusive. Additionally, the recovery of the manufacturing industry in China, the world's factory, has fallen short of expectations. Consequently, a significant excess inventory accumulated due to anticipatory stockpiling in 2022 amid concerns of material shortages in the mature process IC market could not be swiftly liquidated. These caused our product sales, resulting in lower-than-expected annual revenue and profit.

Despite the unfavorable market conditions, our company committed to proactive development, vigorously pursuing new markets and enhancing product R&D. We secured a substantial order for electronic paper display driver chips from a leading international pioneer in electronic verification financial cards and completed the development of low-power single-pair Ethernet chips in 2023.

Looking ahead to 2024, the pressure from excess inventory in the first half of the year, and uncertainties linger regarding the purchasing scales of our major customers in the short term. It is anticipated that product sales in the second half of the year should overcome obstacles mentioned above. However, the market condition of individual industry sector, which may influence the demand for our products, remains to be observed.

Although there may exist some uncertainty in mature market conditions of traditional application domains, the evolution of markets our company has focused on over the years, such as industrial control, finance, and retail payment systems into smart manufacturing systems (smart factories) and secure payments, suggests new opportunities for Ethernet chips and electronic paper display driver chips. According to forecasts from several reputable market research agencies, the market size of smart manufacturing systems is projected to increase at an annual compound growth rate of 10% to 15% from 2024 to 2029. Notably, many of our long-term customers, among

the world's major system suppliers, should contribute boosting our revenue in the coming years. Furthermore, financial technology (Fintech) has emerged as a significant economic industry, placing higher demands on the security and reliability of associated payment systems. As a result, various financial secure payment instruments and terminal devices constitute a niche emerging market with promising prospects. The electronic paper display driver chips, a core source of revenue for DAVICOM, were successfully adopted in a new type of secure payment device in 2023, and the accrued experience and achievements are expected to facilitate the subsequent market promotion of our products.

In response to the evolving market dynamics and opportunities mentioned above, and to achieve annual operational goals and ensure our products meet the needs of future industry upgrades, DAVICOM will focus our resources on the following key areas in 2024 :

1. Full efforts to maintain the main sources of revenue from major customers to stabilize basic revenue.
2. Optimize and upgrade the performance of key products while reducing production costs to cope with increasingly intense market competition.
3. Developing Ethernet chips closely related to industrial Internet of Things (IIoT) applications, enabling our products to be more widely used in the field of smart manufacturing.

Facing the post-COVID-19, global trends of continued economic downturn, drastic climate change, and net-zero carbon emissions, the operational environment for businesses has become increasingly challenging. Apart from the basic financial performance of enterprises, ESG (Environmental, Social, and Governance) issues have also emerged as important indexes of corporate performance in recent years. Based on guidelines proposed by major international ESG initiative organizations and regulations from our country's Financial Supervisory Commission, our company has accordingly established and implemented relevant systems and operational standards. Particularly emphasis on and strengthening of various risk management, establishment of green product supply chains, and valuation of biodiversity issues to ensure that company products meet the decarbonization standards of European and American countries. Fostering robust company operations and advancing towards sustainable development.

1. 2023 performance :

(1) Sales Performance :

Revenue for 2023 is NT \$242.57 million, and the pre-tax net income is NT\$ 56.35 million.

(2) Research and development achievements :

- Industrial embedded Ethernet Giga-PHY controller chip
- Industrial control Ethernet transceiver chip
- High resolution Video decoder chips
- EPD driver IC's for card-type products
- Microcontroller chip series for measuring health and physiological signals.
- Smartphone-compatible hearing aid
- Logistics management system applications combining image recognition AI with radio frequency (RFID) technology.
- Radio Frequency Identification (RFID) application solution

2. 2024 operation plan :

(1) Operation goal

In addition to continuing to deepen the embedded network application market, we also actively expanding specific markets such as industrial automation, financial payment systems, electricity, telecommunications, energy, and artificial intelligence applications to expand market share and enhance international reputation. We will pursue sustained revenue growth and significant profits by acquiring and developing sustainable products, expanding our product lines, integrating product application solutions with our cooperative manufacturers, accelerating talent recruitment, and expanding our product application fields and sales.

(2) Future Research and Development Plan

Our company adheres to the principle of steady operation and has been steadily moving forward for 28 years. We have always focused on our core business and avoided high-risk and low-yield investments. When planning for the development of new products, we adopt a rigorous evaluation process to carefully select feasible R&D projects.

- Ethernet switch chips for Internet of Things
- Highly integrated controller chip for Industrial applications of Ethernet
- High Precision Time Synchronization Ethernet physical layer chip
- Multi-segment electronic paper driver chip for cards
- Embedded wireless energy harvesting technology
- Electronic Shelf Label (ESL) system solution

- Smart manufacturing system solution
- Radio Frequency Identification (RFID) application solution
- Embedded image sensor and recognition Artificial Intelligence (AI) chip

In light of the ongoing conflict between Russia and Ukraine, the expanding scope of the trade and technology war between the two superpowers of the United States and China, and several years rampage of the COVID-19 pandemic, the momentum of globalization has significantly weakened, and there has been a shift in the pattern of trade. These factors have led to geopolitical constraints on the semiconductor industry, and the overall environment has shown negative effects that cannot be overlooked. Furthermore, the localization and de-Americanization of the semiconductor market in China has posed both opportunities and risks to Taiwanese semiconductor industry. In response, our company will maintain a flexible and agile approach to its operational strategy to seek the best market opportunities. The company will continue to uphold its pragmatic governance spirit from previous years. To overcome various difficulties and enhance cost control and scientific management to improve efficiency. We will develop high-performance, power-saving, industrial-grade, and diverse interface products utilizing the critical core technology of Ethernet to meet the needs of IoT and Industry 4.0 related application markets such as smart grid, home automation, medical, security monitoring, automotive, industrial control, financial payments, and commercial retail. Also strengthen the development of new product application markets. We are committed to customer-oriented approach, providing high-quality and competitive products to solidify customer relationships and aiming for mutual success. We deeply understand market trends and strive to gain a competitive edge. Through close collaboration with our supply chain partners and their full support, we aim to maximize returns on investment for our shareholders to show our appreciation for their long-term support and care for the company.

Last but not the least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts.

We wish you all health and happiness.

Sincerest regards,

Chairman

Ting Hao

President

Nien-Tai Chen

Accounting Manager

Kuei-Feng Chiu

II. Company Profile

2.1 Date of Incorporation : August 16, 1996

The United Microelectronics Corporation (UMC), one of the largest semiconductor manufacturers in Taiwan, set up the Communication Product Division to develop Networking products.

Founded in 1996 by UMC Communication team and American networking experts, DAVICOM Semiconductor Inc. has become one of the leading IC design companies in Taiwan by meeting challenges head on and achieving steady growth. As of today, DAVICOM has developed over 20 digital and analog products, and applied for 15 IPs. DAVICOM became a listed company on August 6, 2007, on Taiwan Stock Exchange Corporation. (TWSE: 3094)

DAVICOM aims to develop the most professional Communication and Networking ICs techniques. With mixed-signal IC design, fast and precise integration, and technical supports for software application systems, we provide customers with the best solutions of SoC chipsets in Local Area Network (LAN), Wide Area Network (WAN), Personal Computing (PC) and Internet areas.

At DAVICOM, our philosophy has always centered on our belief in “Integrity and Humanity”. Thus, we make every effort to meet our customers' expectations and maintain their trust with quality consistency, efficient delivery and cost effectiveness. We will continue to provide best service and support to help customers gain competitive advantages in business and win more orders.

2.2 Company History

- (1) The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following: merger and acquisition activities; strategic investments in affiliated enterprises; corporate reorganization : None.
- (2) The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following: directors or shareholders holding greater than a 10 percent stock in the company is transferred or otherwise changes hands : None.
- (3) The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on the following: any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity : None
- (4) Material information of the previous fiscal years and the current fiscal year up to the date of publication of the annual report :

Year	Milestones
Aug. 1996	Founded in Hsinchu Science Park with NT\$130,000,000 capital.
Feb. 1997	Additional Cash Capital NT\$60,000,000, Paid-up Capital increased to NT\$190,000,000.
Jun. 1997	Launched 2 in 1 Internet Chip (DM9101F), 10/100M Base-TX PHY+MLT3 single chip Transceiver.
Sep. 1997	Additional Cash Capital NT\$50,000,000, Paid-up Capital increased to NT\$240,000,000.
Oct. 1997	DAVICOM was authorized by ISO 9001. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Jul. 1998	Launched 3 in 1 Internet Chip (DM9102F), Bus MAC Controller and PHY/Transceiver.
Apr. 1999	Additional Cash Capital NT\$160,000,000, Paid-up Capital increased to NT\$400,000,000.
Jun. 1999	Launched 56K Modem Chip (DM560P).
Oct. 1999	Launched DM9801, 0.35 μ m 1 Mbps Home Networking PHY/Transceiver.
Dec. 1999	Securities and Futures Institute authorized public offering.
May 2000	Replenished earnings and employee bonuses NT\$109,500,000 into Capital, Paid-up Capital increased to NT\$509,500,000.
Jun. 2000	Launched DM9102A, Bus MAC Controller and PHY/Transceiver.
Jun. 2001	Replenished earnings and employee bonuses NT\$21,880,000 into Capital, Paid-up Capital increased to NT\$531,380,000.
Oct. 2001	Launched DM9000, NON-PCI Bus MAC Controller and PHY/Transceiver.
May 2002	Launched DM9331A, Fiber Ethernet media converter chip.
Jun. 2002	Fulfilled the requirements of Emerging listing.
Mar. 2003	Launched the world's smallest IrDA MODEM Module.
Jun. 2003	Developed 802.11b WLAN MAC Control Chip.
Jun. 2003	Developed 10/100M 0.25 μ m PHY Chip.
Aug. 2003	DM9700, 1.8/3.3V 0.18 μ m 10/100/1000M Base-TX Single chip Gigabit MAC and PHY transceiver.
Oct. 2003	DM9102C, 2.5/3.3V 0.25 μ m 10/100M Base-TX Integrated PCI, Single chip Bus Embedded System.
Oct. 2003	DAVICOM was authorized by ISO 9001: version 2000. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Dec. 2003	Launched DM562AP, Support MFP G3 33.6K color fax with T.31 command.
Mar. 2004	DAVICOM moved to the new building.
Apr. 2004	Additional Cash Capital NT\$108,620,000, Paid-up Capital increased to NT\$640,000,000.
May 2004	Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs.
May 2004	Launched DM3003, USB 2.0 Card Reader Controller.
Jun. 2004	Developed DM8603, Gigabit Switch.
Jan. 2005	Provided environmentally friendly products: RoHS.
May 2005	Launched DM6588A-E5 2.5/3.3V 0.25 μ m.
Sep. 2005	Launched DM9000A-E7.
Mar. 2006	Launched an integrated program of DM9218 and IP-CAM.
May 2006	Products obtained the certification of SONY SS-00259.

Year	Milestones
Jul. 2006	Launched DM9013.
Oct. 2006	Provided industry-standard products.
Nov. 2006	Launched DM6588A-E6 2.5/3.3V 0.25 μ m and Multi-function fax modem chip.
Jan. 2007	Launched DM9000B 0.18 μ m.
Jan. 2007	Launched DM9161B 0.18 μ m.
Apr. 2007	Obtained Technology Company Listed Recommendation from Industrial Development Bureau of Economic Affairs.
Jun. 2007	Distributed stock dividends from retained earnings and employee bonus NT\$10,542,000 transferred into Capital, Paid-up Capital increased to NT\$700,700,000.
Jun. 2007	Mass production of DM9003/ DM9103 and hit the market.
Aug. 2007	Additional Cash Capital NT\$93,430,000, Paid-up Capital increased to NT\$794,131,000.
Aug. 2007	Listed on Taiwan Stock Exchange (Code-3094) on August 6th.
Sep. 2007	Launched DM9102H 0.18 μ m.
Sep. 2008	Launched the solution of IP2001 MPEG4 IP Camera.
Dec. 2008	Launched DM9016, Embedded Ethernet Switch Controller.
Feb. 2009	Launched DM9620, USB2.0 to Ethernet MAC Controller.
Jun. 2009	Launched DM9302.
Nov. 2009	DAVICOM was authorized by ISO 9001: version 2008. (Issued by Lloyd's Register Inspection Limited Taiwan Branch for and on behalf of Lloyd's Quality Assurance Limited)
Nov. 2009	Launched DM9621, Ethernet MAC Controller for USB Dongle.
Jan. 2010	Developed 802.3az Energy-saving technology.
Apr. 2010	Launched DM9161C.
May 2010	DM9620 & DM9621 certified by USB IF (ITD40001021).
Aug. 2010	Launched DM8606C.
Oct. 2010	Launched DM8603/DM8203.
Nov. 2010	DAVICOM won Gold Medal of 2010 Standard Chartered SMEs.
Nov. 2010	DM9620 & DM9621 certified by Microsoft drivers.
Dec. 2010	Developed IEEE1588 Precise time synchronization technology.
Mar. 2011	Developed DM8806.
Apr. 2011	Developed DM8603A.
Jul. 2011	Developed DM9633 USB3.0, to Ethernet MAC Controller.
Dec. 2011	Launched DM9162.
May 2012	Launched DM9620A/ DM9621A, USB to Ethernet MAC Controller.
Jul. 2012	Launched DM8806/ DM8806I.
Jul. 2012	Launched hearing aid software "HearingAmp" and was available on iTunes.
Nov. 2012	Launched Medical Care return pass system hardware, firmware and server platform.
Mar. 2013	Launched new IC product line: Video Decoder 1-Channel: DM5900/ DM5960/ DM5150/DM5160.
May 2013	Launched hearing aid software "HearingAmp V1.2" and was available on iTunes.
Jul. 2013	Launched new IC product line: Video Decoder 4-Channel: DM5865/ DM5866/ DM5885/DM5886.

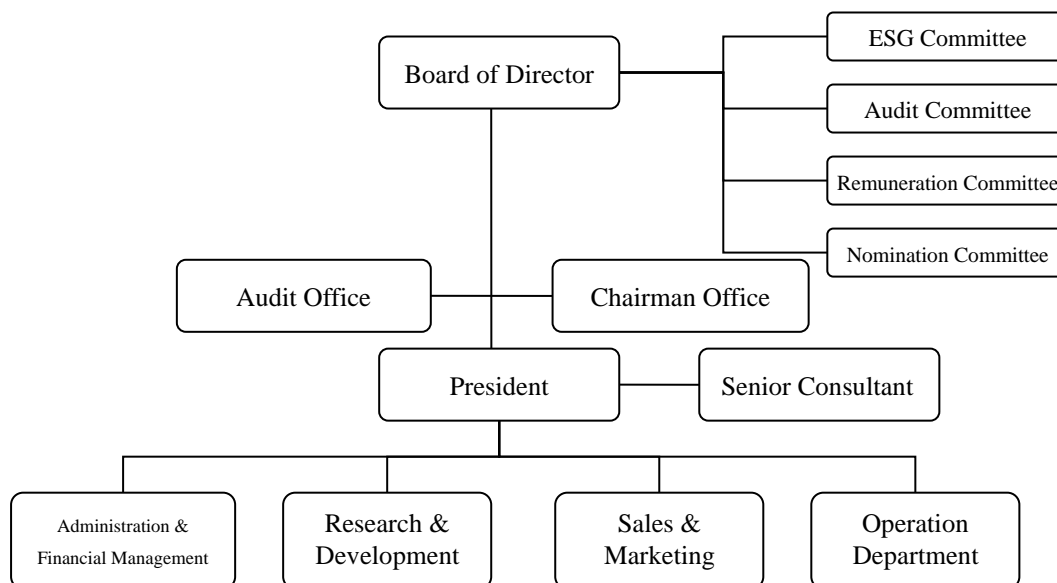
Year	Milestones
Sep. 2013	Launched hearing aid software “HearingAmp V1.3” and is available on iTunes.
Nov. 2013	Launched Medical Care return pass system Apps.
Apr. 2014	Launched DM9163.
Jul. 2014	Purchased Teamtech Technology Corp EPD Driver and SoC IC product line.
Aug. 2014	Launched DM9051.
Sep. 2014	Launched hearing aid software “HearingAmp V1.4” and was available on iTunes.
Nov. 2014	Launched hearing aid software “HearingAmp V1.5” and was available on iTunes.
Sep. 2015	Developed tricolor e-paper driver with wireless energy harvesting chips.
Oct. 2015	Developed embedded portable hearing aid software “HearingPod V1.0”.
Nov. 2015	Developed voltage mode low-power high speed Ethernet transceiver chipsets.
Apr. 2016	Launched hearing aid software “HearingAmp V1.6” and was available on iTunes.
May. 2016	Developed a digital circuit with flexible operation capability to precisely control an analog circuit and can be applied to medical products.
Nov. 2016	Completed the foresighted hearing aid platform of HearingPod V1.1 smart device.
Dec. 2016	Launched hearing aid software “HearingAmp V1.7” and was available on iTunes.
Mar. 2017	Complete the smart device of advanced hearing-aid platform HearingPod V1.3
May 2017	Developing the cluster nodes communication system on shelf labels application ESL.
Jun. 2017	Complete in-audio hearing-aid platform HearingPod V1.3.
Dec. 2017	Developing the best waveform display mode based on environment temperature and RF power driven EPD IC.
Mar. 2018	Import 0.11u process on ethernet chip DM9111A.
Jul. 2018	Launched one-to-many node high-speed data exchange and power-saving transmission protocol for wireless communication for electronic paper price label system.
Oct. 2018	Develop Dot Matrix Type Electronic Paper Driver IC with Image Frame Decompression Algorithm.
Sep. 2019	Launched build-in temperature sensor three colors EPD Segment driver IC
Oct. 2019	Launched industry temperature 10/100/1000M Ethernet Giga-PHY transceiver
Nov. 2019	Launched AI SoC With Integrated Image Recognition
Nov. 2019	Launched MCU IC for TENS application
Jan. 2020	Develop RFID Trajectory Algorithm
Apr. 2020	Develop Universal Serial Bus to Universal Asynchronous Receiver Transmitter converter control IC
Jul. 2020	Develop Fusing RFID and Vision Technology
Mar. 2021	Develop the algorithm and weighting model system application of Edge AI chip.
Jun. 2021	Develop the human and objects precision locating system with RFID and AI operation.
Nov. 2021	Develop the real-time Ethernet network application protocol and algorithm.

Year	Milestones
Mar. 2022	Launch the RFID logistics management system integrated with AI image recognition.
Mar. 2022	Development of new process design network chips.
Jul. 2023	Developing IP's and IC's compliant with standards of serial peripheral interface defined by the Single Pair Ethernet System Alliance.
Sep. 2023	Developing radio frequency identification (RFID) system integrated with AI – production traceability systems for internet-based smart factory.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart :



3.1.2 Department Functions :

Department	Functions
President	Strategic planning, business planning authorization and supervision.
Audit Office	Identifying deficiencies in the internal control system, assessing the effectiveness and efficiency of operations, providing appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Sales and Marketing	In charge of formulating and implementing corporate marketing strategy, product plans, and customer service.
Research and Development	Responsible for research design and development of communication IC products, sample verification, and programs writing for system testing and IC driver.
Operations Department	Responsible for product manufacturing and production capacity allocation. Planning and execution of quality control systems, general affairs and other affairs.
Administration and Financial Management	The management department is in charge of planning and execution of human resource management; The financial department is in charge of financial policy management and accounting. The Information Technology Department is responsible for the company's system management and software development.

3.1.3 Management Team :

Title	Name	Work Experience	Education
Chairman	Ting Hao	Founder of DAVICOM Semiconductor, Inc.	Doctor , Business Administration, Victoria University Master , EECS, UC Berkeley Bachelor , Dept. of Electrical and Control Engineering, National Chiao Tung University
President	Nien-Tai Chen	Chairman of HITPOINT INC.	Bachelor , Dept. of Electrical and Control Engineering, National Chiao Tung University
Chief Technology Officer	Cheng-Fang Chiu	Former Deputy Manager of UMC	Master , Dept. of Computer Science, National Tsinghua University Bachelor , Dept. of Information Engineering and Computer Science, Feng Chia University
Chief Financial Officer	Chun-Chun Yang	Former CFO of C-COM Ltd.	Bachelor , Dept. of Cooperative Economics, Feng Chia University

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

(1) Directors Information :

March 31, 2024

Title	Nationality/ Country of Origin	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Ting Hao	Male 61-70	June 29, 2022	3	May 21, 1999	1,844,000	2.22	2,119,000	2.55	0	0.00	0	0.00	Doctor , Business Administration, Victoria University Master , EECS, UC Berkeley Bachelor , Electrical and Control Engineering, National Chiao Tung University	-Independent Director, United Integrated Services Co., Ltd. - Independent Director, MiTAC Holdings Corporation	-	-	-	
Director	R.O.C.	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	Female 51-60	June 29, 2022	3	June 12, 2006	3,982,475	4.79	3,982,475	4.79	0	0.00	0	0.00	TSMC Senior Engineer Department of Information Management, Ming Chuan University	- Director, DAVICOM Semiconductor Inc.	-	-	-	
Director	R.O.C.	Tzay Hua Ltd. (Representative person : Cheng -Feng Chiu)	Male 51-60	June 29, 2022	3	June 10, 2013	1,480,652	1.78	1,480,652	1.78	0	0.00	0	0.00	Former Vice President of Medicom Corporation Master, Dept. of Electronic engineering, National Chiao Tung University	-Director of Advanced Development Division Dept.of Davicom	-	-	-	
Director	R.O.C.	Yun-Ping Lin	Male 61-70	June 29, 2022	3	June 12, 2019	900,000	1.08	900,000	1.08	0	0.00	0	0.00	Executive Master of Business Administration (EMBA), National Chung Hsing University	-Owner of Sane Way Enterprises Co.. Ltd. -Owner of Crown Star International Investment Co.,	-	-	-	
Independent director	R.O.C.	Chang-Yue Ueng	Male 51-60	June 29, 2022	3	June 12, 2019	150,000	0.18	150,000	0.18	0	0.00	0	0.00	CFO, Controller Sonavox Electronics Co., Ltd. VP & CFO, Administration Center Ichia Technologies, Inc.. Ph.D. of Statistics, Colorado State University, USA	-Financial Manager, Kwo Ger Metal Technology Inc.	-	-	-	
Independent director	R.O.C.	Jen-Jyh Hwang	Male 61-70	June 29, 2022	3	June 20, 2005	0	0.00	0	0.00	0	0.00	0	0.00	Associate Professor, National Sun-Yat-sen University Ph.D. Dept. of Mechanical Engineering, The Pennsylvania State University, USA	- Adjunct Associate Professor, National Sun-Yat-sen University -Independent director of JG Environment Tech.	-	-	-	
Independent director	R.O.C.	Niang-Shou Wei	Male 61-70	June 29, 2022	3	June 12, 2019	4,000	0.00	4,000	0.00	0	0.00	0	0.00	Director of Production and Operations Center Shanghai Fanfeng Vacuum Machinery Co., Ltd. Executive Master of Business Administration (EMBA), National Tsing Hua University	- Director, DAVICOM Semiconductor Inc.	-	-	-	

Note 1: For a corporate shareholder, the name of the corporate shareholder and its representative shall be listed separately (when listing the representative of a corporate shareholder, the name of the corporate shareholder shall also be noted), and Form 1 below shall also be completed.

Note 2: Please state the actual age, or, alternatively, state the age interval into which the actual age falls, e.g., 41~50 years, 51~60 years.

Note 3: Specify the time the person first began to serve as a director or supervisor of the Company. If there has been any break within a term or between terms, add a note specifying the circumstances.

