# Alchip Technologies, Limited and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Alchip Technologies, Limited

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Valuation of Inventory

The Group is mainly engaged in providing silicon design services, producing and selling customized chips. Due to the rapid upgrading of process technology in the semiconductor industry, products may suffer from value decline or obsolescence resulting from the shrinkage of the product life cycle. With respect to those value-declined or obsolete inventories, a loss reserve is provided in accordance with the Group's inventory impairment policy, furthermore, the inventory turnover, the demand for future orders, and the changes in the industrial environment are taken into consideration by the management when determining the value of inventory. As such considerations involve the management's subjective judgments with uncertainties, the valuation of inventory is identified as a key audit matter.

As of December 31, 2023, the Group's inventory balance was NT$11,613,997 thousand (US$378,245 thousand), accounting for 36% of the total assets in the consolidated balance sheet. Refer to Notes 4, 5 and 11 to the consolidated financial statements for the relative accounting policy and information.

The main audit procedures that we performed in respect of the above area included the following, among others:

1. We obtained an understanding of the management's assessment process of inventory impairment or obsolescence.

2. We evaluated the reasonableness of the Group's inventory impairment policy on the basis of the Group's inventory turnover and actual obsolescence situation.

3. We obtained the inventory aging report and verified the accuracy and completeness of the report, as well as the correctness of the classification for each aging interval. Furthermore, we recalculated the provision of the impairment loss in accordance with the inventory impairment policy.

4. We performed a retrospective review of the prior year's inventory impairment or obsolescent losses estimated by the management, compared and analyzed them with the current year's estimations to evaluate the reasonableness of the assumptions and judgments made by the management.

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

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

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

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

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

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

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

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi-Wen Wang and Li-Chun Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2024

*Notice to Readers*

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

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

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 10,159,556 | 31 | $ 4,775,301 | 24 |
| Financial assets at fair value through other comprehensive income (Note 7) | 93,906 | - | 126,812 | 1 |
| Financial assets at amortized cost (Notes 8 and 28) | 3,882,724 | 12 | 1,904,020 | 10 |
| Trade receivables, net (Note 10) | 2,298,230 | 7 | 1,412,756 | 7 |
| Trade receivables due from related parties (Notes 10 and 27) | 138,817 | - | - | - |
| Other receivables | 206,407 | 1 | 75,258 | - |
| Inventories (Note 11) | 11,613,997 | 36 | 9,124,556 | 46 |
| Prepayments (Notes 16 and 27) | 835,483 | 3 | 691,466 | 3 |
| Other current assets | 186,897 | 1 | 130,278 | 1 |
| Total current assets | 29,416,017 | 91 | 18,240,447 | 92 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (Note 7) | 430,120 | 1 | 339,898 | 2 |
| Financial assets at amortized cost (Notes 8 and 28) | 94,011 | - | - | - |
| Investments accounted for using the equity method | 55,974 | - | - | - |
| Property, plant and equipment (Note 13) | 1,160,441 | 4 | 710,484 | 4 |
| Right-of-use assets (Note 14) | 251,556 | 1 | 125,511 | 1 |
| Intangible assets (Note 15) | 413,657 | 1 | 89,456 | - |
| Deferred tax assets (Note 22) | 140,715 | 1 | 61,907 | - |
| Prepayments for equipment | 402,935 | 1 | 56,070 | - |
| Other non-current assets | 92,775 | - | 114,352 | 1 |
| Total non-current assets | 3,042,184 | 9 | 1,497,678 | 8 |
| TOTAL | $ 32,458,201 | 100 | $ 19,738,125 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities (Note 20) | $ 10,407,774 | 32 | $ 3,362,684 | 17 |
| Trade payables | 1,925,436 | 6 | 1,937,572 | 10 |
| Other payables (Note 17) | 1,050,547 | 4 | 897,941 | 4 |
| Current tax liabilities (Note 22) | 710,618 | 2 | 326,545 | 2 |
| Lease liabilities (Note 14) | 75,804 | - | 51,275 | - |
| Other current liabilities | 75,457 | - | 31,746 | - |
| Total current liabilities | 14,245,636 | 44 | 6,607,763 | 33 |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 22) | 5,951 | - | 35,696 | - |
| Lease liabilities (Note 14) | 150,521 | - | 70,326 | 1 |
| Deferred revenue | 21,676 | - | 22,286 | - |
| Total non-current liabilities | 178,148 | - | 128,308 | 1 |
| Total liabilities | 14,423,784 | 44 | 6,736,071 | 34 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19) | | | | |
| Share capital | 743,187 | 3 | 719,280 | 4 |
| Capital surplus | 10,419,696 | 32 | 7,792,801 | 39 |
| Retained earnings | | | | |
| Special reserve | 67,693 | - | 347,922 | 2 |
| Unappropriated earnings | 6,057,071 | 19 | 3,387,886 | 17 |
| Total retained earnings | 6,124,764 | 19 | 3,735,808 | 19 |
| Other equity | 726,467 | 2 | 745,605 | 4 |
| Total equity attributable to owners of the Company | 18,014,114 | 56 | 12,993,494 | 66 |
| NON-CONTROLLING INTERESTS | 20,303 | - | 8,560 | - |
| Total equity | 18,034,417 | 56 | 13,002,054 | 66 |
| TOTAL | $ 32,458,201 | 100 | $ 19,738,125 | 100 |

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

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2023 AND 2022**
**(In Thousands of U.S. Dollars)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | $ 330,876 | 31 | $ 155,497 | 24 |
| Financial assets at fair value through other comprehensive income (Note 7) | 3,058 | - | 4,129 | 1 |
| Financial assets at amortized cost (Notes 8 and 28) | 126,453 | 12 | 62,000 | 10 |
| Trade receivables, net (Note 10) | 74,849 | 7 | 46,003 | 7 |
| Trade receivables due from related parties (Notes 10 and 27) | 4,521 | - | - | - |
| Other receivables | 6,723 | 1 | 2,451 | - |
| Inventories (Note 11) | 378,245 | 36 | 297,120 | 46 |
| Prepayments (Notes 16 and 27) | 27,210 | 3 | 22,516 | 3 |
| Other current assets | 6,087 | 1 | 4,242 | 1 |
| Total current assets | 958,022 | 91 | 593,958 | 92 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (Note 7) | 14,008 | 1 | 11,068 | 2 |
| Financial assets at amortized cost (Notes 8 and 28) | 3,062 | - | - | - |
| Investments accounted for using the equity method | 1,823 | - | - | - |
| Property, plant and equipment (Note 13) | 37,793 | 4 | 23,135 | 4 |
| Right-of-use assets (Note 14) | 8,193 | 1 | 4,087 | 1 |
| Intangible assets (Note 15) | 13,472 | 1 | 2,913 | - |
| Deferred tax assets (Note 22) | 4,583 | 1 | 2,016 | - |
| Prepayments for equipment | 13,123 | 1 | 1,826 | - |
| Other non-current assets | 3,021 | - | 3,723 | 1 |
| Total non-current assets | 99,078 | 9 | 48,768 | 8 |
| TOTAL | $ 1,057,100 | 100 | $ 642,726 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities (Note 20) | $ 338,960 | 32 | $ 109,498 | 17 |
| Trade payables | 62,708 | 6 | 63,093 | 10 |
| Other payables (Note 17) | 34,214 | 4 | 29,239 | 4 |
| Current tax liabilities (Note 22) | 23,143 | 2 | 10,633 | 2 |
| Lease liabilities (Note 14) | 2,469 | - | 1,670 | - |
| Other current liabilities | 2,458 | - | 1,033 | - |
| Total current liabilities | 463,952 | 44 | 215,166 | 33 |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 22) | 194 | - | 1,162 | - |
| Lease liabilities (Note 14) | 4,902 | - | 2,290 | 1 |
| Deferred revenue | 706 | - | 726 | - |
| Total non-current liabilities | 5,802 | - | 4,178 | 1 |
| Total liabilities | 469,754 | 44 | 219,344 | 34 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19) | | | | |
| Share capital | 23,814 | 2 | 23,043 | 4 |
| Capital surplus | 356,315 | 34 | 271,652 | 42 |
| Retained earnings | | | | |
| Special reserve | 2,799 | 1 | 12,784 | 2 |
| Unappropriated earnings | 202,377 | 19 | 116,106 | 18 |
| Total retained earnings | 205,176 | 20 | 128,890 | 20 |
| Other equity | 1,384 | - | (468) | - |
| Total equity attributable to owners of the Company | 586,689 | 56 | 423,117 | 66 |
| NON-CONTROLLING INTERESTS | 657 | - | 265 | - |
| Total equity | 587,346 | 56 | 423,382 | 66 |
| TOTAL | $ 1,057,100 | 100 | $ 642,726 | 100 |

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

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **USD** | **NTD** | **%** | **USD** | **NTD** | **%** |
| OPERATING REVENUE (Notes 20 and 27) | $ 978,385 | $ 30,481,576 | 100 | $ 460,500 | $ 13,725,204 | 100 |
| OPERATING COSTS (Notes 11 and 21) | 760,303 | 23,687,225 | 78 | 311,882 | 9,295,633 | 68 |
| GROSS PROFIT | 218,082 | 6,794,351 | 22 | 148,618 | 4,429,571 | 32 |
| OPERATING EXPENSES (Notes 21 and 27) | | | | | | |
| Selling and marketing expenses | 8,015 | 249,721 | 1 | 7,183 | 214,075 | 2 |
| General and administrative expenses | 27,517 | 857,295 | 3 | 20,980 | 625,311 | 4 |
| Research and development expenses | 49,642 | 1,546,585 | 5 | 39,286 | 1,170,945 | 8 |
| Expected credit loss on trade receivables | 12,180 | 379,478 | 1 | 3,630 | 108,185 | 1 |
| Total operating expenses | 97,354 | 3,033,079 | 10 | 71,079 | 2,118,516 | 15 |
| PROFIT FROM OPERATIONS | 120,728 | 3,761,272 | 12 | 77,539 | 2,311,055 | 17 |
| NON-OPERATING INCOME AND EXPENSES (Note 21) | | | | | | |
| Interest income | 11,336 | 353,179 | 1 | 2,938 | 87,572 | 1 |
| Other income | 2,570 | 80,082 | 1 | 1,763 | 52,559 | - |
| Other gains and losses | 776 | 24,164 | - | (2,190) | (65,267) | (1) |
| Finance costs | (196) | (6,119) | - | (96) | (2,868) | - |
| Share of loss of associates by the equity method | (477) | (14,862) | - | - | - | - |
| Expected credit (loss) gain | (2) | (52) | - | 2 | 69 | - |
| Total non-operating income and expenses | 14,007 | 436,392 | 2 | 2,417 | 72,065 | - |
| PROFIT BEFORE INCOME TAX | 134,735 | 4,197,664 | 14 | 79,956 | 2,383,120 | 17 |
| INCOME TAX EXPENSE (Note 22) | 28,154 | 877,148 | 3 | 18,447 | 549,827 | 4 |
| NET PROFIT FOR THE YEAR | 106,581 | 3,320,516 | 11 | 61,509 | 1,833,293 | 13 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | 1,917 | 59,720 | - | (1,649) | (49,146) | - |
| Exchange differences on translation to the presentation currency | - | (76,836) | - | - | 1,171,065 | 8 |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange differences on translation of the financial statements of foreign operations | (196) | (6,094) | - | (350) | (10,461) | - |
| Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income | 131 | 4,072 | - | (602) | (17,931) | - |
| Other comprehensive income (loss) for the year, net of income tax | 1,852 | (19,138) | - | (2,601) | 1,093,527 | 8 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 108,433 | $ 3,301,378 | 11 | $ 58,908 | $ 2,926,820 | 21 |
| NET PROFIT (LOSS) ATTRIBUTABLE TO | | | | | | |
| Owners of the Company | $ 106,730 | $ 3,325,170 | 11 | $ 61,547 | $ 1,834,414 | 13 |
| Non-controlling interests | (149) | (4,654) | - | (38) | (1,121) | - |
| | $ 106,581 | $ 3,320,516 | 11 | $ 61,509 | $ 1,833,293 | 13 |

(Continued)

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **USD** | **NTD** | **%** | **USD** | **NTD** | **%** |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO | | | | | | |
| Owners of the Company | $ 108,582 | $ 3,306,032 | 11 | $ 58,946 | $ 2,927,941 | 21 |
| Non-controlling interests | (149) | (4,654) | - | (38) | (1,121) | - |
| | $ 108,433 | $ 3,301,378 | 11 | $ 58,908 | $ 2,926,820 | 21 |
| EARNINGS PER SHARE (Note 23) | | | | | | |
| Basic | $ 1.46 | $ 45.47 | | $ 0.86 | $ 25.69 | |
| Diluted | $ 1.39 | $ 43.27 | | $ 0.82 | $ 24.47 | |

