English Translation of a Report and Financial Statements Originally Issued in Chinese

# ITE TECH. INC.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS
## WITH REPORT OF INDEPENDENT AUDITORS
## FOR THE YEARS ENDED
## DECEMBER 31, 2023 AND 2022

Notice to Readers

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

# REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2023 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

ITE Tech. Inc.

Chairman: Vincent Hu

February 23, 2024

**Independent Auditors' Report Translated from Chinese**

To ITE Tech. Inc.

**Opinion**

We have audited the accompanying consolidated balance sheets of ITE Tech. Inc. and its subsidiaries ("the Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of the other auditors (please refer to the *Other Matter – Making Reference to the Audits of Other Auditors section of our report*), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Group recognized NT$6,276,443 thousand as operating revenues for the year ended December 31, 2023, which includes sale of goods and other operating revenues for the year ended December 31, 2023. It is necessary for the Group to judge and determine the performance obligation of a contract, the timing of its satisfaction, and the estimate of the variable considerations. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) testing the effectiveness of internal control; assessing the appropriateness of the accounting policy for revenue recognition; conducting analytical procedures for gross profit by product; selecting the samples to perform detailed transaction tests and reviewing the significant terms of sales agreements and trade terms to determine the accuracy of the timing of revenue recognition, testing the accuracy of the sales discount calculation and reviewing the payments of refund liabilities in the subsequent period; and performing cut-off procedures on selected samples for a period before and after the reporting date.

We also considered the appropriateness of the disclosures of operating revenues. Please refer to Note 4(17), Note 5 and Note 6(16) in notes to the Group's consolidated financial statements.

## Other Matter – Making Reference to the Audits of Other Auditors

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of the other auditors. These associates and joint ventures under equity method amounted to NT$11,804 thousand and NT$8,278 thousand, representing 0.14% and 0.12% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profit or loss from the associates and joint ventures under the equity method amounted to NT$(9,765) thousand and NT$(5,016) thousand, representing (0.51)% and (0.34)% of the consolidated net income before tax for the years ended December 31, 2023 and 2022, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, 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 audit committee, are responsible for overseeing the financial reporting process of the Group.

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

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

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

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

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

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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of ITE Tech. Inc. as of and for the years ended December 31, 2023 and 2022.

Hu, Shen-Chieh

Hsu, Hsin-Min

Ernst & Young, Taiwan

February 23, 2024

**Notice to Readers**

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

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the consolidated financial statements are the responsibility of the management, Ernst & Young 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ITE TECH. INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

| ASSETS | Notes | As of December 31, | | | | LIABILITIES AND EQUITY | Notes | As of December 31, | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2023 | | 2022 | | | | 2023 | | 2022 | |
| **Current assets** | | | | | | **Current liabilities** | | | | | |
| Cash and cash equivalents | 4,6(1) | $3,297,069 | 40.14 | $1,785,488 | 26.77 | Contract liabilities-current | 4,6(16) | $8,034 | 0.10 | $11,887 | 0.18 |
| Financial assets at fair value through profit or loss-current | 4,6(2) | 400,861 | 4.88 | 663,670 | 9.95 | Trade payables | | 384,385 | 4.68 | 257,378 | 3.86 |
| Notes receivables, net | 4,6(5),6(17) | 7,294 | 0.09 | 8,665 | 0.13 | Trade payables to related parties | 7 | 177,102 | 2.16 | 109,850 | 1.65 |
| Trade receivables, net | 4,6(6),6(17) | 867,926 | 10.57 | 717,584 | 10.76 | Other payables | | 546,212 | 6.65 | 472,151 | 7.08 |
| Trade receivables from related parties, net | 4,6(6),6(17),7 | 847 | 0.01 | - | - | Other payables to related parties | 7 | 10,565 | 0.13 | 6,565 | 0.10 |
| Other receivables | | 7,783 | 0.09 | 1,391 | 0.02 | Current tax liabilities | 4,6(22) | 286,613 | 3.49 | 113,039 | 1.69 |
| Inventories, net | 4,5,6(7) | 804,480 | 9.79 | 1,071,211 | 16.06 | Lease liabilities-current | 4,6(18) | 6,152 | 0.07 | 6,860 | 0.10 |
| Prepayments | | 75,442 | 0.92 | 74,262 | 1.12 | Other current liabilities | 4,5,6(12) | 185,227 | 2.25 | 119,833 | 1.80 |
| Other current assets | | 104 | - | 129 | - | Total current liabilities | | 1,604,290 | 19.53 | 1,097,563 | 16.46 |
| Total current assets | | 5,461,806 | 66.49 | 4,322,400 | 64.81 | **Non-current liabilities** | | | | | |
| | | | | | | Lease liabilities-noncurrent | 4,6(18) | 77,011 | 0.94 | 80,633 | 1.21 |
| | | | | | | Net defined benefit liabilities-noncurrent | 4,6(13) | 78,347 | 0.95 | 83,535 | 1.25 |
| | | | | | | Deposits received | | 28,290 | 0.35 | 28,290 | 0.42 |
| | | | | | | Total non-current liabilities | | 183,648 | 2.24 | 192,458 | 2.88 |
| | | | | | | Total liabilities | | 1,787,938 | 21.77 | 1,290,021 | 19.34 |
| **Non-current assets** | | | | | | **Equity attributable to owners of the parent** | | | | | |
| Financial assets at fair value through profit or loss-noncurrent | 4,6(2) | 168,908 | 2.06 | 88,835 | 1.33 | Share capital | 6(14) | | | | |
| Financial assets at fair value through other comprehensive income-noncurrent | 4,6(3) | 1,459,037 | 17.76 | 1,154,912 | 17.32 | Common stock | | 1,610,801 | 19.61 | 1,610,801 | 24.15 |
| Financial assets measured at amortized cost-noncurrent | 4,6(4),8 | 4,230 | 0.05 | 4,230 | 0.06 | Capital surplus | 6(14) | 1,229,824 | 14.97 | 1,297,073 | 19.45 |
| Investments accounted for using the equity method | 4,6(8) | 11,804 | 0.14 | 8,278 | 0.12 | Retained earnings | 6(14) | | | | |
| Property, plant and equipment | 4,6(9) | 662,142 | 8.06 | 629,367 | 9.44 | Legal reserve | | 710,912 | 8.65 | 588,175 | 8.82 |
| Right-of-use assets | 4,6(18) | 79,888 | 0.97 | 84,549 | 1.27 | Undistributed earnings | | 2,375,480 | 28.92 | 1,731,439 | 25.96 |
| Intangible assets | 4,5,6(10),6(11) | 277,680 | 3.38 | 282,553 | 4.24 | Other equity | | 499,276 | 6.08 | 151,932 | 2.28 |
| Deferred tax assets | 4,6(22) | 86,835 | 1.06 | 91,491 | 1.37 | Total equity | | 6,426,293 | 78.23 | 5,379,420 | 80.66 |
| Other noncurrent assets | | 1,901 | 0.03 | 2,826 | 0.04 | | | | | | |
| Total non-current assets | | 2,752,425 | 33.51 | 2,347,041 | 35.19 | | | | | | |
| **Total assets** | | $8,214,231 | 100.00 | $6,669,441 | 100.00 | **Total liabilities and equity** | | $8,214,231 | 100.00 | $6,669,441 | 100.00 |