Note 4: Specify experience and qualifications related to the current position. If during a period specified above the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.

Note 5: If the chairman and general manager or person of an equivalent post (the highest level manager) and the chairperson of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer)

(2) Major Shareholders of the Institutional Shareholders :

March 31, 2024

Name of Institutional Shareholders	Major Shareholders
Goodyears Investments Ltd.	Ke-Chen Cheng (99.70%)
Tzay Hua Ltd.	Ke-Chen Cheng (61.72%)

Note 1: If a director or supervisor is a representative of a corporate shareholder, fill in the name of that corporate shareholder.

Note 2: Fill in the names of the corporate shareholder's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios. If any of the major shareholders is a corporate/juristic person, also complete following Form.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

(3) Major Shareholders of the Company's Major Institutional Shareholders :

March 31, 2024

Name of Institutional Shareholders	Major Shareholders
NA	NA

Note 1: If any major shareholder in Form 1 above is a corporate/juristic person, fill in the name of that corporate/juristic person.

Note 2: Fill in the names of the corporate/juristic person's major shareholders (those with a shareholding ratio ranking among the top 10) and their shareholding ratios.

Note 3: If a corporate/juristic person shareholder is not organized as a company, the shareholder names and shareholding ratios required to be disclosed as mentioned above shall be the names of the capital contributors or donors (for further information, please refer to the announcements of the Judicial Yuan) and their capital contribution or donation rates, respectively. If a donor has died, please further note "deceased."

(4) Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors :

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Ting Hao	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company	Not Applicable	2
Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Yun-Ping Lin	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
Chang-Yue Ueng	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company and not against Article 30 of the Company Law	All independent directors meet the following conditions : 1. Comply with the relevant regulation of Article 14-2 of the Securities and Exchange Act promulgated by the FSC and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies 2. A natural-person (held by the person under others' names) spouse, minor children, didn't held the company's shares. 3. Didn't received the remuneration from the company or its affiliated companies for providing business, law, finance, accounting and other service.	0
Jen-Jyh Hwang	An Instructor in a Department of Commerce, or Other Academic Department Related to the Business Needs of the Company in a Public or Private College or University		1
Niang-Shou Wei	Have Work Experience in the Areas of Commerce, or Otherwise Necessary for the Business of the Company		0
<p>Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.</p> <p>Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.</p>			

(5) Diversity and Independence of the Board of Directors :

(A) Board of directors' expertise :

The company has a "Nomination Committee" and adopts a "Candidate Nomination System". All director candidates are nominated and qualified by the "Nomination Committee". After the resolution of the board of directors is passed, they are sent to the shareholders' meeting for election. According to Article 20, Item 4 of the Company's " Corporate Governance Best Practice Principles for Companies ", all members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities :

- ① Ability to make operational judgments.
- ② Ability to perform accounting and financial analysis.
- ③ Ability to conduct management administration.
- ④ Ability to conduct crisis management.
- ⑤ Knowledge of the industry.
- ⑥ An international market perspective.
- ⑦ Ability to lead.
- ⑧ Ability to make policy decisions.

(B) Diversity of the Board of Directors :

In order to strengthen corporate governance and promote the development of the composition and structure of the board of directors, in Article 20, item 3 of the Corporate Governance Best Practice Principles for Companies revised on November 11, 2016. The composition of the board of directors should take into account diversity, and the number of directors who also serve as company executives should not exceed one-third of the total number of directors. In addition, appropriate diversification policies should be formulated based on the board's operations, operating model, and development needs. These policies should include, but are not limited to, the following two major aspects:

- ① Basic conditions and values : gender, age, nationality and culture, etc.
- ② Professional knowledge and skills : professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The current board of directors of the company consists of 7 directors, including 4 directors and 3 independent directors. The members have extensive experience and expertise in accounting, finance, technology, industry and management. In addition, the company also pays attention to gender equality in the composition of the board of directors. There must be at least one female director. At present, there are 7 directors, including 1 female director, with a ratio of 1/7.

(6) Board Diversity Management Goals :

- (A) The company emphasizes gender equality in the composition of the board members, with a target of female directors over 15%.
- (B) The board supports and supervises actions taken by management to increase the proportion of female senior executives.
- (C) The current board of directors of the company consists of 7 directors, the specific management goals and achievement status of the board's diversity composition policy are as follows :

Management Goals	Achievement Status
Independent directors should exceed one-third of total directors	Achieved
No more than one-third of directors should hold positions as company executives	Achieved
The terms of independent directors should not exceed 3 terms	Achieved
Adequate diversity in professional knowledge and skills	Achieved

(7) The industry experience and diversity performance of the Company are as following :

Name	Composition							Industry Experience				Professional ability				
	Gender	Nationality	Employee of the company	Age		Term of Independent Directors			Net work Communication	Information Management and Security	Semiconductor IC Design	Industry Knowledge	Accounting	Information Technology	Risk Management	Financial Management
				51-60	60-70	Less than 3 years	3 to 9 years	More than 9 years								
Chairman : Ting Hao	Male	R.O.C.	V		V				V	V	V	V	V	V	V	V
Juridical Person Director : Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	Female	R.O.C.		V							V	V			V	V
Juridical Person Director : Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	Male	R.O.C.	V	V				V	V	V	V		V			
Director : Yun-Ping Lin	Male	R.O.C.			V						V				V	V
Independent director : Chang-Yue Ueng	Male	R.O.C.		V			V		V		V	V	V	V	V	V

Independent director : Jen-Jyh Hwang	Male	R.O.C.			V		V			V		V			V	
Independent director : Niang-Shou Wei	Male	R.O.C.			V		V		V		V	V		V		V

(8) Independence of the Board of Directors :

The current board of directors of our company consists of 7 directors, including 3 independent directors. These 3 independent directors do not have any circumstances as specified in Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act, including situations where there are spousal or familial relationships up to the second degree between directors, supervisors, or between directors and supervisors.

3.2.2 Profiles of Key Managers :

March 31, 2024 / Unit : shares

Title	Nationality / Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shares Held in the Name of Others		Experience (Education)	Other Position	Managers who are Spouses or Within Second-Degrees of Relative of Consanguinity to Each Other			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Nien-Tai Chen	Male	Nov. 11, 2022	0	0.00	0	0.00	0	0.00	Bachelor , Electrical and Control Engineering, National Chiao Tung University	NA	NA	NA	NA	
CFO/Vice President	R.O.C.	Chun-Chun Yang	Male	Aug. 17, 2010	70,099	0.08	0	0.00	0	0.00	Bachelor , Cooperative Economics, Feng Chia University	Chairman of Medicom Co.	NA	NA	NA	
CTO/Vice President	R.O.C.	Cheng-Fang Chiu	Male	Aug. 10, 2016	115,508	0.14	1,671	0.00	0	0.00	Master , Computer Science, NTHU	NA	NA	NA	NA	

Note 1: The information in this table should be disclosed for the general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units, including all persons in positions equivalent to general manager, assistant general manager, or deputy assistant general manager, regardless of job title.

Note 2: Specify experience and qualifications related to the current position. If during a period specified above, the person has served in a position at a CPA firm that serves as external auditor/attestor, specify the position held and the duties for which the person was responsible.

Note 3: If the general manager or person of an equivalent post (the highest level manager) and the chairperson of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer)

3.3 Remuneration of Directors (including Independent Directors), President, and Vice President

3.3.1 Remuneration of Directors and Independent Directors :

Unit : NT\$ thousands/ thousands shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 7)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Affiliates or Parent Company (Note 8)	Compensation Paid to Directors from Non-consolidated Parent Company (Note 8)
		Base Compensation (A) (Note 1)		Severance Pay and Pensions (B)		Bonus to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E) (Note 4)		Severance Pay and Pensions (F)		Profit Sharing- Employee Bonus (G) (Note 5)							
		The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company	From All Consolidated Entities (Note 6)	The company		From All Consolidated Entities (Note 6)		The company	From All Consolidated Entities (Note 7)				
Chairman	Ting Hao	0	0	0	0	222	222	15	15	0.47	0.47	4,716	4,716	0	0	282	0	282	0	10.32	10.32	NA	
Director	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	0	0	0	0	222	222	15	15	0.47	0.47	0	0	0	0	0	0	0	0	0.47	0.47	NA	
Director	Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	0	0	0	0	222	222	15	15	0.47	0.47	1,992	1,992	100	100	107	0	107	0	4.80	4.80	NA	
Director	Yun-Ping Lin	0	0	0	0	222	222	15	15	0.47	0.47	0	0	0	0	0	0	0	0	0.47	0.47	NA	
Independent director	Chang-Yue Ueng	0	0	0	0	124	124	315	315	0.87	0.87	0	0	0	0	0	0	0	0	0.87	0.87	NA	
Independent director	Jen-Jyh Hwang	0	0	0	0	124	124	315	315	0.87	0.87	0	0	0	0	0	0	0	0	0.87	0.87	NA	
Independent director	Niang-Shou Wei	0	0	0	0	124	124	315	315	0.87	0.87	0	0	0	0	0	0	0	0	0.87	0.87	NA	

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid.

The remuneration policy for directors of the Company is as follows :

- (1) According to the Articles of Incorporation, whether company's income gain or loss, the company should pay remuneration to directors when they fulfill their responsibility. The remuneration shall be paid according to the directors' contribution and value to company's operation, and authorize the board of directors to pay the compensation according to the general pay levels in the industry.
- (2) The payment standard of directors' travelling expense and monthly compensation is set by the company's remuneration committee and the board of directors :
 - (A) Attendance fee for directors and independent directors per meeting is NTD 2,500 (once a day)
 - (B) Since all independent directors serve as members of functional committees (such as the nomination committee, remuneration committee and audit committee), they are responsible for participating in discussions and resolutions at committee meetings, so they have a monthly allowance of NTD 25,000 for the fulfillment of business operations. General directors do not have this allowance.
- (3) The company's annual director's remuneration shall be set aside not more than 2% of the current year's pre-tax earnings in accordance with the company's articles of incorporation. If the amount of directors' remuneration is more than NTD 600,000, it will be allocated to each of the 4 directors with NTD 150,000, and the excess amount will be shared equally by all directors and independent directors. If the director's compensation amount is less than NTD 600,000, the Director's remuneration is divided equally among the four directors.

Note 1: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).

Note 2: The board of directors approved the proposed distribution of 2023 directors' remuneration total 1,259 thousands on 2024/02/29(Board of Directors' Meeting) before 2024 shareholder's meeting. The remuneration disclosure of each director is round to nearest thousand, the following are unconditionally rounded down.

Note 3: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, etc.)

Note 4: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, etc.)

Note 5: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee).

Note 6: Disclosure of the total amount of remuneration paid to the directors of our company, including our company, in the consolidated financial statements.

Note 7: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 8: Disclose the total amount of remuneration received by company directors from investments outside of subsidiaries or related to the parent company. Remuneration refers to compensation, salaries (including those of employees, directors, and supervisors), and related expenses for business execution received by the company's directors in their capacities as directors, supervisors, or executives of investments outside of subsidiaries or the parent company.

2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities /invested enterprises) : None

Remuneration of Directors

Unit : NT\$ thousands/ thousands shares

Range of Remuneration	Name of Directors			
	Compensation Paid to Directors (A+B+C+D)		Compensation Paid to Directors (A+B+C+D+E+F+G)	
	The company (Note 8)	From All Consolidated Entities (Note 9)	The company (Note 8)	From All Consolidated Entities (Note 9)
Less than NT\$1,000,000	Ting Hao Goodyears Investments Ltd. (Representative person : Wen-Chen Lin) Tzay Hua Ltd. (Representative : Cheng-Feng Chiu) Yun-Ping Lin Chang-Yue Ueng Jen-Jyh Hwang Niang-Shou Wei		Goodyears Investments Ltd. (Representative person : Wen-Chen Lin) Yun-Ping Lin Chang-Yue Ueng Jen-Jyh Hwang Niang-Shou Wei	
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	-		-	
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)			Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)				
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)			Ting Hao	
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)				
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)				
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)				
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)				
NT\$100,000,000 or more				
Total	7	7	7	7

- Note 1: The name of each director shall be stated separately (for a corporate shareholder, the names of the corporate shareholder and its representative shall be stated separately) and the names of the ordinary directors and independent directors shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this Table and Table 3-1, or Tables 3-2-1 and 3-2-2.
- Note 2: This refers to director base compensation in 2023 (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).
- Note 3: Please fill in the amount of 2023 director profit-sharing compensation approved by the board of directors for distribution.
- Note 4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc.). If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration.
- Note 5: This includes any remuneration received by a director for concurrent service as an employee in 2023 (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.
- Note 6: This refers to the disclosure of the amount of employee compensation (including stocks and cash) granted to directors who also serve as employees (including those who serve as general managers, deputy general managers, other managers, and employees) during the fiscal year 2023. This disclosure should include the amount of employee compensation proposed for distribution by the board of directors on Feb. 29, 2024, prior to the shareholders' meeting for the most recent fiscal year ending.
- Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Company by all companies in the consolidated financial report (including the Company).
- Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Company.
- Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Company by all companies in the consolidated financial report (including the Company).
- Note 10: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.
- Note 11: a. In this column, specifically disclose the amount of remuneration received by the directors of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state “None”).
- b. If directors of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to “Parent company and all investee enterprises.”
- c. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.
- *This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

3.3.2 Remuneration of Supervisors :

The company established the Audit Committee on July,05,2010. No remuneration of supervisors.

3.3.3 Remuneration of the President and Vice President :

Unit : NT\$ thousands/ thousands shares

Title	Name	Salary(A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9)
		The company	From All Consolidated Entities (Note 5)	The company	From All Consolidated Entities (Note 5)	The company	From All Consolidated Entities (Note 5)	The company		From All Consolidated Entities (Note 5)		The company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Nien-Tai Chen	1,843	1,843	108	108	314	314	146	0	146	0	4.75	4.75	NA
Vice President	Cheng-Fang Chiu	1,823	1,823	108	108	514	514	123	0	123	0	5.06	5.06	NA
Vice President	Chun-Chun Yang	1,639	1,639	103	103	474	474	118	0	118	0	4.60	4.60	NA

(1) Remuneration of President and Vice President

Range of Remuneration	Name of President and Vice President	
	The company	From All Consolidated Entities
Less than NT\$1,000,000		
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)		
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)	Nien-Tai Chen Cheng-Fang Chiu Chun-Chun Yang	Nien-Tai Chen Cheng-Fang Chiu Chun-Chun Yang
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)		
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)		
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)		
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)		
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)		
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)		
NT\$100,000,000 or more		
Total	3	3
<p>Note 1: The name of each general manager and assistant general manager shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this table and Table above.</p> <p>Note 2: This includes salary, duty allowances, and severance pay to the general manager(s) and assistant general manager(s) in 2023.</p> <p>Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as accommodations or vehicle, and other compensation to the general manager(s) and assistant general managers(s) in 2023. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.</p> <p>Note 4: This refers to disclosing the amount of employee compensation (including stock and cash) distributed to directors who are also employees (including those who hold positions such as CEO, COO, and other executives) as proposed and approved by the board of directors prior to the shareholder meeting for the most recent fiscal year, which was passed on Feb. 29, 2024. If the amount cannot be estimated, the proposed distribution amount for this year should be calculated based on the proportion of actual distribution amount from the previous year, and a separate table should be included.</p> <p>Note 5: Disclose the total amount of remuneration in each category paid to the general manager(s) and assistant general manager(s) by all companies in the consolidated financial report (including the Company).</p> <p>Note 6: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager by the Company.</p>		

Note 7: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 9: a. In this column, specifically disclose the amount of remuneration received by the general manager(s) and assistant general manager(s) of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state “None”).
b. If general manager(s) or assistant general manager(s) of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to “Parent company and all investee enterprises.”
c. Remuneration means remuneration received by the general manager(s) and assistant general manager(s) of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act

(2) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

Unit : NT\$ thousands/ thousands shares

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managerial officers	President	Nien-Tai Chen	0	387	387	0.76%
	CFO	Chun-Chun Yang				
	CTO	Cheng-Fang Chiu				

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

(1) The ratio of total remuneration paid by the Company and from all consolidated entities for the two most recent fiscal years to directors, supervisors, president and vice president of the company, to the net income.

Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	From All Consolidated Entities
2023	33.05%	33.05%
2022	26.45%	26.45%

(2) Policy, Standards, Composition, and Procedures for Setting Remuneration and Analysis of its Relationship with Operational Performance and Future Risks :

(A) Directors :

Remuneration for directors is determined in accordance with the company's articles of association and based on the results of the company's "Board Performance Evaluation Method." Individual performance evaluations for directors include : ① Hold the company's goals and missions. ② Recognition of director's responsibilities. ③ Involvement in company operations. ④ Management of internal relationships and communication. ⑤ Director's Professionalism and ongoing education. ⑥ Internal controls.

Key evaluation criteria for director remuneration and their percentages are as follows :

Evaluation Criteria	Percentages
① Operational Performance	60%
② Achievement and Contribution	20%
③ Industry Standards	20%

The reasonableness of performance assessment and compensation is proposed and reviewed by the Compensation Committee, which discussed and approved through the Board.

(B) Compensation for General Managers and Senior Managers :

Compensation, including salary, bonuses, and employee benefits, is primarily based on job responsibilities and contributions and is determined by referencing the company's "Directors and Executives' Remuneration Policy" and the salary levels of similar positions in the industry market. Linking executives' compensation to ESG-related sustainable performance evaluation.

Key evaluation criteria for Senior Managers are as follows :

	Evaluation Criteria	Percentages	Explanation
1	Financial Indicator	50%	Company financial performance and comparison with industry benchmarks.
2	Strategy Indicators	20%	Goals based on the execution of medium to long-term strategies.
3	Sustainability and Internal Control Indicators	25%	Commitment to sustainability, emphasizing ethical operation, regulatory compliance, risk management, and implementing various ESG initiatives.
4	Management Indicators	5%	Internal human resources indicators.

3.4 Implementation of Corporate Governance

3.4.1 Operation of the Board

(1) A total of 6 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows :

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 1& 2)	Remarks
Chairman	Ting Hao	6	0	100%	
Director	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	6	0	100%	
Director	Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	6	0	100%	
Director	Yun-Ping Lin	6	0	100%	
Independent director	Chang-Yue Ueng	6	0	100%	
Independent director	Jen-Jyh Hwang	6	0	100%	
Independent director	Niang-Shou Wei	6	0	100%	

Other mentionable items:

- If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:
 - Any matter under Article 14-3 of the Securities and Exchange Act.: None of the independent director expresses an objection or reservation
 - In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None
- The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted.: None
- For a TWSE or TPEx listed company, disclose information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content. Additionally, complete Table 3.4.1.(2) Implementation of Evaluations of the Board of Directors.
- Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof.
 - The company has adopted the "Rules of procedure for meetings of its board of directors" according to "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". Update the director's attendance at the board of directors in MOPS, and disclose the major resolutions of the board of directors on the company's website.
 - The company has elected three independent directors at the shareholders' meeting, and these three independent directors form the audit committee, which meets at least once a quarter, and is responsible for the implementation of the fair representation of the company's financial statements, the selection (dismissal) and the independence and performance of certified accountants, the effective implementation of the company's internal control, the company's compliance with relevant laws and regulations, and the management and control of the company's existing or potential risks.
 - The company consists of 3 independent directors to form a remuneration committee, which is responsible for implementing regular evaluations and formulating the company's overall compensation policies, formulating and regularly (at least twice a year) reviewing the performance evaluation and compensation policies and

systems, standards and structure of directors and managers. Regularly evaluate and determine the remuneration of directors and managers, employee stock option plans and employee profit-sharing plans or other employee incentive plans.

- (4) Improve the functions of the board of directors of the company and strengthen the management mechanism The nomination committee is consist of 2 independent directors and 1 director.
- (5) The company has established a performance evaluation system for the board of directors, and regularly establishes self-evaluation and peer-evaluation questionnaires for evaluation and review every year, so as to giving full play to the self-improvement of board members and the board undergoes an external assessment conducted by external evaluation agencies at least once every three years to enhance the function for sound operation.
- (6) The company has purchased liability insurance for all directors, and has reported them in accordance with regulations.

Note1 : If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.

Note2 : If any by-election for directors or supervisors was held before the end of the fiscal year, the names of the new and old directors and supervisors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

(2) Implementation Status of Board Evaluations :

Evaluation Cycles	Evaluation Periods	Scope of evaluation	Evaluation Methodology	Evaluation Content
Once a year.	2023.01.01~2023.12.31	The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.	Include self-evaluation by individual board members and the inter evaluation of the board.	The criteria for evaluating the performance of the board members on themselves covered the following six aspects: 1. Familiarity with the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control.

Note 1: Fill in the cycle on which the board evaluations are performed, for example: performed once per year.

Note 2: Fill in the period covered by the board evaluation, for example: An evaluation was performed of the performance of the board of directors from 1 January 2023 to 31 December 2023.

Note 3: The scope of the evaluation should cover the performance of the board as a whole, the individual directors, and the functional committees.

Note 4: The performance evaluation methods may include internal evaluation by the board, self-evaluations by individual board members, peer evaluations by board members, evaluations external organizations or experts engaged for that purpose, or other suitable method.

Note 5: The evaluation content shall include at least the following based on the scope of the evaluation:

- (1) Evaluation of the performance of the board should include at least the following: degree of the board's participation in the operation of the company; the quality of the board's decision making; composition and structure of the board; election and continuing education of the directors; internal control.
- (2) Evaluation of the performance of individual directors should include at least the following: familiarity with the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationships and communication; the director's professionalism and continuing education; internal control.
- (3) Evaluation of the performance of the functional committees: degree of participation in the operation of the company; awareness of the duties of the functional committee; quality of decisions made by the functional committee; makeup of the functional committee and election of its members; internal control.

(3) The Board of Directors' Performance Evaluation Results for 2023 :

The company has established a system for evaluating the performance of the board of directors and the Board approved the evaluation method on August 10, 2016 to enhance the functioning of the board. Internal board performance evaluations are conducted at least once a year. At the beginning of each year, a comprehensive evaluation of the board as a whole and self-assessment by directors are carried out. The evaluation results are submitted to the Committee for review and confirmation by the Board of Directors before the end of March. External evaluations are conducted at least once every three years by external independent professional organizations or teams.

(4) Board of Directors' Performance Evaluation Results :

(A) Board of Directors' Self-Assessment :

2023 Performance Evaluation of the Board of Directors		2023 Performance Evaluation of the Functional Committees	
Convener: : score of 5 (Excellent)	Directors : average score of above 4 (Very Good)	Convener of audit committee : score of 5 (Excellent)	Convener of compensation committee : score of 5 (Excellent)

(B) External Expert Evaluation :

Davicom commissioned an external evaluation on October 3, 2023 by Taiwan Corporate Governance Association to conduct a board effectiveness evaluation for the period November 1, 2022, to October 31, 2023. Four evaluation experts were appointed by the organization to assess various aspects of the board's composition, guidance, authorization, supervision, communication, self-discipline, internal control, risk management, and other areas such as board meetings and support systems. The experts reviewed the questionnaire responses, provided materials (including minutes of board and committee meetings held during the evaluation period), public information, and conducted face-to-face interviews with relevant members to evaluate the board's effectiveness. The external evaluation organization and its executing experts maintain independence from the company. A complete evaluation report was submitted on January 5, 2023. The evaluation results were presented to the Board of Directors on January 25, 2023, and appropriate improvement measures were adopted based on the recommendations.

(a) Overall assessment :

- ① The Board is composed in consideration of professionalism and independence.
- ② The chairman adopts an open leadership style with an open-minded atmosphere in board meetings.
- ③ The company established a sustainability committee and actively responded to sustainable issues.
- ④ Active attitude towards implementing corporate governance principles and enhancing board effectiveness.