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

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Surplus | | | Retained Earnings | | | Other Equity | | | | |
| | Share Capital | Share Premium | Share Options | Total | Special Reserve | Unappropriated Earnings | Total | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2022 | $ 706,876 | $ 6,947,143 | $ 345,138 | $ 7,292,281 | $ 201,957 | $ 2,495,012 | $ 2,696,969 | $ (418,292) | $ 70,370 | $ 10,348,204 | $ - | $ 10,348,204 |
| Appropriation of 2021's earnings | | | | | | | | | | | | |
| Special reserve | - | - | - | - | 145,965 | (145,965) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (790,324) | (790,324) | - | - | (790,324) | - | (790,324) |
| Share-based payments | - | - | 381,948 | 381,948 | - | - | - | - | - | 381,948 | - | 381,948 |
| Issuance of ordinary shares under the employee share options | 12,404 | 150,085 | (31,513) | 118,572 | - | - | - | - | - | 130,976 | - | 130,976 |
| Net profit (loss) for the year ended December 31, 2022 | - | - | - | - | - | 1,834,414 | 1,834,414 | - | - | 1,834,414 | (1,121) | 1,833,293 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | - | - | - | 1,160,604 | (67,077) | 1,093,527 | - | 1,093,527 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 1,834,414 | 1,834,414 | 1,160,604 | (67,077) | 2,927,941 | (1,121) | 2,926,820 |
| Changes in percentage of ownership interest in subsidiaries | - | - | - | - | - | (5,251) | (5,251) | - | - | (5,251) | 9,681 | 4,430 |
| BALANCE AT DECEMBER 31, 2022 | 719,280 | 7,097,228 | 695,573 | 7,792,801 | 347,922 | 3,387,886 | 3,735,808 | 742,312 | 3,293 | 12,993,494 | 8,560 | 13,002,054 |
| Appropriation of 2022's earnings | | | | | | | | | | | | |
| Reversal of special reserve | - | - | - | - | (280,229) | 280,229 | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (930,917) | (930,917) | - | - | (930,917) | - | (930,917) |
| Issuance of ordinary shares by private placement | 13,800 | 1,984,440 | - | 1,984,440 | - | - | - | - | - | 1,998,240 | - | 1,998,240 |
| Share-based payments | - | - | 342,918 | 342,918 | - | - | - | - | - | 342,918 | - | 342,918 |
| Issuance of ordinary shares under the employee share options | 10,107 | 473,633 | (174,096) | 299,537 | - | - | - | - | - | 309,644 | - | 309,644 |
| Net profit (loss) for the year ended December 31, 2023 | - | - | - | - | - | 3,325,170 | 3,325,170 | - | - | 3,325,170 | (4,654) | 3,320,516 |
| Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax | - | - | - | - | - | - | - | (82,930) | 63,792 | (19,138) | - | (19,138) |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | 3,325,170 | 3,325,170 | (82,930) | 63,792 | 3,306,032 | (4,654) | 3,301,378 |
| Changes in percentage of ownership interest in subsidiaries | - | - | - | - | - | (5,297) | (5,297) | - | - | (5,297) | 16,397 | 11,100 |
| BALANCE AT DECEMBER 31, 2023 | $ 743,187 | $ 9,555,301 | $ 864,395 | $ 10,419,696 | $ 67,693 | $ 6,057,071 | $ 6,124,764 | $ 659,382 | $ 67,085 | $ 18,014,114 | $ 20,303 | $ 18,034,417 |

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

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of U.S. Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Other Equity | | | | |
| | | Capital Surplus | | | Retained Earnings | | | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | | |
| | Share Capital | Share Premium | Share Options | Total | Special Reserve | Unappropriated Earnings | Total | | | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2022 | $ 22,620 | $ 242,819 | $ 12,000 | $ 254,819 | $ 7,548 | $ 86,731 | $ 94,279 | $ (364) | $ 2,497 | $ 373,851 | $ - | $ 373,851 |
| Appropriation of 2021's earnings | | | | | | | | | | | | |
| Special reserve | - | - | - | - | 5,236 | (5,236) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (26,772) | (26,772) | - | - | (26,772) | - | (26,772) |
| Share-based payments | - | - | 12,815 | 12,815 | - | - | - | - | - | 12,815 | - | 12,815 |
| Issuance of ordinary shares under the employee share options | 423 | 6,372 | (2,354) | 4,018 | - | - | - | - | - | 4,441 | - | 4,441 |
| Net profit (loss) for the year ended December 31, 2022 | - | - | - | - | - | 61,547 | 61,547 | - | - | 61,547 | (38) | 61,509 |
| Other comprehensive loss for the year ended December 31, 2022, net of income tax | - | - | - | - | - | - | - | (350) | (2,251) | (2,601) | - | (2,601) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 61,547 | 61,547 | (350) | (2,251) | 58,946 | (38) | 58,908 |
| Changes in percentage of ownership interest in subsidiaries | - | - | - | - | - | (164) | (164) | - | - | (164) | 303 | 139 |
| BALANCE AT DECEMBER 31, 2022 | 23,043 | 249,191 | 22,461 | 271,652 | 12,784 | 116,106 | 128,890 | (714) | 246 | 423,117 | 265 | 423,382 |
| Appropriation of 2022's earnings | | | | | | | | | | | | |
| Reversal of special reserve | - | - | - | - | (9,985) | 9,985 | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (30,269) | (30,269) | - | - | (30,269) | - | (30,269) |
| Issuance of ordinary shares by private placement | 445 | 63,994 | - | 63,994 | - | - | - | - | - | 64,439 | - | 64,439 |
| Share-based payments | - | - | 11,007 | 11,007 | - | - | - | - | - | 11,007 | - | 11,007 |
| Issuance of ordinary shares under the employee share options | 326 | 15,527 | (5,865) | 9,662 | - | - | - | - | - | 9,988 | - | 9,988 |
| Net profit (loss) for the year ended December 31, 2023 | - | - | - | - | - | 106,730 | 106,730 | - | - | 106,730 | (149) | 106,581 |
| Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax | - | - | - | - | - | - | - | (196) | 2,048 | 1,852 | - | 1,852 |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | 106,730 | 106,730 | (196) | 2,048 | 108,582 | (149) | 108,433 |
| Changes in percentage of ownership interest in subsidiaries | - | - | - | - | - | (175) | (175) | - | - | (175) | 541 | 366 |
| BALANCE AT DECEMBER 31, 2023 | $ 23,814 | $ 328,712 | $ 27,603 | $ 356,315 | $ 2,799 | $ 202,377 | $ 205,176 | $ (910) | $ 2,294 | $ 586,689 | $ 657 | $ 587,346 |

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

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars or U.S. Dollars)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **USD** | **NTD** | **USD** | **NTD** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | $ 134,735 | $ 4,197,664 | $ 79,956 | $ 2,383,120 |
| Adjustments for: | | | | |
| Depreciation and amortization | 64,880 | 2,021,317 | 69,059 | 2,058,309 |
| Expected credit loss | 12,182 | 379,530 | 3,628 | 108,116 |
| Finance costs | 196 | 6,119 | 96 | 2,868 |
| Interest income | (11,336) | (353,179) | (2,938) | (87,572) |
| Share-based compensation | 11,007 | 342,918 | 12,815 | 381,948 |
| Share of loss of associates by the equity method | 477 | 14,862 | - | - |
| Loss on disposal of equipment | 7 | 208 | 3 | 81 |
| Net gain on disposal of financial assets | (5) | (162) | (15) | (451) |
| Write-down of inventories | 1,563 | 48,699 | 1,105 | 32,920 |
| Net unrealized (gain) loss on foreign currency exchange | (394) | (16,075) | 856 | 25,538 |
| Amortization of prepayments | 6,949 | 216,502 | 4,655 | 138,728 |
| Net changes in operating assets and liabilities | | | | |
| Trade receivables | (45,259) | (1,410,036) | (15,148) | (451,477) |
| Other receivables | (2,425) | (75,554) | (879) | (26,186) |
| Inventories | (82,688) | (2,576,133) | (260,021) | (7,749,923) |
| Prepayments | (11,213) | (349,368) | 13,762 | 410,189 |
| Other current assets | (1,845) | (57,471) | (2,794) | (83,285) |
| Contract liabilities | 229,462 | 7,148,891 | 56,024 | 1,669,812 |
| Trade payables | (316) | (9,856) | 48,712 | 1,451,843 |
| Other payables | 10,549 | 332,475 | 567 | 16,913 |
| Other current liabilities | 503 | 15,634 | 485 | 14,494 |
| Deferred revenue | 902 | 28,112 | - | - |
| Net cash generated from operations | 317,931 | 9,905,097 | 9,928 | 295,985 |
| Interest paid | (196) | (6,119) | (96) | (2,868) |
| Income tax paid | (19,034) | (593,020) | (18,083) | (538,956) |
| Net cash generated from (used in) operating activities | 298,701 | 9,305,958 | (8,251) | (245,839) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of financial assets at fair value through other comprehensive income | (3,990) | (124,320) | (6,151) | (183,309) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 4,096 | 127,611 | 2,652 | 79,043 |

(Continued)

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars or U.S. Dollars)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **USD** | **NTD** | **USD** | **NTD** |
| Purchase of financial assets at amortized cost | $ (192,657) | $ (6,002,224) | $ (61,000) | $ (1,818,105) |
| Proceeds from sale of financial assets at amortized cost | 125,110 | 3,897,812 | 158,000 | 4,709,190 |
| Acquisition of investments accounted for the equity method | (2,300) | (70,323) | - | - |
| Payments for purchase of equipment | (61,381) | (1,912,329) | (32,634) | (972,656) |
| Proceeds from disposal of equipment | - | 14 | - | 5 |
| Increase in refundable deposits | (42) | (1,295) | (1,124) | (33,491) |
| Decrease in refundable deposits | 641 | 19,966 | 63 | 1,875 |
| Payments for purchase of intangible assets | (30,098) | (937,669) | (11,295) | (336,664) |
| Increase in other non-current assets | - | - | (110) | (3,285) |
| Increase in prepayments for equipment | (13,123) | (408,841) | (1,826) | (54,417) |
| Interest received | 9,407 | 293,103 | 2,952 | 87,952 |
| Net cash (used in) generated from investing activities | (164,337) | (5,118,495) | 49,527 | 1,476,138 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of the principal portion of lease liabilities | (3,252) | (101,300) | (1,858) | (55,391) |
| Dividends paid to owners of the Company | (30,269) | (930,917) | (26,772) | (845,743) |
| Proceeds from issuance of ordinary shares-private placement | 64,439 | 1,998,240 | - | - |
| Proceeds from exercise of employee share options | 9,988 | 309,644 | 4,441 | 130,976 |
| Changes in non-controlling interests | - | - | 139 | 4,430 |
| Net cash generated from (used in) financing activities | 40,906 | 1,275,667 | (24,050) | (765,728) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 109 | (78,875) | (770) | 462,070 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 175,379 | 5,384,255 | 16,456 | 926,641 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 155,497 | 4,775,301 | 139,041 | 3,848,660 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 330,876 | $ 10,159,556 | $ 155,497 | $ 4,775,301 |

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

## 1. GENERAL INFORMATION

Alchip Technologies, Limited (the "Company") was incorporated in the Cayman Islands on February 27, 2003. The Company is mainly engaged in the research and development, design and manufacture of fabless application specific integrated circuits (ASIC) and system on a chip (SOC) and the rendering of related services.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since October 28, 2014. In January 2021, the Company listed some of its shares of stock on the Luxembourg Stock Exchange (LuxSE) in the form of Global Depositary Receipts (GDRs).

The accompanying consolidated financial statements comprise of the Company and its subsidiaries (collectively, the "Group").

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 1, 2024.

## 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC in 2023 did not have material impact on the Group's accounting policies:

   <u>Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"</u>

   The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group's exposure to Pillar Two income taxes. The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

b. The IFRS Accounting Standards issued by international Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2024

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

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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

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

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

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

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

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

The functional currencies of the Group are the U.S. dollar and Japan Yen. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's shares are listed on the Taiwan Stock Exchange.

The translation process is as follows, assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; equity items are translated at the historical rates, and income and expense items are translated at the average exchange rates for the period, the resulting currency translation differences are recognized into the exchange differences on translation of the financial statements of foreign operations.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

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

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

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

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

See Note 12, Table 5 and Table 6 for detailed information on subsidiaries, including percentages of ownership and main businesses.

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the financial statements of the Company and its foreign operations (including subsidiaries, associates and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group from functional currencies to the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

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

Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets, intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and pledged tine deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information shows that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 271 days past due unless the Group has reasonable and corroborative information to support an extended default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of equity.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Revenue recognition

The Group identifies contracts with customers, recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of integrated circuit products. The Group recognizes revenue and accounts receivable when performance obligation is satisfied and promised goods are shipped or delivered to the customer's specified location depending on commercial terms, where customer obtains control of goods.