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

**ITE TECH. INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)**

| Description | Notes | For the years ended December 31, 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|
| **Operating revenues** | 4,5,6(16),7 | $6,276,443 | 100.00 | $5,212,206 | 100.00 |
| **Operating costs** | 6(7),6(18),6(19),7 | (2,852,442) | (45.45) | (2,486,324) | (47.70) |
| **Gross profit** | | 3,424,001 | 54.55 | 2,725,882 | 52.30 |
| **Operating expenses** | 6(18),6(19),7 | | | | |
| Selling expenses | | (390,131) | (6.21) | (310,657) | (5.96) |
| Administrative expenses | | (293,535) | (4.68) | (230,981) | (4.43) |
| Research and development expenses | | (977,680) | (15.58) | (833,642) | (16.00) |
| Total operating expenses | | (1,661,346) | (26.47) | (1,375,280) | (26.39) |
| **Operating income** | | 1,762,655 | 28.08 | 1,350,602 | 25.91 |
| **Non-operating income and expenses** | | | | | |
| Interest income | 6(20) | 31,533 | 0.50 | 7,106 | 0.14 |
| Other income | 6(20) | 137,878 | 2.20 | 121,135 | 2.32 |
| Other gains and losses | 6(20) | 7,845 | 0.12 | (9,944) | (0.19) |
| Finance costs | 6(20) | (1,587) | (0.02) | (1,766) | (0.03) |
| Share of loss of associates and joint ventures accounted for using the equity method | 6(8) | (9,765) | (0.15) | (5,016) | (0.10) |
| Total non-operating income and expenses | | 165,904 | 2.65 | 111,515 | 2.14 |
| **Net income before income tax** | | 1,928,559 | 30.73 | 1,462,117 | 28.05 |
| **Income tax expense** | 4,6(22) | (340,751) | (5.43) | (244,425) | (4.69) |
| **Net income** | | 1,587,808 | 25.30 | 1,217,692 | 23.36 |
| **Other comprehensive income (loss)** | 6(21) | | | | |
| **Items that may not be reclassified subsequently to profit or loss** | | | | | |
| Remeasurements of defined benefit plans | 6(13) | 4,244 | 0.07 | 2,898 | 0.06 |
| Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income | | 412,321 | 6.57 | (661,495) | (12.69) |
| Income tax relating to those items not to be reclassified to profit or loss | | (4,269) | (0.07) | 8,856 | 0.17 |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | (41) | - | 39 | - |
| **Other comprehensive income (loss), net of tax** | | 412,255 | 6.57 | (649,702) | (12.46) |
| **Total comprehensive income** | | $2,000,063 | 31.87 | $567,990 | 10.90 |
| | | | | | |
| **Net income for the periods attributable to:** | | | | | |
| Owners of the parent | | $1,587,808 | | $1,217,692 | |
| **Total comprehensive income for the periods attributable to:** | | | | | |
| Owners of the parent | | $2,000,063 | | $567,990 | |
| | | | | | |
| **Earning per share (in New Taiwan Dollars)** | 6(23) | | | | |
| Basic earnings per share (in New Taiwan Dollars) | | $9.86 | | $7.56 | |
| Diluted earnings per share (in New Taiwan Dollars) | | $9.75 | | $7.43 | |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ITE TECH. INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

| Description | Equity attributable to owners of the parent | | | | | | | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | Other equity | | | |
| | Share capital | Capital surplus | Legal reserve | Undistributed earnings | Exchange differences resulting from translating the financial statements of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Equity attributable to owners of the parent | |
| Balance as of January 1, 2022 | $1,610,801 | $1,458,153 | $414,947 | $1,965,937 | $(245) | $811,558 | $6,261,151 | $6,261,151 |
| Appropriation and distribution of 2021 earnings: | | | | | | | | |
| Legal reserve | - | - | 173,228 | (173,228) | - | - | - | - |
| Cash dividends | - | - | - | (1,288,641) | - | - | (1,288,641) | (1,288,641) |
| Changes in other capital surplus | | | | | | | | |
| Cash dividends distributed from capital surplus | - | (161,080) | - | - | - | - | (161,080) | (161,080) |
| Profit for the year ended December 31, 2022 | - | - | - | 1,217,692 | - | - | 1,217,692 | 1,217,692 |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | 2,318 | 39 | (652,059) | (649,702) | (649,702) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | 1,220,010 | 39 | (652,059) | 567,990 | 567,990 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | 7,361 | - | (7,361) | - | - |
| Balance as of December 31, 2022 | $1,610,801 | $1,297,073 | $588,175 | $1,731,439 | $(206) | $152,138 | $5,379,420 | $5,379,420 |
| Balance as of January 1, 2023 | $1,610,801 | $1,297,073 | $588,175 | $1,731,439 | $(206) | $152,138 | $5,379,420 | $5,379,420 |
| Appropriation and distribution of 2022 earnings: | | | | | | | | |
| Legal reserve | - | - | 122,737 | (122,737) | - | - | - | - |
| Cash dividends | - | - | - | (885,941) | - | - | (885,941) | (885,941) |
| Changes in other capital surplus | | | | | | | | |
| Changes in associates and joint ventures accounted for using the equity method | - | 13,291 | - | - | - | - | 13,291 | 13,291 |
| Cash dividends distributed from capital surplus | - | (80,540) | - | - | - | - | (80,540) | (80,540) |
| Profit for the year ended December 31, 2023 | - | - | - | 1,587,808 | - | - | 1,587,808 | 1,587,808 |
| Other comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | 3,395 | (41) | 408,901 | 412,255 | 412,255 |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | 1,591,203 | (41) | 408,901 | 2,000,063 | 2,000,063 |
| Disposal of equity instruments measured at fair value through other comprehensive income | - | - | - | 61,516 | - | (61,516) | - | - |
| Balance as of December 31, 2023 | $1,610,801 | $1,229,824 | $710,912 | $2,375,480 | $(247) | $499,523 | $6,426,293 | $6,426,293 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ITE TECH. INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2023 and 2022**

**(Expressed in thousands of New Taiwan Dollars)**

| Description | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before tax | $1,928,559 | $1,462,117 |
| Adjustments for: | | |
| The profit or loss items which did not affect cash flows: | | |
| Depreciation | 51,173 | 45,722 |
| Amortization | 12,104 | 9,275 |
| (Gains) losses on financial assets at fair value through profit or loss | (10,912) | 11,315 |
| Interest expenses | 1,587 | 1,766 |
| Interest income | (31,533) | (7,106) |
| Dividend income | (93,597) | (117,629) |
| Share of loss of associates and joint ventures accounted for using the equity method | 9,765 | 5,016 |
| Changes in operating assets and liabilities: | | |
| Financial assets mandatorily measured at fair value through profit or loss | 266,792 | 875,905 |
| Notes receivables | 1,371 | 583 |
| Trade receivables | (150,342) | 317,355 |
| Trade receivables from related parties | (847) | 3,011 |
| Other receivables | 24 | (24) |
| Inventories | 266,731 | 5,677 |
| Prepayments | (1,180) | (2,756) |
| Other current assets | 25 | (9) |
| Contract liabilities | (3,853) | 6,891 |
| Trade payables | 127,007 | (363,180) |
| Trade payables to related parties | 67,252 | (188,337) |
| Other payables | 74,061 | (226,984) |
| Other payables to related parties | 4,000 | 3,460 |
| Other current liabilities | 65,394 | (62,611) |
| Net defined benefit liabilities | (944) | (1,425) |
| Cash generated from operating activities: | 2,582,637 | 1,778,032 |
| Interest received | 27,174 | 8,886 |
| Interest paid | (1,587) | (1,766) |
| Income tax paid | (166,790) | (501,065) |
| Net cash provided by operating activities | 2,441,434 | 1,284,087 |

| Description | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Acquisition of financial assets at fair value through other comprehensive income | (37,500) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 95,696 | 22,551 |
| Proceeds from capital return of financial assets at fair value through other comprehensive income | 50,000 | - |
| Acquisition of financial assets at fair value through profit or loss | (75,201) | (76,904) |
| Disposal of subsidiary | - | 5,378 |
| Acquisition of property, plant and equipment | (76,059) | (20,878) |
| Acquisition of intangible assets | (7,241) | (65,646) |
| Decrease in other non-current assets | 925 | 420 |
| Dividends received | 93,597 | 117,629 |
| Net cash provided by (used in) investing activities | 44,217 | (17,450) |
| **Cash flows from financing activities:** | | |
| Decrease in deposits received | - | (193) |
| Cash payment for the principal portion of the lease liabilities | (7,622) | (7,025) |
| Cash dividends | (966,481) | (1,449,721) |
| Net cash used in financing activities | (974,103) | (1,456,939) |
| Effect of exchange rate changes on cash and cash equivalents | 33 | (135) |
| Net increase (decrease) in cash and cash equivalents | 1,511,581 | (190,437) |
| Cash and cash equivalents at the beginning of the year | 1,785,488 | 1,975,925 |
| Cash and cash equivalents at the end of the year | $3,297,069 | $1,785,488 |

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

ITE TECH. INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

## 1. Organization and Operation

ITE Tech. Inc. ("the Company") was incorporated in Hsinchu Science Park on May 29, 1996. The Company's main products are Super I/O control (SIO) ICs for desktop computers, embedded control (EC) ICs for notebook computers, high-speed audio-video interface related ICs, system on a chip (SoC), and other customized application chips. The Company's shares are traded in Taiwan Stock Exchange. The Company's registered office and the main business location is at 3F, No.13, Innovation Road I, Hsinchu Science Park, Hsinchu City.