(b) Recommendations/Adopted improvement measures :

- ① The Compensation Committee has established the "Directors' and Executives' Remuneration Policy " on February 29, 2024.
- ② Strengthen whistleblower mechanisms and establish direct links with independent directors.

- ③ From 2024, the job objectives setting and performance assessments for the internal audit director will be conducted by the convenor of the Audit Committee and the Chairman.
- ④ On February 29, 2024, the company's Audit Committee separately held closed meetings with the internal audit director and the CPAs with paper communication records for reference.
- ⑤ On January 25, 2024, the Board approved the establishment of the "Occasional Major Event Reporting Procedure" and published it on the company's website in the Investor Relations section.

3.4.2 Operation of Audit Committee

The Audit Committee was established on July 5, 2010. As of March 31, 2023, the committee consists of three independent directors, one of whom has a financial or accounting background. The organizational charter of the Audit Committee is available on MOPS.

- (1) Audit Committee's Focus Areas for 2023 :
 - (A) Reviewing financial reports.
 - (B) Assessing the effectiveness of internal controls.
 - (C) Auditing the independence and performance evaluation of the CPAs.
- (2) In 2023, the Audit Committee of the company held a total of 5 meetings, addressing the following matters :
 - (A) Audit of financial statements and accounting policies and procedures.
 - (B) Internal control systems and related policies and procedures.
 - (C) Significant asset or derivative transactions.
 - (D) Significant loans and endorsements.
 - (E) Derivative financial instruments and cash investments.
 - (F) Regulatory compliance.
 - (G) Information security.
 - (H) Company risk management.
 - (I) Qualifications, independence, and performance evaluation of CPAs.
 - (J) Appointment, dismissal, or remuneration of CPAs.
 - (K) Appointment and dismissal of financial, accounting, or internal audit executives.
- (3) A total of 5 (A) Audit Committee meetings were held in the previous period (from January 2023 till December 2023). The attendance of the independent directors was as follows :

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director (Convener)	Chang-Yue Ueng	5	0	100%	
Independent director	Jen-Jyh Hwang	5	0	100%	
Independent director	Niang-Shou Wei	5	0	100%	

Other mentionable items :

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
 - (1) Any matter under Article 14-5 of the Securities and Exchange Act.
 - (2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of director.
2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: None
3. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication.)

Audit Committee Meeting Summary

Date	Meeting Resolutions
11/09/2023	<ol style="list-style-type: none"> 1. Approved the third quarter 2023 consolidated financial statement. 2. Approved the 2024 internal audit plan.
08/09/2023	<ol style="list-style-type: none"> 1. Approved the second quarter 2023 consolidated financial statement.
05/11/2023	<ol style="list-style-type: none"> 1. Approved the first quarter 2023 consolidated financial statement. 2. Approved the revision of the company's "Procedures for Related Party Transactions".
03/07/2023	<ol style="list-style-type: none"> 1. Approved the 2022 business report and financial statements. 2. Approved the 2022 earnings distribution proposal. 3. Approved the proposal for cash distribution of 2022 additional paid capital 4. Approved the 2022 management's reports on internal control.
01/16/2023	<ol style="list-style-type: none"> 1. Approved the 2023 CPA assessments of competence and independence. 2. Approved the chairman of the Audit Committee is authorized to pre-approve the engagement of auditors, their firms, and affiliated entities to provide non-assurance service to the Company and its subsidiaries, and reporting to the committee subsequently.

**Independent Director and CPAs Meeting Summary
Communications between the Independent Directors and CPAs**

- (1) CPAs regularly discusses in writing with the independent directors of the Audit Committee each quarter, if necessary, a meeting will be held with independent directors to explain and discuss.
- (2) The Audit Committee take finical statement confirmed by CPAs as reference to completed the audit report.

Date	Meeting Resolutions
02/29/2024	<ol style="list-style-type: none"> 1. CPAs provided explanations and communications to the Audit Committee members regarding the content of the audit report and individual and consolidated financial statements for 2023. 2. CPA Chia-Hung, Lin reported the Audit Quality Indicators (AQIs) for 2022 between PWC and its peers to the Audit Committee.
02/29/2024	<ol style="list-style-type: none"> 1. The three Audit Committee independent directors held a closed meeting with CPA Chia-Hung, Lin to share views on 2023 individual and consolidated financial statements and the 2024 operation plan.
11/09/2023	<ol style="list-style-type: none"> 1. CPAs discussed in writing about the third quarter 2023 consolidated financial report, adjustment entry and audit report.
08/09/2023	<ol style="list-style-type: none"> 1. CPAs discussed in writing about the second quarter 2023 consolidated financial report, adjustment entry and audit report.
05/11/2023	<ol style="list-style-type: none"> 1. CPAs discussed in writing about the first quarter 2023 consolidated financial report, adjustment entry and audit report.
03/07/2023	<ol style="list-style-type: none"> 1. CPAs discussed about the 2022 individual and consolidated financial report, adjustment entry and audit report.
01/16/2023	<ol style="list-style-type: none"> 1. CPAs explained and provided practical guidance to the Audit Committee members on the latest legal requirements that any non-assurance services offered by appointment CPAs or their firms to any subsidiaries directly or indirectly controlled by the Company must be approved by the Audit Committee before proceeding.

Independent Directors and the Internal Audit Officer Meeting Summary
Communications between the Independent Directors and the Internal Audit Officer

- (1) Independent Directors have asked the Internal Audit Officer to submit audit reports and follow-up report quarterly in Board and Audit Committee meeting.
- (2) Independent Directors have asked the Internal Audit Officer to report on the implementation status of the annual audit plan and improvement situation, if necessary, call a meeting for major fraud.

Date	Meeting Resolutions
02/29/2024	<ol style="list-style-type: none"> 1. Presented the fourth quarter 2023 audit report 2. Internal Audit Officer presented the 2023 internal audit plan 3. Internal Audit Officer responded to questions from Independent Directors
02/29/2024	<ol style="list-style-type: none"> 1. Independent Directors held a closed meeting with Internal Audit Officer--Ching-Huan, Hsiao to share views on internal management control system and audit status.
11/09/2023	<ol style="list-style-type: none"> 1. Presented the third quarter 2023 audit report 2. Internal Audit Officer responded to questions from Directors
08/09/2023	<ol style="list-style-type: none"> 1. Presented the second quarter 2023 audit report 2. Internal Audit Officer responded to questions from Directors
05/11/2023	<ol style="list-style-type: none"> 1. Presented the first quarter 2023 audit report 2. Internal Audit Officer responded to questions from Directors
01/16/2023	<ol style="list-style-type: none"> 1. Presented the fourth quarter 2022 audit report 2. Internal Audit Officer presented 2022 internal management control system declarations to Independent Directors 3. Internal Audit Officer responded to questions from Independent Directors

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

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the and MOPS (Market Observation Post System).	No difference
2. Shareholding Structure and Shareholders’ Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		The company has established the Rules of Procedure for Shareholders Meetings, set up the spokesman and deputy spokesperson and has assigned the specific person to deal with issues related to investor relations and shareholder opinion, doubts, disputes or lawsuits. The company’s website also provides the contact information and E-mail for investors.	No difference
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		In addition, the stock agency is entrusted to regularly update the register of shareholders and the register of major shareholders to fully grasp the list of major shareholders.	No difference
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		Various financial and business matters with affiliated companies are based on the principle of mutual independence, and formulate "Supervision and Operation Measures for Subsidiaries", "Group Enterprises, Specific Companies and Related Persons Transaction Operation Measures", "Internal Control System", "Internal Audit System", etc., to establish risk control and firewall mechanisms with affiliated companies.	No difference
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		The company has established the Procedures for Ethical Management and Code of Ethics and Business Conduct to that company insiders are prohibited from using unpublished information on the market to buy and sell securities.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p> <p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</p> <p>(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?</p> <p>(4) Does the Company regularly evaluate its external auditors’ independence?</p>	V		<p>(1) Our company has established a "Corporate Governance Best Practice Guidelines" which sets the policy for a diversified composition of the board of directors. Currently, our board consists of seven members, including three independent directors and one female director. Each director possesses professional backgrounds in various fields, such as law, accounting, industry, finance, marketing, research and development, technology, management, professional skills, and industry experience, to implement the policy of diversification of the board of directors' composition.</p> <p>(2) With a Remuneration Committee and an Audit Committee to assist the Board of Directors in executing its duties, DAVICOM also established Nomination Committee and ESG Committee which can efficiently assist Board of Directors.</p> <p>(3) Our company established the "Board of Directors Performance Evaluation Guidelines" on August 10, 2016, which stipulates that the board of directors' performance evaluation should be completed by the end of March of the following year and the evaluation results should be submitted to the board of directors for approval. This is to enhance the efficiency of the board of directors' operations.</p> <p>Our company completed the 2023 board of directors' performance evaluation, and the external review, which was submitted to the board of directors on January 25, 2024.</p> <p>(4) Our Finance Department will compile the independence, competence, and AQIs Assessment Form (as attached) of CPA every year before signing the contract for assurance service. The chief CPA---Chia-Hung Lin attended and reported PWC audit quality indicator (AQIs) results of 2021 for the members of the Audit Committee to discuss the appointment of CPAs on January 16, 2023, and has been invited to</p>	<p>No difference</p> <p>No difference</p> <p>No difference</p> <p>No difference</p>

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>attend the board of directors to report to all directors on their AQIs results for the members of the board to discuss and pass on the appointment case.</p> <p>Please refer to page 43 for details of the assessment of the CPA for the year 2023.</p>	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		<p>On May 13, 2019, the 21st meeting of the eighth session of the board of directors of the company passed a resolution to appoint James Yang, the chief financial officer of the company, as the director of corporate governance to protect the rights and interests of shareholders and strengthen the functions of the board of directors.</p> <p>The main responsibilities of corporate governance personnel are to provide the information required by directors (independent directors) to carry out business and the latest regulatory developments related to operating the company, so as to assist directors (independent directors) to comply with laws and regulations, and to handle matters related to the board of directors and shareholders' meetings in accordance with the law.</p> <p>The primary duties and operations are as follows:</p> <p>(1) Assist directors and independent directors and provide required information and arrange continuing education courses.</p> <p>(2) Handle matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to relevant laws and regulations, and assist the company in adhering to relevant laws and decrees determined at the Board of Directors Meeting and The Shareholders' Meeting.</p> <p>(3) Notify directors 7 days in advance and provide the draft agenda of the board of directors and each functional committee to directors and provide relevant information. Complete the minutes of the meeting</p>	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>on the day of the meeting and provide it to the directors.</p> <p>(4) Prepare the shareholder meeting date registration, meeting notice, meeting handbook, meeting minutes for the Shareholders’ Meeting. Convene an Investors’ Conference and establish diverse communication channels with investors</p> <p>(5) We hold Investor Conference and establish diversified communication channels with investors to provide sufficient information for them to evaluate and determine the reasonable capital market value of the company, thus ensuring the maintenance of shareholders’ equity.</p>	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders’ questions and concerns on important corporate social responsibility issues?	V		<p>The company has established communication and feedback channels with stakeholders, and values their rights and interests. We strive to understand their expectations and needs, and respond to their concerns and already reported to the Board on Jan. 25, 2024.</p> <p>The company website has established a section for stakeholders and corporate social responsibility, which facilitates stakeholders and the general public to access and view the information.</p> <p>Since 2015, our company has voluntarily published an ESG report and uploaded to the company’s website for public access by the end of June each year.</p>	No difference
6. Has the Company appointed a professional registrar for its Shareholders Meetings?	V		The Company designates Fubon Securities Co., Ltd. to deal with shareholder affairs.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The company has reported or disclosed important information related to finance and business in accordance with regulations on its company website(http://www.davicom.com.tw) and the MOPS for investors' reference.	No difference
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The Company has assigned an appropriate person to handle information collection and disclosure. The Company also has established a spokesman system. Investor related information is disclosed on the corporate website and MOPS.	No difference
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(3) The Company follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline	No difference
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and	V		(1) Employee Rights and Employee Care: The company value the growth of employee's career. The company established the Governing Organization of Employees' Welfare Committee and provide various of welfare. (2) Investor Relation: The company provide a communication channel to investors such as shareholders' meeting and set the spokesman system to deal with shareholders' opinion. (3) The company maintains smooth communication channels with its correspondent banks, employees, consumers and suppliers, and maintains a good relationship. (4) Stakeholders' rights: The company has spokespersons and proxy spokespersons to communicate directly with stakeholders to respect	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
supervisors)?			<p>and safeguard their legitimate rights and interests.</p> <p>(5) Situation of further education for directors: The directors of the company have industry professional background and practical experience in operation and management. The company also provides regular courses on corporate governance and securities regulations for directors.</p> <p>(6) Implementation of risk management policies and risk measurement standards: formulate various internal rules and regulations in accordance with the law, and conduct various risk management and assessment.</p> <p>(7) Implementation of customer policy: The company maintains smooth communication channels with customers and maintains a good relationship.</p> <p>(8) Situation where the company purchases liability insurance for directors and managers: The company has purchased liability insurance for directors and managers to strengthen the protection for directors and managers while performing duties.</p>	
9. Describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.	V		<p>The improvement item of Corporate Governance Evaluation of Listed Companies:</p> <p>(1) Does the company establish internal regulations prohibiting directors or employees from trading securities with undisclosed information, and disclose on the company's website? The content includes (but is not limited to) directors not being allowed to trade their stocks during a blackout period of 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports and explains implementation status.</p> <p>(2) Does the company formulate a succession plan for board members and key management levels, and disclose their operations on the company's website or annual report?</p> <p>(3) Is the company's corporate governance officer a full-time position, and is the scope of responsibilities and continuing training outlined on the company's website and annual report?</p>	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(4) Is there at least one of the company's internal auditors with certificates such as international internal auditors, international computer auditors or certified public accountants?</p> <p>(5) Does the company have a functional committee at the level of the audit committee or the board of directors (such as a risk management committee) to oversee risk management? Are risk management policies and procedures established and approved by the board of directors, which discloses the organizational structure and processes of risk management and their operation, and reports to the Board at least once a year?</p> <p>(6) Has the company been invited (by itself) to hold at least two institutional investors' conference and the interval between the first and last two conference of institutional investors in the evaluation year is more than three months?</p> <p>(7) Does the company have an intellectual property management plan linked to its operational goals and the implementation status disclosed on the company's website or annual report, and reports to the Board at least once a year?</p> <p>(8) Does the company obtain the ISO 14001, ISO 50001, or the relative certification of environment or energy management?</p> <p>(9) Is the company's ESG report verified by a third party?</p> <p>(10) Does the company allocate resources to support domestic cultural development and disclose the methods and outcomes on the company's website, annual report, or ESG report?</p> <p>The company continuously improved the above items.</p>	

(1) 2024 Assessments Table of competence and independence of CPA :

No	Evaluation Item	Yes	No
1	Does the certified public accountant and the accounting audit team have any shareholding relationship with the company?		✓
2	Does the certified public accountant and professional service personnel appoint as directors (independent directors) or supervisors of the company?		✓
3	Is there a business relationship between the certified public accountant and the company?		✓
4	Is there any litigation relationship between the certified public accountant and the company?		✓
5	Are there any other matters between the certified public accountant and the Company that, in the judgment of the accountant, may violate independence?		✓
6	Does the certified public accountant issue quarterly (annual) review (audit) reports and financial statements on time?	✓	
7	Audit Quality Indicators (AQIs) : 2021 PWC	High	Low
	7-1 : Dimension1 - Professionalism		
	7-1.1 CPAs auditing experience	✓	
	7-1.2 CPAs and auditors training hours	✓	
	7-1.3 Mobility rate of auditors above supervisors (excluding CPAs)		✓
	7-1.4 Ratio of professionals supporting audit department	✓	
	7-2 : Dimension2 - Quality Control		
	7-2.1 Number of listed companies with CPAs as primary signatories		✓
	7-2.2 Input percentage of audit manpower	✓	
	7-2.3 Ratio of hours spent on Engagement Quality Control Reviews (EQCR) by CPAs	✓	
	7-2.4 Capability of quality control support	✓	
	7-3 : Dimension 3 - Independence		
	7-3.1 Percentage of Non-Audit service fees		✓
	7-3.2 Familiarity with clients	✓	
	7-4 : Dimension 4 - Supervision		
	7-4.1 Average number of deficiencies in cases reviewed by lead and deputy CPAs		✓
	7-4.2 Number of quality control deficiencies identified by the Financial Supervisory Commission		✓
	7-4.3 Ratio of improvement letters from Regulatory Authorities		✓
	7-5 : Dimension 5 - Innovation Capability	✓	

(2) Stakeholder Engagement :

Davicom has adopted the AA1000 Stakeholder Engagement Standards as the framework to establish the procedures for identifying material topics for corporate sustainable development. Davicom referenced the five major principles in the AA1000 Stakeholder Engagement Standards (SES) to ensure effective communication with stakeholders, including dependency, responsibility, influence, diverse perspectives, and tension. Stakeholders are classified into seven groups: Government /Competent Authorities, Employees, Shareholders/Investors, Customers/ Agencies, Suppliers, Non-Profit Organizations/Communities, and Teaching and research institutions.

The communication methods and results with various stakeholders in 2023 are as follows, and the report was submitted to the Board of Directors on November 9, 2023.

Stakeholders	Key Issues
1. Government /Competent Authorities	1. Corporate governance 2. Occupational safety and employee health 3. Labor relations 4. Compliance with labor laws and regulations 5. Compliance with environmental laws and regulations
2. Employees	1. Sustainable business policy 2. Compensation and benefits 3. Employee development and training 4. Labor relations 5. Ethical standards 6. Talent recruitment and retention
3. Shareholders/Investors	1. Risk management 2. Business performance 3. Corporate governance 4. Innovation and research development 5. Anti-corruption 6. Sustainable business policy
4. Customers/ Agencies	1. Green product management 2. Compliance with environmental regulations 3. Risk management 4. Customer relationship management
5. Suppliers	1. Innovation and research development 2. Risk management 3. Supplier environmental assessment 4. Compliance with environmental regulations
6. Non-Profit Organizations/Communities	1. Performance 2. Community engagement and philanthropy
7. Teaching and research institutions	1. Corporate governance 2. Performance 3. Talent cultivation 4. Innovation research and management

Reporting cases and communicate channel for group 1/2/4/5/6 : esther_lin@davicom.com.tw

Reporting cases and communicate channel for group 3/7 : investor@davicom.com.tw

For detailed communication methods, channels, frequency.

※performance in the most recent year please refer to page 31~32 of the Chinese version annual report.

(3) Continuing Education/Training of Directors and Independent Directors in 2023 :

Title	Name	Date	Host by	Training/ Speech Title	Duration
Chairman	Ting Hao	2023/07/06	Securities & Futures Institute	The technological development and business opportunities of ChatGTP	3.0
		2023/07/04	Taiwan Stock Exchange(TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6.0
		2023/04/11	Securities & Futures Institute	Server system integration technology and application opportunities	3.0
		2023/02/23	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	3 rd generation semiconductor power device technology and application opportunities	3.0
Director	Goodyears Investments Ltd. (Representative person : Wen-Chen Lin)	2023/07/06	The Allied Association for Science Park Industries	How should the board of directors implement company intellectual property management	3.0
		2023/05/26	Ministry of Environment	Creation of sustainability through green chemistry	3.0
Director	Tzay Hua Ltd. (Representative person : Cheng-Feng Chiu)	2023/07/06	The Allied Association for Science Park Industries	How should the board of directors implement company intellectual property management	3.0
		2023/06/09	Securities & Futures Institute	2023 Insider Trading Prevention Seminar.	3.0
Director	Yun-Ping Lin	2023/07/04	Taiwan Stock Exchange(TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6.0
Independent Director	Chang-Yue Ueng	2023/06/09	Securities & Futures Institute	2023 Insider Trading Prevention Seminar.	3.0
		2023/05/26	Ministry of Environment	Creation of sustainability through green chemistry	3.0
Independent Director	Jen-Jyh Hwang	2023/06/07	International project management association (IPMA)	Controlled Foreign Corporations (CFC) System	3.0
		2023/05/30	Taiwan corporate governance association (TCGA)	Emerging corporate risks: climate change	3.0
Independent Director	Niang-Shou Wei	2023/07/06	The Allied Association for Science Park Industries	How should the board of directors implement company intellectual property management	3.0
		2023/07/04	Taiwan Stock Exchange (TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	3.0

3.4.4.1 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee of the Company is composed of three independent directors and meets at least twice a year.

Their responsibilities are to act with the care of a prudent person, faithfully fulfill the following duties, and submit proposed recommendations to the Board of Directors for discussion :

- ① Regularly review this regulation and propose amendments.
- ② Establish and regularly review performance evaluation criteria, and annual or long-term performance goals, policies, systems, standards, and structures related to compensation and rewards.

(1) Professional Qualifications and Independence Analysis of Remuneration

Committee Members :

Capacity (Note 1)	Qualifications Name	Professional qualifications and experience (Note 2)	Independence analysis (Note 3)	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Jen-Jyh Hwang	Please refer to page 16 of the annual report for information disclosure on the professional qualifications and the independence of independent directors		1
Independent director	Chang-Yue Ueng			0
Independent director	Niang-Shou Wei			0

(2) Attendance of Members at Remuneration Committee Meetings

(A) Number of Board members : 3

(B) Term of Office: 06/29/2022 – 06/28/2025. A total of 5 (A) Remuneration Committee meetings were held in the previous period.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Jen-Jyh Hwang	5	0	100%	
Board Member	Chang-Yue Ueng	5	0	100%	
Board Member	Niang-Shou Wei	5	0	100%	

Other mentionable items:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons).: None.
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on

record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion.: The Company has good communication with the Remuneration Committee.

Remuneration Committee Meeting Summary

Date	Meeting Resolutions
11/09/2023	1. Approved the proposal of 2023 managers' year-end bonus.
08/09/2023	1. Approved the proposed amount for employee compensation for internal managers for the fiscal year 2022.
05/11/2023	1. Approved the proposal of 2023 internal managers' Dragon Boat Festival bonus distribution. 2. Our company's founder and chairman, Mr. Ting Hao, will have his retirement pension determined by the Old Fund standards of employee retirement policy upon his retirement in the future.
03/07/2023	1. Approved the 2022 Board of Director compensation and employee compensation distribution.
01/16/2023	1. Approved the proposal of 2022 managers' year-end bonus

3.4.4.2 Key objectives of establishing a Nomination Committee :

(1) The required qualifications and the responsibilities of the Company's nomination committee members: According to administrative rules, the Committee should consist of at least 3 members from the Board of Directors with more than half of independent directors participating. The main purpose of the establishment of the nomination committee is to assist the board of directors in the searching, review and nomination of director candidates, and to construct and develop the organizational structure of the board of directors to ensure the proper composition of the board of directors.

According to the organization rules of the Nomination Committee, its duties include :

- (A) To formulate the standards that board members and senior manager required include professional knowledge, skills, experience, gender and other diversity background and independence to identify, review and nominate directors (independent directors) and senior manager candidates accordingly.
- (B) To construct and develop the organizational structure of the board of directors and various committees, conduct performance evaluations of the board of directors, functional committees, directors and senior managers, and evaluate the independence of independent directors.
- (C) Formulate and regularly review the training plan for directors and the succession plan for directors and senior managers.
- (D) To formulate the Corporate Governance Best Practice Principles.

