



Sonix Technology Co., Ltd.

Annual Report 2023

Notice to readers

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

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I. Letter to Shareholders

1.1 2023 Business Results

It was a year of drastic changes in the economy in 2023. The global political and economic situation was turbulent, inflation and supply and demand imbalances impacted various industries. Influenced by sluggish end-market demand and inventory adjustments, the company experienced an overall decline in sales, with operating revenue totaling NT\$2,610 million and operating gross profit reaching NT\$1,090 million. Operating net profit amounted to NT\$158 million, with after-tax net profit at NT\$186 million, resulting in earnings per share of NTD1.11. Consumer product sales accounted for 52%, while multimedia contributed 48%.

Reflecting on the past year, geopolitical conflicts intensified, the Russia-Ukraine war, the Israel-Palestine war, and the shadow of the war caused uncertainty in economic recovery. However, under the influence of inventory reduction, the demand for the semiconductor industry gradually recovered. Chat GPT has started a wave of AI trends and created new opportunities for IC chips. The application field of generative AI technology will be increasingly expanded, and it will gradually move towards personal devices. Along with AI PC and mobile phone getting popular, and transmission interfaces, memory specifications being upgraded, all of these will drive a new wave of demand. In addition, climate change and energy transformation have entered a critical moment, making electric vehicles and low-carbon energy-saving concept products an important trend.

Under the severe environment, Sonix will actively improve its technology and catch the market trends to launch high-end computing core microcontrollers and new products with AI functions and low power concepts. It will continue to build a solid competitive advantage and grow with more complete solutions.

1.1.1 Revenues and profits

Unit: Thousand NT\$

Items	2023	2022	Increase (Decrease)	Change
Operating revenues	2,609,937	3,354,067	(744,130)	(22%)
Operating gross profits	1,090,270	1,563,233	(472,963)	(30%)
Operating net profits	157,929	558,209	(400,280)	(72%)
Net profits after tax	185,882	578,568	(392,686)	(68%)
Other comprehensive Income	193,694	(133,177)	326,871	245%
Total comprehensive Income	379,576	445,391	(65,815)	(15%)

1.1.2 Financial receipts and expenditures, and profitability analysis

1.1.2.1 Financial receipts and expenditures

Unit: Thousand NT\$

Items	2023	2022	Increase	Change
Interest incomes	19,868	16,804	3,064	18%

1.1.2.2 Profitability analysis

Analysis item	2023	2022
Return on assets	4%	12%
Return on equity	5%	15%
Net profits before tax to paid-in capital	12%	42%
Net profit margin	7%	17%
Earnings per share (NT\$)	1.11	3.45

1.1.3 Implementation status of budget

The Company did not disclose its financial forecast for 2023; therefore, there is no need to disclose the implementation status of budget.

1.1.4 Research and Development Status

The Company's R&D expenses accounted for 27% of operating revenues in 2023, and the specific R&D results are as follows:

Product line	R&D status
Voice Controller ICs	Launched the market's first true wireless full-duplex 8KHz gaming-specific SNC733XX series solution, which adopts a dual-core architecture to handle RF control and peripheral sensors separately, truly realizing the transmission and reception of complete mouse packets within an 8KHz cycle time, achieves full-duplex performance, and has superior features such as high polling rate, low latency, low power consumption and high anti-interference.
Microcontrollers	Develop DDR5 module LED professional control MCU, tailor-made for I3C transmission specifications. Obtained development and design introduction from major DDR5 module manufacturers. Built-in ARGB function can help customers reduce design requirements. It has the advantage of reducing development cycle and cost for PC peripheral LED control.
Image processing chips	Launched Sonix first HDR ISP, supporting FHD HDR TNR @30fps/FHD TNR @60fps, and supporting RGB, RGB+IR new generation Win Hello models, which can effectively improve the dynamic range of images in backlight environments and support different brightness scenes can be switched dynamically and smoothly between modes, which is suitable for laptop cameras, network cameras with external Win Hello face recognition, and AI image recognition related products.
Wireless multimedia Solutions	Developed long-distance/low-power consumption/high-bandwidth (4 Mbps) 2.4G FHSS wireless transceivers, enabling outdoor wireless transmission distances up to 800m for home security, baby monitors, wireless video reversing, wireless remote controls, wireless toys and other applications.

1.2 2024 Business Plan Overview

1.2.1 Business principles and important policies

1.2.1.1 R&D Strategy

- (1)Based on profound microcontroller and imaging core technologies, keep abreast of the trend of consumer products, strengthen product system development, and provide highly integrated one-stop solutions (Turnkey Solution) to help customers shorten the development time of end products.
- (2)Strengthen software and hardware integration and in addition to chip specifications and performance improvements, a department to actively build platform, application services and various development tools, software design kits (SDKs) and technical documents has been set up to provide customers with more complete and real-time support.

1.2.1.2 Marketing Strategy

- (1)Deeply rooted in the domestic and overseas markets with the establishment of a complete and thorough marketing and agency network for sales locations in Asia and North America, providing comprehensive technical support through

our agency mechanism and technical documents and development tools through our website to help customers solve problems and obtain the latest product information.