## 2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized for issue by the Board of Directors on February 23, 2024.

## 3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2023. The application of these new standards and amendments had no material effect on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below:

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | January 1, 2024 |
| b | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | January 1, 2024 |
| c | Non-current Liabilities with Covenants – Amendments to IAS 1 | January 1, 2024 |
| d | Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | January 1, 2024 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The aforementioned standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised, or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| c | Lack of Exchangeability – Amendments to IAS 21 | January 1, 2025 |

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The aforementioned standards and interpretations have no material impact on the Group.

## 4. Summary of Material Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretation Committee or the former Standing Interpretations Committee as endorsed by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries 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.

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfers directly to retained earnings if required by other IFRSs ; and
(f) recognizes any resulting difference in profit or loss.

The consolidated entity is listed as follows:

| | | | Percentage of ownership | |
|---|---|---|---|---|
| | | | As of December 31, | |
| Investor | Subsidiary | Main businesses | 2023 | 2022 |
| ITE Tech. Inc. | ITE Tech. (Shenzhen) Inc. | Technological consultation services for ICs products | 100.00% | 100.00% |

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of the foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) the Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) the Group holds the asset primarily for the purpose of trading
(c) the Group expects to realize the asset within twelve months after the reporting period
(d) the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) the Group expects to settle the liability in its normal operating cycle
(b) the Group holds the liability primarily for the purpose of trading
(c) the liability is due to be settled within twelve months after the reporting period
(d) the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including times deposits with contract periods within six months).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

I. the Group’s business model for managing the financial assets and
II. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as financial assets measured at amortized cost, notes receivables, trade receivables, other receivables and other non-current assets etc., on balance sheet as at the reporting date:

I. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
II. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

I. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
II. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

I. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
II. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognitions of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

I. a gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

II. when the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

III. interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   i. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

   ii. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b)Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost.

The Group measures expected credit losses of a financial instrument in a way that reflects:

I. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
II. the time value of money; and
III. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

I. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
II. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
III. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

I. the rights to receive cash flows from the asset have expired.
II. the Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
III. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Actual purchase cost measured using weighted-average method.
Finished goods and work in progress – Cost of direct materials and manufacturing overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures.* If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

(a) its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing of goodwill in IAS 36 *Impairment of Assets.*

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, Plant and Equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Buildings | 3-41 years |
| Machinery and equipment | 6 years |
| Research and development equipment | 4 years |
| Office equipment | 3-5 years |
| Other equipment | 4 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Lease

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether the contract, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use assets applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies its lease not transfer substantially all the risks and rewards incidental to ownership of an underlying asset as an operating lease.

The Group recognizes lease payments from operating leases as rental income on straight-line basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale
(b) its intention to complete and its ability to use or sell the asset
(c) how the asset will generate future economic benefits
(d) the availability of resources to complete the asset
(e) the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

A summary of the policies information applied to the Group’s intangible assets is as follows:

| | Computer software | Other intangible assets |
|---|---|---|
| Useful lives | Finite (3-10 years) | Finite (3-15 years) |
| Amortization method used | Amortized on a straight-line basis over the estimated useful life | Amortized on a straight-line basis over the estimated useful life |
| Internally generated or acquired | Acquired externally | Acquired externally |

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policy is explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customers and the goods are delivered to the customers. The main products of the Group are manufacturing and marketing of integrated circuit design products and revenue is recognized based on the consideration stated in the contract, net of the estimated discounts. The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected discounts (recognized as other current liabilities).

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the goods subsequently; these contracts should be presented as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

(18) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes related restructuring or termination costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(21) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid changes in technologies, the Group estimates expected depletion from production, inventory obsolescence and future selling prices in market at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time period, therefore it may cause material adjustments. Please refer to Note 6(7) for more details.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6(11).

(3) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Notes 6(12) and 6(16) for more details.

## 6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cash on hand | $316 | $267 |
| Checking and saving accounts | 215,760 | 328,408 |
| Time deposits | 3,080,993 | 1,456,813 |
| Total | $3,297,069 | $1,785,488 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Mandatorily measured at fair value through profit or loss: | | |
| Funds | $435,830 | $687,419 |
| Capital | 133,939 | 65,086 |
| Total | $569,769 | $752,505 |
| | | |
| Current | $400,861 | $663,670 |
| Non-current | 168,908 | 88,835 |
| Total | $569,769 | $752,505 |

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income, non-current

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Equity instrument investments measured at fair value through other comprehensive income-Non-current: | | |
| Listed company stocks | $333,627 | $200,942 |
| Unlisted company stocks | 1,125,410 | 953,970 |
| Total | $1,459,037 | $1,154,912 |

Financial assets at fair value through other comprehensive income were not pledged.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income is as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Related to investments held at the end of the reporting period | $92,711 | $116,799 |
| Related to investments derecognized during the period | 886 | 830 |
| Dividend income recognized during the period | $93,597 | $117,629 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

In consideration of the Group's investment strategy, the Group disposed and derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| The fair value of the investments at the date of derecognition | $95,696 | $22,551 |
| The cumulative gain on disposal reclassified from other equity to retained earnings | $61,516 | $7,361 |

(4) Financial assets measured at amortized cost, non-current

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Time deposits | $4,230 | $4,230 |

The Group classified certain financial assets as financial assets measured at amortized cost. Since credit risk is low, expected credit losses during the duration are not significant. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for more details on credit risk.

(5) Notes receivables

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Notes receivables arising from operating activities | $7,294 | $8,665 |
| Less: loss allowance | - | - |
| Total | $7,294 | $8,665 |

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(17) for more details on loss allowance and Note 12 for more details on credit risk.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Trade receivables and trade receivables from related parties

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Trade receivables | $867,926 | $717,584 |
| Less: loss allowance | - | - |
| Subtotal | 867,926 | 717,584 |
| Trade receivables from related parties | 847 | - |
| Less: loss allowance | - | - |
| Subtotal | 847 | - |
| Total | $868,773 | $717,584 |

Trade receivables and trade receivables from related parties were not pledged.

Trade receivables are generally on 30-90 day terms. The total carrying amounts were NT$868,773 thousand and NT$717,584 thousand as of December 31, 2023 and 2022, respectively. Please refer to Note 6(17) for more details on impairment of trade receivables and Note 12 for more details on credit risk.

(7) Inventories

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Raw materials | $2,467 | $5,672 |
| Work in progress | 395,164 | 663,580 |
| Finished goods | 406,849 | 401,959 |
| Total | $804,480 | $1,071,211 |

The cost of inventories recognized in expenses amounted to NT$2,852,442 thousand and NT$2,486,324 thousand for the years ended December 31, 2023 and 2022, respectively, including the inventory valuation gain (reversal of decline in market value, obsolete and slow-moving inventories) of NT$22,728 thousand and the inventory valuation loss of NT$159,297 thousand for the years ended December 31, 2023 and 2022, respectively.

The reversals of allowance for inventory valuation and obsolescence loss resulting from inventories scrapped amounted to NT$48,692 thousand and NT$30,711 thousand for the years ended December 31, 2023 and 2022, respectively.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Inventories were not pledged.

(8) Investments accounted for using the equity method

The detail of investments accounted for using the equity method is as follows:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Investee | Carrying amount | Percentage of ownership | Carrying amount | Percentage of ownership |
| Investments in an associate: | | | | |
| Emright Technology Co., Ltd. | $11,804 | 30.15% | $8,278 | 36.32% |

Emright Technology Co., Ltd. increased capital in March 2023, and the Company did not subscribe the new share proportionate to its original ownership interest. Its ownership was therefore reduced to 30.15%.

Although the Group is the largest shareholder of the aforementioned associate; after comprehensive assessment, the Group does not own the major voting rights as the remaining voting rights holders are able to align and prevent the Group from ruling the relevant operation. Therefore, the Group does not control but owns significant influence over the aforementioned associate.