(2) The professional qualifications and experience of the members and status of operations of the nomination committee :

- (A) The Company's nomination committee has a total of 3 members.
 (B) The term of the current members is from 2022/06/29 to 2025/06/28.
 (C) The number of nomination committee meetings held in the most recent fiscal year was: 2 (A). The professional qualifications and experience and meeting attendance record of the members and matters discussed by the committee are as follows :

Title	Name	Professional qualifications and experience	No. of Meetings attended in person (B)	No. of meetings attended by proxy	In-person Attendance rate (%) (B / A) (Notes)	Remarks
Independent Director (Convener)	Niang-Shou Wei	Business management, Human resource management	2	0	100%	
Independent Director	Jen-Jyh Hwang	Law, Manufacturing Management	2	0	100%	
Chairman	Ting Hao	Business Management, Corporate Management and Governance, Finance	2	0	100%	

Other information required to be disclosed :

For any major motion put before the nomination committee, specify the meeting date, meeting session number, content of the motion, content of recommendations or dissenting opinions of the nomination committee members, the outcome of the resolution of the nomination committee, and the measures taken by the Company with respect to the nomination committee members' opinions.

Nomination Committee Meeting Summary

Date	Meeting Resolutions	Resolutions that have not been approved by the nomination committee and have been approved by more than two-thirds of all directors
11/09/2023	1. Approved the qualification review proposal of Mr. Chung-Tien Ma, the newly appointed information security assistant manager of the Company.	None
01/16/2023	1. Approved the proposal for performance evaluation of the board of directors for 2022 : Excellent	None

3.4.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development?</p> <p>Has the board of directors authorized senior management to handle related matters under the supervision of the board?</p>	V		<p>The company established a CSR team in 2015 to implement corporate social responsibility, and voluntarily compiled a "corporate social responsibility report", set up a "corporate social responsibility section" on the company's website, and disclosed the report on the website. In 2016, the management mechanism was introduced and the CSR team was elevated to the committee level, which shows the importance and forward-looking deployment of the company in fulfilling corporate social responsibility and implementing honest management.</p> <p>At present, the CSR Committee is composed of 1 independent director (as the convener) and 2 directors. The chairman serves as the ESG CEO and an executive secretary is set up to assist in the promotion of corporate social responsibility. At the end of 2020, the CSR Committee passed a resolution to rename itself as the "ESG Committee", and the new name will be used from January 1, 2021, and the organization's members and responsibility will remain the same.</p> <p>The ESG Committee regularly reports the current year's work plan and implementation results to the Board of Directors every year; the work plan has been reported to the Board of Directors on November 9th, 2023 and the execution results has been reported on January 16th, 2023. Expected to complete greenhouse gas inventory and assurance report by the end of 2027.</p>	No difference
<p>2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality</p>	V		<p>The Board of Directors of our company passed the "Risk Management Operation Regulations" in November 2016 and established the "Risk Management Committee". The committee is led by the General Manager as the convener and chairman, serving as the highest guiding principle for our company's risk management. It integrates the operational departments related to risk management, identifies risk factors, and prioritizes high-risk</p>	No difference

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																								
	Yes	No	Summary description																																									
principle, and formulate relevant risk management policies or strategies?			<p>issues for intervention, based on which improvement measures and opportunities are proposed to shape a risk management and control model with adaptive capabilities. Regular reports are submitted to the Board of Directors.</p> <p>The scope of our company's risk management includes the management of "strategic risk," "operational risk," "financial risk," "information security risk," and "climate change risk." The Risk Management Committee holds meetings at least twice a year, and prior to each meeting, the committee prepares a risk assessment checklist and receives project reports on risk control from the responsible units. The committee also evaluates potential risks and provides corresponding strategies. The Internal Audit Unit then consolidates the reports and presents them to the Independent Directors and the Board of Directors.</p> <p>The significant disclosure topics regarding 2023 ESG report, which were discussed and approved by the Board on January 25, 2024 of our company, are as follows :</p> <table border="1"> <thead> <tr> <th>No</th> <th>Governance</th> <th>Environment</th> <th>Social</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Risk Management</td> <td>Greenhouse Gas Emissions</td> <td>Labor Relations</td> </tr> <tr> <td>2</td> <td>Innovation R&D</td> <td>Waste</td> <td>Employee Health</td> </tr> <tr> <td>3</td> <td>Customer Privacy</td> <td>Carbon Footprint</td> <td>Compensation and Benefits</td> </tr> <tr> <td>4</td> <td>Information Disclosure</td> <td>Water Resources</td> <td>Safety and Comfort</td> </tr> <tr> <td>5</td> <td>Supply Chain Management</td> <td>Air Quality</td> <td>Career Development</td> </tr> <tr> <td>6</td> <td>Internal Audit</td> <td>Energy Use</td> <td>Diverse Workplace</td> </tr> <tr> <td>7</td> <td>Board Composition</td> <td>Biodiversity</td> <td></td> </tr> <tr> <td>8</td> <td>Business Ethics</td> <td></td> <td></td> </tr> <tr> <td>9</td> <td>Competitive Behavior</td> <td></td> <td></td> </tr> </tbody> </table>	No	Governance	Environment	Social	1	Risk Management	Greenhouse Gas Emissions	Labor Relations	2	Innovation R&D	Waste	Employee Health	3	Customer Privacy	Carbon Footprint	Compensation and Benefits	4	Information Disclosure	Water Resources	Safety and Comfort	5	Supply Chain Management	Air Quality	Career Development	6	Internal Audit	Energy Use	Diverse Workplace	7	Board Composition	Biodiversity		8	Business Ethics			9	Competitive Behavior			
No	Governance	Environment	Social																																									
1	Risk Management	Greenhouse Gas Emissions	Labor Relations																																									
2	Innovation R&D	Waste	Employee Health																																									
3	Customer Privacy	Carbon Footprint	Compensation and Benefits																																									
4	Information Disclosure	Water Resources	Safety and Comfort																																									
5	Supply Chain Management	Air Quality	Career Development																																									
6	Internal Audit	Energy Use	Diverse Workplace																																									
7	Board Composition	Biodiversity																																										
8	Business Ethics																																											
9	Competitive Behavior																																											
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry	V		<p>With the orientation of the international market and the sustainable goal of innovative research and development: the company is committed to the development of energy-saving products. The product direction is committed to: functional improvement, light weight, energy saving and carbon reduction, artificial intelligence, etc. for continuous innovation</p>	No difference																																								

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
characteristics? (2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact? (3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them? (4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		and improvement. The company has established appropriate environmental management according to the characteristics of its industry and is committed to reducing the impact on natural resources and reducing environmental pollution. Quantitative statistical disclosure of environmental information, long-term information records and disclosures include electricity usage, renewable energy, water resources and the use of various raw materials. Year by year, we review whether our planet-friendly measures have gradually achieved our stated goals.	No difference
	V		In addition, we are also actively responding to climate change and adopting action plans to reduce natural resource consumption, including improving product energy efficiency, green supply chain management, raw material and waste management, product packaging reduction and recycling to improve energy use in combination with our own industries. efficiency. In assessing issues related to climate change, the Company has not only included it in the scope of risk management of the Company, but has also taken relevant specific measures.	No difference
	V			No difference
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) The company complies with relevant regulations to safeguard the legitimate rights and interests of employees and adheres to international human rights conventions and has established the "Code of Practice for Sustainable Development" and "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" to ensure gender equality, labor rights, and prohibition of discrimination etc.	No difference

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(2) We adhere to the concept of profit sharing with employees, attracting, retaining, nurturing and motivating outstanding talents.	No difference
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(3) The company's office environment takes protecting the safety of employees as the first consideration to ensure that employees can get the greatest protection at work. There were no occurrences of fire within the company in 2023.	No difference
(4) Has the Company established effective career development training programs for employees?	V		(4) The company attaches great importance to the career development of employees, and has established an effective career ability development training program for employees.	No difference
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		(5) The company's marketing and labeling of products and services comply with relevant laws and international standards. At the same time, the company formulates service management procedures, customer return/complaint management measures, and confidential information protection.	No difference
(6) Has the company formulated supplier management policies requiring suppliers to comply	V		(6) The company promotes green environmental protection policies and concepts to the entire supply chain. All new product manufacturing suppliers must meet the company's relevant requirements before they can be listed as qualified suppliers. At the same time the	No difference

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?			company also requires suppliers to use recycled materials and reduce the use of consumables, both at the factory and in transit. As for the human rights issues, the company also requires suppliers to comply with the same human rights policy. The company follows relevant norms on issues such as occupational safety and health or labor rights.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The Company in accordance with the GRI Guidelines: Core Options published by the Global Reporting Initiative (GRI). The direction of information disclosure reported in the company's corporate social responsibility report also respond to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and the United Nations Global Compact, SDGs, ISO26000 Social Responsibility, and EICC Guidelines. The company's sustainability report has not been certified by a third-party verification agency.	No difference
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Board of Directors of the Company passed the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" in November 2014 as the guiding principle for long-term CSR promotion. The actual operation is no different from the established code. The Company has passed to formulate the sustainable development best practice principles on Jan. 25, 2024. ※ Detailed operation please refer to 2022 ESG report of Chinese version.				

Item	Implementation Status			Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No			
<p>7. Other important information to facilitate better understanding of the company's promotion of sustainable development :</p> <p>ESG implementation in 2022 and reported to the Board on Jan. 25, 2024.</p> <p>(1) Enhancing Corporate Governance :</p> <ul style="list-style-type: none"> ① Core Values and Strategies. ② Governance Systems. ③ Sustainable Business Development. ④ Integrity in Operations. ⑤ Professional Ethics and Anti-Corruption. ⑥ Compliance with Regulations. ⑦ Implementation of Risk Management. ⑧ Identification and Analysis of Operational Risks. ⑨ Understanding Risks and Opportunities of Climate Change. ⑩ Information and Communication Technology Security Management. <p>(2) Strengthen value chain cooperation :</p> <ul style="list-style-type: none"> ① Innovative Services and R&D. ② Responsible Production and Consumption. ③ Customer Relationship Management. ④ Sustainable Suppliers. <p>(3) Addressing Climate Change :</p> <ul style="list-style-type: none"> ① Climate Action. ② Energy and Resource Use. ③ Product Environmental Footprint. <p>(4) Practicing a Happy Workplace :</p> <ul style="list-style-type: none"> ① Talent Development. 					

Item	Implementation Status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
② Health and Safety. ③ Human Rights and Inclusivity. (5) Promoting Social Prosperity : ① Public Investment. ② Policy Engagement. ※For detailed implementation, please refer to our company's 2022 ESG report of Chinese version. Davicom Website (http://www.davicom.com.tw) MOPS Website (http://mops.twse.com.tw)				

Climate-Related Information for Listed Companies - Implementation Status :

Our company has been classified as paid-in capital of less than NTD 5 billion, is subject to the third phase of greenhouse gas inventory and verification requirements (completion of the inventory by 2026 and verification by 2028).

※For further information please refer to page 39 of the Chinese version annual report.

3.4.6 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1). Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2). Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(3). Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	V		(1) The company has formulated the "Integrity Management Principle". The members of the company's board of directors and management all attach importance to ethical and honest business practices, adhere to the business philosophy of integrity, transparency and responsibility, and implement the integrity policy to create a sustainable business environment.	No difference
	V		(2) The company has formulated the "Integrity Management Principle", and the management will publicize how to prevent dishonest behaviors in company meetings or education training from time to time, hoping to establish the unanimous belief of all employees and abide by relevant laws and regulations to implement integrity management.	No difference
	V		(3) The company's "Integrity Management Code" has specifically stipulated that the company's personnel shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or conduct other acts that violate integrity, law or fiduciary duties in the process of engaging in business activities.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		(1) The company establishes business relationships with others, and first evaluates the legality, integrity management policies of agents, suppliers, customers or other business partners, and whether there has been a record of dishonest behavior to ensure that its business operations are fair, transparent and will not ask, offer or accept bribes.	No difference
(2). Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(2) The company has set up personnel administration management office for promoting corporate integrity management. And report to the board of directors on the implementation of integrity management in 2023 on November 9, 2023.	No difference
(3). Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		(3) When conflicts of interest occur, the employee may report directly to the head of the department or to the chairman of the board of directors.	No difference
(4). Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(4) The company has established an effective accounting system and internal control system, which are regularly reviewed and revised in accordance with changes in laws and practical needs, and are regularly reviewed by internal auditors to ensure that the design and implementation of the system continue to be effective and achieve corporate governance and risk management.	No difference
(5). Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		(5) The company has formulated the "Integrity Management Principle and Behavior Guide", and the management will publicize how to prevent dishonest behavior in company meetings or education training from time to time, hoping to establish the unanimous belief of all employees, and abide by relevant laws	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			and regulations to implement integrity operate. This year, on November 9, 2023, the company's managers and employees were educated and publicized on the Ethical Corporate Management Best Practice Principles for Companies. The course content included the provisions of the integrity management code, and the unit, reporting channels and method as well as the company's handling procedures of acceptance of cases of reporting illegal and immoral or dishonest behavior. The instructions and the course briefing are placed in the internal staff system for reference to those who did not attend on the day.	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle blowers?</p> <p>(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p>	V		(1) If the employees of the company find violations of the relevant regulations on integrity management, they can report to the supervisor of the department or the chairman of the board of directors, The violation situation will be jointly reviewed by the responsible units. The verification will be punished according to the company’s personnel regulations.	No difference
	V		(2) When the company discovers or receives a report of dishonest behavior by its employees that is confirmed to violate relevant laws or the company's policies and regulations, the company shall immediately request the person involved to stop the related behavior and take appropriate measures. When necessary, the company may seek damages through legal procedures to maintain the company's reputation and rights. The personal information of the whistleblower will be kept confidential and appropriate protective measures will be taken in accordance with the law to protect personal information and privacy. Please refer to the attached table on page 60 for the relevant data on the reports received and investigations conducted from 2023 to 2021.	No difference

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Has the company adopted proper measures to protect whistle blowers from retaliation for filing complaints?	V		(3) The company is responsible for the confidentiality and protection of the whistleblower, and will not be improperly dealt with due to the whistleblower.	No difference
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The company has uploaded the integrity management operating procedures approved by the board of directors to the company's website and MOPS to disclose information related to integrity management.	No difference
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation : There have been no differences.				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles) : Please refer to the company’s website or Market Observation Post System (“MOPS”) for the company’s Ethical Corporate Management Best Practice Principles.				

3.4.7 Corporate Governance Guidelines and Regulations :

Please refer to the Company’s website at <http://www.davicom.com.tw> or Market Observation Post System (“MOPS”) at (<http://mops.twse.com.tw>).

3.4.8 Other Important Information Regarding Corporate Governance :

Please refer to the Company’s website at <http://www.davicom.com.tw> or Market Observation Post System (“MOPS”) at (<http://mops.twse.com.tw>) .

Implementation status of ethical corporate management in 2023

- (1) During the 9th board meeting of the 10th term held on November 9th, 2023, the company reported to the directors the implementation status of its integrity management in the fiscal year 2023. A total of 113 participants, with a total of 132 person-hours.

Management goals	Measures	Performance
External Transaction : Constraint by Special Provisions	When entering into contracts with their clients, agents, and suppliers, the companies shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the companies may at any time terminate or rescind the contracts.	Achieved
Internal of the company : Training 、 Promoting 、 Whistleblower	Regularly conduct training and promotion on ethical corporate management to directors, managers, and employees. If you find any suspected violation of ethical corporate management, you must immediately report it to the management department esther_lin@davicom.com.tw .	Achieved
Precautions : Internal Control, Internal Audit	For business activities with high risk of dishonest behavior, the company has established an effective accounting system and internal control system, and regularly reports to the board of directors through the internal audit system to review and implement the effectiveness and continuous improvement at any time to ensure the implementation of the integrity management policy.	Achieved

- (2) The relevant data of reports received and investigations conducted from 2021 to 2023 are as follows :

	2023	2022	2021
Employee Major Complaints / Whistleblowing (Uncategorized)	0	0	0
Sexual harassment	0	0	0
Complaints of unlawful infringement	0	0	0
Confidential information protection control procedures.	0	0	0
Investigated cases that were substantiated.	0	0	0

(3) Continuing Education/Training of Managers in 2023 :

Title & Name	Date	Host by	Training/ Speech Title	Duration
Finance Manager – Kuei-Feng Chiu	2023/09/11- 2023/09/12	Accounting Research and Development Foundation	Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges Education Course	12
Proxy of Finance Manager – Feng-Yu Liu	2023/09/11- 2023/09/12	Accounting Research and Development Foundation	Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges Education Course	12
Internal Auditor – Ching-Huan Hsiao	2023/04/26	Securities & Futures Institute	How to audit ESG (environmental, social, and governance) risks and produce effective audit reports	6
	2023/09/07	The Institute of Internal Auditors- Chinese Taiwan	Practical discussions and responses to "Insider trading" and "financial misrepresentation"	6
Proxy of Internal Auditor – Feng-Ching Yeh	2023/04/26	Securities & Futures Institute	How to audit ESG (environmental, social, and governance) risks and produce effective audit reports	6
	2023/09/07	The Institute of Internal Auditors- Chinese Taiwan	Practical discussions and responses to "Insider trading" and "financial misrepresentation"	6
Manager of Corporate Governance – Chun-Chun Yang	2023/05/26	Ministry of Environment	Creation of sustainability through green chemistry	3
	2023/06/09	Securities & Futures Institute	2023 Advocacy of legal compliance for insider equity transactions	3
	2023/07/04	Cathay Financial Holdings & Taiwan Stock Exchange (TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6

3.4.9 Status of the Internal Control System Implementation

(1) Declaration of Internal Control

DAVICOM Semiconductor, Inc.

Statement of Declaration of Internal Control

Date: February 29th, 2024

DAVICOM Semiconductor, Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2023, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.
3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the “Criteria for the Establishment of Internal Control Systems of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.
5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on February 29th, 2024 with all Directors in session under unanimous consent.

DAVICOM Semiconductor, Inc.

Chairman: Ting Hao

President: Nien-Tai Chen

- (2) Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System : None.

3.4.10 Reprimands on the Company and its Staff

Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction : None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

- (1) Key solutions from the 2023 shareholders meeting :

Meeting Resolutions
<p>1. Approved the 2022 Business Report and Financial Statements</p> <p>2. Approved the proposal for distribution of 2022 earnings. <i>Implementation</i> : The ex-dividend date was set on June 25, 2023, and the distribution was completed on July 11, 2023.</p> <p>3. Approved the proposal for cash distribution of 2022 additional paid in capital <i>Implementation</i> : The ex-dividend date was set on June 25, 2023, and the distribution was completed on July 11, 2023.</p>

- (2) Key resolution from Board meeting :

Date	Meeting Resolutions
11/09/2023	<p>Report Items :</p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (August 9, 2023) <ol style="list-style-type: none"> (1) Approved the proposed remuneration for internal managers for 2022. (2) Approved the second quarter 2023 consolidated financial statements. 2. To report the progress of the greenhouse gas inventory and verification operation of the company. 3. To report the third quarter 2023 execution status of internal audits. 4. To report 2023 implementation of "Integrity in Operations". 5. To report the execution state of 2023 company's prevention of insider trading promotion for directors and employees. 6. External assessment of the board's performance has been entrusted to the "Taiwan Corporate Governance Association." Written responses to questions and provision of relevant documents are currently underway. Interviews with the members of the governance association and the chairman, CEO, chair of remuneration & audit, and manager of audit & governance of the company are scheduled to begin video conference on December 21st at 9:30 AM to understand the actual operation of the board of directors. <p>Acknowledgments and Discussion Items :</p> <ol style="list-style-type: none"> 1. Approved the 2024 company's ESG implementation plan 2. Approved the third quarter 2023 consolidated financial statement 3. Approved the 2024 internal audit plan content. 4. Approved the proposal of 2023 internal managers' year-end bonus. 5. Approved the proposal of Mr. Chung-Tien Ma, the newly appointed information security manager of the Company. <p>※Board Resolution: After discussion, all attending directors unanimously agreed to approve the above proposals.</p>

08/09/2023	<p>Report Items :</p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (May 31 2023) 2. To report the third quarter 2023 progress of the greenhouse gas inventory and verification operation of the company. 3.To report the company's second quarter 2023 internal control and audit status 4.To report the company plans to hire external experts to conduct the triennial "External Performance Evaluation of the Board of Directors." in the second half of the year. 5. To report the 100% subsidiary Medicom will now undergo capital reduction instead of liquidation. <p>Acknowledgments and Discussion Items :</p> <ol style="list-style-type: none"> 1. Approved the proposed remuneration for internal managers for 2022. 2. Approved the second quarter 2023 consolidated financial statements. <p>※Board Resolution: After discussion, all attending directors unanimously agreed to approve the above proposals.</p>
05/31/2023	<p>Report Items :</p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (May 11, 2023). <p>Acknowledgments and Discussion Items :</p> <ol style="list-style-type: none"> 1. Approved the resolution date of share dividend of 2022 profit and Capital Surplus is on June 25. <p>※Board Resolution: After discussion, all attending directors unanimously agreed to approve the above proposals.</p>
05/11/2023	<p>Report Items :</p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (March 7, 2023) 2. To report the second quarter 2023 progress of the greenhouse gas inventory and verification operation of the company. 3. To report the company's first quarter 2023 internal control and audit status. 4. Approved the directors' and managers' liability insurance for the year 2023 has been renewed with Fubon Insurance Co., Ltd. The insurance period is from April 1, 2023, 00:00 AM to April 1, 2024, 00:00 AM, with a coverage limit of US\$3 million. <p>Acknowledgments and Discussion Items :</p> <ol style="list-style-type: none"> 1. Approved the proposal of 2023 internal managers' Dragon Boat Festival bonus distribution. 2. Approved our company's founder and chairman, Mr. Ting Hao, will have his retirement pension determined by the Old Fund standards of employee retirement policy upon his retirement in the future. 3. Approved the company's first quarter 2023 consolidated financial statement. 4. Approved amendments to certain articles of the "Procedures for Related Party Transactions" of the company. 5. Approved the cessation of operations for 100% subsidiary - Medicom, as its phased tasks have been completed. <p>※Board Resolution: After discussion, all attending directors unanimously agreed to approve the above proposals.</p>
03/07/2023	<p>Report Items :</p> <ol style="list-style-type: none"> 1. The resolutions and implementation of the last board of directors (January 16, 2023).

	<p>2. To report the first quarter 2023 progress of the greenhouse gas inventory and verification operation of the company.</p> <p>3. To report the Company Operational Status.</p> <p><i>Acknowledgments and Discussion Items :</i></p> <p>1. Approved the remuneration distribution for directors and employees of 2022.</p> <p>2. Approved the financial statements of 2022.</p> <p>3. Approved the profit distribution of 2022.</p> <p>4. Approved the cash distribution from capital surplus of 2022.</p> <p>5. Approved the statement of declaration of internal control for 2022.</p> <p>6. Approved the business budget for 2023.</p> <p>7. Approved the date, venue, and agenda for convening the 2023 annual general shareholders' meeting.</p> <p>※Board Resolution: After discussion, all attending directors unanimously agreed to approve the above proposals.</p>
01/16/2023	<p><i>Report Items :</i></p> <p>1. To report the resolutions and implementation of the last board of directors (November 11,2022).</p> <p>2. To report the company's 2023 ESG execution plan.</p> <p>3. To report the company's fourth quarter 2022 internal control and audit status</p> <p>4. To report 2022 Corporate Governance status</p> <p><i>Acknowledgments and Discussion Items :</i></p> <p>1. Approved the proposal of 2022 Board of Directors assessment of performance-Excellent.</p> <p>2. Approved the 2022 manager year-end bonus.</p> <p>3. Approved the 2023 CPA assessments of competence and independence.</p> <p>4. Approved the chairman of the Audit Committee is authorized to pre-approve the engagement of auditors, their firms, and affiliated entities to provide non-assurance service to the Company and its subsidiaries.</p> <p>5. Approved the appointment of the CPAs for 2023.</p> <p>6. Approved amendment of the company's "Rules of Procedure for Board of Directors Meetings".</p> <p>※Board Resolution: After discussion, all attending directors unanimously agreed to approve the above proposals.</p>

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

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

3.5 Information on the professional fees of the attesting CPAs

- (1) The company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services.
- (2) The professional fees for auditing services in the preceding item means the professional fees paid by the company to certified public accountants for auditing, review, and secondary reviews of financial reports and for financial forecast reviews.