2) Revenue from non-recurring engineering (NRE) service

The Group provides NRE service which does not create an asset with alternative use, and the Group has an enforceable right to payment for the performance completed to date. Revenue is recognized based on the completion of the contract by the output method and milestone achieved.

m. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

<u>The Group as lessee</u>

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

When there is a change in a lease term used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss in the period on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as reimbursement for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

p. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

When the Group modifies the contract terms and conditions of the grant of equity instruments, it shall recognize the amount of the increase in the total fair value or the beneficial impact on employees due to the modification of the share-based payment agreement. If the modification belongs to shorten the vesting period, the expense shall be recognized according to the modified vested conditions.

q. Taxation

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

1) Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of change of the economic environment and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

**Key Sources of Estimation Uncertainty**

a. Impairment of equipment and intangible assets

The impairment of equipment and intangible assets in relation to the design and production of integrated circuits is based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price, the product life cycle or the anticipated production quantity will affect the recoverable amount of those assets and may lead to a recognition of additional or a reversal of impairment losses.

b. Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of products of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Demand deposits | $ 9,398,249 | $ 4,242,602 |
| Cash equivalents (time deposits with original maturities of 3 months or less) | 735,682 | 517,510 |
| Checking accounts | 25,313 | 14,823 |
| Petty cash | 312 | 366 |
| | $ 10,159,556 | $ 4,775,301 |
| USD | | |
| Demand deposits | $ 306,082 | $ 138,151 |
| Cash equivalents (time deposits with original maturities of 3 months or less) | 23,960 | 16,851 |
| Checking accounts | 824 | 483 |
| Petty cash | 10 | 12 |
| | $ 330,876 | $ 155,497 |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank balance | 0.01%-5.40% | 0.01%-3.70% |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Foreign bonds investments | $ 181,782 | $ 272,986 |
| Foreign equity investments | 229,114 | 135,375 |
| Domestic equity investments | 113,130 | 58,349 |
| | $ 524,026 | $ 466,710 |
| Current | $ 93,906 | $ 126,812 |
| Non-current | 430,120 | 339,898 |
| | $ 524,026 | $ 466,710 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| USD | | |
| Foreign bonds investments | $ 5,920 | $ 8,889 |
| Foreign equity investments | 7,462 | 4,408 |
| Domestic equity investments | 3,684 | 1,900 |
| | $ 17,066 | $ 15,197 |
| Current | $ 3,058 | $ 4,129 |
| Non-current | 14,008 | 11,068 |
| | $ 17,066 | $ 15,197 |

(Concluded)

The Group invested in Uniconn Interconnections Technology Co., Ltd., KQ (Suzhou) Emerging Industry Venture Equity Investment Fund and ACHI CAPITAL PARTNERS FUND L.P. for medium- to long-term strategic purposes. Accordingly, the management designates these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Refer to Note 9 for information on credit risk management and impairment assessment related to debt.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Time deposits with original maturities of more than 3 months | $ 2,538,642 | $ 1,842,600 |
| Pledged time deposits | 1,438,093 | - |
| Floating-rate notes | - | 61,420 |
| | $ 3,976,735 | $ 1,904,020 |
| Current | $ 3,882,724 | $ 1,904,020 |
| Non-current | 94,011 | - |
| | $ 3,976,735 | $ 1,904,020 |
| USD | | |
| Time deposits with original maturities of more than 3 months | $ 82,679 | $ 60,000 |
| Pledged time deposits | 46,836 | - |
| Floating-rate notes | - | 2,000 |
| | $ 129,515 | $ 62,000 |
| Current | $ 126,453 | $ 62,000 |
| Non-current | 3,062 | - |
| | $ 129,515 | $ 62,000 |

The market rate intervals of time deposits with original maturities of more than 3 months, pledged time deposits and floating-rate note at the end of the reporting period were as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Time deposits with original maturities of more than 3 months | 3.15%-5.48% | 0.70%-4.35% |
| Pledged time deposits | 0.68%-5.00% | - |
| Floating-rate note | - | 0.52%-4.00% |

Refer to Note 9 for information on credit risk management and impairment loss assessment related to financial assets at amortized cost.

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at FVTOCI and as at amortized cost were as follows:

December 31, 2023

| | At FVTOCI | | At Amortized Cost | |
|---|---|---|---|---|
| | NTD | USD | NTD | USD |
| Gross carrying amount | $ 254,339 | $ 8,283 | $ 3,976,735 | $ 129,515 |
| Less: Allowance for impairment loss | (69,838) | (2,274) | - | - |
| Amortized cost | 184,501 | 6,009 | $ 3,976,735 | $ 129,515 |
| Adjustment to fair value | (2,719) | (89) | | |
| | $ 181,782 | $ 5,920 | | |

December 31, 2022

| | At FVTOCI | | At Amortized Cost | |
|---|---|---|---|---|
| | NTD | USD | NTD | USD |
| Gross carrying amount | $ 349,677 | $ 11,386 | $ 1,904,020 | $ 62,000 |
| Less: Allowance for impairment loss | (69,958) | (2,278) | - | - |
| Amortized cost | 279,719 | 9,108 | $ 1,904,020 | $ 62,000 |
| Adjustment to fair value | (6,733) | (219) | | |
| | $ 272,986 | $ 8,889 | | |

The credit rating information is supplied by an independent credit rating agency (CRA) in order to continuously track and supervise the credit risk change of the investments in debt instruments. At the same time, the Group reviews the information such as bond yield rate curve and debtors' information announced to assess whether the credit risk of investment in debt instruments has significantly increased since the initial recognition.

The Group considers the historical probability of default and loss given default of each level provided by CRA, the current financial condition of debtors, and its business outlook in order to measure the 12-month expected credit loss (ECL) or lifetime ECL of the debt instruments. The current credit risk rating mechanism used by the Group is as follows:

| Category | Description | Basis for Recognizing Expected Credit Losses (ECLs) |
| --- | --- | --- |
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows i.e., the Moody's rating is above Level B | 12m ECLs |
| Doubtful | The credit risk has significantly increased since the initial recognition, i.e., the Moody's rating has moved from above Level B to below Level B | Lifetime ECLs - not credit impaired |
| In default | There is evidence indicating the asset is credit impaired | Lifetime ECLs - credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates are shown below:

December 31, 2023

| | | Total Carrying Amount | | | |
| --- | --- | --- | --- | --- | --- |
| | Expected Loss | At FVTOCI | | At Amortized Cost | |
| Category | Rate | NTD | USD | NTD | USD |
| Performing | 0%-0.71% | $ 184,858 | $ 6,020 | $ 3,976,735 | $ 129,515 |
| Doubtful | - | - | - | - | - |
| In default | 100% | 69,481 | 2,263 | - | - |
| Write-off | - | - | - | - | - |

December 31, 2021

| | | Total Carrying Amount | | | |
| --- | --- | --- | --- | --- | --- |
| | Expected Loss | At FVTOCI | | At Amortized Cost | |
| Category | Rate | NTD | USD | NTD | USD |
| Performing | 0%-0.64% | $ 280,185 | $ 9,123 | $ 1,904,020 | $ 62,000 |
| Doubtful | - | - | - | - | - |
| In default | 100% | 69,492 | 2,263 | - | - |
| Write-off | - | - | - | - | - |

Regarding the investments in debt instruments measured by FVTOCI and amortized cost, the loss allowance change information based on the credit risk rating is summarized as follows:

| | Credit Rating | | |
|---|---|---|---|
| | **Performing (12-month ECLs)** | **Doubtful (Lifetime ECLs - Not Credit Impaired)** | **In Default (Lifetime ECLs - Credit Impaired)** |
| <u>NTD</u> | | | |
| Balance at January 1, 2023 | $ 466 | $ - | $ 69,492 |
| New financial investments purchased | 21 | - | - |
| Derecognition | (162) | - | - |
| Change in model or risk parameters | (2) | - | - |
| Change in exchange rates or others | 34 | - | (11) |
| Balance at December 31, 2023 | $ 357 | $ - | $ 69,481 |
| Balance at January 1, 2022 | $ 901 | $ - | $ 62,636 |
| New financial investments purchased | 95 | - | - |
| Derecognition | (451) | - | - |
| Change in model or risk parameters | (161) | - | - |
| Change in exchange rates or others | 82 | - | 6,856 |
| Balance at December 31, 2022 | $ 466 | $ - | $ 69,492 |
| <u>USD</u> | | | |
| Balance at January 1, 2023 | $ 15 | $ - | $ 2,263 |
| New financial investments purchased | 1 | - | - |
| Derecognition | (5) | - | - |
| Balance at December 31, 2023 | $ 11 | $ - | $ 2,263 |
| Balance at January 1, 2022 | $ 32 | $ - | $ 2,263 |
| New financial investments purchased | 4 | - | - |
| Derecognition | (16) | - | - |
| Change in model or risk parameters | (5) | - | - |
| Balance at December 31, 2022 | $ 15 | $ - | $ 2,263 |

## 10. TRADE RECEIVABLES

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| <u>NTD</u> | | |
| At amortized cost | | |
| Gross carrying amount | $ 2,924,188 | $ 1,525,919 |
| Less: Allowance for impairment loss | (487,141) | (113,163) |
| | $ 2,437,047 | $ 1,412,756 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| USD | | |
| At amortized cost | | |
| Gross carrying amount | $ 95,235 | $ 49,688 |
| Less: Allowance for impairment loss | (15,865) | (3,685) |
| | $ 79,370 | $ 46,003 |

(Concluded)

The credit period is 30-100 days. The Group grants credit periods based on customers' financial conditions and historical payment records. In addition, when necessary, customers are requested to make prepayments in order to reduce the risk of financial loss due to delay of payment.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. The Group determines expected credit loss ratios by the factors including payment terms, jurisdiction of customers and the status of public listing or nonpublic listing.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Aging analysis on the basis of overdue dates of trade receivables:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Past due | | |
| Past due within 60 days | $ 1,667,914 | $ 668,320 |
| Past due 61-120 days | 592,981 | 44,535 |
| Past due over 121 days | 663,293 | 813,064 |
| | $ 2,924,188 | $ 1,525,919 |
| USD | | |
| Past due | | |
| Past due within 60 days | $ 54,321 | $ 21,762 |
| Past due 61-120 days | 19,312 | 1,450 |
| Past due over 121 days | 21,602 | 26,476 |
| | $ 95,235 | $ 49,688 |

The movements of the loss allowance of trade receivables were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Balance at January 1 | $ 113,163 | $ 38,617 |
| Net remeasurement of loss allowance | 379,478 | 108,185 |
| Amounts written off | - | (39,939) |
| Foreign exchange gains and losses | (5,500) | 6,300 |
| Balance at December 31 | $ 487,141 | $ 113,163 |
| USD | | |
| Balance at January 1 | $ 3,685 | $ 1,395 |
| Net remeasurement of loss allowance | 12,180 | 3,630 |
| Amounts written off | - | (1,340) |
| Balance at December 31 | $ 15,865 | $ 3,685 |

## 11. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Finished goods | $ 567,035 | $ 99,872 |
| Work in progress | 4,854,474 | 2,447,486 |
| Raw materials | 6,192,488 | 6,577,198 |
| | $ 11,613,997 | $ 9,124,556 |
| USD | | |
| Finished goods | $ 18,467 | $ 3,252 |
| Work in progress | 158,100 | 79,697 |
| Raw materials | 201,678 | 214,171 |
| | $ 378,245 | $ 297,120 |

The cost of integrated circuit recognized as cost of goods sold for the years ended December 31, 2023 and 2022 were NT$21,711,182 thousand (US$696,877 thousand) and NT$7,717,956 thousand (US$258,948 thousand), respectively.

The cost of goods sold included a write-down of inventory of NT$48,699 thousand (US$1,563 thousand) and NT$32,920 thousand (US$1,105 thousand) for the years ended December 31, 2023 and 2022, respectively.

## 12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| | | | Proportion of Ownership (%) | | |
|---|---|---|---|---|---|
| | | | December 31 | | |
| Investor | Investee | Nature of Activities | 2023 | 2022 | Remark |
| The Company | Alchip Technologies, Limited (registered in Hong Kong) (referred to as "Alchip HK") | Investments | 100 | 100 | |
| | AlChip Technologies, Inc. (registered in the U.S.A.) (referred to as "Alchip USA") | Sales of ASIC and SOC. | 100 | 100 | |
| | Alchip Technologies, KK (registered in Japan) (referred to as "Alchip KK") | Sales of ASIC and SOC. | 100 | 100 | |
| | Alchip Technologies, Inc. (registered in Taiwan) (referred to as "Alchip TW") | Sales of ASIC and SOC. | 100 | 100 | |
| | Alchip Investment, Inc. (registered in the British Virgin Islands) (referred to as "Alchip BVI") | Investments | 100 | 100 | |
| Alchip HK | Alchip Technologies (Shanghai) (registered in China) (referred to as "Alchip Shanghai") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 | |
| | Alchip Technologies (Wuxi) (registered in China) (referred to as "Alchip Wuxi") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 | |
| | Alchip Technologies (Hefei) (registered in China) (referred to as "Alchip Hefei") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 | |
| | Alchip Technologies (Jinan) (registered in China) (referred to as "Alchip Jinan") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 | |
| | Alchip Technologies (Guangzhou) (registered in China) (referred to as "Alchip Guangzhou") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 | |
| Alchip Guangzhou | Xi Yun Technologies (Shanghai) (registered in China) (referred to as "Alchip Xi Yun") | Software development, design and service, and sales of ASIC and SOC and rendering of related services. | 65 | 87 | Note |
| Alchip Shanghai | Alchip Technologies (Chongqing) (registered in China) (referred to as "Alchip Chongqing") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 | |

Note: Alchip Guangzhou did not participate in Alchip Xi Yun's capital increase in March 2023, which resulted in its ownership to drop from 87% to 65%.