The aggregate amount of the Group’s share of the aforementioned immaterial associate that is accounted for using the equity method is as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Loss from continuing operations | $(9,765) | $(5,016) |
| Other comprehensive income (net of tax) | - | - |
| Total comprehensive loss | $(9,765) | $(5,016) |

The Group did not have contingent liabilities or capital commitments to the aforementioned associate and the investment was not pledged as of December 31, 2023 and 2022.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Property, plant and equipment

| | Land | Buildings | Machinery and equipment | Research and development equipment | Office equipment | Other equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| As of January 1, 2023 | $311,450 | $377,001 | $41,084 | $49,072 | $5,813 | $24,499 | $808,919 |
| Additions | - | 11,378 | - | 55,701 | 2,059 | 6,921 | 76,059 |
| Disposals | - | (1,236) | - | (5,060) | - | (2,969) | (9,265) |
| Exchange differences | - | - | - | - | (109) | - | (109) |
| As of December 31, 2023 | $311,450 | $387,143 | $41,084 | $99,713 | $7,763 | $28,451 | $875,604 |
| | | | | | | | |
| As of January 1, 2022 | $311,450 | $397,969 | $29,584 | $58,838 | $6,626 | $24,230 | $828,697 |
| Additions | - | 3,742 | 11,500 | 7,956 | 249 | 7,781 | 31,228 |
| Disposals | - | (24,710) | - | (17,722) | (1,150) | (7,512) | (51,094) |
| Exchange differences | - | - | - | - | 88 | - | 88 |
| As of December 31, 2022 | $311,450 | $377,001 | $41,084 | $49,072 | $5,813 | $24,499 | $808,919 |
| | | | | | | | |
| **Depreciation and impairment:** | | | | | | | |
| As of January 1, 2023 | $- | $129,252 | $10,636 | $22,369 | $5,199 | $12,096 | $179,552 |
| Depreciation | - | 13,582 | 6,848 | 15,944 | 325 | 6,577 | 43,276 |
| Disposals | - | (1,236) | - | (5,060) | - | (2,969) | (9,265) |
| Exchange differences | - | - | - | - | (101) | - | (101) |
| As of December 31, 2023 | $- | $141,598 | $17,484 | $33,253 | $5,423 | $15,704 | $213,462 |
| | | | | | | | |
| As of January 1, 2022 | $- | $141,408 | $3,789 | $28,165 | $5,809 | $13,461 | $192,632 |
| Depreciation | - | 12,554 | 6,847 | 11,926 | 463 | 6,147 | 37,937 |
| Disposals | - | (24,710) | - | (17,722) | (1,150) | (7,512) | (51,094) |
| Exchange differences | - | - | - | - | 77 | - | 77 |
| As of December 31, 2022 | $- | $129,252 | $10,636 | $22,369 | $5,199 | $12,096 | $179,552 |
| | | | | | | | |
| **Net carrying amount as of:** | | | | | | | |
| December 31, 2023 | $311,450 | $245,545 | $23,600 | $66,460 | $2,340 | $12,747 | $662,142 |
| December 31, 2022 | $311,450 | $247,749 | $30,448 | $26,703 | $614 | $12,403 | $629,367 |

(a) Components of buildings with different useful lives are main building structure and air conditioning units, which are depreciated over 41 years and 3 years, respectively.

(b) Property, plant and equipment were not pledged.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Intangible assets

| | Software | Goodwill | Others | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| As of January 1, 2023 | $12,430 | $2,674,827 | $79,351 | $2,766,608 |
| Additions－acquired separately | 5,401 | - | 1,840 | 7,241 |
| Disposals | (5,217) | - | - | (5,217) |
| Exchange differences | (56) | - | - | (56) |
| As of December 31, 2023 | $12,558 | $2,674,827 | $81,191 | $2,768,576 |
| | | | | |
| As of January 1, 2022 | $14,482 | $2,674,827 | $12,111 | $2,701,420 |
| Additions－acquired separately | 2,867 | - | 67,240 | 70,107 |
| Disposals | (4,966) | - | - | (4,966) |
| Exchange differences | 47 | - | - | 47 |
| As of December 31, 2022 | $12,430 | $2,674,827 | $79,351 | $2,766,608 |
| | | | | |
| **Amortization and impairment:** | | | | |
| As of January 1, 2023 | $7,943 | $2,468,504 | $7,608 | $2,484,055 |
| Amortization | 3,622 | - | 8,482 | 12,104 |
| Disposals | (5,217) | - | - | (5,217) |
| Exchange differences | (46) | - | - | (46) |
| As of December 31, 2023 | $6,302 | $2,468,504 | $16,090 | $2,490,896 |
| | | | | |
| As of January 1, 2022 | $9,294 | $2,468,504 | $1,915 | $2,479,713 |
| Amortization | 3,582 | - | 5,693 | 9,275 |
| Disposals | (4,966) | - | - | (4,966) |
| Exchange differences | 33 | - | - | 33 |
| As of December 31, 2022 | $7,943 | $2,468,504 | $7,608 | $2,484,055 |
| | | | | |
| **Net carrying amount as of:** | | | | |
| December 31, 2023 | $6,256 | $206,323 | $65,101 | $277,680 |
| December 31, 2022 | $4,487 | $206,323 | $71,743 | $282,553 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Amortization expenses of intangible assets under the statement of comprehensive income are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Selling expenses | $353 | $407 |
| Administrative expenses | $171 | $224 |
| Research and development expenses | $11,580 | $8,644 |

(11) Impairment testing of goodwill

The Group has two cash-generating units but the goodwill arising from the business combination belongs to the second cash-generating unit, based on which, the Group assesses whether the goodwill is impaired annually. The assessments are as follows:

The recoverable amounts of the second cash-generating unit have been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rates applied to cash flow projections are 16.05% in 2023 and 17.45% in 2022. Cash flows beyond the five-year period are extrapolated using the growth rate of 2.62% in 2023 and 2.71% in 2022. As of December 31, 2023 and 2022, the Group did not identify any impairment for goodwill of NT$206,323 thousand.

The calculation of value-in-use for cash-generating units is most sensitive to the following assumptions:

(a) Gross margin
(b) Discount rates
(c) Growth rates of sales

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Gross margins – gross margins are based on average values achieved in the three years preceding the start of the budget period.

Discount rates – the discount rates reflect the current market assessment of the risks specific to cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle.

Growth rates estimates – the growth rates are based on historical experiences. For the reasons explained above, the long-term average growth rate used to extrapolate the budget has been adjusted based on the speed of product innovation and the overall economic environment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the second cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(12) Other current liabilities

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Refund liabilities | $173,638 | $110,939 |
| Others | 11,589 | 8,894 |
| Total | $185,227 | $119,833 |

(13) Post-employment benefits plans

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

A subsidiary located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

For the years ended December 31, 2023 and 2022, the pension expenses recognized under the defined contribution plan are NT$32,243 thousand and NT$31,224 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March in the following year.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$2,902 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

The average duration of the defined benefit plan obligation as of December 31, 2023 and 2022 are 2.2 years and 2.3 years, respectively.

Pension costs recognized in profit or loss are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Current period service costs | $1,667 | $1,696 |
| Net interest on the net defined benefit liabilities (assets) | 1,253 | 439 |
| Total | $2,920 | $2,135 |

Changes in the defined benefit obligation and plan assets at fair value are as follows:

| | As of | | |
|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
| Defined benefit obligation | $188,868 | $190,797 | $187,675 |
| Plan assets at fair value | (110,521) | (107,262) | (99,817) |
| Net defined benefit liabilities, non-current recognized on the consolidated balance sheets | $78,347 | $83,535 | $87,858 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of liabilities (assets) under the defined benefit plan is as follows:

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit liabilities (assets) |
|---|---|---|---|
| As of January 1, 2022 | $187,675 | $(99,817) | $87,858 |
| Current period service costs | 1,696 | - | 1,696 |
| Net interest expense (income) | 938 | (499) | 439 |
| Subtotal | 190,309 | (100,316) | 89,993 |
| Remeasurements of the net defined benefit liabilities (assets): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | (3,811) | - | (3,811) |
| Experience adjustments | 8,730 | - | 8,730 |
| Remeasurements of the defined benefit assets | - | (7,817) | (7,817) |
| Subtotal | 4,919 | (7,817) | (2,898) |
| Payments from the plan | (4,431) | 4,431 | - |
| Contributions by employer | - | (3,560) | (3,560) |
| As of December 31, 2022 | 190,797 | (107,262) | 83,535 |
| Current period service costs | 1,667 | - | 1,667 |
| Net interest expense (income) | 2,862 | (1,609) | 1,253 |
| Subtotal | 195,326 | (108,871) | 86,455 |
| Remeasurements of the net defined benefit liabilities (assets): | | | |
| Experience adjustments | (3,575) | - | (3,575) |
| Remeasurements of the defined benefit assets | - | (669) | (669) |
| Subtotal | (3,575) | (669) | (4,244) |
| Payments from the plan | (2,883) | 2,883 | - |
| Contributions by employer | - | (3,864) | (3,864) |
| As of December 31, 2023 | $188,868 | $(110,521) | $78,347 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Discount rate | 1.50% | 1.50% |
| Expected rate of salary increases | 2.50% | 2.50% |

The sensitivity analyses for significant assumption are as follows:

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Increase in defined benefit obligation | Decrease in defined benefit obligation | Increase in defined benefit obligation | Decrease in defined benefit obligation |
| Discount rate increases by 0.5% | $- | $3,409 | $- | $3,601 |
| Discount rate decreases by 0.5% | 3,541 | - | 3,746 | - |
| Future salary increases by 0.5% | 2,955 | - | 3,130 | - |
| Future salary decreases by 0.5% | - | 2,875 | - | 3,039 |

The sensitivity analyses above are based on a change in a single assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the prior period.