Information on CPA (External Auditor) Professional Fees Unit : NT\$ Thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Pricewaterhouse Coopers (PWC)	Chia-Hung Lin,	Jan. 01, 2023	2,130	420	2,550	
	Chun-Yuan Hsiao	~ Dec. 31, 2023				

3.6 Replacement of CPA : None

3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed. The term "affiliated enterprise of a certified public accountant's accounting firm" means one in which the certified public accountants at the accounting firm of the attesting certified public accountant hold more than 50 percent of the shares, or of which such accountants hold more than half of the directorships, or a company or institution listed as an affiliated enterprise in the external publications or printed materials of the accounting firm of the certified public accountant. : None

3.8 Net Changes in Shareholding

- (1) Net change in shareholding and net change in shares pledged by directors, supervisors, management and shareholders with 10% shareholding or more.

Unit : Shares

Title	Name	2023		As of Mar. 31, 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Ting Hao	0	0	0	0
Juridical Person Director	Goodyears Investments Ltd.	0	0	0	0
Representative of Juridical Person Director	Wen-Chen Lin	0	0	0	0
Juridical Person Director	Tzay Hua Ltd.	0	0	0	0
Representative of Juridical Person Director	Cheng-Feng Chiu	0	0	0	0
Director	Yun-Ping Lin	0	0	0	0
Independent Director	Chang-Yue Ueng	0	0	0	0
Independent Director	Jen-Jyh Hwang	0	0	0	0
Independent Director	Niang-Shou Wei	0	0	0	0
President	Nien-Tai Chen	0	0	0	0
CFO	Chun-Chun Yang	0	0	0	0
CTO	Cheng-Fang Chiu	0	0	0	0

- (2) Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, and ten-percent shareholders, and the number of shares transferred or pledged : None

3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

2024/03/31

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Goodyears Investments Ltd.	3,982,475	4.79%	-	-	-	-	Tzay Hua Ltd.	Chairman as same person	-
Ting Hao	2,119,000	2.55%	-	-	-	-	-	-	-
Tzay Hua Ltd.	1,480,652	1.78%	-	-	-	-	Goodyears Investments Ltd.	Chairman as same person	-
Taipei Fubon Commercial Bank Co., Ltd. Trust Account	906,986	1.09%	-	-	-	-	-	-	-
Yun-Ping Lin	900,000	1.08%	-	-	-	-	-	-	-
Mr. Liou	542,000	0.65%	-	-	-	-	-	-	-
DAVICOM Semiconductor, Inc. retirement/purchase account	512,000	0.62%	-	-	-	-	-	-	-
Cheng-Feng Chiu	433,101	0.52%	-	-	-	-	-	-	-
Ms. Hsu	420,000	0.51%	-	-	-	-	-	-	-
Mr. Hung	420,000	0.51%	-	-	-	-	-	-	-

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company :

Total Ownership of Shares in Investee Enterprises

As of Mar. 31, 2024 / Unit : shares

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	%	Shares	%	Shares	%
TSCC Inc.	4,400,000	100.00	-	-	4,400,000	100.00
Davicom Investment Inc.	21,200,000	100.00	-	-	21,200,000	100.00
Medicom Corp.	100,000	100.00	-	-	100,000	100.00
Aidialink Corp.	8,000,000	100.00	-	-	8,000,000	100.00

Note : Long-term investment calculated according to the equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

(1) Issued Shares :

Unit : thousands shares/ NT\$ thousands

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Approval Document No.
08/1996	10	15,000	150,000	13,000	130,000	Share capital when established	None	Yuan-Shang-Tze No. 18363
02/1997	10	30,000	300,000	19,000	190,000	Cash Replenishment 60,000	None	Yuan-Shang-Tze No. 05937
09/1997	10	30,000	300,000	24,000	240,000	Cash Replenishment 50,000	None	Yuan-Shang-Tze No. 20851
04/1999	12.5	60,000	600,000	40,000	400,000	Cash Replenishment 160,000	None	Yuan-Shang-Tze No. 12659
06/2000	10	60,000	600,000	50,950	509,500	Replenishment of Earnings 109,500	None	Taiwan-Finance-Securities (I) No. 48804
07/2001	10	60,000	600,000	53,138	531,380	Replenishment of Earnings 21,880	None	Taiwan-Finance-Securities (I) No. 144747
08/2002	10	80,000	800,000	53,138	531,380	-	-	Yuan-Shang-Tze No. 19317
02/2004	15	80,000	800,000	64,000	640,000	Cash Replenishment 108,620	None	Yuan-Shang-Tze No. 13143
12/2006	9.6	80,000	800,000	64,585	645,850	Exercise of Employee Stock Options 5,850	None	Yuan-Shang-Tze No. 0950027059
04/2007	9.6	80,000	800,000	69,016	690,158	Exercise of Employee Stock Options 44,308	None	Yuan-Shang-Tze No. 0950027230
06/2007	10	80,000	800,000	70,070	700,700	Replenishment of Earnings 10,542	None	Yuan-Shang-Tze No. 0960015699
08/2007	56	90,000	900,000	79,413	794,130	Cash Replenishment 93,430	None	Yuan-Shang-Tze No. 60022848
12/2007	8.7	90,000	900,000	79,462	794,623	Exercise of Employee Stock Options 493	None	Yuan-Shang-Tze No. 970000349
01/2008	8.7	90,000	900,000	79,510	795,104	Exercise of Employee Stock Options 483	None	Yuan-Shang-Tze No. 970018560
08/2008	10	90,000	900,000	81,750	817,504	Replenishment of Earnings and Additional Paid In Capital 22,400	None	Yuan-Shang-Tze No. 970021404
10/2008	7.1 and 7.8	120,000	1,200,000	82,128	821,284	Exercise of Employee Stock Options 3,780	None	Yuan-Shang-Tze No. 970029806
12/2008	10	120,000	1,200,000	81,268	812,684	Cancellation of Treasury Stocks 8,600	None	Yuan-Shang-Tze No. 970037867
01/2009	7.1 and 7.8	120,000	1,200,000	81,337	813,374	Exercise of Employee Stock Options 690	None	Yuan-Shang-Tze No. 980000699
01/2009	10	120,000	1,200,000	79,337	793,374	Cancellation of Treasury Stocks 20,000	None	Yuan-Shang-Tze No. 980001875
04/2009	7.1 and 7.8	120,000	1,200,000	80,507	805,071	Exercise of Employee Stock Options 11,697	None	Yuan-Shang-Tze No. 980010044

07/2009	7.8	120,000	1,200,000	80,839	808,391	Exercise of Employee Stock Options 3,320	None	Yuan-Shang-Tze No. 980018733
12/2009	6.6 and 7.3	120,000	1,200,000	81,163	811,631	Exercise of Employee Stock Options 3,240	None	Yuan-Shang-Tze No. 980034868
03/2010	6.6 and 7.3	120,000	1,200,000	81,947	819,471	Exercise of Employee Stock Options 7,840	None	Yuan-Shang-Tze No. 990007831
07/2010	7.3 and 33.6	120,000	1,200,000	82,039	820,386	Exercise of Employee Stock Options 915	None	Yuan-Shang-Tze No. 990019884
09/2010	10	120,000	1,200,000	83,660	836,601	Replenishment of Additional Paid In Capital 16,215	None	Yuan-Shang-Tze No. 990027547
12/2010	6.0 and 32.1	120,000	1,200,000	84,085	840,851	Exercise of Employee Stock Options 4,250	None	Yuan-Shang-Tze No. 99036978
03/2011	10	120,000	1,200,000	82,587	825,871	Cancellation of Treasury Stocks 14,980	None	Yuan-Shang-Tze No. 100006339
05/2011	6	120,000	1,200,000	83,323	833,236	Exercise of Employee Stock Options 7,365	None	Yuan-Shang-Tze No. 1000013183
09/2011	6	120,000	1,200,000	83,432	834,321	Exercise of Employee Stock Options 1,085	None	Yuan-Shang-Tze No. 1000026173
10/2011	10	120,000	1,200,000	85,099	850,986	Replenishment of Earnings and Additional Paid In Capital 16,665	None	Yuan-Shang-Tze No. 1000032771
03/2012	4.8	120,000	1,200,000	85,227	852,271	Exercise of Employee Stock Options 1,285	None	Yuan-Shang-Tze No. 1010008507
07/2012	4.8	120,000	1,200,000	85,259	852,591	Exercise of Employee Stock Options 320	None	Yuan-Shang-Tze No. 1010020767
12/2012	4.2	120,000	1,200,000	85,289	852,891	Exercise of Employee Stock Options 300	None	Yuan-Shang-Tze No. 1010039626
08/2014	25.9 and 24.8	120,000	1,200,000	85,452	854,521	Exercise of Employee Stock Options 163	None	Zhu- Shang -Tze No. 1030023720
11/2014	10	120,000	1,200,000	83,215	832,151	Cancellation of Treasury Stocks 2,237	None	Zhu- Shang -Tze No. 1030034128
03/2015	24.8	120,000	1,200,000	83,255	832,551	Exercise of Employee Stock Options 40	None	Zhu- Shang -Tze No. 104007422
10/2017	10.0	120,000	1,200,000	84,655	846,551	Issue of Restricted Stock Awards 14,000	None	Zhu- Shang -Tze No. 1060027458
08/2020	10.0	120,000	1,200,000	84,632	846,321	Cancellation of Restricted stock award 23	None	Zhu- Shang -Tze No. 1090024339
02/2022	10.0	120,000	1,200,000	83,117	831,171	Cancellation of Treasury Stocks 1,515	None	Zhu- Shang -Tze No. 1110004451
07/2022	10.0	135,000	1,350,000	83,117	831,171	-	None	Zhu- Shang -Tze No. 1110021098

(2) Type of Stock :

As of March 31, 2024 /Unit : Share

Share Type	Authorized Capital				Remarks
	Outstanding Stocks	Treasury Stocks	Un-issued Stocks	Total Stocks	
Common Stocks in registered form	82,605,089	512,000	51,882,911	135,000,000	-

(3) Information Relating to the Shelf Registration : None

4.1.2 Composition of Shareholders :

As of March 31, 2024

Item	Government Agencies	Financial Institutions	Mainland Chinese investors	Other legal entities	Foreign Institutions and Persons	Individuals	Total
No. of Shareholders	0	0	1	171	54	35,596	35,822
No. of shares held	0	0	1	7,045,459	1,090,434	74,981,195	83,117,089
Shareholding ratio	0.00%	0.00%	0.00%	8.48%	1.31%	90.21%	100.00%

Note1 : Primary TWSE and TPEX listed companies and Emerging Stock companies should disclose the shareholding ratio of Mainland Chinese investors. "Mainland Chinese investors" means citizens, legal entities, groups, or other institutions of the Mainland China area, or a company in which the same have invested in a third jurisdiction as provided in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

Note 2: The Composition of Shareholders includes the Company's treasury Stocks : 512,000 shares.

4.1.3 Distribution of Shareholding :

As of March 31, 2024

Common Share Shareholder Ownership	Number of Shareholders	Number of Shares Held	Percentage
1 ~ 999	21,586	399,796	0.48%
1,000 ~ 5,000	11,720	22,665,908	27.27%
5,001 ~ 10,000	1,462	11,700,001	14.08%
10,001 ~ 15,000	370	4,690,793	5.64%
15,001 ~ 20,000	250	4,702,166	5.66%
20,001 ~ 30,000	164	4,225,960	5.08%
30,001 ~ 40,000	70	2,505,522	3.01%
40,001 ~ 50,000	41	1,924,664	2.32%
50,001 ~ 100,000	84	6,052,090	7.28%
100,001 ~ 200,000	43	6,232,875	7.50%
200,001 ~ 400,000	21	5,893,100	7.09%
400,001 ~ 600,000	6	2,735,101	3.29%
600,001 ~ 800,000	0	0	0.00%
800,001 ~ 1,000,000	2	1,806,986	2.17%
1,000,001 and above	3	7,582,127	9.13%
Total	35,822	83,117,089	100.00%

Note : The Company has not issued preferred shares The Status of Distribution of Shareholding includes the Company's treasury Stocks : 512,000 shares.

4.1.4 List of Major Shareholders :

Unit : Share

Shareholder's Name	Shareholding	
	Shares	Percentage
Goodyears Investments Ltd.	3,982,475	4.79%
Ting Hao	2,119,000	2.55%
Tzay Hua Ltd.	1,480,652	1.78%
Taipei Fubon Commercial Bank Co., Ltd. Trust Account	906,986	1.09%
Yun-Ping Lin	900,000	1.08%
Mr. Liou	542,000	0.65%
DAVICOM Semiconductor, Inc. retirement/purchase account	512,000	0.62%
Cheng-Feng Chiu	433,101	0.52%
Ms. Hsu	420,000	0.51%
Mr. Hung	420,000	0.51%

Note : The calculation of Major Shareholders' shareholding status includes the Company's treasury Stocks : 512,000 shares.

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

Unit : NT\$

Items	2022 (Distributed In 2023)	2023 (Distributed In 2024)	As of the year ended March 31, 2024. (Note 8)
Market Price per Share			
Highest Market Price	46.9	43.00	40.80
Lowest Market Price	22.45	23.40	33.00
Average Market Price	29.36	33.70	36.01
Net worth per share¹			
Before Distribution	12.89	12.51	NA
After Distribution	11.89	11.90	NA
Earnings per Share			
Weighted Average Shares (thousand shares)	82,165	82,605	NA
Diluted Earnings Per Share	0.84	0.61	NA
Adjusted Diluted Earnings Per Share	0.84	0.61	NA
Dividends per Share			
Cash Dividends	0.753	0.55	NA
Stock Dividends			
Dividends from Retained Earnings	0	0	NA
Dividends from Capital Surplus	0.247	0.06	NA
Accumulated Undistributed Dividends	0	0	NA
Return on Investment			
Price / Earnings Ratio	34.95	55.25	NA
Price / Dividend Ratio	29.36	55.25	NA
Cash Dividend Yield Rate	3.41	1.81	NA

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at yearend. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

Note 9: The proposal for earnings distribution has been approved by the Board meeting on Feb. 29, 2024.

4.1.6 Dividend Policy and Implementation Status

- (1) Dividend Policy under the Articles of Incorporation :
The Company's earnings may be distributed in the form of cash dividends or stock dividends. The company may distribute all the distributable earnings of the current year based on the consideration of financial, business and operational factors, among which the distribution of dividends to shareholders can be made in cash or shares. The proportion of cash dividends distributed to shareholders shall not be less than 30% of the total dividends to shareholders. The objects of employee distribution of stock dividends include employees of subordinate companies who meet certain conditions, and the certain conditions are determined by the board of directors.
- (2) The company's dividend policy is determined by the board of directors based on the company's operating conditions, capital needs, capital expenditure budget, changes in the overall internal and external environment, and taking into account the interests of shareholders. Unless other special circumstances are considered, the distribution principle should not exceed 80% to 90% of the after-tax surplus of the current year. The dividend distribution has been resolved by the board of directors that cash dividends account for 90% of the distributable earnings.
- (3) Proposal to Distribute 2023 Profits (Approved by the Board and subject to Shareholders' approval)
A total of NT\$ 45,432,799(NT\$0.55 per share) out of 2023 distributable profits will be distributed as cash dividends which is 98.80% of distributable profits. In addition, the Company plans to distribute NT\$ 4,956,305 from the capital surplus to all shareholders in cash, with an expected cash dividend of NT\$ 0.06 per share. The total cash dividend to be distributed per share is NT\$ 0.61.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting. : Not applicable.

4.1.8 Compensation of employees and directors

- (1) The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation :
The company shall pay taxes, cover accumulated deficits and set 10% of its net earnings apart as earned surplus. The board of directors has the authorization under Article 228-1 and Article 240 (5) of the Company Law to adjust retained earnings distribution and submit it to shareholders meeting for approval.
Employee compensation can be distributed in the form of stocks or cash, and must be approved by a resolution passed by two-thirds or more of the directors in attendance and a majority of the attending directors. This decision should also be reported to the shareholders' meeting. Director compensation, on the other hand, must be paid in cash.
Employees eligible for stock or cash compensation include employees of subsidiaries who meet certain conditions, which shall be determined by the board of directors.
- (2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any,

between the actual distributed amount and the estimated figure, for the current period :

The Company's assessment of employees' compensation and directors' remuneration is based on the amount of experience in the past. In 2023, it is estimated 8.50% of pre-tax profit for employees' compensation and 2% of pre-tax profit for director's remuneration. If there is a difference between the actual distribution amount and the estimation, it shall be adjusted according to the accounting estimates and adjusted in the resolution of the shareholders' meeting resolution.

- (3) Information on any approval by the board of directors of distribution of compensation :
- (A) The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: Directors' remuneration is NT\$ 1,259,204 (2.00% of pre-tax profit) and the profit for total employees is NT\$ 5,351,616 (8.50% of pre-tax profit); both shall be paid in cash. The amounts are as same as those recognized in the 2023 financial statement.
- (B) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: The Company proposes that all employee remuneration will be paid in cash, so the amount of employee stock remuneration and the proportion of the current period's net profit after tax and total employee remuneration are both 0.
- (4) The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause, and how it is treated: The Directors' remuneration of 2022 was NT\$ 1,931,984 and total employees' compensation was NT\$ 8,226,943; both were paid in cash. Both amounts as same as resolved by the Board of Directors.

4.1.9 Share Repurchases by the Company (Repurchases Already Completed)

As of Mar. 31, 2024

Repurchase no.	The first time,2020
Purpose of repurchase	To transfer to employees
Repurchase period	2020/03/02- 2020/05/01
Repurchase price range	16.5-25.0
Types and numbers of shares bought back	1,400,000 common shares
Amount of shares bought back (NT\$)	NT\$ 22,736 thousands
The number of repurchased shares that have been transferred	888,000 shares
Accumulated number of the Company's shares held by the Company	512,000 shares
Ratio of the accumulated number of the Company's shares held by the Company to the total number of issued shares (%)	0.62

4.2 Status of Corporate Bonds : None

4.3 Status of Preferred Stocks : None

4.4 Status of GDR : None

4.5 Status of Employee Stock Options Plan :

- (1) Unexpired employee subscription warrants issued by the company : None
- (2) The annual report shall disclose the names of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives as of the date of publication of the annual report. The annual report shall also disclose the names of the ten employees holding employee subscription warrants authorizing purchase of the most shares and whose subscription amount exceeds NT\$ 30,000,000, along with the cumulative number of warrants exercised by these ten employees, as of the date of publication of the annual report : None.

4.6 Status of New Employees Restricted Stock Issuance :

- (1) Issuance of New Restricted Employee Shares : None
- (2) List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares : None

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies shall specify the following matters : None

4.8 Financing Plans and Implementation : None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) Main Areas of Business Operations :

(A) Design, research, develop, produce, manufacture and market the following products :

Product line of communication network integrated circuit	<ul style="list-style-type: none"> ① Modem Chipsets ② LAN Controller ③ ISDN Modem Chipsets ④ Cable Modem Chipsets ⑤ ATM Transceiver and Controller ⑥ Provide the above-mentioned products with technological consultation services.
Product line of video images integrated circuit	<ul style="list-style-type: none"> ① Video Decoder ② Provide technological consultation services for the product.
Product line of electronic paper display (EPD) driver integrated circuit	<ul style="list-style-type: none"> ① EPD Segment Driver IC ② EPD Segment Controller IC ③ EPD Dot Matrix Driver Controller IC ④ Provide the above-mentioned products with technological consultation services.
Product line of microcontroller integrated circuit	<ul style="list-style-type: none"> ① MCU IC ② Provide technological consultation services for the product.

(B) Import and export of the above-mentioned products

(2) Revenue Distribution :

As of Dec. 31, 2023

Major Divisions	(%) of Total Sales
LAN	77%
Other	23%

(3) Products Currently Offered by DAVICOM :

Product	Product Specifications
Industrial Ethernet 10/100/1000M PHY Copper /Fiber transceiver, Suitable for IoT/ IIoT / AIoT Embedded Applications	<ul style="list-style-type: none"> -Compliant with IEEE802.3, IEEE802.3u, IEEE802.3ab. Industry standard for 10/100/1000Mbps. -Support IEEE802.3az energy-saving standard.
USB2.0-Ethernet 10/100M controller, suitable for consumer or industrial embedded applications	<ul style="list-style-type: none"> -Capable of achieving high-speed transfer to USB2.0 480Mbps -Ultra-low power design with power-saving mode.
SPI-Ethernet 10/100M controller, suitable for industrial embedded microcontroller applications	<ul style="list-style-type: none"> -High-speed synchronous SPI -With High level ESD
Local Bus/PCI-Ethernet 10/100M controller, suitable for industrial embedded applications	<ul style="list-style-type: none"> -Local BUS or PCI

Multi-port Embedded 10/100M Ethernet Switch Controller, suitable for industrial embedded network communication applications	Design for integrated Multi-port 10M/100Mbps physical layer transceiver and Fast Ethernet Switch Controller Support QoS , VLAN, IGMP, STP/RSTP, MLD; and FEF/LFP
Video Decoder, suitable for security monitoring and identification or vehicle panoramic applications.	1 channel Video Decoder / 4 channel (mixer) Video Decoder
USB2.0 Full Speed to UART, suitable for consumer or industrial embedded applications	Support RS232,RS485 or RS422
Electronic paper display (EPD) Driver, suitable for low power display applications.	-Multi-segment Electronic paper display (EPD) Driver -Design for e-paper application spec.
Edge AI SoC, suitable for image sensing and recognition applications for AI.	-Equipped with a RISC-V core. -Integrated chip with CIS, NPU,MCU -It is capable of performing functions such as face detection and recognition, human, animal, and object detection, speech recognition, and artificial intelligence algorithms.
Physiological signal processing MCU, suitable for battery-powered physiological signal monitoring applications.	Embedded ROM/Flash, RAM, ADC, GPIO, UART/SPI/ISO7816, Low-Voltage Reset
Logistics AI Management System.	-Equipped with multiple types of sensors and actuators, including RFID. -Private cloud/public cloud/hybrid cloud network system architecture -Edge/Cloud AI Computing for Processing, Analysis and Decision Making. -It can be integrated with existing IT automation resource management systems.

(4) New Products under Development :

Product	Product Specifications
Chips with new design for upgraded manufacturing processes	Targeting low power and low carbon emission
Chips supporting IEEE 1588 PTP and related protocol software development	Software compatible with the IEEE 1588 PTP standard and interoperable within the industry
Chips for Industry 4.0 factory automation and smart factories	Compliant with IEEE 10Base-T1L standard
Automotive Ethernet chip	Compliant with IEEE 10Base-T1S standard
Ethernet Chip with TCP off load engine	According to TCP protocol standard
Artificial intelligence (AI) models and algorithms	

5.1.2 Industry Overview

- (1) Current Status and Future Development of the Industry :
- (2) Relationship with Up-, Middle- and Downstream Companies :
- (3) The various development trends and competitive situation of the products :

※Please refer to page 52~53 of the Chinese version annual report.

5.1.3 Research and Development

(1) Research and Development Expenses :

Year	Expressed in thousands of NT\$	
	R & D Expenses	%
01/01/2024-03/31/2024	15,263	41
01/01/2023-12/31/2023	66,024	27

(2) New launched technologies or products :

※Please refer to page 54 of the Chinese version annual report.