b. Subsidiaries excluded from the consolidated financial statements: None.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Machinery Equipment | Computer Equipment | Office Equipment | Leasehold Improvements | Transportation Equipment | Total |
|---|---|---|---|---|---|---|
| NTD | | | | | | |
| Cost | | | | | | |
| Balance at January 1, 2022 | $ 4,772,873 | $ 254,931 | $ 18,523 | $ 41,581 | $ 6,286 | $ 5,094,194 |
| Additions | 1,399,019 | 30,632 | 6,510 | 7,937 | - | 1,444,098 |
| Disposals and retirements | (121,401) | (10,718) | (138) | - | - | (132,257) |
| Effects of foreign currency exchange differences | 561,260 | 27,603 | 1,606 | 4,792 | 688 | 595,949 |
| Balance at December 31, 2022 | $ 6,611,751 | $ 302,448 | $ 26,501 | $ 54,310 | $ 6,974 | $ 7,001,984 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2022 | $ (4,009,253) | $ (145,244) | $ (13,683) | $ (36,634) | $ (5,046) | $ (4,209,860) |
| Depreciation expense | (1,654,634) | (42,807) | (2,439) | (5,857) | (658) | (1,706,395) |
| Disposals and retirements | 121,401 | 10,686 | 84 | - | - | 132,171 |
| Effects of foreign currency exchange differences | (485,429) | (15,991) | (1,235) | (4,188) | (573) | (507,416) |
| Balance at December 31, 2022 | $ (6,027,915) | $ (193,356) | $ (17,273) | $ (46,679) | $ (6,277) | $ (6,291,500) |
| Carrying amount at December 31, 2022 | $ 583,836 | $ 109,092 | $ 9,228 | $ 7,631 | $ 697 | $ 710,484 |
| Cost | | | | | | |
| Balance at January 1, 2023 | $ 6,611,751 | $ 302,448 | $ 26,501 | $ 54,310 | $ 6,974 | $ 7,001,984 |
| Additions | 1,664,674 | 17,859 | 486 | 1,527 | - | 1,684,546 |
| Disposals and retirements | - | (2,685) | (116) | - | - | (2,801) |
| Reclassified | 56,882 | - | - | - | - | 56,882 |
| Effects of foreign currency exchange differences | (25,942) | (373) | (436) | (31) | (1) | (26,783) |
| Balance at December 31, 2023 | $ 8,307,365 | $ 317,249 | $ 26,435 | $ 55,806 | $ 6,973 | $ 8,713,828 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2023 | $ (6,027,915) | $ (193,356) | $ (17,273) | $ (46,679) | $ (6,277) | $ (6,291,500) |
| Depreciation expense | (1,234,064) | (43,084) | (2,148) | (4,967) | - | (1,284,263) |
| Disposals and retirements | - | 2,470 | 109 | - | - | 2,579 |
| Effects of foreign currency exchange differences | 18,806 | 707 | 204 | 79 | 1 | 19,797 |
| Balance at December 31, 2023 | $ (7,243,173) | $ (233,263) | $ (19,108) | $ (51,567) | $ (6,276) | $ (7,553,387) |
| Carrying amount at December 31, 2023 | $ 1,064,192 | $ 83,986 | $ 7,327 | $ 4,239 | $ 697 | $ 1,160,441 |
| USD | | | | | | |
| Cost | | | | | | |
| Balance at January 1, 2022 | $ 172,432 | $ 9,207 | $ 669 | $ 1,502 | $ 227 | $ 184,037 |
| Additions | 46,937 | 1,031 | 218 | 266 | - | 48,452 |
| Disposals and retirements | (4,073) | (360) | (5) | - | - | (4,438) |
| Effects of foreign currency exchange differences | - | (30) | (19) | - | - | (49) |
| Balance at December 31, 2022 | $ 215,296 | $ 9,848 | $ 863 | $ 1,768 | $ 227 | $ 228,002 |

(Continued)

| | Machinery Equipment | Computer Equipment | Office Equipment | Leasehold Improvements | Transportation Equipment | Total |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2022 | $ (144,843) | $ (5,247) | $ (494) | $ (1,323) | $ (182) | $ (152,089) |
| Depreciation expense | (55,515) | (1,436) | (82) | (197) | (22) | (57,252) |
| Disposals and retirements | 4,073 | 359 | 3 | - | - | 4,435 |
| Effects of foreign currency exchange differences | - | 28 | 11 | - | - | 39 |
| Balance at December 31, 2022 | $ (196,285) | $ (6,296) | $ (562) | $ (1,520) | $ (204) | $ (204,867) |
| Carrying amount at December 31, 2022 | $ 19,011 | $ 3,552 | $ 301 | $ 248 | $ 23 | $ 23,135 |
| Cost | | | | | | |
| Balance at January 1, 2023 | $ 215,296 | $ 9,848 | $ 863 | $ 1,768 | $ 227 | $ 228,002 |
| Additions | 53,432 | 573 | 16 | 49 | - | 54,070 |
| Disposals and retirements | - | (86) | (4) | - | - | (90) |
| Reclassified | 1,826 | - | - | - | - | 1,826 |
| Effects of foreign currency exchange differences | - | (3) | (13) | - | - | (16) |
| Balance at December 31, 2023 | $ 270,554 | $ 10,332 | $ 862 | $ 1,817 | $ 227 | $ 283,792 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2023 | $ (196,285) | $ (6,296) | $ (562) | $ (1,520) | $ (204) | $ (204,867) |
| Depreciation expense | (39,611) | (1,383) | (69) | (159) | - | (41,222) |
| Disposals and retirements | - | 79 | 4 | - | - | 83 |
| Effects of foreign currency exchange differences | (1) | 3 | 5 | - | - | 7 |
| Balance at December 31, 2023 | $ (235,897) | $ (7,597) | $ (622) | $ (1,679) | $ (204) | $ (245,999) |
| Carrying amount at December 31, 2023 | $ 34,657 | $ 2,735 | $ 240 | $ 138 | $ 23 | $ 37,793 |

(Concluded)

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Machinery equipment | 2-5 years |
| Computer equipment | 3-5 years |
| Office equipment | 3-5 years |
| Leasehold improvements | 1-3 years |
| Transportation equipment | 5 years |

## 14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NTD | USD | NTD | USD |
| Carrying amount | | | | |
| Buildings | $ 70,109 | $ 2,283 | $ 125,511 | $ 4,087 |
| Machinery equipment | 181,447 | 5,910 | - | - |
| | $ 251,556 | $ 8,193 | $ 125,511 | $ 4,087 |

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NTD | USD | NTD | USD |
| Additions to right-of-use assets | $ 208,030 | $ 6,447 | $ 92,269 | $ 3,151 |
| Depreciation charge for right-of-use assets | | | | |
| Buildings | $ 54,599 | $ 1,753 | $ 54,076 | $ 1,814 |
| Machinery equipment | 16,737 | 537 | - | - |
| | $ 71,336 | $ 2,290 | $ 54,076 | $ 1,814 |

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

b. Lease liabilities

| | December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NTD | USD | NTD | USD |
| Carrying amount | | | | |
| Current | $ 75,804 | $ 2,469 | $ 51,275 | $ 1,670 |
| Non-current | $ 150,521 | $ 4,902 | $ 70,326 | $ 2,290 |

Range of discount rates for lease liabilities was as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Buildings | 0.98%-5.50% | 0.98%-5.50% |
| Machinery equipment | 4.20% | - |

c. Material leasing activities and terms

The Group leases certain buildings for office with lease terms of 2 to 10 years. The Group does not have bargain purchase option to acquire the buildings at the end of the lease terms.

The Group entered into a 5-year lease contract in August 2023 to lease machinery equipment for product testing and research and development activities. The Group will obtain ownership of the machinery equipment at the end of the lease terms. In addition, the Group is prohibited from subleasing all or any portion of the underlying assets without the lessor’s consent.

d. Other lease information

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NTD | USD | NTD | USD |
| Expenses relating to short-term leases | $ 15,319 | $ 492 | $ 10,166 | $ 342 |
| Expenses relating to low-value asset leases | $ 15 | $ - | $ 28 | $ 1 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | $ 16,225 | $ 521 | $ 12,474 | $ 419 |
| Total cash outflow for leases | $ (138,354) | $ (4,441) | $ (80,927) | $ (2,716) |

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

| | December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NTD | USD | NTD | USD |
| Lease commitments | $ 62,574 | $ 2,038 | $ - | $ - |

## 15. INTANGIBLE ASSETS

| NTD | Silicon Intellectual Property (SIP) | Software Cost | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2022 | $ 1,845,710 | $ 22,072 | $ 1,867,782 |
| Additions | 344,758 | 534 | 345,292 |
| Derecognitions | (20,651) | - | (20,651) |
| Effect of foreign currency exchange differences | 200,456 | 2,433 | 202,889 |
| Balance at December 31, 2022 | $ 2,370,273 | $ 25,039 | $ 2,395,312 |
| Accumulated amortization | | | |
| Balance at January 1, 2022 | $ (1,810,860) | $ (19,035) | $ (1,829,895) |
| Amortization expense | (295,093) | (2,745) | (297,838) |
| Derecognitions | 20,651 | - | 20,651 |
| Effect of foreign currency exchange differences | (196,607) | (2,167) | (198,774) |
| Balance at December 31, 2022 | $ (2,281,909) | $ (23,947) | $ (2,305,856) |
| Carrying amount at December 31, 2022 | $ 88,364 | $ 1,092 | $ 89,456 |

(Continued)

| NTD | Silicon Intellectual Property (SIP) | Software Cost | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2023 | $ 2,370,273 | $ 25,039 | $ 2,395,312 |
| Additions | 983,337 | 11,471 | 994,808 |
| Effect of foreign currency exchange differences | (19,822) | (170) | (19,992) |
| Balance at December 31, 2023 | $ 3,333,788 | $ 36,340 | $ 3,370,128 |
| Accumulated amortization | | | |
| Balance at January 1, 2023 | $ (2,281,909) | $ (23,947) | $ (2,305,856) |
| Amortization expense | (661,710) | (4,008) | (665,718) |
| Effect of foreign currency exchange differences | 15,041 | 62 | 15,103 |
| Balance at December 31, 2023 | $ (2,928,578) | $ (27,893) | $ (2,956,471) |
| Carrying amount at December 31, 2023 | $ 405,210 | $ 8,447 | $ 413,657 |

(Concluded)

| USD | Silicon Intellectual Property (SIP) | Software Cost | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2022 | $ 66,680 | $ 797 | $ 67,477 |
| Additions | 11,567 | 18 | 11,585 |
| Derecognitions | (693) | - | (693) |
| Effect of foreign currency exchange differences | (372) | - | (372) |
| Balance at December 31, 2022 | $ 77,182 | $ 815 | $ 77,997 |
| Accumulated amortization | | | |
| Balance at January 1, 2022 | $ (65,421) | $ (687) | $ (66,108) |
| Amortization expense | (9,900) | (93) | (9,993) |
| Derecognitions | 693 | - | 693 |
| Effect of foreign currency exchange differences | 324 | - | 324 |
| Balance at December 31, 2022 | $ (74,305) | $ (779) | $ (75,084) |
| Carrying amount at December 31, 2022 | $ 2,877 | $ 36 | $ 2,913 |
| Cost | | | |
| Balance at January 1, 2023 | $ 77,182 | $ 815 | $ 77,997 |
| Additions | 31,563 | 368 | 31,931 |
| Effect of foreign currency exchange differences | (170) | - | (170) |
| Balance at December 31, 2023 | $ 108,575 | $ 1,183 | $ 109,758 |

(Continued)

| USD | Silicon Intellectual Property (SIP) | Software Cost | Total |
|---|---|---|---|
| Accumulated amortization | | | |
| Balance at January 1, 2023 | $ (74,305) | $ (779) | $ (75,084) |
| Amortization expense | (21,239) | (129) | (21,368) |
| Effect of foreign currency exchange differences | 166 | - | 166 |
| Balance at December 31, 2023 | $ (95,378) | $ (908) | $ (96,286) |
| Carrying amount at December 31, 2023 | $ 13,197 | $ 275 | $ 13,472 |

(Concluded)

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

| | |
|---|---|
| SIP | 1-2 years |
| Software cost | 1-3 years |

## 16. PREPAYMENTS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Prepayments for raw materials | $ 605,284 | $ 466,559 |
| Prepayment for SIP | 106,696 | 98,430 |
| Prepayment for electronic design automation (EDA) tools | 89,909 | 99,336 |
| Other | 33,594 | 27,141 |
| | $ 835,483 | $ 691,466 |
| USD | | |
| Prepayments for raw materials | $ 19,713 | $ 15,192 |
| Prepayment for SIP | 3,476 | 3,206 |
| Prepayment for EDA tools | 2,928 | 3,235 |
| Other | 1,093 | 883 |
| | $ 27,210 | $ 22,516 |

## 17. OTHER PAYABLE

| | December 31 2023 | December 31 2022 |
|---|---|---|
| NTD | | |
| Payable for salaries or bonuses | $ 709,438 | $ 461,848 |
| Payable for SIP | 155,013 | 101,666 |
| Payable for technical services | 80,198 | 40,454 |
| Payable for sales tax | 38,665 | 11,769 |
| Payable for equipment | 19,656 | 244,189 |
| Payable for professional services | 15,159 | 10,475 |
| Other | 32,418 | 27,540 |
| | $ 1,050,547 | $ 897,941 |
| USD | | |
| Payable for salaries or bonuses | $ 23,105 | $ 15,039 |
| Payable for SIP | 5,048 | 3,311 |
| Payable for technical services | 2,612 | 1,317 |
| Payable for sales tax | 1,259 | 383 |
| Payable for equipment | 640 | 7,951 |
| Payable for professional services | 494 | 341 |
| Other | 1,056 | 897 |
| | $ 34,214 | $ 29,239 |

## 18. EQUITY

a. Ordinary shares

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Shares authorized (in thousands of shares) | 100,000 | 100,000 |
| Shares authorized (in thousands of NTD) | $ 1,000,000 | $ 1,000,000 |
| Shares issued and fully paid (in thousands of shares) | 74,319 | 71,928 |
| Shares issued and fully paid (in thousands of NTD) | $ 743,187 | $ 719,280 |
| Shares issued and fully paid (in thousands of USD) | $ 23,814 | $ 23,043 |

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and the right to dividends. The change in share capital was mainly due to issuing ordinary shares through private placement and the execution of employee share options.