(14) Equity

(a) Common stock

The Company’s authorized capital as of December 31, 2023 and 2022 was NT$2,500,000 thousand divided into 250,000,000 shares (including 30,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT$10. The Company’s issued capital was NT$1,610,801 thousand divided into 161,080,124 shares as of December 31, 2023 and 2022. Each share has one voting right and a right to receive dividends.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b)Capital surplus

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Premium from merger | $737,417 | $817,957 |
| Restricted stocks for employees | 191,764 | 191,764 |
| Employee stock options | 112,008 | 112,008 |
| Treasury share transactions | 19,238 | 19,238 |
| Premium from issuance of common stock | 16,424 | 16,424 |
| Change in subsidiaries' ownership | 1,977 | 1,977 |
| Share of changes in net assets of associates and joint ventures accounted for using equity method | 14,299 | 1,008 |
| Others | 136,697 | 136,697 |
| Total | $1,229,824 | $1,297,073 |

According to the Company Act, the capital surplus shall not be used except for offset a deficit of the company. When a company incurs no loss, it may distribute the capital surplus derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c)Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

I. Income tax obligation;
II. Offsetting accumulated deficits, if any;
III. Legal reserve at 10% of net income after tax;
IV. Allocation or reverse of special reserves as required by law;
V. After deducting the respective amount specified from item I to IV, at least 50% of the remaining earnings will be distributed, together with the undistributed earnings at the beginning of the period, and the capital surplus. However, if the total distribution divided by all the issued shares is less than NTD$0.1 per share, all the remaining and surplus shall not be distributed.

According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital surplus in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets. And the dividends in cash shouldn't less than 30% of the distributable earnings, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve, which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

On March 31, 2021, FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The amount of special reserve provided by the Company for the first time in adopting IFRS is nil.

The appropriations of earnings for 2023 and 2022 were resolved by the Board of Directors' meeting on February 23, 2024 and February 23, 2023, respectively. The details of distribution are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | Years Ended December 31, | | | |
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve(Note) | $165,272 | $122,737 | | |
| Common stock– cash dividends | 1,208,101 | 885,941 | $7.5 | $5.5 |

Note: The amount of legal reserve in 2022 was approved by the shareholders at the regular shareholders' meeting held on June 16, 2023. The amount of legal reserve in 2023 is subject to the approval of the shareholders at the regular shareholders' meeting to be held on May 28, 2024, and will become effective.

In addition, the Board of Directors' meeting on February 23, 2024 and February 23, 2023 resolved to distribute the capital surplus by cash in the amount of NT$80,540 thousand, each share at NT$0.5.

Please refer to Note 6(19) for more details on employees' compensations and the remunerations to directors.

(15) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

Restricted shares plans for employees

On June 16, 2023, a compensation plan was approved by the shareholders' meeting to issue 5,000,000 restricted shares to qualified employees and the plan was approved by the competent authority on October 12, 2023. There were no shares issued as of December 31, 2023.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(16) Operating revenues

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Sale of goods | $6,266,469 | $5,208,157 |
| Other operating revenues | 9,974 | 4,049 |
| Total | $6,276,443 | $5,212,206 |

Revenue recognition point of the Group is at a point in time. Analysis of revenue from contracts with customers for the years ended December 31, 2023 and 2022 is as follows:

(a) Contract balances

Contract liabilities – current

| | As of | | |
|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
| Sale of goods | $8,034 | $11,887 | $4,996 |

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| The opening balance transferred to revenue | $(11,886) | $(4,996) |
| Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period) | 8,033 | 11,887 |
| Total | $(3,853) | $6,891 |

(b) Transaction price allocated to unsatisfied performance obligations

As of December 31, 2023, it was not required to disclose relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year.

(c) Assets recognized from costs to fulfil a contract

None.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(17) Expected credit losses (gains)

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Operating expenses – Expected credit losses (gains) | | |
| Note receivables | $- | $- |
| Trade receivables | - | - |
| Total | $- | $- |

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivables, trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance as of December 31, 2023 and 2022 are as follows:

The trade receivables loss allowance is measured by using a provision matrix, details are as follows:

2023.12.31

| | | Past due | | | |
|---|---|---|---|---|---|
| | Not past due (Note) | Within 30 days | 31-120 days | After 121 days | Total |
| Gross carrying amount | $870,974 | $5,093 | $- | $- | $876,067 |
| Loss ratio | - | - | - | 1%-100% | |
| Lifetime expected credit losses | - | - | - | - | - |
| Carrying amount of trade receivables | $870,974 | $5,093 | $- | $- | $876,067 |

2022.12.31

| | | Past due | | | |
|---|---|---|---|---|---|
| | Not past due (Note) | Within 30 days | 31-120 days | After 121 days | Total |
| Gross carrying amount | $723,794 | $2,455 | $- | $- | $726,249 |
| Loss ratio | - | - | - | 1%-100% | |
| Lifetime expected credit losses | - | - | - | - | - |
| Carrying amount of trade receivables | $723,794 | $2,455 | $- | $- | $726,249 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Note: All of the Group's notes receivables are not yet due.

(18) Leases

Group as a lessee

The Group leases various properties, including real estate such as land and buildings, and furniture and fixtures. The lease terms range from 3 to 33 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Land | $74,779 | $78,128 |
| Buildings | 4,596 | 5,648 |
| Furniture and fixtures | 513 | 773 |
| Total | $79,888 | $84,549 |

During the years ended December 31, 2023 and 2022, the additions to right-of-use assets of the Group amounted to NT$3,292 thousand and NT$746 thousand, respectively.

II. Lease liabilities

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Current | $6,152 | $6,860 |
| Non-current | 77,011 | 80,633 |
| Total | $83,163 | $87,493 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Please refer to Note 6(20)(d) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(b)Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Land | $3,349 | $3,349 |
| Buildings | 4,288 | 4,189 |
| Furniture and fixtures | 260 | 247 |
| Total | $7,897 | $7,785 |

(c)Income and costs relating to leasing activities

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| The expenses relating to short-term leases | $1,697 | $1,675 |
| The expenses relating to leases of low-value assets (Not including the short-term leases) | 95 | 30 |
| The expenses relating to variable lease payments not included in the measurement of lease liabilities | 1,340 | 1,264 |
| Total | $3,132 | $2,969 |
| Income from subleasing right-of-use assets | $633 | $633 |

(d)Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Group’s total cash outflows for leases amounted to NT$12,339 thousand and NT$11,708 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(e) Extension options

Some of the Group's property rental agreements contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The option is used to maximize operational flexibility in terms of managing contracts. The majority of extension option held is exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries | $44,510 | $1,143,613 | $1,188,123 | $43,508 | $888,833 | $932,341 |
| Labor and health insurance | 3,404 | 54,944 | 58,348 | 3,447 | 53,960 | 57,407 |
| Pension | 2,004 | 33,159 | 35,163 | 1,904 | 31,455 | 33,359 |
| Other employee benefits | 773 | 10,462 | 11,235 | 770 | 10,379 | 11,149 |
| Total | $50,691 | $1,242,178 | $1,292,869 | $49,629 | $984,627 | $1,034,256 |
| Depreciation | $8,036 | $43,137 | $51,173 | $8,383 | $37,339 | $45,722 |
| Amortization | $- | $12,104 | $12,104 | $- | $9,275 | $9,275 |

According to the Articles of Incorporation, between 8% to 20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The 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 in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the Taiwan Stock Exchange (TWSE).

Based on a specific rate of profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors for the years ended December 31, 2023 and 2022 to be NT$216,072 thousand, NT$16,108 thousand, NT$164,241 thousand and NT$16,108 thousand, respectively. The employees' compensation and remuneration to directors recognized as salary expense. If the board of directors resolved to distribute employees' compensation in the form of shares, then the number of shares distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year.

The distributions of the employees' compensation and remuneration to directors in cash for 2023 and 2022 were approved through the Board of Directors' meeting on February 23, 2024 and February 23, 2023, respectively. There were no differences between the aforementioned approved amounts and the actual distribution of the employees' compensation and remuneration to directors.