5.1.4 Long-term and Short-term Development Plans

(1) Short-term Development Plans :

- (A) Strengthen business management, reduce risk accounts, and actively develop the mainland market and the Asia-Pacific market.
- (B) Expand the sales scale and promote the new products to increase margin.
- (C) Focus on quality management and provide customized service.

(2) Long-term Development Plans :

- (A) Participate actively in cooperating with global corporations.
- (B) Continue to work closely with the supply chain and develop cost-effective solutions to ensure that product prices are competitive and increase market share.
- (C) Provide best services and build up close relationship with customer to sustain more business possibilities to ensure the company's stable growth of margin.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1) Sales (Service) Region :

Division \ Area	As of Dec. 31, 2023 / Unit : NT\$ thousand		
	Export Sales		Domestic Sales
	China	Overseas	Taiwan
LAN	111,955	51,164	23,498
EPD	4,150	33,870	-
Video	7,230	116	-
WAN & Others	33	2,841	7,715
Total	123,368	87,991	31,213

(2) Market Share of Major Product Categories :

In recent years, the company has been committed to the niche market of embedded system chip. With a wide range of technical support and quality assurance, the products have won customers' trust, and the company's performance and its profit also increase remarkably.

(3) Future market supply and demand situation and growth potential :

With low price, high bandwidth and user-friendly features, Ethernet has not only become the most widely used local area networking technology, but also been gradually evolving new capabilities to enter customer electronics field and become the most attractive Embedded System Networking Technology.

(4) Favorable and Unfavorable Factors in the Long Term :

(A) Favorable factors :

- a) have been in the embedded system network communications market for years
- b) own solid communication core technology
- c) strong strategic alliances and partners with efficient and systematic logistic control of production

(B) Unfavorable factors :

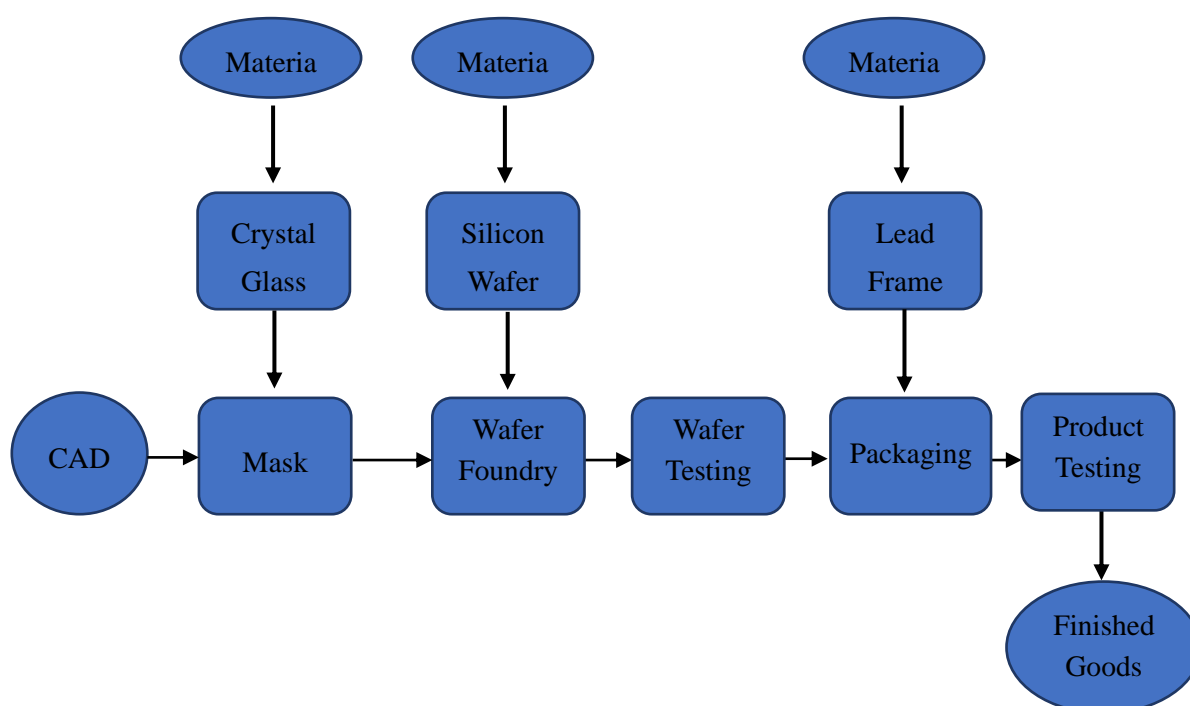
- a) Foreign competitors are aggressively expanding their market share in the embedded system market with their powerful scale.
- b) wireless based and SoC products will threaten the market of existing products

5.2.2 Main Uses and Production Procedures of Main Products

(1) Major Products and Their Main Uses :

Major Products	Main Uses
Local Area Network Chipsets (LAN)	Computer communications application on the network card, hubs and switches, as local network resources to transfer and share.
Wide Area Network Chipsets (WAN)	Computer communications on the application of the data machine, as a remote access for data and video transmission.
Video Decoder Chipsets	Closed-circuit television security monitoring system or DVR / NVR system applications, as the camera image signal decoding.
Electronic Paper Display (EPD)	Drive electronic paper, suitable for low-power applications and equipment, such as financial smart cards, electronic shelf labels, wearing equipment etc.
Microcontroller Unit (MCU)	Motor control, analogy digital signal, RFID, financial smart card, electronic shelf labels, wearable equipment etc.

(2) Production Processes :



- (A) Production Process : Our company is an IC design company and all products are manufactured through outsourcing.
- (B) Design process : IC products originate from IC design, which is developed using tools such as CAD.

5.2.3 Supply Status of Main Materials :

Major Raw Materials	Wafer
Source of Supply	United Microelectronics Corporation (UMC)
Supply Situation	Long-term partnership
Procurement Strategy of DAVICOM	Focus on quality and the market trend. Our long-term partner United Microelectronics Corporation (UMC) has been able to maintain good quality and process capability, satisfying DAVICOM's requirements. DAVICOM negotiates pricing with suppliers according to the market supply and demand conditions. It also reviews the production and service quality periodically with its suppliers. DAVICOM not only continues to strengthen its cooperation with existing manufacturing partners, but also actively surveys and contacts other potential suppliers to ensure secured supply, high quality, and low-cost procurement.

5.2.4 Major Suppliers and Clients

(1) Major Suppliers in the Last Two Calendar Years :

Unit : NT\$ thousands

Item	2022				2023			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	I	37,113	81.29	None	I	14,942	50.86	None
2	VIII	7,340	16.08	None	VIII	7,339	24.98	None
3	IX	553	1.21	None	XII	5,124	17.44	None
4	Others	652	1.42	None	Others	1,972	6.72	None
	Net Total Supplies	45,658	100.00		Net Total Supplies	29,377	100.00	

Note : Due to the vertical integration of the market, our main raw material wafers are purchased from UMC.

(2) Major Clients in the Last Two Calendar Years :

Unit : NT\$ thousands

Item	2022				2023			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	C	75,447	24.57	None	C	47,814	19.71	None
2	L	1,245	0.41	None	L	33,859	13.96	None
3	A	34,156	11.12	None	A	33,404	13.77	None
4	Others	196,242	63.90	None	Others	127,495	52.56	None
	Net Total Supplies	307,090	100.00		Net Total Supplies	242,572	100.00	

Note : The reason for variation is mainly due to the dispersion of part of the agency business.

5.2.5 Production in the Last Two Years :

Unit : NT\$ thousands/ thousand pieces

Year Output Major Products	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
LAN	—	6,306	72,182	—	3,555	47,178
EPD	—	447	2,797	—	2,240	13,203
Others	—	11	267	—	99	3,089
Total	—	6,764	75,246	—	5,894	63,470

Note : DAVICOM outsourced manufacturing to wafer foundries, packaging houses and testing companies. There's no production capacity limitation.

5.2.6 Shipments and Sales in the Last Two Years :

Unit : NT\$ thousands/ thousand pieces

Year Shipments and Sales Major Products	2022				2023			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LAN	970	39,605	5,176	231,012	438	23,498	3,678	163,119
EPD	98	1,247	389	8,134	-	-	2,271	38,020
Others	63	12,411	252	14,681	-	7,715	92	10,220
Total	1,131	53,263	5,817	253,827	438	31,213	6,041	211,359

5.3 Human Resources :

Year		2022	2023	As of Mar. 31, 2024
Number of Employees	Engineering	53	53	53
	Administration	22	21	21
	Total	75	74	74
Average Age		52.6	52.8	52.9
Average Years of Service		15.7	16.9	17.0
Education	Doctoral	1	1	1
	Master	29	29	29
	Bachelor's Degree	43	43	43
	Senior High School	2	1	1

5.4 Environmental Protection Expenditure

The Group is a fabless IC design company and engaged with no production activities. The production, packaging and testing are outsourced to qualified subcontractors. There were no environmental penalties in the past years.

5.5 Labor Relations

(1) Detailed descriptions are listed in the following :

- (A) Employee benefits
- (B) Employee training and development
- (C) Retirement plan
- (D) Labor Relations
- (E) Employee performance and incentive mechanism
- (F) Workplace environment and employee personal safety protection

(2) For recent years and up to the printing date of the annual report, Davicom did not suffer losses due to labor disputes.

※Please refer to page 58~60 of the Chinese version annual report.

5.6 Information security management

(1) Detailed descriptions are listed in the following :

- (A) Information security risk management framework policies
- (B) Implementation of information security
- (C) Establish information security management organization
- (D) Response to information security management

(2) No major information security incidents occurred between 2022 to the printing date of the annual report.

※Please refer to page 60~61 of the Chinese version annual report.

5.7 Important Contracts :

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease	Hsinchu Science Park Administration	Jan. 01, 2022~ Dec. 31, 2041	DAVICOM's Headquarters	According to the contract

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Five-Year Financial Summary –Balance Sheet

(1) Individual Balance Sheet – IFRS

Unit : NT\$ thousands

Year Time		Financial Summary for The Last Five Years				
		Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023
Current assets		531,249	343,228	359,143	393,295	390,040
Property, Plant and Equipment		160,142	166,738	132,365	128,717	124,758
Intangible assets		84	91	1,267	1,004	718
Other assets		15,291	13,117	11,938	7,566	5,125
Total assets		1,229,378	1,159,844	1,172,793	1,191,838	1,147,358
Current liabilities	Before distribution	44,606	37,214	49,849	45,140	34,011
	After distribution	111,949	102,588	131,566	127,745	84,440
Non-current liabilities		80,422	78,844	77,661	81,738	79,931
Total liabilities	Before distribution	125,028	116,058	127,510	126,878	113,942
	After distribution	192,371	181,432	209,227	209,483	164,331
Equity attributable to shareholders of the parent		1,104,350	1,043,786	1,045,283	1,064,960	1,033,416
Share capital		846,551	846,321	846,321	831,171	831,171
Capital surplus		186,520	157,128	121,172	84,000	63,597
Retained earnings	Before distribution	116,884	111,296	151,352	170,903	159,822
	After distribution	78,640	81,878	111,556	108,701	114,389
Other equity		(17,490)	(20,108)	(22,711)	(12,799)	(12,859)
Treasury shares		(28,115)	(50,851)	(50,851)	(8,315)	(8,315)
Total equity	Before distribution	1,104,350	1,043,786	1,045,283	1,064,960	1,033,416
	After distribution	1,037,007	978,412	963,566	982,355	983,027

Note 1: The cash dividend for 2023 is NTD 0.61 and has been approved by the board of directors.

Note 2: If the company that has conducted any asset revaluation in a fiscal year, it shall state the date of the asset revaluation and the amount of the revaluation increment.

Note 3: The above financial information has been verified, certified or reviewed by an accountant.

(2) Consolidated Balance Sheet – IFRS

Unit : NT\$ thousands

Year Item	Financial Summary for The Last Five Years					
	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	
Current assets	823,753	742,956	752,823	798,855	758,502	
Property, Plant and Equipment	160,982	166,738	132,365	145,367	141,294	
Intangible assets	84	91	1,267	1,005	718	
Other assets	15,292	13,117	11,992	7,566	5,125	
Total assets	1,234,889	1,160,407	1,173,379	1,193,810	1,152,015	
Current liabilities	Before distribution	48,998	37,777	50,435	47,070	38,658
	After distribution	116,341	103,151	132,152	129,675	89,047
Non-current liabilities	80,423	78,844	77,661	81,780	79,941	
Total liabilities	Before distribution	129,421	116,621	128,096	128,850	118,599
	After distribution	196,764	181,995	209,813	211,455	168,988
Equity attributable to shareholders of the parent	1,104,350	1,043,786	1,045,283	1,064,960	1,033,416	
Capital stock	846,551	846,321	846,321	831,171	831,171	
Capital surplus	186,520	157,128	121,172	84,000	63,597	
Retained earnings	Before distribution	116,884	111,296	151,352	170,903	159,822
	After distribution	78,640	81,878	111,556	108,701	114,389
Other equity interest	(17,490)	(20,108)	(22,711)	(12,799)	(12,859)	
Treasury stock	(28,115)	(50,851)	(50,851)	(8,315)	(8,315)	
Non-controlling interest	1,118	—	—	—	—	
Total equity	Before distribution	1,150,433	1,043,786	1,045,283	1,064,960	1,033,416
	After distribution	1,038,125	978,412	963,566	982,355	983,027

Note 1: The cash dividend for 2023 is NTD 0.61 and has been approved by the board of directors.

Note 2: If the company that has conducted any asset revaluation in a fiscal year, it shall state the date of the asset revaluation and the amount of the revaluation increment.

Note 3: The above financial information has been verified, certified or reviewed by an accountant.

6.1.2 Five-Year Financial Summary – Statement of Comprehensive Income

(1) Individual Statement of Comprehensive Income – IFRS

Unit : NT\$ thousands

Year Item	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	232,706	225,872	273,987	295,990	231,982
Gross profit	158,130	155,247	198,945	217,954	160,768
Income from operations	12,120	21,785	59,103	66,354	16,769
Non-operating income and expenses	33,072	15,792	21,812	20,274	39,581
Profit before Income Tax	45,192	37,577	80,915	86,628	56,350
Net income from operations of continued segments	41,396	33,453	69,662	69,031	50,744
Income (Loss) from Discontinued Operation	—	—	—	—	—
Net income	41,396	33,453	69,662	69,031	50,744
Other comprehensive income (income after tax)	28,266	28,838	66,871	80,748	51,061
Total comprehensive income	28,266	28,838	66,871	80,748	51,061
Net income attributable to shareholders of the parent	41,396	33,453	66,871	80,748	51,061
Net income attributable to non-controlling interest	—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent company	28,266	28,838	66,871	80,748	51,061
Comprehensive income attributable to non-controlling interest	—	—	—	—	—
Earnings per share	0.50	0.41	0.85	0.84	0.61

Note : Above financial data has been audited by CPA.

(2) Consolidated Statement of Comprehensive Income – IFRS

Unit : NT\$ thousands

Year Item	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	242,531	233,542	283,470	307,090	242,572
Gross profit	161,049	156,777	201,567	219,839	163,630
Income from operations	10,186	20,233	56,524	63,809	14,999
Non-operating income and expenses	35,089	17,327	24,391	22,819	41,351
Income before Income Tax	45,275	37,560	80,915	86,628	56,350
Net income from operations of continued segments	41,433	33,436	69,662	69,031	50,744
Income (Loss) from Discontinued Operation	—	—	—	—	—
Net income	41,433	33,436	69,662	69,031	50,744
Other comprehensive income (income after tax)	28,303	28,821	66,871	80,748	51,061
Total comprehensive income	28,303	28,821	66,871	80,748	51,061
Net income attributable to shareholders of the parent	41,396	33,453	69,662	69,031	50,744
Net income attributable to non-controlling interest	37	(17)	—	—	—
Comprehensive income attributable to Shareholders of the parent	28,266	28,838	66,871	80,748	51,061
Comprehensive income attributable to non-controlling interest	37	(17)	—	—	—
Earnings per share	0.50	0.41	0.85	0.84	0.61

Note: Above financial data has been audited by CPA.

6.1.3 Auditors' Opinions from 2019 to 2023

Year	Accounting Firm	CPA	Audit Opinion
2023	PWC	Chia-Hung Lin, Chun-Yuan Hsiao	Unqualified Opinion
2022	PWC	Se-Kai Lin, Chia-Hung Lin	Unqualified Opinion
2021	PWC	Se-Kai Lin, Chia-Hung Lin	Unqualified Opinion
2020	PWC	Se-Kai Lin, Hsien-Cheng Chen	Unqualified Opinion
2019	PWC	Se-Kai Lin, Chun-Yuan Hsiao	Unqualified Opinion

6.2 Five-Year Financial Analysis

(1) Five-Year Individual Financial Analysis - IFRS

Year Item		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	10.17	10.01	10.87	10.65	9.93
	Ratio of long-term capital to property, plant and equipment	739.83	673.29	848.37	890.87	892.41
Solvency (%)	Current ratio	1,190.98	922.31	720.46	871.28	1,146.81
	Quick ratio	1,122.29	848.79	650.49	782.48	1,077.10
	Times interest earned (times)	71.07	60.08	133.00	133.66	85.74
Operating performance	Accounts receivable turnover (times)	5.73	7.13	8.42	10.56	11.43
	Average collection period	63.70	51.19	43.35	34.56	31.93
	Inventory turnover (times)	1.76	1.85	1.84	1.57	1.46
	Accounts payable turnover (times)	7.09	7.90	8.84	11.01	21.06
	Average days in sales	207.39	197.30	198.37	232.48	250.00
	Property, plant and equipment turnover (times)	1.65	1.38	1.83	2.27	1.83
	Total assets turnover (times)	0.19	0.19	0.23	0.25	0.20
Profitability	Return on total assets (%)	3.44	2.84	6.01	5.88	4.38
	Return on shareholders' equity (%)	3.67	3.11	6.67	6.54	4.84
	Pre-tax income to paid-in capital (%)	5.34	4.44	9.56	10.42	6.78
	Net profit margin (%)	17.79	14.81	25.43	23.32	21.87
	Earnings per share (NT\$)	0.50	0.41	0.85	0.84	0.61
Cash flow	Cash flow ratio (%)	161.48	111.70	164.57	242.99	167.65
	Cash flow adequacy ratio (%)	57.95	49.16	51.36	63.39	65.31
	Cash reinvestment ratio (%)	0.53	(2.66)	1.78	2.87	(2.72)
Leverage	Operating leverage	6.73	5.41	2.95	2.87	7.77
	Financial leverage	1.06	1.03	1.01	1.01	1.04
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) The variation of Solvency (ratio) is due to the decrease in revenue. The variation of Cash Reinvestment Ratio is mainly due to the decrease in net cash flow from operating activities and the distribution of cash dividends.</p>						

*A company that has compiled parent company only financial statements shall also compile parent company only financial ratio analysis.

*A Company that has adopted the International Financial Reporting Standards for its financial information for less than 5 fiscal years shall additionally prepare Table (2) below presenting its financial information under the Enterprise Accounting Standards of the R.O.C.

Note 1 : If the information for any fiscal year has not been audited and attested by a CPA, this fact shall be noted.

Note 2 : For companies that are listed or whose stocks are traded in securities firms, the financial data up to the end of the previous quarter before the date of printing of the annual report should be included in the analysis.

Note 3 : The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report: Please refer to the Glossary.

Note 4 : Special attention should be paid to the following when calculating earnings per share by the above equation:

① The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.

② If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.

③ If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.

④ If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5 : Special attention shall be paid to the following when making the calculations for cash flow analysis:

① Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

② Capital expenditures refers to the annual cash outflow used in capital investment.

③ Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.

④ Cash dividends include the cash dividends of common stock and preferred stock.

⑤ Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6 : The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7 : If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

(2) Five-Year Consolidated Financial Analysis - IFRS

Item \ Year		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	10.48	10.05	10.92	10.79	10.29
	Ratio of long-term capital to property, plant and equipment	735.97	673.29	848.37	890.90	787.97
Solvency (%)	Current ratio	1,681.20	1,966.69	1,492.66	1,697.16	1,962.08
	Quick ratio	1,613.08	1,888.44	1,414.76	1,599.65	1,876.52
	Times interest earned	71.19	60.06	133.00	133.66	85.74
Operating performance	Accounts receivable turnover (times)	6.30	7.18	8.45	10.41	10.63
	Average collection period	57.94	50.84	43.20	35.06	34.34
	Inventory turnover (times)	1.82	1.90	1.88	1.60	1.41
	Accounts payable turnover (times)	6.63	7.50	9.55	11.13	16.86
	Average days in sales	200.54	192.11	195.19	228.12	258.87
	Property, plant and equipment turnover (times)	1.71	1.43	1.90	2.21	1.69
	Total assets turnover (times)	0.20	0.20	0.24	0.26	0.21
Profitability	Return on total assets (%)	3.43	2.83	6.01	5.88	4.37
	Return on equity (%)	3.67	3.11	6.67	6.54	4.84
	Pre-tax income to paid-in capital (%)	5.35	4.44	9.56	10.42	6.78
	Profit ratio (%)	17.08	14.32	24.57	22.48	20.92
	Earnings per share (NT\$)	0.50	0.41	0.85	0.84	0.61
Cash flow	Cash flow ratio (%)	126.64	104.19	150.29	232.52	134.82
	Cash flow adequacy ratio (%)	67.00	58.05	58.66	74.40	74.09
	Cash reinvestment ratio (%)	(0.44)	(2.97)	1.14	2.92	(3.26)
Leverage	Operating leverage	12.86	6.23	2.71	2.60	8.73
	Financial leverage	1.07	1.03	1.01	1.01	1.05
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) The variation of Solvency (ratio) is due to the decrease in revenue. The variation of Cash Reinvestment Ratio is mainly due to the decrease in net cash flow from operating activities and the distribution of cash dividends.</p>						

*A company that has compiled parent company only financial statements shall also compile parent company only financial ratio analysis.

*A Company that has adopted the International Financial Reporting Standards for its financial information for less than 5 fiscal years shall additionally prepare Table (2) below presenting its financial information under the Enterprise Accounting Standards of the R.O.C.

Note 1 : The aforementioned financial information has been audited or reviewed by a certified public accountant.

Note 2 : For companies that are listed or whose stocks are traded in securities firms, the financial data up to the end of the previous quarter before the date of printing of the annual report should be included in the analysis.

Note 3 : The following formulas for the calculation of the financial ratios shall be listed below this table in the annual report: Please refer to the Glossary.

Note 4 : Special attention should be paid to the following when calculating earnings per share by the above equation:

① The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.

② If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.

③ If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.

④ If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5 : Special attention shall be paid to the following when making the calculations for cash flow analysis:

① Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

② Capital expenditures refers to the annual cash outflow used in capital investment.

③ Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.

④ Cash dividends include the cash dividends of common stock and preferred stock.

⑤ Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6 : The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7 : If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

6.3 Audit Committee's Review Report

DAVICOM Semiconductor Inc.

Audit Committee's Review Report

The Company's 2023 Financial Statements have been agreed by Audit Committee members of the Company and approved by the by the Board of Directors. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements.