Issuance of GDR

In December 2020, the Company’s shareholders held an extraordinary meeting and resolved the issuance of 7,600,000 ordinary shares to be offered in the form of GDR. Each GDR represents one ordinary share of the Company. This GDR was listed on the Luxembourg Exchange on January 20, 2021. As of December 31, 2023, the holders of GDRs had redeemed 7,564,600 units, which were equivalent to 7,564,600 ordinary shares. The outstanding GDSs were equal to 35,400 shares, which accounted for 0.04% of the Company’s total outstanding ordinary shares.

Private placement

On June 9, 2023, the shareholders held a meeting and resolved the private placement of ordinary shares with a total limit of 5,000,000 shares, which can be issued once or twice within one year from the date of the resolution of the shareholders in their meeting.

On June 26, 2023, the Company's board of directors resolved the private placement of ordinary shares. The relevant information is as follows:

| | |
|---|---|
| Closing date | July 10, 2023 |
| Number of shares (in thousands) | 1,380 |
| Par value (NTD) | $10 |
| Subscription price (NTD) | $1,448 |
| Total private placement amount (in thousands of NTD) | $1,998,240 |
| Total private placement amount (in thousands of USD) | $64,439 |

The aforementioned rights and obligations of privately issued ordinary shares are the same as those of ordinary shares issued, except for a restriction on trading in accordance with the Securities and Exchange Act, and these shares are not allowed to be timely traded until the Company completes public issuance for these shares 3 years from the closing date.

b. Retained earnings and dividends policy

Under the dividend policy as set forth in the Articles of Incorporation, the Company's annual net income after tax shall offset its losses in previous years, then set aside a special reserve in accordance with the Applicable Public Company Rules of the Republic of China or as requested by the authorities in charge, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which shall be resolved by the shareholders in their meeting for distribution of dividends to shareholders. For the policy on the distribution of employees' compensation and directors' remuneration specified in the Articles of Incorporation, refer to Note 21-(f) Employees' Compensation and Directors' Remuneration.

The Company's Articles of Incorporation also stipulate a dividend policy that distribution of retained earnings may proceed by way of cash or share dividends, but the cash dividend to be distributed shall be no lower than 10% of the aggregate dividend distributed to shareholders and no more than 100% of the aggregate dividend distributed to shareholders.

The appropriations of earnings for 2022 and 2021 that were resolved by the shareholders in their meetings on June 9, 2023 and July 30, 2022, respectively, were as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | **Appropriation of Earnings (In Thousand)** | | **Dividends Per Share (In Dollar)** | |
| | **USD** | **NTD** | **USD** | **NTD** |
| Cash dividends | $ 30,269 | $ 930,917 | $ 0.420 | $ 12.92 |
| Reversal of special reserve | $ (9,985) | $ (280,229) | | |

| | 2021 | | | |
|---|---|---|---|---|
| | **Appropriation of Earnings (In Thousand)** | | **Dividends Per Share (In Dollar)** | |
| | **USD** | **NTD** | **USD** | **NTD** |
| Cash dividends | $ 26,772 | $ 790,324 | $ 0.377 | $ 11.14 |
| Special reserve | $ 5,236 | $ 145,965 | | |

The appropriations of earnings for 2023 were proposed by the board of directors on March 1, 2024. The appropriations and dividends per share were as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | Appropriation of Earnings (In Thousand) | | Dividends Per Share (In Dollar) | |
| | USD | NTD | USD | NTD |
| Cash dividends | $ 56,823 | $ 1,777,981 | $ 0.726 | $ 22.71 |

The appropriations of earnings for 2023 are to be resolved in the meeting of the shareholders which is expected to be held on May 30, 2024.

c. Special reserve

Items referred to under Rule No. 1010012865 and No. 1010047490, issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The increase in retained earnings that resulted from the first-time adoption of IFRSs was NT$63,380 thousand (US$3,221 thousand). The special reserve from cumulative translation adjustments at the first-time adoption of IFRSs was NT$67,693 thousand (US$2,799 thousand). For the years ended 2023 and 2022, based on the foregoing rule, the Group reversed NT$280,229 thousand (US$9,985 thousand) and recognized NT$145,965 thousand (US$5,236 thousand) as a special reserve due to the subtraction of other equity, respectively.

## 19. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

According to the Company's employee share option plan approved on May 9, 2023, the Company issues 300 units of options, and each option entitles the holder to subscribe for 1,000 ordinary shares of the Company. The total ordinary shares to be issued due to the exercise of options are 300,000 shares. According to the Company's employee share option plan, each option entitles the holder to subscribe for 1,000 ordinary shares of the Company. The holders of the options are qualified employees, including employees of the Company and its subsidiaries satisfying specific requirements. The options granted are valid for 10 years, 50% become vested after two years from the grant date and 1/48th become vested each month for the subsequent years.

The board of directors made a resolution on August 26, 2022 to revise the vesting condition of all outstanding employee share option plans (from 2015 to 2021). The newly revised vesting condition provides that 50% of the employee share option becomes vested after two years from the grant date, and $1/48^{th}$ becomes vested each month for the subsequent years. Due to the change of the vesting condition, additional compensation cost recognized on the date of contract modification was NT$43,005 thousand (US$1,468 thousand).

Information on employee share options was as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Number of Options (In Thousands of Units) | Weighted-average Exercise Price (NTD) | Number of Options (In Thousands of Units) | Weighted-average Exercise Price (NTD) |
| Balance at January 1 | 5,206,505 | $ 401 | 6,082,988 | $ 297 |
| Options granted | 125,000 | 1,525 | 700,000 | 881 |
| Options exercised | (1,010,714) | 306 | (1,240,410) | 105 |
| Options expired | (121,503) | 978 | (336,073) | 549 |
| Balance at December 31 | 4,199,288 | 436 | 5,206,505 | 401 |
| Options exercisable, end of the year | 2,854,768 | 286 | 2,503,045 | 183 |
| Weighted-average fair value of options granted (NTD) | $ 896 | | $ 514 | |

The weighted-average share prices on the exercise date of the share options for the years ended December 31, 2023 and 2022 were $1,848 and $857, respectively.

Information on outstanding options was as follows:

| December 31 | | | |
|---|---|---|---|
| 2023 | | 2022 | |
| Exercise Price (NTD) | Weighted-average Remaining Contractual Life (In Years) | Exercise Price (NTD) | Weighted-average Remaining Contractual Life (In Years) |
| $24.5 | 2.87 | $24.6 | 3.87 |
| 36.5 | 2.18 | 36.6 | 3.18 |
| 40.2 | 3.19 | 40.4 | 4.19 |
| 55.4 | 1.32 | 55.6 | 2.32 |
| 72.9 | 5.39 | 73.2 | 6.39 |
| 73.6 | 5.22 | 73.9 | 6.22 |
| 75.2 | 3.93 | 75.5 | 4.93 |
| 81.5 | 3.91 | 81.8 | 4.91 |
| 85.7 | 4.73 | 86.0 | 5.73 |
| 93.4 | 4.11 | 93.8 | 5.11 |
| 93.7 | 5.61 | 94.1 | 6.61 |
| 95.7 | 4.02 | 96.1 | 5.02 |
| 115.3 | 4.25 | 115.8 | 5.25 |
| 119.1 | 4.61 | 119.6 | 5.61 |
| 121.1 | 4.30 | 121.6 | 5.30 |
| 201.8 | 5.90 | 182.5 | 6.86 |
| 203.8 | 6.14 | 202.6 | 6.90 |
| 263.6 | 6.33 | 204.6 | 7.14 |
| 323.3 | 6.46 | 264.6 | 7.33 |
| 401.6 | 7.38 | 326.6 | 7.46 |
| 558.4 | 6.96 | 405.7 | 8.38 |
| 565.6 | 6.59 | 564.1 | 7.96 |
| 565.7 | 7.64 | 571.4 | 7.59 |

(Continued)

| December 31 | | | |
|---|---|---|---|
| 2023 | | 2022 | |
| Exercise Price (NTD) | Weighted-average Remaining Contractual Life (In Years) | Exercise Price (NTD) | Weighted-average Remaining Contractual Life (In Years) |
| 801.2 | 7.19 | 571.5 | 8.64 |
| 959.5 | 8.19 | 809.5 | 8.19 |
| 1,005.4 | 7.83 | 969.4 | 9.19 |
| 864.9 | 8.83 | 1,015.8 | 8.83 |
| 808.3 | 8.66 | 969.4 | 9.19 |
| 834.4 | 8.88 | 873.8 | 9.33 |
| 1,509.6 | 9.40 | 816.6 | 9.66 |
| | | 843.0 | 9.88 |

(Concluded)

Options granted in 2023 and 2022 were priced by Black-Scholes pricing model and the inputs to the model on each grant-date were as follows:

| | November 15, 2023 | November 15, 2022 | August 26, 2022 | April 29, 2022 |
|---|---|---|---|---|
| Grant-date share price (NTD) | 1,525 | 843 | 828 | 886 |
| Exercise price (NTD) | 1,525 | 843 | 828 | 886 |
| Expected volatility | 62.02%-64.08% | 61.59%-63.71% | 61.19%-62.91% | 60.66%-62.18% |
| Expected life (in years) | 6-7 years | 6-7 years | 6-7 years | 6-7 years |
| Expected dividend yield | - | - | - | - |
| Risk-free interest rate | 1.08%-1.09% | 1.46%-1.53% | 1.11%-1.15% | 1.10%-1.15% |

| | March 9, 2022 |
|---|---|
| Grant-date share price (NTD) | 983 |
| Exercise price (NTD) | 983 |
| Expected volatility | 60.13%-61.6% |
| Expected life (in years) | 6-7 years |
| Expected dividend yield | - |
| Risk-free interest rate | 0.66%-0.68% |

Compensation costs recognized were NT$342,918 thousand (US$11,007 thousand) and NT$381,948 thousand (US$12,815 thousand) for the years ended December 31, 2023 and 2022, respectively.

## 20. REVENUE

a. Contract information

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. For the years ended December 31, 2023 and 2022, the Group recognized revenue of NT$2,770,762 thousand (US$88,935 thousand) and NT$1,076,791 thousand (US$36,128 thousand), respectively, from the contract liability outstanding balance at the beginning of the year.

b. Disaggregation of revenue from contracts with customers

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NTD | USD | NTD | USD |
| Production | | | | |
| ASIC and wafer product | $ 29,982,507 | $ 962,366 | $ 13,437,902 | $ 450,861 |
| NRE | 402,093 | 12,906 | 230,084 | 7,720 |
| Others | 96,976 | 3,113 | 57,218 | 1,919 |
| | $ 30,481,576 | $ 978,385 | $ 13,725,204 | $ 460,500 |
| Geography | | | | |
| United States | $ 19,237,266 | $ 617,471 | $ 5,384,959 | $ 180,673 |
| China | 3,873,414 | 124,327 | 3,763,293 | 126,264 |
| Taiwan | 2,743,303 | 88,053 | 1,413,395 | 47,421 |
| Europe | 2,401,017 | 77,067 | 1,288,426 | 43,229 |
| Japan | 1,919,287 | 61,604 | 1,872,096 | 62,811 |
| Other | 307,289 | 9,863 | 3,035 | 102 |
| | $ 30,481,576 | $ 978,385 | $ 13,725,204 | $ 460,500 |
| Application type | | | | |
| High performance computing | $ 25,743,706 | $ 826,311 | $ 11,238,131 | $ 377,055 |
| Niche market | 1,858,282 | 59,646 | 1,013,842 | 34,016 |
| Consumer | 1,830,892 | 58,767 | 781,928 | 26,235 |
| Communication | 1,048,696 | 33,661 | 691,303 | 23,194 |
| | $ 30,481,576 | $ 978,385 | $ 13,725,204 | $ 460,500 |
| Resolution | | | | |
| 7-nanometer and below | $ 27,239,315 | $ 874,316 | $ 9,306,522 | $ 312,247 |
| 12/16-nanometer | 1,210,247 | 38,846 | 2,693,299 | 90,364 |
| 28-nanometer | 1,429,517 | 45,884 | 1,209,636 | 40,585 |
| 40-nanometer and above | 602,497 | 19,339 | 515,747 | 17,304 |
| | $ 30,481,576 | $ 978,385 | $ 13,725,204 | $ 460,500 |

## 21. NET PROFIT

Net profit included the following items:

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Bank deposits | $ 207,624 | $ 62,411 |
| Investments in debt instruments at FVTOCI | 8,036 | 9,896 |
| Financial assets at amortized cost | 137,086 | 14,807 |
| Others | 433 | 458 |
| | $ 353,179 | $ 87,572 |
| USD | | |
| Bank deposits | $ 6,664 | $ 2,094 |
| Investments in debt instruments at FVTOCI | 258 | 332 |
| Financial assets at amortized cost | 4,400 | 497 |
| Others | 14 | 15 |
| | $ 11,336 | $ 2,938 |

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Net foreign exchange gains (losses) | $ 24,516 | $ (65,303) |
| Gain on disposal of financial assets | | |
| Investments in debt instruments at FVTOCI | 162 | 451 |
| Loss on disposal of equipment | (208) | (81) |
| Others | (306) | (334) |
| | $ 24,164 | $ (65,267) |
| USD | | |
| Net foreign exchange gains (losses) | $ 787 | $ (2,191) |
| Gain on disposal of financial assets | | |
| Investments in debt instruments at FVTOCI | 5 | 15 |
| Loss on disposal of equipment | (7) | (3) |
| Others | (9) | (11) |
| | $ 776 | $ (2,190) |

c. Finance costs

| | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| NTD | | |
| Interest on lease liabilities | $ 5,495 | $ 2,868 |
| Interest on discounted notes | 624 | - |
| | $ 6,119 | $ 2,868 |
| USD | | |
| Interest on lease liabilities | $ 176 | $ 96 |
| Interest on discounted notes | 20 | - |
| | $ 196 | $ 96 |

d. Depreciation and amortization

| | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| NTD | | |
| Property, plant and equipment | $ 1,284,263 | $ 1,706,395 |
| Right-of-use assets | 71,336 | 54,076 |
| Intangible assets | 665,718 | 297,838 |
| | $ 2,021,317 | $ 2,058,309 |
| An analysis of depreciation by function | | |
| Operating costs | $ 1,211,608 | $ 1,647,931 |
| Operating expenses | 143,991 | 112,540 |
| | $ 1,355,599 | $ 1,760,471 |
| An analysis of amortization by function | | |
| Operating costs | $ 661,749 | $ 295,147 |
| Operating expenses | 3,969 | 2,691 |
| | $ 665,718 | $ 297,838 |
| USD | | |
| Property, plant and equipment | $ 41,222 | $ 57,252 |
| Right-of-use assets | 2,290 | 1,814 |
| Intangible assets | 21,368 | 9,993 |
| | $ 64,880 | $ 69,059 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| An analysis of depreciation by function | | |
| Operating costs | $ 38,889 | $ 55,291 |
| Operating expenses | 4,623 | 3,775 |
| | $ 43,512 | $ 59,066 |
| An analysis of amortization by function | | |
| Operating costs | $ 21,241 | $ 9,903 |
| Operating expenses | 127 | 90 |
| | $ 21,368 | $ 9,993 |

(Concluded)

e. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Post-employment benefits | | |
| Defined contribution plan | $ 70,942 | $ 60,796 |
| Share-based payments (Note 19) | 342,918 | 381,948 |
| Other employee benefits | 1,586,935 | 1,196,238 |
| | $ 2,000,795 | $ 1,638,982 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 21,016 | $ 12,814 |
| Operating expenses | 1,979,779 | 1,626,168 |
| | $ 2,000,795 | $ 1,638,982 |
| USD | | |
| Post-employment benefits | | |
| Defined contribution plan | $ 2,277 | $ 2,040 |
| Share-based payments (Note 19) | 11,007 | 12,815 |
| Other employee benefits | 50,937 | 40,136 |
| | $ 64,221 | $ 54,991 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 675 | $ 430 |
| Operating expenses | 63,546 | 54,561 |
| | $ 64,221 | $ 54,991 |

f. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 2%, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for 2023 and 2022 were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | |
| | USD | NTD |
| Compensation of employees | $ 6,000 | $ 186,930 |
| Remuneration of directors | 1,250 | 38,944 |
| | $ 7,250 | $ 225,874 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | |
| | USD | NTD |
| Compensation of employees | $ 5,446 | $ 162,310 |
| Remuneration of directors | 1,037 | 30,916 |
| | $ 6,483 | $ 193,226 |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAX

a. Income tax recognized in profit or loss consisted of the following:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | USD | NTD | USD | NTD |
| Current tax | | | | |
| In respect of the current year | $ 31,545 | $ 982,775 | $ 17,447 | $ 520,024 |
| Adjustments for prior year | 126 | 3,922 | (380) | (11,333) |
| | 31,671 | 986,697 | 17,067 | 508,691 |
| Deferred tax | | | | |
| In respect of the current year | (3,400) | (105,901) | 1,380 | 41,136 |
| Adjustments for prior year | (117) | (3,648) | - | - |
| | (3,517) | (109,549) | 1,380 | 41,136 |
| Income tax expense recognized in profit or loss | $ 28,154 | $ 877,148 | $ 18,447 | $ 549,827 |

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

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | USD | NTD | USD | NTD |
| Profit before tax | $ 134,735 | $ 4,197,664 | $ 79,956 | $ 2,383,120 |
| Income tax expense calculated at the statutory rate | $ 27,658 | $ 861,672 | $ 17,264 | $ 514,573 |
| Permanent differences | 19 | 577 | 1,408 | 41,952 |
| Unrecognized loss carryforwards and deductible temporary differences | 468 | 14,625 | 155 | 4,635 |
| Adjustments to current income tax of prior years | 9 | 274 | (380) | (11,333) |
| Income tax expense recognized in profit or loss | $ 28,154 | $ 877,148 | $ 18,447 | $ 549,827 |

The income tax rate was 20% used by the Group’s subsidiary located in Taiwan, according to the Income Tax Acts of the Republic of China. Alchip Shanghai is entitled to a preferential tax rate of 10% for qualifying as a key integrated circuit enterprises in China in 2023. Alchip Wuxi is entitled to a preferential tax rate of 15% for qualifying as a high-tech enterprise in China in 2023. Alchip Xi Yun is qualified as a software enterprise in China, so is entitled to tax exemption for 2023. Other China subsidiaries are entitled to the first two years and a half reduction of 12.5% in 2022. The applicable tax rate used by the Group’s subsidiary located in Japan was approximately 37%.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | USD | NTD | USD | NTD |
| Deferred tax | | | | |
| In respect of the current year | | | | |
| Fair value changes of financial assets at FVTOCI | $ (52) | $ (1,652) | $ 131 | $ 3,924 |
| Total income tax recognized in other comprehensive income | $ (52) | $ (1,652) | $ 131 | $ 3,924 |

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

NTD

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Write-down of inventory | $ 6,259 | $ 9,740 | $ - | $ (142) | $ 15,857 |
| Allowance for doubtful accounts | 19,690 | 62,483 | - | (906) | 81,267 |
| Intangible assets | 23,960 | (10,291) | - | (892) | 12,777 |
| Deferred revenue from government grants | - | 2,212 | - | (32) | 2,180 |
| | 49,909 | 64,144 | - | (1,972) | 112,081 |
| Loss carryforward | 11,998 | 16,881 | - | (245) | 28,634 |
| | $ 61,907 | $ 81,025 | $ - | $ (2,217) | $ 140,715 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Financial assets at FVTOCI | $ 4,043 | $ - | $ (1,652) | $ 24 | $ 2,415 |
| Unrealized exchange gain | 31,653 | (28,524) | - | 407 | 3,536 |
| | $ 35,696 | $ (28,524) | $ (1,652) | $ 431 | $ 5,951 |

USD

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Write-down of inventory | $ 204 | $ 312 | $ - | $ - | $ 516 |
| Allowance for doubtful accounts | 641 | 2,006 | - | - | 2,647 |
| Intangible assets | 780 | (330) | - | (34) | 416 |
| Deferred revenue from government grants | - | 71 | - | - | 71 |
| | 1,625 | 2,059 | - | (34) | 3,650 |
| Loss carryforward | 391 | 542 | - | - | 933 |
| | $ 2,016 | $ 2,601 | $ - | $ (34) | $ 4,583 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Financial assets at FVTOCI | $ 131 | $ - | $ (52) | $ - | $ 79 |
| Unrealized exchange gain | 1,031 | (916) | - | - | 115 |
| | $ 1,162 | $ (916) | $ (52) | $ - | $ 194 |

For the year ended December 31, 2022

NTD

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Write-down of inventory | $ 37,434 | $ (34,233) | $ - | $ 3,058 | $ 6,259 |
| Allowance for doubtful accounts | - | 19,110 | - | 580 | 19,690 |
| Intangible assets | 29,516 | (5,949) | - | 393 | 23,960 |
| Unrealized exchange loss | 917 | (988) | - | 71 | - |
| | 67,867 | (22,060) | - | 4,102 | 49,909 |
| Loss carryforward | - | 11,645 | - | 353 | 11,998 |
| | $ 67,867 | $ (10,415) | $ - | $ 4,455 | $ 61,907 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Financial assets at FVTOCI | $ - | $ - | $ 3,924 | $ 119 | $ 4,043 |
| Unrealized exchange gain | - | 30,721 | - | 932 | 31,653 |
| | $ - | $ 30,721 | $ 3,924 | $ 1,051 | $ 35,696 |

USD

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Write-down of inventory | $ 1,352 | $ (1,148) | $ - | $ - | $ 204 |
| Allowance for doubtful accounts | - | 641 | - | - | 641 |
| Intangible assets | 1,066 | (199) | - | (87) | 780 |
| Unrealized exchange loss | 34 | (34) | - | - | - |
| | 2,452 | (740) | - | (87) | 1,625 |
| Loss carryforward | - | 391 | - | - | 391 |
| | $ 2,452 | $ (349) | $ - | $ (87) | $ 2,016 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Financial assets at FVTOCI | $ - | $ - | $ 131 | $ - | $ 131 |
| Unrealized exchange gain | - | 1,031 | - | - | 1,031 |
| | $ - | $ 1,031 | $ 131 | $ - | $ 1,162 |

c. Income tax assessments

Tax returns of Alchip Technologies Inc. and Alchip Taiwan Branch through 2021 have been assessed by the tax authorities, and there is no significant difference between the assessment results and the income tax returns filed.

## 23. EARNINGS PER SHARE

**Unit: USD/NTD Per Share**

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | USD | NTD | USD | NTD |
| Basic earnings per share | $ 1.46 | $ 45.47 | $ 0.86 | $ 25.69 |
| Diluted earnings per share | $ 1.39 | $ 43.27 | $ 0.82 | $ 24.47 |

EPS is computed as follows:

**Net Profit for the Year**

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | USD | NTD | USD | NTD |
| Net profit for the year | | | | |
| Profit for the year attributable to owners of the Company | $ 106,730 | $ 3,325,170 | $ 61,547 | $ 1,834,414 |
| Earnings used in the computation of basic and diluted earnings per share | $ 106,730 | $ 3,325,170 | $ 61,547 | $ 1,834,414 |

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 73,132 | 71,392 |
| Effect of potentially dilutive ordinary shares | | |
| Employee share option | 3,628 | 3,329 |
| Compensation of employees | 90 | 231 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 76,850 | 74,952 |

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. CAPITAL MANAGEMENT

The Group is a fabless application specific circuit provider and expects significant capital expenditure on the purchase of machinery equipment and SIP now and in the near future. Accordingly, the Group's objective is to maintain necessary operating capital, the availability of funds for research and development, the capacity to pay dividends, etc. The Group continuously evaluates the policy of capital management with a conservative attitude.

## 25. CASH FLOW INFORMATION

### Non-cash Transactions

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | USD | NTD | USD | NTD |
| Additions of property, plant and equipment | $ 54,070 | $ 1,684,546 | $ 48,452 | $ 1,444,098 |
| Changes in prepayment | - | - | (8,029) | (222,229) |
| Changes in payment for equipment | 7,311 | 224,533 | (7,790) | (239,725) |
| Changes in payment for leases | - | - | 1 | 32 |
| Effect of foreign currency exchange differences | - | 3,250 | - | (9,520) |
| Payments for acquisition of property, plant and equipment | $ 61,381 | $ 1,912,329 | $ 32,634 | $ 972,656 |
| Additions of intangible assets | $ 31,931 | $ 994,808 | $ 11,585 | $ 345,292 |
| Changes in prepayment | 270 | 8,266 | (800) | (12,439) |
| Changes in other account payable | (1,737) | (53,347) | 510 | 4,106 |
| Consideration of the proceeds from the subsidiary's capital increased | (366) | (11,101) | - | - |
| Effect of foreign currency exchange differences | - | (957) | - | (295) |
| Payments for acquisition of intangible assets | $ 30,098 | $ 937,669 | $ 11,295 | $ 336,664 |

## 26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values. Accordingly, the Group takes the carrying amount of those financial assets and liabilities as the basis for evaluating the fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The Group’s financial instruments measured at fair value are financial assets at FVTOCI. The fair value measurements, which are grouped into Level 2 and Level 3 based on the degree to which the fair value measurements are observable.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

| Financial Instrument | Valuation Technique and Inputs |
|---|---|
| Foreign bonds investment | Adjusted integration of quoted prices or settlement prices from stock exchange market participants for each corporate bond. |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of foreign unlisted equity securities were determined by the latest net worth of investee and the financial and operating information of observable companies.

The fair values of unlisted equity securities were determined using the income approach. Under this approach, the discounted cash flow was used to estimate the present value of the benefits derived from these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or a decrease in the WACC or discount for lack of marketability would result in an increase in the fair value.