Information relevant to the aforementioned employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

## (20) Non-operating income and expenses

### (a) Interest income

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest income | $31,533 | $7,106 |

### (b) Other income

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Rental income | $633 | $2,066 |
| Dividend income | 93,597 | 117,629 |
| Others | 43,648 | 1,440 |
| Total | $137,878 | $121,135 |

### (c) Other gains and losses

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Foreign exchange gains (losses), net | $(3,062) | $1,503 |
| Gains (losses) on financial assets at fair value through profit or loss (Note) | 10,912 | (11,315) |
| Others | (5) | (132) |
| Total | $7,845 | $(9,944) |

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss, including valuation adjustment, dividend income, interest income and exchange difference, etc.

### (d) Finance costs

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest expenses on lease liabilities | $1,587 | $1,765 |
| Interest expenses on deposits received | - | 1 |
| Total | $1,587 | $1,766 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(21) Components of other comprehensive income (loss)

For the year ended December 31, 2023

| | Arising during the period | Other comprehensive income (loss), before tax | Income tax relating to components of other comprehensive income | Other comprehensive income (loss), net of tax |
|---|---|---|---|---|
| Items that may not be reclassified subsequently to profit or loss: | | | | |
| Remeasurements of defined benefit plans | $4,244 | $4,244 | $(849) | $3,395 |
| Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income | 412,321 | 412,321 | (3,420) | 408,901 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | (41) | (41) | - | (41) |
| Total | $416,524 | $416,524 | $(4,269) | $412,255 |

For the year ended December 31, 2022

| | Arising during the period | Other comprehensive income (loss), before tax | Income tax relating to components of other comprehensive income | Other comprehensive income (loss), net of tax |
|---|---|---|---|---|
| Items that may not be reclassified subsequently to profit or loss: | | | | |
| Remeasurements of defined benefit plans | $2,898 | $2,898 | $(580) | $2,318 |
| Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income | (661,495) | (661,495) | 9,436 | (652,059) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | 39 | 39 | - | 39 |
| Total | $(658,558) | $(658,558) | $8,856 | $(649,702) |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(22) Income tax

(a) The major components of income tax expense are as follows:

Income tax expense (income) recognized in profit or loss

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Current income tax expense (income): | | |
| Current income tax charge | $377,486 | $285,513 |
| Adjustments in respect of current income tax of prior periods | (37,122) | (28,086) |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 387 | (13,002) |
| Total income tax expense | $340,751 | $244,425 |

Income tax relating to components of other comprehensive income

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $849 | $580 |
| Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income | 3,420 | (9,436) |
| Total | $4,269 | $(8,856) |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A reconciliation of tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Accounting profit before tax from continuing operations | $1,928,559 | $1,462,117 |
| Tax at the Company's domestic rate | $385,712 | $292,423 |
| Tax effect of revenues exempt from taxation | (18,534) | (21,302) |
| Tax effect of expenses not deductible for tax purposes | (93) | 4,161 |
| Tax effect of deferred tax assets/liabilities | (116) | - |
| Surtax on undistributed retained earnings | 10,935 | 13,520 |
| Adjustments in respect of current income tax of prior periods | (37,122) | (28,086) |
| Others | (31) | (16,291) |
| Total income tax expense recognized in profit or loss | $340,751 | $244,425 |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

| | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Difference between the investment cost and the fair value measured at fair value through other comprehensive income | $6,596 | $- | $(3,420) | $3,176 |
| Unrealized foreign exchange losses (gains) | 8 | 1,495 | - | 1,503 |
| Unrealized allowance for inventory obsolescence | 45,920 | (14,284) | - | 31,636 |
| Refund liabilities | 22,188 | 12,540 | - | 34,728 |
| Net defined benefit liabilities | 16,707 | (189) | (849) | 15,669 |
| Others | 72 | 51 | - | 123 |
| Deferred tax income (expense) | | $(387) | $(4,269) | |
| Net deferred tax assets/(liabilities) | $91,491 | | | $86,835 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $91,491 | | | $86,835 |
| Deferred tax liabilities | $- | | | $- |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2022

| | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|---|---|---|---|---|
| Temporary differences | | | | |
| Difference between the investment cost and the fair value measured at fair value through other comprehensive income | $(2,840) | $- | $9,436 | $6,596 |
| Unrealized foreign exchange losses (gains) | (203) | 211 | - | 8 |
| Unrealized allowance for inventory obsolescence | 20,202 | 25,718 | - | 45,920 |
| Refund liabilities | 34,690 | (12,502) | - | 22,188 |
| Net defined benefit liabilities | 17,572 | (285) | (580) | 16,707 |
| Others | 212 | (140) | - | 72 |
| Deferred tax income (expense) | | $13,002 | $8,856 | |
| Net deferred tax assets/(liabilities) | $69,633 | | | $91,491 |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $72,676 | | | $91,491 |
| Deferred tax liabilities | $(3,043) | | | $- |

(b)Unrecognized deferred tax assets

As of December 31, 2023 and 2022, there are no unrecognized deferred tax assets.

(c)The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---|---|
| ITE Tech. Inc. | Assessed and approved up to 2021 |
| Subsidiary - ITE Tech. (Shenzhen) Inc. | Assessed to 2022 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(23) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| (a) Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the parent company (in thousand NT$) | $1,587,808 | $1,217,692 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (share) | 161,080,124 | 161,080,124 |
| Basic earnings per share (NT$) | $9.86 | $7.56 |
| (b) Diluted earnings per share | | |
| Profit attributable to ordinary equity holders of the parent company (in thousand NT$) | $1,587,808 | $1,217,692 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (share) | 161,080,124 | 161,080,124 |
| Effect of dilution: | | |
| Employees' compensation-stock (share) | 1,710,767 | 2,730,478 |
| Weighted average number of ordinary shares outstanding after dilution (share) | 162,790,891 | 163,810,602 |
| Diluted earnings per share (NT$) | $9.75 | $7.43 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the issuance date of the financial statements.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

## 7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Names of related parties | Nature of relationship of the related parties |
|---|---|
| United Microelectronics Corp. | Director of the Group |
| HeJian Technology (Suzhou) Co., Ltd. | Other related party |
| Wavetek Microelectronics Corporation | Other related party |
| United DS Semiconductor (Shandong) Co., Ltd. | Other related party |
| Emright Technology Co., Ltd. | Associate |

Significant transactions with the related parties

(1) Sales

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Associate | $3,676 | $2,263 |

The sales price to the above related party was determined through mutual agreement in reference to market conditions. The payment term for the related party was 30 days after month-end.

(2) Purchases

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| United Microelectronics Corp. | $635,243 | $777,296 |
| HeJian Technology (Suzhou) Co., Ltd. | 364,527 | 348,057 |
| Other related party | 293 | 1,048 |
| Total | $1,000,063 | $1,126,401 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The purchase prices to the above related parties were not comparable to the market due to differentiation of manufacturing process and product specification. Payment terms to related parties were 45 days after month-end.

(3) Trade receivables from related parties

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Associate | $847 | $- |

(4) Trade payables to related parties

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| United Microelectronics Corp. | $122,916 | $77,846 |
| HeJian Technology (Suzhou) Co., Ltd. | 54,186 | 32,004 |
| Total | $177,102 | $109,850 |

(5) Other payables to related parties

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| United Microelectronics Corp. | $10,565 | $6,565 |

(6) The Group purchased masks and other from the director of the Group and recognized NT$72,915 thousand and NT$102,656 thousand as manufacturing expenses and operating expenses for the years ended December 31, 2023 and 2022, respectively. Payment term for the related party was 45 days after month-end.

(7) The Group had transactions with other related parties and recognized NT$4,020 thousand and NT$5,039 thousand as manufacturing expenses and operating expenses for the years ended December 31, 2023 and 2022, respectively. Payment terms for related parties were 45 days after month-end and on demand.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(8) Key management personnel compensation

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $112,234 | $102,724 |
| Post-employment benefits | 1,903 | 1,920 |
| Total | $114,137 | $104,644 |

## 8. Assets Pledged as Security

The following table lists assets of the Group pledged as security:

| | Carrying Amount As of December 31, | | |
|---|---|---|---|
| Assets pledged for security | 2023 | 2022 | Secured liabilities |
| Financial assets measured at amortized cost-non-current | $4,230 | $4,230 | Guarantee for land |

## 9. Significant Contingencies and Unrecognized Contractual Commitments

The Group uses patents of other companies for certain products, and will pay royalty fees based on sales amounts or quantities of these products in accordance with the agreements.

## 10. Losses Due to Major Disasters

None.