The Board of Directors has prepared the Company's 2023 Business Report and proposal for allocation of profits. The 2023 Business Report and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

To Davicom Semiconductor Inc. 2024 Annual Shareholders' Meeting

Independent Director: Chang-Yue Ueng

Independent Director: Jen-Jyh Hwang

Independent Director: Niang-Shou Wei

February 29, 2024

6.4 2023 Only Financial Statement and Report of Independent Accountants

Please refer to Only Financial Statement and Report page 01~59

6.5 2023 Consolidated Financial Statement and Report of Independent Accountants

Please refer to Consolidated Financial Statement and Report page 01~61

6.6 The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties : None

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit : NT\$ thousands

Item	Year	2023	2022	Difference	
				Amount	%
Current assets		758,502	798,855	-40,353	-5.05%
Property, plant and equipment		141,294	145,367	-4,073	-2.80%
Intangible assets		718	1,005	-287	-28.56%
Other assets		251,501	248,583	2,918	1.17%
Total Assets		1,152,015	1,193,810	-41,795	-3.50%
Current liabilities		38,658	47,070	-8,412	-17.87%
Non-current liabilities		79,941	81,780	-1,839	-2.25%
Total liabilities		118,599	128,850	-10,251	-7.96%
Equity attributable to owners of parent		1,033,416	1,064,960	-31,544	-2.96%
Capital stock		831,171	831,171	0	0.00%
Capital surplus		63,597	84,000	-20,403	-24.29%
Retained earnings		159,822	170,903	-11,081	-6.48%
Other equity interest		-12,859	-12,799	-60	0.47%
Treasury shares		-8,315	-8,315	0	0.00%
Non-controlling interests		-	-	-	-
Total equity		1,033,416	1,064,960	-31,544	-2.96%
Analysis of changes in financial ratios :					
1. The decrease in Capital surplus is mainly due to distribution of cash dividends.					

7.2 Analysis of Financial Performance

Unit : NT\$ thousands

	2023	2022	Difference	
			Amount	%
Operating revenue	242,572	307,090	-64,518	-21.01%
Gross profit from operations	163,630	219,839	-56,209	-25.57%
Net operating income	14,999	63,809	-48,810	-76.49%
Non-operating income and expenses	41,351	22,819	18,532	81.21%
Profit before tax	56,350	86,628	-30,278	-34.95%
Tax expense	5,606	17,597	-11,991	-68.14%
Profit	50,744	69,031	-18,287	-26.49%
Other comprehensive income, net after tax	317	11,717	-11,400	-97.29%
Total comprehensive income	51,061	80,748	-29,687	-36.76%
Profit, attributable to owners of parent	50,744	69,031	-18,287	-26.49%
Comprehensive income, attributable to owners of parent	51,061	80,748	-29,687	-36.76%
Analysis of changes in financial ratios :				
1. The decrease of revenue, gross profit and net income from operations is mainly due to customers' slow destocking.				
2. The increase of non-operating income and expenses is mainly due to the increase of net interest in financial assets.				

7.3 Analysis of Cash Flow

(1) Remedy for Cash Deficit and Liquidity Analysis :

Year Item	2023	2022	Variance (%)
Cash Flow Ratio (%)	134.82	232.52	-42.02%
Cash Flow Adequacy Ratio (%)	74.09	74.39	-0.40%
Cash Reinvestment Ratio (%)	-3.26	2.92	-211.64%
Analysis of financial ratio change : The changes in cash flow and reinvestment ratio are mainly due to the decrease of company revenue and the distribution of cash dividends.			

(2) Cash Flow Analysis for the Coming Year :

Unit : NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
\$695,332	4,127	52,230	647,229	-	-
(1) Analysis of Cash Flow for the Coming Year : ① Estimated Net Cash NT\$ 4,127 thousands generated from Operating Activities, mainly due to the estimated sales growth. ② The Cash Flow used in Cash dividends distribution. (2) Remedy for Estimated Cash Deficit and Liquidity Analysis : None					

7.4 Major Capital Expenditure Items : None

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

Unit : NT\$ thousands

Remarks Item	Investment Amount	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
TSCC Inc.	104,123	Holding	Gain	N/A	N/A
Davicom Investment Inc.	210,573	Investment holding	Gain	N/A	N/A
Aidia Link Inc.	71,258	Investment	Loss	Continuous improvement	N/A
Medicom Inc.	608	Investment	Loss	Continuous improvement	N/A

7.6 Analysis of Risk Management

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

(1). Risks associated with interest rate and Foreign Exchange Rates :

(A) Interest Rate :

	Ratio of Interest Income to Company Income (%)	Ratio of Interest Expense to Company Income (%)
2023	20.84%	1.31%
2022	5.96%	0.95%

(B) Exchange Rate :

	Exchange benefit (Loss)	Ratio of Exchange benefit (Loss) to Company Income (%)
2023	2,441 thousand	4.81%
2022	21,871 thousand	31.68%

(2). Risks associated with inflation :

There was no major impact from inflation on the Company's 2022 operations.

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

The company has not engaged in high-risk or high-leverage investments, nor provided any endorsement guarantees. The company has established procedures for lending money to others and providing endorsement guarantees, which are to be followed. As of the date of printing, there have been no instances of lending money to others.

7.6.3 Future Research & Development Projects and Corresponding Budget

Research Projects	Progress (%)	Expected Research Expenditure (NT\$)	Expected Completion Schedule
Active RFID and passive RFID application system development	- Active tag and reader field application configuration: Under developing - Passive RFID Intelligent Reader and Antenna: Under developing - Active/passive integrated RFID warehouse management system: Under developing	20 million	2023/Q4
Ethernet Transceiver Chip for Industrial Control	IC development in progress.	20 million	2024/Q3
Nanosecond precision network timing synchronization of fast Ethernet controller chip	IC development in progress.	15 million	2024/Q2

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

The company has taken appropriate measures to respond to important domestic and foreign policy and legal changes in the recent year, which will not have a significant impact on the company's financial business.

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

Gross profit margin declined due to intense market competition. The Company focused on enhancing product functions and reducing product costs as the first response measures. In addition, our company has established and implemented an information security management system to control information security risks. We have developed an information security policy document to regulate our information security. Moreover, we conduct regular information security risk assessments and internal and external information security audits every year to ensure the effectiveness of our management system and compliance with legal requirements.

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

The Company has consistently maintained an ethical business philosophy. Ethics has become the Company's essence in corporate governance.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : None

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : None

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% : None

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights : None

7.6.12 Litigation or Non-litigation Matters : None

7.6.13 Other Major Risks :

Organizational Structure of Risk Management

The management of operational risks in our company is delegated to relevant management units based on the nature of their business, and is reviewed by the audit unit for existing or potential risks in order to develop an annual audit plan that is risk-oriented. The management units responsible for each type of risk are as follows :

- (A) General Manager's Office: responsible for business decision-making planning, evaluating medium to long-term investment benefits to reduce strategic risks.
- (B) Internal Audit: responsible for the establishment and implementation of internal control systems to enhance the internal control function and ensure the continuous effective operation of the internal control system.
- (C) Finance Department: responsible for financial scheduling and utilization, establishing hedging mechanisms to reduce financial risks, complying with relevant laws and regulations to ensure the reliability of financial reporting

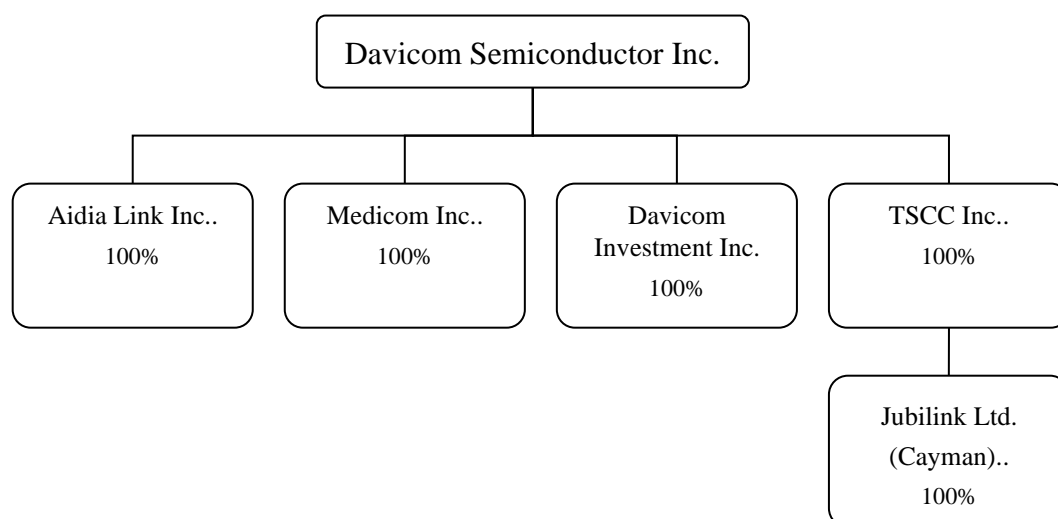
- and reduce accounting risks.
- (D) Information Technology Service Department: responsible for maintaining and managing systems, networks, computers, servers, and related peripherals, integrating application development and maintenance of automation systems and software to reduce network and information security risks.
 - (E) Quality and Reliability Engineering Department: improve the efficiency of quality and service, check and improve engineering reliability, and reduce operational risks.
 - (F) Marketing Department: responsible for formulating product and marketing strategies and grasping market trends to reduce market risks.
 - (G) Business Department: responsible for the company's annual business objectives and implementation plans, providing quotation, contract signing, shipping, payment, customer complaints, and establishing credit limits to reduce business risks.
 - (H) Operations: responsible for product testing, packaging, quality engineering and production planning services, and cost control to reduce operational risks.
 - (I) Design Services and Research and Development: responsible for product development, design, maintenance, customer service, chip integration technology, software application and development, and technical planning for silicon intellectual property to reduce technical risks.

7.7 Other Material Events : None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

(1) The Company's Affiliated Companies Chart :



(2) The Company Affiliated Companies :

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
TSCC INC.	Jan. 2002	TrustNet Chambers, Lotemau P.O. Box 1225, Apia, Samoa.	US\$4,400 thousand	Investment activities
Davicom Investment Inc.	Apr. 2006	2F, No. 1, Ln. 53, Xinzhuang St., East Dist., Hsinchu City 300, Taiwan	NT\$212,000 thousand	Investment activities
Medicom Inc.	Jul. 2010	2F, No. 1, Ln. 53, Xinzhuang St., East Dist., Hsinchu City 300, Taiwan	NT\$1,000 thousand	Trade / IC design
Aidia Link Inc.	Apr. 2016	15F-3, No. 60-3, Jianxin Rd., East Dist., Hsinchu City 300, Taiwan	NT\$80,000 thousand	Telecommunication Equipment and Apparatus Manufacturing
Jubilink Ltd.	Jan. 2002	P.O. Box 219, Grand Cayman	US\$2,500 thousand	Investment activities

(3) Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual of Deemed Control : None

(4) Business Scope of the Company and Its Affiliated Companies :

Company Name	Major Business
TSCC INC.	Investment activities
Davicom Investment Inc.	Investment activities
Medicom Inc.	Trade / IC design
Aidia Link Inc.	Telecommunication Equipment and Apparatus Manufacturing

(5) List of Director, Supervisors and Presidents of the Company's Affiliated Companies :

Company Name	Title	Name of Representative	Shares	% of Holding
TSCC INC.	Director	Nien-Tai Chen	4,400,000	100.00%
Davicom Investment Inc.	Chairman	Ting Hao	21,200,000	100.00%
Medicom Inc.	Chairman	Chun-Chun Yang	100,000	100.00%
Aidia Link Inc.	Chairman	Ting Hao	8,000,000	100.00%

(6) Operation Highlights of the Company's Affiliated Companies :

Unit : NT\$ thousands

Company Name	Capital	Asset	Liabilities	Net worth	Net Sales	Operation Income(Loss)	Net Income	EPS (NT\$)
TSCC INC.	143,224	104,123	—	104,123	—	(318)	3,028	0.69
Davicom Investment Inc.	212,000	210,653	80	210,573	—	(693)	1,542	0.07
Medicom Inc.	1,000	608	—	608	99	(542)	(391)	(3.92)
Aidia Link Inc.	80,000	75,824	4,566	71,258	10,490	(1,765)	(1,509)	(0.19)
Jubilink Ltd.	82,725	—	—	—	—	—	—	—

(7) Consolidated Financial Statements of Affiliated Enterprises :

※Please refer to Consolidated Financial Statement and Report page 01~61

(8) Business Reports of Affiliated Enterprises : None

8.2 Private Placement Securities in the Most Recent Years : None

8.3 Holding or Disposition of the Company Stocks by Subsidiaries : None

8.4 Other Necessary Supplement : None

IX. Any Events that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan : None

DAVICOM SEMICONDUCTOR , INC.
PARENT COMPANY ONLY 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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

Opinion

We have audited the accompanying parent company only balance sheets of DAVICOM Semiconductor, Inc. (the “Company”) as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only 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 parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Company's key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(7) 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\$17,713 thousand as at December 31, 2023.

The Company'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(10) 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\$22,821 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

The share of profit or loss of related companies recognised under the equity method, which is recognised based on the audit report of other auditors for the years ended December 31, 2023 and 2022, is NT\$33 thousand and NT(\$1,692) thousand, respectively. Additionally, the recognised comprehensive income comprising share of other comprehensive income in subsidiaries, were both NT\$0 thousand for the abovementioned periods. As of December 31, 2023 and 2022, the balance of the related investments accounted for using the equity method was NT\$281,831 thousand and NT\$324,799 thousand, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal 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 parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ responsibilities for the audit of the Parent Company Only financial statements

Our objectives are to obtain reasonable assurance about whether the 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional 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 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 parent company only 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 parent company only 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.
PARENT COMPANY ONLY 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)	\$ 344,727	30	\$ 330,112	28
1150	Notes receivable, net	6(3)	-	-	499	-
1170	Accounts receivable, net	6(3)	17,713	2	22,385	2
1200	Other receivables		248	-	215	-
1220	Current tax assets		3,645	-	-	-
130X	Inventories, net	6(4)	22,821	2	39,081	3
1410	Prepayments		886	-	1,003	-
11XX	Current Assets		<u>390,040</u>	<u>34</u>	<u>393,295</u>	<u>33</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	38,527	3	28,244	2
1550	Investments accounted for under equity method	6(5)	386,562	34	425,952	36
1600	Property, plant and equipment	6(6)	124,758	11	128,717	11
1755	Right-of-use assets	6(7)	86,081	8	88,559	7
1760	Investment property - net	6(9)	108,360	9	111,660	9
1780	Intangible assets		718	-	1,004	-
1840	Deferred income tax assets	6(25)	7,187	1	6,841	1
1900	Other non-current assets	6(10)	5,125	-	7,566	1
15XX	Non-current assets		<u>757,318</u>	<u>66</u>	<u>798,543</u>	<u>67</u>
1XXX	Total assets		<u>\$ 1,147,358</u>	<u>100</u>	<u>\$ 1,191,838</u>	<u>100</u>

(Continued)

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY 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	-	\$ 143	-
2150	Notes payable	153	-	138	-
2170	Accounts payable	2,337	-	4,135	-
2200	Other payables	28,540	3	32,454	3
2230	Current income tax liabilities	-	-	5,449	1
2280	Current lease liabilities	1,546	-	1,535	-
2310	Advance receipts	1,300	-	1,286	-
21XX	Current Liabilities	<u>34,011</u>	<u>3</u>	<u>45,140</u>	<u>4</u>
Non-current liabilities					
2570	Deferred income tax liabilities	1,905	-	1,827	-
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>79,931</u>	<u>7</u>	<u>81,738</u>	<u>7</u>
2XXX	Total Liabilities	<u>113,942</u>	<u>10</u>	<u>126,878</u>	<u>11</u>
Equity					
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)
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>\$ 1,147,358</u>	<u>100</u>	<u>\$ 1,191,838</u>	<u>100</u>

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

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

				Year ended December 31			
				2023		2022	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Sales revenue	\$ 231,982	100	\$ 295,990	100		
5000	Operating costs	(71,214)	(31)	(78,036)	(27)		
5900	Net operating margin	160,768	69	217,954	73		
	Operating expenses						
6100	Selling expenses	(30,493)	(13)	(27,739)	(9)		
6200	General and administrative expenses	(48,032)	(21)	(49,764)	(17)		
6300	Research and development expenses	(66,024)	(28)	(74,397)	(25)		
6450	Impairment on expected credit gains (losses)	550	-	300	-		
6000	Total operating expenses	(143,999)	(62)	(151,600)	(51)		
6900	Operating income	16,769	7	66,354	22		
	Non-operating income and expenses						
7100	Interest income	4,543	2	1,369	-		
7010	Other income	28,103	12	35,293	12		
7020	Other gains and losses	4,930	2	(15,000)	(5)		
7050	Finance costs	(665)	-	(653)	-		
7070	Share of profit (loss) of associates and joint ventures accounted for under equity method	2,670	1	(735)	-		
7000	Total non-operating income and expenses	39,581	17	20,274	7		
7900	Income from continuing operations before income tax	56,350	24	86,628	29		
7950	Income tax expense	(5,606)	(2)	(17,597)	(6)		
8000	Profit for the year from continuing operations	50,744	22	69,031	23		
8200	Profit for the year	\$ 50,744	22	\$ 69,031	23		
	Other comprehensive income, net						
	Components of other comprehensive income that will not be reclassified to profit or loss						
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)	-		
8310	Components of other comprehensive income that will not be reclassified to profit or loss	377	-	1,805	1		
	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 (loss) income that will be reclassified to profit or loss	(60)	-	9,912	3		
8300	Other comprehensive income for the year, net	\$ 317	-	\$ 11,717	4		
8500	Total comprehensive income for the year	\$ 51,061	22	\$ 80,748	27		
	Basic earnings per share						
9750	Total basic earnings per share	\$ 0.61		\$ 0.84			
	Diluted earnings per share						
9850	Total diluted earnings per share	\$ 0.61		\$ 0.84			

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

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Surplus			Retained Earnings			Financial statements translation differences of foreign operations	Treasury shares	Total equity	
		Common stock	Additional paid-in capital	Treasury share transactions	Others	Legal reserve	Special reserve				Undistributed earnings
<u>Year 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 2022 earnings	6(17)										
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(16)(17)	-	(41,921)	-	-	-	-	-	-	-	(41,921)
Decrease in treasury shares	6(15)	(15,150)	(1,476)	-	-	-	-	(11,489)	-	28,115	-
Treasury stock sold to employee	6(14)	-	-	6,225	-	-	-	-	-	14,421	20,646
Balance at December 31, 2022		\$ 831,171	\$ 39,061	\$ 6,225	\$ 38,714	\$ 88,782	\$ 22,711	\$ 59,410	(\$ 12,799)	(\$ 8,315)	\$ 1,064,960
<u>Year 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 2023 earnings	6(17)										
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(16)(17)	-	(20,403)	-	-	-	-	-	-	-	(20,403)
Balance at December 31, 2023		\$ 831,171	\$ 18,658	\$ 6,225	\$ 38,714	\$ 95,866	\$ 12,799	\$ 51,157	(\$ 12,859)	(\$ 8,315)	\$ 1,033,416

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

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY 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(6)(7)(9)	9,862	9,840
Amortisation	6(23)	2,884	4,418
Impairment on expected credit gains	6(3) and 12(2)	(550)	(300)
Net profit on financial assets at fair value through profit or loss	6(2)(21)	(8,283)	29,314
Interest expense	6(22)	665	653
Interest income	6(19)	(4,543)	(1,369)
Stock-based payment	6(14)	-	6,207
Share of profit of associates accounted for under equity method	6(5)	(2,670)	735
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		5,222	10,809
Other receivables		(13)	(20)
Inventories, net		16,260	(8,293)
Prepayments		117	3,089
Changes in operating liabilities			
Current contract liabilities		(8)	(144)
Notes payable		15	(2,547)
Accounts payable		(1,798)	(3,082)
Other payables		(3,914)	4,939
Advance receipts		14	76
Net defined benefit liabilities		114	(8,744)
Cash inflow generated from operations		68,223	126,352
Interest received		4,523	1,337
Interest paid		(665)	(653)
Income tax paid		(15,062)	(17,352)
Net cash flows from operating activities		<u>57,019</u>	<u>109,684</u>

(Continued)

DAVICOM SEMICONDUCTOR, INC.
PARENT COMPANY ONLY 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 INVESTING ACTIVITIES</u>			
Proceeds from capital reduction of investments accounted for using equity method		\$ 42,000	\$ -
Acquisition of property, plant and equipment	6(6)	(76)	(392)
Acquisition of investment property	6(9)	(49)	(237)
Increase in intangible assets		(157)	(183)
Increase in other assets		-	(964)
Net cash flows from (used in) investing activities		<u>41,718</u>	<u>(1,776)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in guarantee deposits received	6(12)(27)	20	76
Repayment of principal portion of lease liabilities	6(7)(27)	(1,537)	(1,522)
Payments of cash dividends	6(17)	(62,202)	(39,796)
Cash dividends from capital surplus	6(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>
Net increase in cash and cash equivalents		14,615	39,184
Cash and cash equivalents at beginning of year		<u>330,112</u>	<u>290,928</u>
Cash and cash equivalents at end of year		<u>\$ 344,727</u>	<u>\$ 330,112</u>

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

DAVICOM SEMICONDUCTOR, INC.
NOTES TO THE PARENT COMPANY ONLY 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

Davicom Semiconductor, Inc. (the “Company”) was incorporated on August, 1996, as a corporation limited by shares and opened in the same year. The Company is primarily engaged in the research, development, production, manufacturing and sales of communications network ICs. The Company's stock has been listed on the Taiwan Stock Exchange since August 6, 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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 Company's financial condition and financial performance based on the Company'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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF Material SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company 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 and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- (d) 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 IFIRS 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) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional 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 company 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 Company 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.

(4) 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.

(5) 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.

(6) 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 amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The Company 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.

(8) Impairment of financial assets

The Company assesses at each balance sheet date including accounts receivable that have a significant financing, the Company 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 Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) 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.

(11) Investments accounted for using equity method / Subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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 Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- 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 Company loses control of a subsidiary, the Company 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 Company 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.

- F. Accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, the profit and loss of the parent company only financial statements and other comprehensive gains and losses should be the same as the current profit and loss and other comprehensive gains and losses in the financial statements prepared on an individual basis, which is the share of the owner of the parent company. The parent company only financial statements owner's equity should be included in the financial statements prepared on an individual basis. The owners' equity attributable to the parent company is the same.

(12) 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 Company 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

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

- 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 Company. 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 Company 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.

(14) 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.

(15) 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.

(16) Impairment of non-financial assets

The Company 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.

(17) 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.

(18) Employee benefits

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 expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense 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 Company 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 defined benefit net 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. Remeasurement 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 expenses and liabilities, 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 employees' compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) 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 Company 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 Company and the Company must refund their payments on the stocks. The Company 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'.

(20) 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 Company 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.

(21) 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, is included in equity attributable to the Company's equity holders.

(22) Dividends

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

(23) Revenue recognition

- A. The Company 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.

(24) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are

intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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:

Critical accounting estimates and assumptions

(1) Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Company 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.

(2) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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	\$ 110	\$ 125
Checking accounts and demand deposits	137,725	130,295
Time deposits	<u>206,892</u>	<u>199,692</u>
	<u>\$ 344,727</u>	<u>\$ 330,112</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 39,761	\$ 39,761
Limited Partnership	8,000	6,000
Subtotal	47,761	45,761
Valuation adjustment	(9,234)	(17,517)
	\$ 38,527	\$ 28,244

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

	Years ended December 31,	
	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 8,283	(\$ 29,314)

B. As of December 31, 2023 and 2022, the Company has no financial assets at fair value through profit or loss 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

	December 31, 2023	December 31, 2022
Notes receivable	\$ -	\$ 499
Accounts receivable	\$ 18,464	\$ 23,686
Less: Allowance for uncollectible accounts	(751)	(1,301)
	\$ 17,713	\$ 22,385

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	\$ 18,318	\$ -	\$ 23,686	\$ 499
Up to 30 days	146	-	-	-
	\$ 18,464	\$ -	\$ 23,686	\$ 499

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts

with customers amounted to \$32,894.