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Long-term revenue growth rates | 2.00% | 2.50% |
| WACC | 23.77% | 20.47% |
| Discount for lack of marketability | 14.28% | 33.25% |

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

| | December 31, 2023 | |
|---|---|---|
| | **USD** | **NTD** |
| Long-term revenue growth rates | | |
| 0.5% increase | $ 42 | $ 1,310 |
| 0.5% decrease | $ (40) | $ (1,251) |
| WACC | | |
| 0.5% increase | $ (85) | $ (2,658) |
| 0.5% decrease | $ 89 | $ 2,784 |

| | December 31, 2022 | |
|---|---|---|
| | **USD** | **NTD** |
| Long-term revenue growth rates | | |
| 0.5% increase | $ 27 | $ 818 |
| 0.5% decrease | $ (25) | $ (774) |
| WACC | | |
| 0.5% increase | $ (52) | $ (1,585) |
| 0.5% decrease | $ 55 | $ 1,677 |

There were no transfers between Levels 1 and 2 in the 2023 and 2022.

c. Category of financial instruments

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Financial assets | | |
| Financial assets at amortized cost (1) | $ 16,870,537 | $ 8,276,875 |
| Financial assets at FVTOCI | | |
| Debt instruments | 181,782 | 272,986 |
| Equity instruments | 342,244 | 193,724 |
| Financial liabilities | | |
| Amortized cost (2) | 2,227,880 | 2,361,896 |
| USD | | |
| Financial assets | | |
| Financial assets at amortized cost (1) | 549,440 | 269,517 |
| Financial assets at FVTOCI | | |
| Debt instruments | 5,920 | 8,889 |
| Equity instruments | 11,146 | 6,308 |
| Financial liabilities | | |
| Amortized cost (2) | 72,558 | 76,910 |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables and other receivables.

2) The balances include financial liabilities at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Group’s major financial instruments include equity and debt investments, trade receivables, trade payables and lease liabilities. The Group’s corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group uses USD and JPY as the functional currency and uses other currency for the payment of employee salaries and operating expenses of each subsidiary (branch); therefore, there is no material exchange rate fluctuation risk. Since the Company is listed for trading on the Taiwan Stock Exchange, it can be expected that in the future, when dividends are issued to domestic investors in NTD or when funds are raised domestically in NTD such that the amount needs to be exchanged to USD for use, there is an exchange rate risk in the exchange of TWD to USD, and the possible responsive measures adopted by the financial department of the Group are as follows:

i. The Group maintains an adequate level of foreign currency reserve based on predicted exchange rate to provide for subsidiaries' operating activities and to lessen the impact on adverse exchange fluctuations to the net income;

ii. The Group continuously monitors exchange rate fluctuations and maintaining close relationships with principal correspondent banks to provide management with sufficient; and

iii. The Group reduces the impact of adverse exchange rate fluctuations on the Group's net income by using natural write off (i.e., a majority of sales and purchase transactions are denominated in USD) and by using foreign currency loans or forward exchange contracts when needed information as a basis for managing exchange rate fluctuations.

Refer to Note 31 for the carrying amounts of monetary assets and liabilities not denominated in functional currency at the end of the reporting period.

Sensitivity analysis

The Group is mainly exposed to the RMB and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD and JPY (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and their adjusted translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the USD and JPY strengthening 5% against the relevant currency. For a 5% weakening of the USD and JPY against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

**Unit: In Thousands of U.S. Dollars**

| | **Profit or Loss** | |
|---|---|---|
| | **For the Year Ended December 31** | |
| | **2023** | **2022** |
| RMB | $ 2,150 | $ 1,863 |
| USD | 146 | 46 |

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| <u>NTD</u> | | |
| Fair value interest rate risk | | |
| Financial assets | $ 4,894,199 | $ 2,636,403 |
| Financial liabilities | 226,325 | 121,601 |
| Cash flow interest rate risk | | |
| Financial assets | 9,398,249 | 4,304,022 |
| <u>USD</u> | | |
| Fair value interest rate risk | | |
| Financial assets | 159,395 | 85,848 |
| Financial liabilities | 7,371 | 3,960 |
| Cash flow interest rate risk | | |
| Financial assets | 306,082 | 140,151 |

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT$23,496 thousand (US$765 thousand) and NT$10,760 thousand (US$350 thousand), respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the finance department periodically.

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk of 13% and 30% of total trade receivables as of December 31, 2023 and 2022, respectively, was attributable to the Group's largest customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables

The following table details the Group’s remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The interest recognition is not material.

| | December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NTD | | | | | USD | | | | |
| | Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years | Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
| Non-derivative financial liabilities | | | | | | | | | | |
| Trade payables | $ 1,511,954 | $ 413,482 | $ - | $ - | $ - | $ 49,242 | $ 13,466 | $ - | $ - | $ - |
| Other payables | 277,204 | 25,240 | - | - | - | 9,028 | 822 | - | - | - |
| Lease liabilities | 3,853 | 6,916 | 72,269 | 154,798 | 4,094 | 126 | 225 | 2,354 | 5,041 | 133 |
| | $ 1,793,011 | $ 445,638 | $ 72,269 | $ 154,798 | $ 4,094 | $ 58,396 | $ 14,513 | $ 2,354 | $ 5,041 | $ 133 |

| | December 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NTD | | | | | USD | | | | |
| | Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years | Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
| Non-derivative financial liabilities | | | | | | | | | | |
| Trade payables | $ 1,282,861 | $ 654,711 | $ - | $ - | $ - | $ 41,774 | $ 21,319 | $ - | $ - | $ - |
| Other payables | 405,757 | 18,472 | 95 | - | - | 13,213 | 601 | 3 | - | - |
| Lease liabilities | 4,787 | 8,780 | 40,807 | 64,239 | 7,886 | 156 | 286 | 1,329 | 2,092 | 256 |
| | $ 1,693,405 | $ 681,963 | $ 40,902 | $ 64,239 | $ 7,886 | $ 55,143 | $ 22,206 | $ 1,332 | $ 2,092 | $ 256 |

b) Financing facilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| NTD | | |
| Other loan facilities | | |
| Amount used | $ - | $ - |
| Amount unused | 854,329 | 767,750 |
| | $ 854,329 | $ 767,750 |
| USD | | |
| Other loan facilities | | |
| Amount used | $ - | $ - |
| Amount unused | 27,824 | 25,000 |
| | $ 27,824 | $ 25,000 |

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides the information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Adoresys PTE. LTD. | Associate |

b. Revenue

NTD

| Line Item | Related Party Category | For the Year Ended December 31 2023 | 2022 |
|---|---|---|---|
| Service revenue | Associate | $ 305,319 | $ - |

USD

| Line Item | Related Party Category | For the Year Ended December 31 2023 | 2022 |
|---|---|---|---|
| Service revenue | Associate | $ 9,800 | $ - |

The charges of service and payment terms with related parties were not significantly different from those with third parties.

c. Receivables from related parties

NTD

| Line Item | Related Party Category | December 31 2023 | 2022 |
|---|---|---|---|
| Trade receivables | Associate | $ 138,817 | $ - |

USD

| Line Item | Related Party Category | December 31 2023 | 2022 |
|---|---|---|---|
| Trade receivables | Associate | $ 4,521 | $ - |

The outstanding trade receivables from related parties mentioned above were unsecured. For the years ended December 31, 2023 and 2022, no provisions for impairment loss were recognized.

d. Prepayments

NTD

| Related Party Category | December 31 2023 | December 31 2022 |
|---|---|---|
| Associate | $ 14,901 | $ - |

USD

| Related Party Category | December 31 2023 | December 31 2022 |
|---|---|---|
| Associate | $ 485 | $ - |

e. Service expense

NTD

| Line Item | Related Party Category | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|---|
| Research and development expenses | Associate | $ 19,152 | $ - |

USD

| Line Item | Related Party Category | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|---|
| Research and development expenses | Associate | $ 615 | $ - |

The associate provides research and development services to the Company. The terms of the transaction were negotiated and determined by both parties because there were no comparable transactions with other third parties.

f. Remuneration of directors and key management personnel

| | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|
| NTD | | |
| Other employee benefits | $ 259,001 | $ 247,340 |
| Share-based payments | 80,141 | 128,189 |
| Post-employment benefits | 889 | 905 |
| | $ 340,031 | $ 376,434 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| USD | | |
| Other employee benefits | $ 8,313 | $ 8,299 |
| Share-based payments | 2,572 | 4,301 |
| Post-employment benefits | 29 | 30 |
| | $ 10,914 | $ 12,630 |

(Concluded)

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

As of December 31, 2023, the Group provided time deposits amounting to NT$1,438,093 thousand (US$46,836 thousand) as collateral for letters of credit and tariff guarantees for imported raw materials.

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2023 and 2022 were as follows:

a. As of December 31, 2023, unused letters of credit for purchases of raw materials amounted to US$93,000 thousand.

b. The Group entered into a capacity reservation agreement with Company A from July 2022 to June 2025. The Group shall pay a total amount of US$25,422 thousand in advance for the purchase of materials in accordance with the agreement. The prepayment shall be deducted at the rate of 35% of the total purchase for each order placed by the Group. If the production capacity provided by Company A in any month doesn't meet the commitment, Company A shall pay the Group 0.1% of the prepayment as a penalty for each overdue day, but the maximum shall not exceed 6% of the balance of the prepayment. The Group has prepaid US$13,220 thousand for the purchase of materials, and as of December 31, 2023, the prepayment balance amounted to US$10,445 thousand.

c. The Group entered into SIP license agreements with several companies and shall pay specific amounts to obtain the authorized license rights for a certain period in accordance with the agreements. One specific license agreement requires the Group to make payments according to the payment schedule, and as of December 31, 2023, the committed license fees not paid by the Group amounted to US$11,233 thousand.

## 30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On December 20, 2023, the extraordinary shareholders' meeting of the Company resolved to issue 3,700,000 ordinary shares in the form of Global Depository Shares (GDRs) to raise funds to purchase raw materials. Each GDR represents one ordinary share of the Company with an offering price of US$111.53 per unit, and the total proceeds from the offering were US$412,661 thousand. This GDR was listed on the Luxembourg Exchange on January 19, 2024.

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

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2023

| | Foreign Currency | Exchange Rate | Carrying Amount (USD in Thousands) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| RMB | $ 482,508 | 0.141189 (RMB:USD) | $ 68,125 |
| USD | 14,731 | 141.362737 (USD:JPY) | 14,731 |
| NTD | 90,511 | 0.032568 (NTD:USD) | 2,948 |
| | | | $ 85,804 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| RMB | 37,559 | 0.141189 (RMB:USD) | $ 5,303 |
| NTD | 113,130 | 0.032568 (NTD:USD) | 3,684 |
| | | | $ 8,987 |
| Financial liabilities | | | |
| Monetary items | | | |
| RMB | 177,916 | 0.141189 (RMB:USD) | $ 25,120 |
| USD | 11,804 | 141.362737 (USD:JPY) | 11,804 |
| NTD | 30,067 | 0.032568 (NTD:USD) | 979 |
| | | | $ 37,903 |

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount (USD in Thousands) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| RMB | $ 390,921 | 0.143583 (RMB:USD) | $ 51,721 |
| USD | 11,845 | 132.135307 (USD:JPY) | 11,845 |
| NTD | 82,061 | 0.032563 (NTD:USD) | 1,205 |
| | | | $ 64,771 |

(Continued)

| | Foreign Currency | Exchange Rate | Carrying Amount (USD in Thousands) |
|---|---|---|---|
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| RMB | $ 30,701 | 0.143583 (RMB:USD) | $ 4,408 |
| NTD | 45,056 | 0.032563 (NTD:USD) | 1,467 |
| | | | $ 5,875 |
| Financial liabilities | | | |
| Monetary items | | | |
| RMB | 100,785 | 0.143583 (RMB:USD) | $ 14,471 |
| USD | 10,919 | 132.135307 (USD:JPY) | 10,919 |
| NTD | 26,891 | 0.032563 (NTD:USD) | 876 |
| | | | $ 26,266 |

(Concluded)

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

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Foreign Currency | Exchange Rate (Foreign Currency: Functional Currency) | Net Foreign Exchange Gains (Losses) | Exchange Rate (Foreign Currency: Functional Currency) | Net Foreign Exchange Gains (Losses) |
| RMB | 0.141999 (RMB:USD) | $ (209) | 0.148792 (RMB:USD) | $ (2,852) |
| USD | 140.272128 (USD:JPY) | (203) | 131.010088 (USD:JPY) | 56 |
| NTD | 0.032098 (NTD:USD) | 1,199 | 0.033551 (NTD:USD) | 605 |
| | | $ 787 | | $ (2,191) |

## 32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held (Table 1)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

9) Trading in derivative instruments: None

10) Intercompany relationships and significant intercompany transactions (Table 4)

11) Information on investees (Table 5)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

## 33. SEGMENT INFORMATION

a. Operating segment

The Group is engaged in research and development, design, and manufacturing of ASIC and SOC and provides related services. These activities are deemed single industry; accordingly, management considers the Group as having only one reportable segment.

b. Geographical information

The Group operates in three principal geographical areas - Japan, Taiwan and China.