## 11. Significant Subsequent Events

None.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

## 12. Others

(1) Categories of financial instruments

Financial assets

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets at fair value through profit or loss: | | |
| Mandatorily measured at fair value through profit or loss | $569,769 | $752,505 |
| Financial assets at fair value through other comprehensive income | 1,459,037 | 1,154,912 |
| Financial assets measured at amortized cost (Note) | 4,186,219 | 2,518,492 |
| Total | $6,215,025 | $4,425,909 |

Financial liabilities

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Financial liabilities at amortized cost: | | |
| Trade and other payables (including related parties) | $1,118,264 | $845,944 |
| Lease liabilities | 83,163 | 87,493 |
| Deposits received | 28,290 | 28,290 |
| Total | $1,229,717 | $961,727 |

Note: Including cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivables, trade receivables (including related parties), other receivables and other non-current assets (refundable deposits).

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 5%, the profit for the years ended December 31, 2023 and 2022 would decrease/increase by NT$15,627 thousand and NT$8,717 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group doesn’t have any liabilities risk of changes in market interest rates. Therefore, the Group expects no fair value and cash flow risks due to significant interest rate fluctuations.

All of the Group’s financial assets and financial liabilities that are exposed to cash flow risk due to fluctuating interest rate are under short term contracts, thus the cash flow risk of fluctuate interest is considerably low.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments with variable interest rates. At the reporting date, an increase/decrease of 10 basis points (0.1%) of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to increase/decrease by NT$0 and NT$2 thousand, respectively.

Equity price risk

The Group’s listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group’s listed and unlisted equity securities are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Board of Directors reviews and approves certain equity investments according to level of authority.

For the years ended December 31, 2023 and 2022, a change of 10% in the price of the listed equity instrument investments measured at fair value through other comprehensive income could increase/decrease by NT$33,363 thousand and NT$20,094 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments that are linked to such equity instruments whose fair value measurement is categorized under Level 3 of the fair value hierarchy.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2023 and 2022, trade receivables from top ten customers represented 93.34% and 98.04% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions and companies with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Group are described as follows:

| Level of credit risk | Indicator | Measurement method for expected credit losses | Gross carrying amount as of December 31, 2023 | Gross carrying amount as of December 31, 2022 |
|---|---|---|---|---|
| Simplified approach (Note) | (Note) | Lifetime expected credit losses | $876,067 | $726,249 |

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including notes receivables, trade receivables and trade receivables from related parties.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets are written off when there is no realistic prospect of future recovery.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and financial assets and liabilities at fair value through profit or loss. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

Non-derivative financial liabilities

| | Less than 1 year | 2 to 3 years | 4 to 5 years | 5 to 15 years | 15 to 20 years | > 20 years | Total |
|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | | |
| Payables (including related parties) | $1,118,264 | $- | $- | $- | $- | $- | $1,118,264 |
| Lease liabilities | $7,512 | $9,904 | $9,017 | $41,856 | $13,722 | $18,121 | $100,132 |
| Deposits received | $- | $28,290 | $- | $- | $- | $- | $28,290 |
| | | | | | | | |
| December 31, 2022 | | | | | | | |
| Payables (including related parties) | $845,944 | $- | $- | $- | $- | $- | $845,944 |
| Lease liabilities | $8,402 | $11,148 | $8,495 | $41,856 | $15,733 | $20,296 | $105,930 |
| Deposits received | $- | $28,290 | $- | $- | $- | $- | $28,290 |

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the years ended December 31, 2023 and 2022:

| | Deposits received | Lease liabilities | Total liabilities from financing activities |
|---|---|---|---|
| As of January 1, 2022 | $28,483 | $93,772 | $122,255 |
| Cash flows | (193) | (7,025) | (7,218) |
| Non-cash changes | - | 746 | 746 |
| As of December 31, 2022 | 28,290 | 87,493 | 115,783 |
| Cash flows | - | (7,622) | (7,622) |
| Non-cash changes | - | 3,292 | 3,292 |
| As of December 31, 2023 | $28,290 | $83,163 | $111,453 |

(7) Fair value of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

I. The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, other non-current assets, payables (including related parties) and deposits received approximate their fair value due to their short maturities.

II. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.

III. Fair value of equity instruments without market quotations (including private company equity securities) is estimated using the market approach and asset approach valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(b) Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group’s financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
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 assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | $435,830 | $- | $- | $435,830 |
| Capital | - | - | 133,939 | 133,939 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instruments measured at fair value through other comprehensive income | 333,627 | - | 1,125,410 | 1,459,037 |
| Total | $769,457 | $- | $1,259,349 | $2,028,806 |

As of December 31, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Funds | $687,419 | $- | $- | $687,419 |
| Capital | - | - | 65,086 | 65,086 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instruments measured at fair value through other comprehensive income | 200,942 | - | 953,970 | 1,154,912 |
| Total | $888,361 | $- | $1,019,056 | $1,907,417 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Transfers between Level l and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | Assets | | |
|---|---|---|---|
| | At fair value through profit or loss | At fair value through other comprehensive income | |
| | Capital | Stocks | Total |
| As of January 1, 2023 | $65,086 | $953,970 | $1,019,056 |
| Total gains and losses recognized: | | | |
| Amount recognized in profit or loss (“other gains and losses ”) | (6,348) | - | (6,348) |
| Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”) | - | 183,945 | 183,945 |
| Additions | 75,201 | 37,500 | 112,701 |
| Disposals | - | (5) | (5) |
| Capital return | - | (50,000) | (50,000) |
| As of December 31, 2023 | $133,939 | $1,125,410 | $1,259,349 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

| | Assets | | |
|---|---|---|---|
| | At fair value through profit or loss | At fair value through other comprehensive income | |
| | Capital | Stocks | Total |
| As of January 1, 2022 | $- | $1,795,607 | $1,795,607 |
| Total gains and losses recognized: | | | |
| Amount recognized in profit or loss (“other gains and losses ”) | (11,818) | - | (11,818) |
| Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”) | - | (547,619) | (547,619) |
| Additions | 76,904 | - | 76,904 |
| Disposals | - | (22,551) | (22,551) |
| Transfer out of level 3 | - | (271,467) | (271,467) |
| As of December 31, 2022 | $65,086 | $953,970 | $1,019,056 |

Recognized as gains (losses) above, the loss from financial assets still held by the Group as of December 31, 2023 and 2022 was NT$6,348 thousand and NT$11,818 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2023:

| | Valuation technique | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity analysis of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Capital | Asset approach | Discount for lack of marketability | 10% | The higher the discount for lack of marketability, the lower the fair value estimated | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit (loss) by NT$14,882 thousand |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks | Market approach | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value estimated | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$20,662 thousand |
| Stocks | Asset approach | Discount for lack of marketability | 10% | The higher the discount for lack of marketability, the lower the fair value estimated | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$108,975 thousand |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2022:

| | Valuation technique | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity analysis of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Capital | Asset approach | Discount for lack of marketability | 10% | The higher the discount for lack of marketability, the lower the fair value estimated | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit (loss) by NT$6,509 thousand |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks | Market approach | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value estimated | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$9,368 thousand |
| Stocks | Asset approach | Discount for lack of marketability | 10% | The higher the discount for lack of marketability, the lower the fair value estimated | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$86,029 thousand |

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group validates the fair value measurements and ensures that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Group also analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed based on the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Foreign currencies (In thousands) | Foreign exchange rate | NTD (In thousands) | Foreign currencies (In thousands) | Foreign exchange rate | NTD (In thousands) |
| Financial assets | | | | | | |
| Monetary items: | | | | | | |
| USD | $17,268 | 30.705 | $530,202 | $9,972 | 30.725 | $306,403 |
| Financial liabilities | | | | | | |
| Monetary items: | | | | | | |
| USD | $7,089 | 30.705 | $217,676 | $4,298 | 30.725 | $132,061 |

During the years ended December 31, 2023 and 2022, the foreign exchange gains (losses) were NT$(3,062) thousand and NT$1,503 thousand, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

## 13. Additional Disclosure

(1) Information at significant transactions

Additional disclosures for information of the Company for the year ended December 31, 2023:

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2023 (excluding subsidiaries, associates and joint ventures):

| Held Company Name | Marketable Securities Type and Name | | Relationship with the Company | Financial Statement Account | December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares/Units | Carrying Value/ Thousands of NTD | Percentage of Ownership (%) | Fair Value/ Thousands of NTD | |
| ITE Tech. Inc. | Common Stock | Unitech Capital, Inc. | - | Financial assets at fair value through other comprehensive income, non-current | 2,000,000 | $53,720 | 4.00% | $53,720 | |
| | Common Stock | Shieh Yong Investment Co., Ltd. | - | Financial assets at fair value through other comprehensive income, non-current | 32,506,937 | $299,389 | 1.52% | $299,389 | |
| | Common Stock | Darjun Venture Corporation | - | Financial assets at fair value through other comprehensive income, non-current | 9,280,000 | $85,562 | 19.61% | $85,562 | |
| | Common Stock | TriKnight Capital Corporation | - | Financial assets at fair value through other comprehensive income, non-current | 28,841,800 | $237,079 | 5.00% | $237,079 | |
| | Common Stock | Darhe II Venture Corporation | - | Financial assets at fair value through other comprehensive income, non-current | 10,000,000 | $91,800 | 14.29% | $91,800 | |
| | Common Stock | Darchan Venture Corporation | - | Financial assets at fair value through other comprehensive income, non-current | 20,000,000 | $180,000 | 18.18% | $180,000 | |
| | Common Stock | Darjiun Venture Corporation | - | Financial assets at fair value through other comprehensive income, non-current | 3,750,000 | $33,225 | 10.00% | $33,225 | |
| | Common Stock | Generiton Co., Ltd. | - | Financial assets at fair value through other comprehensive income, non-current | 508,047 | $33,633 | 12.70% | $33,633 | |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

| Held Company Name | Marketable Securities Type and Name | | Relationship with the Company | Financial Statement Account | December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares/Units | Carrying Value/ Thousands of NTD | Percentage of Ownership (%) | Fair Value/ Thousands of NTD | |
| ITE Tech. Inc. | Common Stock | Embestor Technology Inc. | - | Financial assets at fair value through other comprehensive income, non-current | 4,400,000 | $85,052 | 16.92% | $85,052 | |
| | Common Stock | Isentek Inc. | - | Financial assets at fair value through other comprehensive income, non-current | 1,000,000 | $25,950 | 3.30% | $25,950 | |
| | Common Stock | Gigastone Corporation | - | Financial assets at fair value through other comprehensive income, non-current | 1,479,841 | $59,016 | 2.92% | $59,016 | |
| | Common Stock | M3 Technology Inc. | - | Financial assets at fair value through other comprehensive income, non-current | 1,434,000 | $274,611 | 3.37% | $274,611 | |
| | Fund | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss, current | 7,181,792.72 | $100,132 | - | $100,132 | |
| | Fund | Taishin Ta Chong Money Market Fund | - | Financial assets at fair value through profit or loss, current | 6,862,109.20 | $100,249 | - | $100,249 | |
| | Fund | Nomura Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss, current | 8,979,535.66 | $150,356 | - | $150,356 | |
| | Fund | Fubon Chi-Hsiang Money Market Fund | - | Financial assets at fair value through profit or loss, current | 3,112,666.10 | $50,124 | - | $50,124 | |
| | Fund | Yuanta/P-shares Taiwan Dividend Plus ETF | - | Financial assets at fair value through profit or loss, non-current | 935,000 | $34,969 | - | $34,969 | |
| | Capital | TGVest Asia Partners II (Taiwan), L.P. | - | Financial assets at fair value through profit or loss, non-current | - | $133,939 | - | $133,939 | |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock:

Amount: Thousands of NTD

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning balance | | Acquisition | | Disposal | | | | Ending balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Units | Amount | Units | Amount | Units | Amount | Carrying Value | Gains (Losses) on Disposal | Units | Amount |
| ITE Tech. Inc. | Taishin 1699 Money Market Fund | Financial assets at fair value through profit or loss, current | - | - | 29,197,160.70 | $401,905 (Note) | 11,538,015.58 | $160,000 | 33,553,383.56 | $463,993 | $460,000 | $3,993 | 7,181,792.72 | $100,132 (Note) |

Note: Including unrealized valuation gains and losses.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock:

Amount: Thousands of NTD

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Trade (Payable) or Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ Sales | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| ITE Tech. Inc. | United Microelectronics Corp. | Directors of the Company | Purchases | $635,243 | 55.64% | 45 days after month-end | Not comparable to the market due to differentiation of manufacturing process and product specification. | Same as general trading conditions | $(122,916) | (21.89)% | |
| | HeJian Technology (Suzhou) Co., Ltd. | Other related party | Purchases | $364,527 | 31.93% | 45 days after month-end | Not comparable to the market due to differentiation of manufacturing process and product specification. | Same as general trading conditions | $(54,186) | (9.65)% | |

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2023: None.

(i) Trading in derivative instruments: None.

(j) Intercompany relationship and significant intercompany transactions:

| No. (Note 1) | Company Name | Counter Party | Nature of Relationship (Note 2) | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Item | Amount | Term | Percentage of Consolidated Net Revenue or Total Assets (Note 3) |
| 0 | ITE Tech. Inc. | ITE Tech. (Shenzhen) Inc. | 1 | Administrative expenses | $36,365 | On demand | 0.58% |

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transactions.

1. 0 for parent company.
2. Subsidiaries are given a number in sequence starting with No. 1.

Note 2: There are three types of transactions. Please remark the type of transaction by giving a number to it.

1. Parent to Subsidiary.
2. Subsidiary to Parent.
3. Subsidiaries to Subsidiaries.

Note 3: Asset/liability items are calculated by using the ending balances of the item divided by ending balance of total consolidated assets; profit/loss items are calculated by using the amount of the transaction divided by total consolidated revenue.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Information on investees

Names, locations and related information of investees as of December 31, 2023 (excluding investment in Mainland China):

Amount: Thousands of NTD

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balances as of December 31, 2023 | | | Net Income (Losses) of the Investee Company | Share of Profits/(Losses) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Shares | Percentage of Ownership | Carrying Value | | | |
| ITE Tech. Inc. | Emright Technology Co., Ltd. | Taiwan | Communication machinery equipment, electronic components manufacturing | $41,768 | $41,768 | 4,176,800 | 30.15% | $11,804 | $(30,744) | $(9,765) | |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Investment in Mainland China

(a) Investment situation:

Amount: US Dollars/Thousands of NTD

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital (Note 4) | Method of Investment | Accumulated outflow of Investment from Taiwan as of January 1, 2023 (Note 4) | Investment Flows | | Accumulated outflow of Investment from Taiwan as of December 31, 2023 (Note 4) | Percentage of Ownership | Net Income (Losses) of the Investee Company | Share of Profits /(Losses) (Note 3) | Carrying Amount as of December 31, 2023 (Note 3) | Accumulated Inward Remittance of Earnings as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| ITE Tech. (Shenzhen) Inc. | Technological consultation services for ICs products | $18,423 USD 600,000 | Direct investment in Mainland China (Note 1) | $18,423 USD 600,000 | $- | $- | $18,423 USD 600,000 | 100% | $(390) | $(390) | $2,067 | $- |

| Accumulated Investment in Mainland China as of December 31, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| $18,423 (Note 4) (USD600,000) | $18,423 (Note 4) (USD600,000) | $3,855,775 (Note 2) |

Note 1: The Company has been approved the investment which that changed the investment structure and directly invested in ITE Tech. (Shenzhen) Inc. by the Investment Commission, MOEA.

Note 2: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 3: According to regulations, it may be evaluated based on the financial statements of the investee company audited by the accountant of Taiwan parent's company during the same period.

Note 4: Converted to NTD at the exchange rate on the financial reporting date (1 USD=30.705 NTD).

(b) Significant direct or indirect transactions with the investees in Mainland China:

I. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
II. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
III. The amount of property transactions and the amount of the resultant gains or losses: None.
IV. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
V. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
VI. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Note 13(1) (j).

(4) Information of major shareholders

| Name of major shareholders | Number of shares held (shares) | Percentage of ownership |
|---|---|---|
| United Microelectronics Corp. | 13,959,978 | 8.66% |

Note1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or inconsistent.

Note2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, includes the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System for insiders to report changes in shareholding to the Company.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

## 14.Segment Information

(1) General Information

The products of the Group are all related to integrated circuit design products and the chief operating decision maker reviews the Group's operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Material Accounting Policies.

(2) Geographical Information

Revenues from external customers:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Taiwan | $4,656,729 | $4,050,635 |
| Asia | 1,611,339 | 1,144,258 |
| Others | 8,375 | 17,313 |
| Total | $6,276,443 | $5,212,206 |

The revenue information above is based on the location of the customers.

Non-current assets:

| | As of December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Taiwan | $1,028,296 | $997,811 |
| Others | 3,733 | 8,361 |
| Total | $1,032,029 | $1,006,172 |

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Major customers' information:

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2023 and 2022 were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Customer A | $2,503,598 | $2,033,295 |
| Customer B | 1,427,601 | 1,176,453 |