C. Information relating to credit risk of accounts receivable and notes 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	22,812	(8,042)	14,770
	<u>\$ 41,932</u>	<u>(\$ 19,111)</u>	<u>\$ 22,821</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Work in progress	\$ 26,315	(\$ 9,958)	\$ 16,357
Finished goods	29,347	(6,623)	22,724
	<u>\$ 55,662</u>	<u>(\$ 16,581)</u>	<u>\$ 39,081</u>

The cost of the inventories recognised as expense for the period:

	Years ended December 31,	
	2023	2022
Cost of goods sold	\$ 68,684	\$ 74,636
Loss on decline in market value	2,530	3,400
	<u>\$ 71,214</u>	<u>\$ 78,036</u>

(5) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
Davicom Investment Inc.	\$ 210,573	\$ 209,031
TSCC Inc.	104,123	101,153
Medicom Corp.	608	43,000
Aidialink Corp.	71,258	72,768
	<u>\$ 386,562</u>	<u>\$ 425,952</u>

A. The investment gain (loss) recognised by the Company for the years ended December 31, 2023 and 2022 using the equity method are \$2,670 and (\$735), respectively, which were recognised based on the investees' financial statements audited by independent auditors in the same periods.

B. For information relating to the subsidiaries of the Company, please refer to Note 4(3) of the 2023 consolidated financial statements of the Company.

(6) Property, plant and equipment

	2023			
	Buildings	Computer communications equipment	Others	Total
<u>At January 1</u>				
Cost	\$ 190,926	\$ 496	\$ 381	\$ 191,803
Accumulated depreciation	(62,596)	(336)	(154)	(63,086)
	<u>\$ 128,330</u>	<u>\$ 160</u>	<u>\$ 227</u>	<u>\$ 128,717</u>
Opening net book amount as at January 1	\$ 128,330	\$ 160	\$ 227	\$ 128,717
Additions	56	-	20	76
Depreciation charge	(3,825)	(117)	(93)	(4,035)
Closing net book amount as at December 31	<u>\$ 124,561</u>	<u>\$ 43</u>	<u>\$ 154</u>	<u>\$ 124,758</u>
<u>At December 31</u>				
Cost	\$ 190,982	\$ 496	\$ 401	\$ 191,879
Accumulated depreciation	(66,421)	(453)	(247)	(67,121)
	<u>\$ 124,561</u>	<u>\$ 43</u>	<u>\$ 154</u>	<u>\$ 124,758</u>
	2022			
	Buildings	Computer communications equipment	Others	Total
<u>At January 1</u>				
Cost	\$ 190,658	\$ 555	\$ 522	\$ 191,735
Accumulated depreciation	(58,802)	(281)	(287)	(59,370)
	<u>\$ 131,856</u>	<u>\$ 274</u>	<u>\$ 235</u>	<u>\$ 132,365</u>
Opening net book amount as at January 1	\$ 131,856	\$ 274	\$ 235	\$ 132,365
Additions	268	17	107	392
Depreciation charge	(3,794)	(131)	(115)	(4,040)
Closing net book amount as at December 31	<u>\$ 128,330</u>	<u>\$ 160</u>	<u>\$ 227</u>	<u>\$ 128,717</u>
<u>At December 31</u>				
Cost	\$ 190,926	\$ 496	\$ 381	\$ 191,803
Accumulated depreciation	(62,596)	(336)	(154)	(63,086)
	<u>\$ 128,330</u>	<u>\$ 160</u>	<u>\$ 227</u>	<u>\$ 128,717</u>

(7) Leasing arrangements – lessee

A. The Company leases various assets including land. Rental contracts are typically made for periods for 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 carrying amount of right-of-use assets and the depreciation charge are 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	\$ 613	\$ 626
Expense on short-term lease contracts	<u>\$ 50</u>	<u>\$ 56</u>
Expense on leases of low-value assets	<u>\$ 220</u>	<u>\$ 151</u>

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases was \$2,420 and \$2,355, respectively.

(8) Leasing arrangements – lessor

A. The Company leases various 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 Company recognised rent income in the amounts of \$26,995 and \$26,827, 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>

(9) Investment property-Buildings

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>At January 1</u>		
Cost	\$ 167,127	\$ 166,890
Accumulated depreciation	(55,467)	(52,145)
	<u>\$ 111,660</u>	<u>\$ 114,745</u>
Opening net book amount as at January 1	\$ 111,660	\$ 114,745
Additions	49	237
Depreciation charge	(3,349)	(3,322)
Closing net book amount as at December 31	<u>\$ 108,360</u>	<u>\$ 111,660</u>
<u>At December 31</u>		
Cost	\$ 167,176	\$ 167,127
Accumulated depreciation	(58,816)	(55,467)
	<u>\$ 108,360</u>	<u>\$ 111,660</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>\$ 26,995</u>	<u>\$ 26,827</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 \$187,663 and \$183,694, respectively, which was valued by independent valuers. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Profit margin	Ratio of salvage value Capitalisation rate
Cost approach	2.060%~2.145%	18.00%	5.00%
Income approach			3.35%~8.20%

(10) 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	2,140	2,140
	<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.

(11) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and bonus payable	\$ 21,503	\$ 25,222
Processing fees payable	2,518	3,101
Others	4,519	4,131
	<u>\$ 28,540</u>	<u>\$ 32,454</u>

(12) 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	3,491	3,471
	<u>\$ 6,506</u>	<u>\$ 6,843</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by 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 qualified for retirement next year, the Company will make contributions to cover 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>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2023</u>			
Balance at January 1	(\$ 37,006)	\$ 33,634	(\$ 3,372)
Current service cost	(102)	-	(102)
Interest (expense) income	<u>(406)</u>	<u>370</u>	<u>(36)</u>
	<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>
Balance at December 31	<u>(\$ 34,853)</u>	<u>\$ 31,838</u>	<u>(\$ 3,015)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance 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 financial assumptions	771	-	771
Experience adjustments	(373)	-	(373)
	<u>398</u>	<u>1,858</u>	<u>2,256</u>
Pension fund contribution	-	8,919	8,919
Balance 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 securitization 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 authorized by the Regulator. 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:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.10%</u>	<u>1.10%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

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:

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

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method 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 Company 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		<u>334</u>
	\$	<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 contributes 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 company for the years ended December 31, 2023 and 2022, was \$4,489 and \$4,353, respectively.

(14) Share-based payment (Year ended December 31, 2023: None)

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

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (share in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Treasury stock sold to employees	2022.07.01	888	-	Immediately

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

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Fair value per unit</u>
Treasury stock sold to employees	2022.07.01	23.25	16.26	6.99

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

(15) 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:

	<u>2023</u>	<u>2022</u>
At January 1	82,605	81,717
Treasury stock sold to employees	-	888
At December 31	<u>82,605</u>	<u>82,605</u>

B. Treasury shares

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

<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>December 31, 2023</u>	
		<u>Number of shares (share in thousand)</u>	<u>Carrying amount</u>
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 thousand)	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 has been completed on February 15, 2022.

(16) 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.

(17) 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, respectively. 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, 2024, 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.

(18) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 231,982	\$ 295,990
Disaggregation of revenue from contracts with customers		

The Company 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	\$ 123,335	\$ 176,362
Taiwan	23,498	48,569
USA	37,535	4,972
Others	47,614	66,087
	<u>\$ 231,982</u>	<u>\$ 295,990</u>

(19) Interest income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 4,494	\$ 1,344
Other interest income	49	25
	<u>\$ 4,543</u>	<u>\$ 1,369</u>

(20) Other income

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rent income	\$ 26,995	\$ 26,827
Dividend income	-	6,994
Other income, others	1,108	1,472
	<u>\$ 28,103</u>	<u>\$ 35,293</u>

(21) Other gains and losses

	Years ended December 31,	
	2023	2022
Net currency exchange gain	\$ 2,696	\$ 20,102
Net profit on financial assets at fair value through profit (loss)	8,283	(29,314)
Other losses	(6,049)	(5,788)
	<u>\$ 4,930</u>	<u>(\$ 15,000)</u>

(22) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense	<u>\$ 665</u>	<u>\$ 653</u>

(23) Expenses by nature

	Years ended December 31,	
	2023	2022
Change in finished goods, work-in-process and raw materials inventory	\$ 45,318	\$ 37,393
Employee benefit expense	118,449	124,919
Product testing fees	12,728	20,434
Amortisation charges	2,884	4,418
Depreciation charges on property, plant and equipment (including right-of-use assets)	6,513	6,518
Other costs and expenses	<u>29,321</u>	<u>35,954</u>
Operating costs and expenses	<u>\$ 215,213</u>	<u>\$ 229,636</u>

(24) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	\$ 100,110	\$ 106,508
Labour and health insurance fees	8,468	8,079
Pension costs	4,627	4,528
Directors' remuneration	2,132	2,755
Other personnel expenses	<u>3,112</u>	<u>3,049</u>
	<u>\$ 118,449</u>	<u>\$ 124,919</u>

As of December 31, 2023 and 2022, the number of employees of the Company was 76 and 75, respectively, and the number of directors who were not concurrently employees were both 2.

For the years ended December 31, 2023 and 2022, average employee benefits were \$1,572 and \$1,673, respectively; average employee salary were \$1,353 and \$1,459, respectively. The average employee salary increased by (7.27%) year over year.

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. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$5,352 and \$1,259, respectively, and the employees' compensation will be distributed in the form of cash.

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.

(25) 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 year	\$ 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	<u>(\$ 94)</u>	<u>(\$ 451)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 11,270	\$ 17,326
Effect from items disallowed by tax regulation	(2,368)	6,201
Effect from temporary difference	(716)	(251)
Effect from tax credits of investment	(2,266)	(5,160)
Additional 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 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	\$ -	\$ -	\$ 814
Loss for market value decline and obsolete and slow-moving inventories	3,316	506	-	3,822
Unused compensated absences	1,478	(66)	-	1,412
Other	1,233	-	(94)	1,139
Subtotal	<u>\$ 6,841</u>	<u>\$ 440</u>	<u>(\$ 94)</u>	<u>\$ 7,187</u>
Deferred tax liabilities:				
–Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Unrealised exchange gain	(515)	(101)	-	(616)
Other	(800)	23	-	(777)
Subtotal	<u>(\$ 1,827)</u>	<u>(\$ 78)</u>	<u>\$ -</u>	<u>(\$ 1,905)</u>
Total	<u>\$ 5,014</u>	<u>\$ 362</u>	<u>(\$ 94)</u>	<u>\$ 5,282</u>

	Year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
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	(2,705)	-	-
Unused compensated absences	1,354	124	-	1,478
Other	2,633	(949)	(451)	1,233
Subtotal	<u>\$ 10,142</u>	<u>(\$ 2,850)</u>	<u>(\$ 451)</u>	<u>\$ 6,841</u>
Deferred tax liabilities:				
–Temporary differences:				
Currency temporary differences	(\$ 512)	\$ -	\$ -	(\$ 512)
Unrealised exchange loss	-	(515)	-	(515)
Other	-	(800)	-	(800)
Subtotal	<u>(512)</u>	<u>(1,315)</u>	<u>-</u>	<u>(1,827)</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.

(26) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 50,744</u>	<u>82,605</u>	<u>\$ 0.61</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 50,744	82,605	
Employees' bonus	-	178	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 50,744</u>	<u>82,783</u>	<u>\$ 0.61</u>

	Year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,031	82,165	\$ 0.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,031	82,165	
Employees' bonus	-	424	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 69,031	82,589	\$ 0.84

(27) Changes in liabilities from financing activities

	Year ended December 31, 2023		
	<u>Lease liability</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities- gross</u>
At January 1	\$ 74,603	\$ 3,471	\$ 78,074
Changes in cash flow from financing activities	(1,537)	20	(1,517)
At December 31	\$ 73,066	\$ 3,491	\$ 76,557
	Year ended December 31, 2022		
	<u>Lease liability</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities- gross</u>
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	\$ 74,603	\$ 3,471	\$ 78,074

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Aidialink Corp.	Subsidiary

(2) Significant related party transactions

A. Other revenue:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Management consulting (shown as miscellaneous income)		
Aidialink Corp.	<u>\$ 540</u>	<u>\$ 540</u>
Rent income		
Aidialink Corp.	<u>\$ 1,008</u>	<u>\$ 1,008</u>

(3) Key management compensation

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

8. PLEGDED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
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

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHER

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company 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	\$ 38,527	\$ 28,244
Financial assets at amortised cost		
Cash and cash equivalents	\$ 344,727	\$ 330,112
Notes receivable	-	499
Accounts receivable	17,713	22,385
Other receivables	248	215
Guarantee deposits paid	102	102
Other financial assets	2,140	2,140
	<u>\$ 364,930</u>	<u>\$ 355,453</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 153	\$ 138
Accounts payable	2,337	4,135
Other accounts payable	28,540	32,454
Guarantee deposits received	3,491	3,471
	<u>\$ 34,521</u>	<u>\$ 40,198</u>
Lease liability	<u>\$ 73,066</u>	<u>\$ 74,603</u>

B. Financial risk management policies

- (a) The Company'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 (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The management 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 Company'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:

	<u>December 31, 2023</u>					
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	<u>Sensitivity analysis</u>		
Degree of variation				Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 4,770	30.710	\$ 146,487	1%	\$ 1,465	\$ -
CNY:NTD	14	4.330	\$ 61	1%	1	\$ -
<u>Investments accounted for using equity method</u>						
USD:NTD	\$ 3,391	30.710	\$ 104,138	1%	\$ -	\$ 1,041
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 76	30.710	\$ 2,334	1%	\$ 23	\$ -

		December 31, 2022					
				Sensitivity analysis			
		Foreign currency	Exchange	Book	Degree	Effect on	Effect on other
		amount	rate	value	of	profit or	comprehensive
		(In thousands)		(NTD)	variation	loss	income
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	4,089	30.710	\$ 125,573	1%	\$ 1,256	\$ -
CNY:NTD		14	4.410	\$ 62	1%	1	-
<u>Investments accounted for using equity method</u>							
USD:NTD	\$	3,294	30.710	\$ 101,159	1%	\$ -	\$ 1,012
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$	134	30.710	\$ 4,115	1%	\$ 41	\$ -

- ii. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to \$2,696 and \$20,102, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares 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, for the years ended December 31, 2023 and 2022, other components of equity would have increased/decreased by \$385 and \$282, respectively.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company 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 Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independent rated parties with a minimum rating are accepted. According to the Company's credit policy, each local entity in the Company 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 rating in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach to estimate expected credit loss under the provision matrix basis.
- v. The Company 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:

	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
<u>December 31, 2023</u>			
Expected loss rate	0.03%	3.96%~3.98%	
Total book value	\$ 11,735	\$ 6,729	\$ 18,464
Loss allowance	\$ 4	\$ 747	\$ 751
	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
<u>December 31, 2022</u>			
Expected loss rate	0.03%	3.76%	
Total book value	\$ 19,055	\$ 4,630	\$ 23,685
Loss allowance	\$ 6	\$ 1,295	\$ 1,301

- vi. Movement in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
At January 1	\$ 1,301	\$ 1,601
Reversal of impairment loss	(550)	(300)
At December 31	<u>\$ 751</u>	<u>\$ 1,301</u>

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 Company treasury. Company treasury monitors rolling forecasts of the Company'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 Company'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.

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

Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2022				
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 Company's investment in listed stocks and emerging 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 Company'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. 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 are as follows:

(a) The related information of nature 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	\$ -	\$ -	\$ 30,995	\$ 30,995
Limited partnership	-	-	7,532	7,532
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,527</u>	<u>\$ 38,527</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	\$ -	\$ -	\$ 21,957	\$ 21,957
Limited partnership	-	-	6,287	6,287
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,244</u>	<u>\$ 28,244</u>

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

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

	<u>Listed shares</u>	<u>Emerging stocks</u>
Market quoted price	Closing price	Last transaction 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 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 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 Company'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 Company'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 Company 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 Company's credit quality.
- D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2 .
- E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	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 and losses recognised in profit or loss		
Recorded as non-operating income and expenses	8,283	(29,314)
At December 31	\$ 38,527	\$ 28,244

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

H. 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 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 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 \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$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

Not applicable.

DAVICOM SEMICONDUCTOR , INC.

CASH

DECEMBER 31, 2023

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

Detail List 1

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Footnote</u>
Petty cash		\$ 110	
Cash in banks			
Checking accounts		1,170	
Demend deposits		4,626	
Foreign currency deposits	USD 4,295	131,869	Exchange rate 30.710
	CNY 14	60	Exchange rate 4.330
Time deposits		<u>206,892</u>	
		<u>\$ 344,727</u>	

DAVICOM SEMICONDUCTOR , INC.
ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2023

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

Detail List 2

Client's name	Summary	Amount	Footnote
C		\$ 6,136	
B		3,272	
F		2,643	
D		1,828	
E		1,245	
Others		<u>3,340</u>	The balance of each client is less than 5% of this account.
		18,464	
Less: Allowance for uncollectible accounts		(<u>751</u>)	
		<u>\$ 17,713</u>	

DAVICOM SEMICONDUCTOR , INC.
INVENTORIES
DECEMBER 31, 2023

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

Detail List 3

Items	Summary	Amount		Footnote
		Cost	Value	
Work in process		\$ 19,120	\$ 15,490	The net realizable value of work in process and finished is the market price.
Finished goods		<u>22,812</u>	<u>17,913</u>	
		41,932	<u>\$ 33,403</u>	
Less: Allowance for valuation loss and obsolescence		(<u>19,111</u>)		
		<u>\$ 22,821</u>		

DAVICOM SEMICONDUCTOR , INC.
SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 4

Items	Quantity	Amount	Footnote
Sales revenue			
Network control chipset	4,019,723 PCS	\$ 181,797	
Electronic paper	2,270,577 PCS	38,020	
Video Decoder	92,252 PCS	7,345	
Others	96,117 PCS	4,820	
		<u>\$ 231,982</u>	

DAVICOM SEMICONDUCTOR , INC.
OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 5

Items	Amount
Cost of purchases	-
Purchased in this period	24,015
Less: Engineering experiment requirments	(315)
Raw materials used in this period	23,700
Manufacturing expense	25,897
Manufacturing cost	49,597
Add: Beginning work in process	26,315
Less: Ending work in progress	(19,120)
Return of engineering experiment requirments	4
Cost of finished goods	56,796
Add: Beginning finished goods	29,347
Purchased in this period	5,362
Less: Ending finished goods	(22,812)
Engineering experiment requirments	(9)
Cost of goods sold	68,684
Loss from price recovery of inventory	2,530
Operating costs	<u>\$ 71,214</u>

DAVICOM SEMICONDUCTOR , INC.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 6

<u>Item</u>	<u>Amount</u>
Selling expenses	
Salary expenditure	\$ 20,943
Insurance expenses	1,935
Other expenses	7,615
Subtotal	<u>30,493</u>
General & administrative expenses	
Salary expenditure	26,275
Depreciation	2,423
Services expense	3,025
Other expenses	16,309
Subtotal	<u>48,032</u>
Research and development expenses	
Salary expenditure	48,456
Insurance expenses	4,181
Other expenses	13,387
Subtotal	<u>66,024</u>
Reversal of impairment loss	(550)
Total	<u>\$ 143,999</u>

DAVICOM SEMICONDUCTOR , INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 7

Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 6,568	\$ 93,542	\$ 100,110	\$ 6,973	\$ 99,535	\$ 106,508
Labour and health insurance fees	638	7,830	8,468	634	7,445	8,079
Pension costs	332	4,295	4,627	345	4,183	4,528
Directors' remuneration	-	2,132	2,132	-	2,755	2,755
Other personnel expenses	240	2,872	3,112	241	2,808	3,049
Depreciation Expense	405	6,108	6,513	470	6,048	6,518
Amortisation Expense	912	1,972	2,884	1,767	2,651	4,418

- Note:
1. As of December 31, 2023 and 2022, the number of employees of the Company was 76 and 75, respectively. The number of directors who were not employees were both 2.
 2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) For the years ended December 31, 2023 and 2022, average employee benefits were \$1,572 and \$1,673, respectively.
 - (2) For the years ended December 31, 2023 and 2022, average employee salary were \$1,353 and \$1,459, respectively.
 - (3) The average employee salary decreased by (7.27%) year over year.

DAVICOM SEMICONDUCTOR , INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 7

3. Please disclose the company's remuneration policy (including directors, individual directors, managerial officers and employees).

- (1) Directors and Independent Director's remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risk and time spent:
 - A. According to the standard of payment on attendance and transportation by board of directors, directors' remuneration were paid on normal level.
 - B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine 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.
- (2) Managerial officers' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risk and time spent:
 - A. The total compensation paid to the executive officers is decided based on their job responsibility, contribution, and company performance.
It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.
 - B. According to the Articles 28 of Incorporation of the Company, the Board of Directors is authorised to determine 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.
- (3) Employees' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risk and time spent:
 - A. The compensation policy of employees have a positive correlation with contribution for company, personal performance, and operating performance.
And the Company has control to future risk appropriately, so compensation policy was also related to future risks to a certain degree.
Salary compensations were composed of three parts: basic wages, bonus and employee compensation, benefit.
The payment standard for basic wages is based on company policy and market competition about his/her position.
Bonus and employee compensation are based on company operating performance and targets completed by employees or departments.
Employee benefits, prior to compliance with laws and regulations, are based on integrated needs of employees to create excellent benefits.

DAVICOM SEMICONDUCTOR , INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail List 7

- B. According to the Article 28 of the Company's Articles of Incorporation, the Board of Directors is authorised to determine 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.
- (4) The company has set up an audit committee, so there is no supervisors' remuneration.

**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)	550	-	300	-
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									
		Capital Surplus				Retained Earnings			Exchange differences from translation of foreign operations	Treasury shares	Total equity
		Common stock	Additional paid-in capital	Treasury share transactions	Others	Legal reserve	Special reserve	Undistributed earnings			
Year ended December 31 2022											
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		\$ 831,171	\$ 39,061	\$ 6,225	\$ 38,714	\$ 88,782	\$ 22,711	\$ 59,410	(\$ 12,799)	(\$ 8,315)	\$1,064,960
Year ended December 31 2023											
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		\$ 831,171	\$ 18,658	\$ 6,225	\$ 38,714	\$ 95,866	\$ 12,799	\$ 51,157	(\$ 12,859)	(\$ 8,315)	\$1,033,416

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
CASH FLOWS FROM OPERATING ACTIVITIES			
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		52,120	109,447
CASH FLOWS FROM INVESTING ACTIVITIES			
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		(521)	(1,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
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		(84,122)	(68,724)
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		\$ 695,332	\$ 727,900

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:

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

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

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

New standards, interpretations and amendments endorsed by 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)	370	(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:

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

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	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	<u>\$ 242,572</u>	<u>\$ 307,090</u>

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)

(25) Earnings per share

<u>Year ended December 31, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 50,744	82,605	\$ 0.61
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 50,744	82,605	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	178	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 50,744	82,783	\$ 0.61
<u>Year ended December 31, 2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,031	82,165	\$ 0.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 69,031	82,165	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	424	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 69,031	82,589	\$ 0.84

(26) Changes in liabilities from financing activities

	<u>Year ended December 31, 2023</u>		
	<u>Lease liability</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
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>

	<u>Year ended December 31, 2022</u>		
	<u>Lease liability</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
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	<u>15,177</u>	<u>-</u>	<u>15,177</u>
At December 31	<u>\$ 74,603</u>	<u>\$ 3,471</u>	<u>\$ 78,074</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

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

8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
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:

December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<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	-	-
December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<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	-	-	<u>7,532</u>	<u>7,532</u>
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	-	-	<u>6,287</u>	<u>6,287</u>
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>
	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)