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

| | Revenue from External Customers | | Non-current Assets | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| NTD | | | | |
| United States | $ 19,237,266 | $ 5,384,959 | $ 4,621 | $ 8,568 |
| China | 3,873,414 | 3,763,293 | 611,948 | 323,531 |
| Taiwan | 2,743,303 | 1,413,395 | 2,031,743 | 912,103 |
| Europe | 2,401,017 | 1,288,426 | - | - |
| Japan | 1,919,287 | 1,872,096 | 43,019 | 32,103 |
| Other | 307,289 | 3,035 | 210,138 | 159,466 |
| | $ 30,481,576 | $ 13,725,204 | $ 2,901,469 | $ 1,435,771 |
| USD | | | | |
| United States | $ 617,471 | $ 180,673 | $ 151 | $ 279 |
| China | 124,327 | 126,264 | 19,930 | 10,535 |
| Taiwan | 88,053 | 47,421 | 66,169 | 29,700 |
| Europe | 77,067 | 43,229 | - | - |
| Japan | 61,604 | 62,811 | 1,401 | 1,045 |
| Other | 9,863 | 102 | 6,844 | 5,193 |
| | $ 978,385 | $ 460,500 | $ 94,495 | $ 46,752 |

c. Information on major customers

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

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| Customer | USD | NTD | % | USD | NTD | % |
| Customer A | $ 569,499 | $ 17,742,729 | 58 | $ 144,610 | $ 4,310,100 | 31 |

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Alchip BVI | Corporate bonds | | | | | | | |
| | Virgin Australia Holdings Ltd | - | Financial assets at fair value through other comprehensive income - current | 450 | $ 49 | - | $ 49 | - |
| | China Energy Reserve and Chemicals Group Overseas Capital Company Limited | - | 〃 | 1,000 | 1,151 | - | 1,151 | - |
| | China Energy Reserve and Chemicals Group International Holding Limited | - | 〃 | 800 | 921 | - | 921 | - |
| | BPCE SA | - | 〃 | 1,000 | 30,517 | - | 30,517 | - |
| | Sprint Corp | - | 〃 | 1,000 | 30,889 | - | 30,889 | - |
| | Norddeutsche Landesbank | - | 〃 | 1,000 | 30,379 | - | 30,379 | - |
| | TSMC | - | Financial assets at fair value through other comprehensive income - non-current | 2,000 | 56,768 | - | 56,768 | - |
| | Sumitomo Mitsui | - | 〃 | 1,000 | 31,108 | - | 31,108 | - |
| | Unlisted equity investments | | | | | | | |
| | Achi Capital Partners Fund L.P. | - | Financial assets at fair value through other comprehensive income - non-current | Note 4 | 66,287 | 2.05 | 66,287 | - |
| Alchip Shanghai | KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund | - | 〃 | Note 2 | 96,079 | 0.81 | 96,079 | - |
| | KQ (Suzhou) Emerging Industry Venture Equity Investment Fund | - | 〃 | Note 3 | 66,748 | 3.45 | 66,748 | - |
| Alchip TW | Uniconn Interconnections Technology Co., Ltd. | - | 〃 | 3,026 | 113,130 | 5.50 | 113,130 | - |

Note 1: For the information on investments in subsidiaries, see Tables 5 and 6 for details.

Note 2: The original capital of KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund was RMB1,680,000,000, of which Alchip Shanghai owned RMB13,500,000.

Note 3: The original capital of KQ (Suzhou) Emerging Industry Venture Equity Investment Fund was RMB521,265,000, of which Alchip Shanghai owned RMB18,000,000.

Note 4: The original capital of Achi Capital Partners Fund L.P. was US$105,348,322, of which Alchip BVI owned US$2,158,849.

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ Sales | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| The Company | Adoresys PTE. LTD. | Associate | Operating revenue | $ (305,319) | (1.09) | 60 days | The same as regular terms | The same as regular transaction terms | $ 138,817 | 7.83 | - |
| | Alchip KK | Subsidiary | 〃 | (239,784) | (0.85) | Within 1 year | 〃 | 〃 | 234,546 | 13.23 | - |
| Alchip KK | The Company | 〃 | 〃 | (125,510) | (11.84) | 〃 | 〃 | 〃 | 123,698 | 53.53 | - |
| Alchip Chongqing | Alchip Shanghai | 〃 | 〃 | (133,641) | (71.90) | 〃 | 〃 | 〃 | 62,037 | 93.46 | - |
| Alchip Jinan | Alchip Shanghai | 〃 | 〃 | (252,118) | (92.11) | 〃 | 〃 | 〃 | 101,097 | 100.00 | - |
| Alchip Hefei | Alchip Shanghai | 〃 | 〃 | (217,696) | (94.52) | 〃 | 〃 | 〃 | 188,408 | 100.00 | - |
| Alchip KK | The Company | 〃 | Operating cost | 239,784 | 26.32 | 〃 | 〃 | 〃 | (234,546) | (64.91) | - |
| The Company | Alchip KK | 〃 | 〃 | 125,510 | 0.55 | 〃 | 〃 | 〃 | (123,698) | (6.22) | - |
| Alchip Shanghai | Alchip Chongqing | 〃 | 〃 | 133,641 | 19.43 | 〃 | 〃 | 〃 | (62,037) | (16.39) | - |
| | Alchip Jinan | 〃 | 〃 | 252,118 | 36.65 | 〃 | 〃 | 〃 | (101,097) | (26.70) | - |
| | Alchip Hefei | 〃 | 〃 | 217,696 | 31.65 | 〃 | 〃 | 〃 | (188,408) | (49.77) | - |

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period (Note) | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| The Company | Adoresys PTE. LTD. | Associate | $ 138,817 | 4.40 | $ - | - | $ - | $ - |
| | Alchip KK | Subsidiary | 234,546 | 1.18 | - | - | - | - |
| Alchip Jinan | Alchip Shanghai | 〃 | 101,097 | 4.99 | - | - | - | - |
| Alchip Hefei | Alchip Shanghai | 〃 | 188,408 | 2.10 | - | - | - | - |
| Alchip KK | The Company | 〃 | 123,698 | 2.03 | - | - | - | - |

Note: Amounts received as of March 11, 2023.

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amount (Note 4) | Payment Terms | % of Total Sales or Assets (Note 3) |
| 0 | The Company | Alchip KK | a | Accounts receivable | $ 234,546 | Based on regular items | 1 |
| | | Alchip KK | a | Operating revenue | 239,784 | 〃 | 1 |
| | | Alchip KK | a | Prepayments | 76,763 | 〃 | - |
| | | Alchip Shanghai | a | Accounts receivable | 27,030 | 〃 | - |
| | | Alchip Shanghai | a | Operating revenue | 27,426 | 〃 | - |
| 1 | Alchip Wuxi | Alchip Hefei | c | Accounts receivable | 36,763 | 〃 | - |
| | | Alchip Hefei | c | Operating revenue | 35,190 | 〃 | - |
| | | Alchip Chongqing | c | Accounts receivable | 91,906 | 〃 | - |
| | | Alchip Chongqing | c | Operating revenue | 87,797 | 〃 | - |
| 2 | Alchip Hefei | Alchip Shanghai | c | Accounts receivable | 188,408 | 〃 | 1 |
| | | Alchip Shanghai | c | Operating revenue | 217,696 | 〃 | 1 |
| 3 | Alchip Jinan | Alchip Shanghai | c | Accounts receivable | 101,097 | 〃 | - |
| | | Alchip Shanghai | c | Operating revenue | 252,118 | 〃 | 1 |
| 4 | Alchip US | The Company | b | Accounts receivable | 26,828 | 〃 | - |
| | | The Company | b | Operating revenue | 92,981 | 〃 | - |
| 5 | Alchip KK | The Company | b | Accounts receivable | 123,698 | 〃 | - |
| | | The Company | b | Operating revenue | 125,510 | 〃 | - |
| 6 | Alchip Chongqing | Alchip Shanghai | c | Accounts receivable | 62,037 | 〃 | - |
| | | Alchip Shanghai | c | Operating revenue | 133,641 | 〃 | - |

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

a. Fill in “0” for the parent company.
b. Subsidiaries are listed in order.

Note 2: Relationship types are as follows:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

(Continued)

Note 3: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2023, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the twelve months ended December 31, 2023.

Note 4: The amount was eliminated upon consolidation.

(Concluded)

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Shares (In Thousands) | % | Carrying Amount | | | |
| The Company | Alchip HK | Hong Kong | Investment | $ 566,235<br>(US$ 18,129) | $ 566,235<br>(US$ 18,129) | 14,165,970 | 100 | $ 1,556,659 | $ 98,840 | $ 98,840 | - |
| | Alchip USA | U.S.A. | Sales of ASIC and SOC | 114,922<br>(US$ 3,910) | 114,922<br>(US$ 3,910) | 391,000 | 100 | 34,897 | 9,832 | 9,832 | - |
| | Alchip KK | Japan | Sales of ASIC and SOC | 33,902<br>(JPY 100,000) | 33,902<br>(JPY 100,000) | 1 | 100 | 96,844 | (3,299) | (3,299) | - |
| | Alchip TW | Taiwan | ASIC and SOC services | 100 | 100 | 10 | 100 | 515,231 | (62,586) | (62,586) | - |
| | Alchip BVI | Tortola British Virgin Islands | Investment | 473,317<br>(US$ 15,100) | 473,317<br>(US$ 15,100) | 15,100 | 100 | 535,977 | (635) | (635) | - |
| Alchip BVI | Adoresys PTE. LTD. | Singapore | IC front-end design technical services | 70,323<br>(US$ 2,300) | -<br>- | 16,500 | 25 | 63,340 | (50,419) | (14,862) | Note 1 |

Note 1: In March 2023, Alchip BVI invested 16,500 thousand preference shares of Adoresys PTE. LTD. for NT$70,323 thousand (US$2,300 thousand) in cash, and the percentage of ownership interest was 25% as of December 31, 2023.

Note 2: For the information on investments in mainland China, see Table 6 for details.

# ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| Alchip Shanghai | Research and development, design, and sales of ASIC and SOC related services. | $ 393,024 (US$ 12,800) (RMB 102,392) | Note 1, b. | $ 393,024 (US$ 12,800) | $ - | $ - | $ 393,024 (US$ 12,800) | $ 22,669 | 100 | $ 22,669 | $ 866,155 | $ - | |
| Alchip Wuxi | Research and development, design, and sales of ASIC and SOC related services. | 61,410 (US$ 2,000) (RMB 12,482) | Note 1, b. | 61,410 (US$ 2,000) | - | - | 61,410 (US$ 2,000) | 1,532 | 100 | 1,532 | 232,872 | - | |
| Alchip Hefei | Research and development, design, and sales of ASIC and SOC related services. | 15,353 (US$ 500) (RMB 3,469) | Note 1, b. | 15,353 (US$ 500) | - | - | 15,353 (US$ 500) | 14,694 | 100 | 14,694 | 181,641 | - | |
| Alchip Jinan | Research and development, design, and sales of ASIC and SOC related services. | 24,073 (US$ 784) (RMB 5,031) | Note 1, b. | 24,073 (US$ 784) | - | - | 24,073 (US$ 784) | 66,197 | 100 | 66,197 | 115,366 | - | |
| Alchip Guangzhou | Research and development, design, and sales of ASIC and SOC related services. | 49,128 (US$ 1,600) (RMB 10,523) | Note 1, b. | 49,128 (US$ 1,600) | - | - | 49,128 (US$ 1,600) | (6,056) | 100 | (6,056) | 158,002 | - | |
| Alchip Xi Yun | Software development and services, design, and sales of ASIC and SOC related services. | 46,712 (US$ 1,521) (RMB 10,000) | Note 1, c. | (Note 3) | - | - | (Note 3) | (14,913) | 65 | (10,259) | 37,402 | - | |
| Alchip Chongqing | Research and development, design, and sales of ASIC and SOC related services. | 23,802 (US$ 775) (RMB 5,000) | Note 1, c. | (Note 4) | - | - | (Note 4) | 6,851 | 100 | 6,851 | 32,804 | - | |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|---|---|---|
| $ - | $ - | $ - |

(Continued)

Note 1: The investment types are as follows:

a. Direct investment in mainland China.
b. Indirect investment in mainland China through a subsidiary in a third place. (Investor: Alchip H.K.)
c. Others. (Investor: Alchip Guangzhou or Alchip Shanghai)

Note 2: In the column of investment gain or loss:

a. It should be noted if the investment was still in preparation without investment gain or loss.

b. The recognition basis of investment gain or loss should be noted as follows:

1) The financial statement is audited by an international accounting firm cooperating with accounting firms in Taiwan.
2) The financial statement is audited by a certified public accountant cooperating with the parent company in Taiwan.
3) Others.

Note 3: The cumulative investment amount at the beginning and end of the current period does not include the RMB6,500 thousand invested by Alchip Guangzhou.

Note 4: The cumulative investment amount at the beginning and end of the current period does not include the RMB5,000 thousand invested by Alchip Shanghai.

Note 5: The foreign currency listed in Table 6 was presented at the foreign exchange rate of US$:NT$1:30.705 as of December 31, 2023.

(Concluded)

**TABLE 7**

# ALCHIP TECHNOLOGIES, LIMITED

**INFORMATION OF MAJOR SHAREHOLDERS**
**DECEMBER 31, 2023**

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Government of Singapore - GOS-EFMC | 4,013,782 | 5.40 |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparations.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.