- (2) In terms of key customer development: In addition to high-end toy applications, the Company has also entered the field of home appliance and personal medical products, bringing a broader space; Microcontroller products, with the support of a wide range of solution providers and developers, are in the leading position in personal medical and consumer electronics applications. In response to the demand for energy saving and low carbon, we have also launched a new BLDC motor control chip, which can be used in various home appliances and machine tools, expanding the market into the industrial control field. In terms of multimedia products, in response to the AI trend, we continue to provide the most competitive solutions from major notebook manufacturers. In addition, non-notebook fields, home video, smart surveillance and cash payment applications are all opportunities for the market to continue to expand and grow. The Company provides diversified products to reduce risks in product off-peak seasons and balance market supply and demand changes to create the next wave of growth opportunities.
- (3) In order to expand into new markets, the Company is actively promoting industry integration, betting on STEM education, joining the Smart Robot Toy Alliance, and participating in the Artificial Intelligence Chip Alliance, actively communicating with the industry, integrating horizontal and vertical resources, and managing the visibility and influence of the Sonix's brand.

1.2.1.3 Production Strategy

- (1) By leveraging the specialization in the value chain of Taiwan's semiconductor industry and working closely with upstream and downstream suppliers, obtain sufficient and high-quality wafer sources and ensure product yields and quality.
- (2) Adopt a diversified outsourcing strategy to cooperate with foreign suppliers to spread the supply risk caused by natural disasters or accidents.

1.2.1.4 Operational and Financial Planning

Accumulate working capital through steady operations, with a strong structure of low debt and sufficient capital, coupled with a stringent internal control and audit system to ensure a strong financial structure and improve operating performance to cope with the impact of changes in the economy.

1.2.2 Expected sales volume and its basis

The Company continues to focus on the consumer electronics field and is actively expanding into microcontrollers and multimedia products with high growth potential. Based on 2023 sales data, the current industry environment and market demand, the estimated sales volume for 2024 is approximately 365,751 thousand units.

1.2.3 Production and Sales Strategy

The Company insists on serving customers with high quality and high efficiency, creating immediate benefits for customers, and uniting all employees to reach a consensus on "customer satisfaction service," focusing on "providing customers with the most efficient IC design," strengthening rapid R&D capability, participating in development from the time of product specification, thinking about customers' needs from the perspective of application, and taking the initiative to provide customers with tailor-made products and complete services with our independent and innovative technology, complete technology platform, and software and hardware development tools.

On the production side, the Company maintains long-term partnerships with upstream wafer and packaging and testing suppliers to stabilize capacity supply and appropriately enhance manufacturing processes to provide customers with the most efficient and competitive products.

1.3 Future development strategy of the Company

With microcontroller technology as the core, Sonix's 8-bit and 32-bit product lines are becoming more complete, combining its long-established video and voice core technologies and integrating various sensors and wireless transmission modules to become a cross-application platform. In addition to improved computing performance, the optical recognition chipsets are also moving toward miniaturization to meet the needs of various products.

SONIX's overall products continue to evolve towards energy saving, environmental protection, low power consumption and high performance, and strengthen the system integration and networking capability of the products, and focus on STEM education and creative field to develop more diverse applications.

In terms of ESG (corporate sustainable operations), the Company has diversified its product development technologies from IC design, foundry to packaging and testing, and implemented the quality policy of "dynamic innovation and customer satisfaction" to establish the core value of the SONIX brand. In response to the global emphasis on ESG, Sonix not only actively develops new products that meets the concepts of low power consumption, energy saving, and environmental protection, but also continues to issue sustainability reports every year to disclose various ESG achievements. In terms of customer service, we actively respond to various customer needs and strive for excellence to provide a more complete and friendly product development environment and software to help customers improve their development performance and efficiency. For internal employees, we uphold the spirit of one family, creating an open environment for employees to enjoy growth and work; for the investing public, we continue to return profits to shareholders, hoping to meet the needs of stakeholders at all levels and fulfill our corporate social responsibility.

1.4 Effect of external competition, legal environment, and overall business environment

1.4.1 Major effect of external competition

The factors affecting the Company's products and markets include changes in the external environment and changes in technology applications and supply.

Affected by the external competitive environment, regulatory environment, and overall business environment, the main impacts include the external environmental changes, technological application changes, and supply aspects of the company's products and market factors.

Regarding external environmental changes, since the outbreak of the COVID-19 pandemic, the technology industry has benefited from the demands for e-commerce, remote work, and distance learning, leading to a strong wave of business opportunities. However, as the pandemic subsides, the demand for consumer electronics products has gradually declined, and the growth momentum has slowed down. In addition, various factors such as intensified geopolitical conflicts, supply chain challenges, and concerns about inflation have caused the industry to enter a period of inventory adjustment, and corporate operations have also experienced a decline.

In terms of technological application changes, the digital technology applications such as AI, 5G, IoT, etc. have accelerated under the influence of the pandemic. The wave of AI is sweeping across the electronics industry. The demand for high-

performance computing products has increased significantly. Various new applications are in full swing. Coupled with the continued deployment of 5G and the increase in demand for automotive electronics, the inventory reduction will drive the recovery and growth of the semiconductor business.

On the supply side, weak end-market demand has spread from consumers to businesses, creating an uncertain economic environment. On the supply side, the shift from chip shortage to oversupply in the past two years has led to an increase in inventory, a decline in wafer factory capacity utilization, and a correction phase in wafer supply and demand. In the absence of a significant recovery in demand, the IC design industry has placed great pressure on wafer foundries. As the bargaining power increases, there is an opportunity to obtain more favorable terms and reduce cost pressure.

1.4.2 Legal environment

The Company strictly abides by all laws and environmental regulations, and our product supply chain is managed through a process. We also actively extend our green product policy and develop harmless and green products, considering both quality and environmental benefits; we are committed to energy saving and pollution prevention by enhancing awareness of energy conservation and recycling. In terms of corporate governance, we also comply with laws and regulations and promote corporate social responsibility. We publish corporate responsibility reports annually to disclose relevant information to stakeholders and promote sustainable development of the company. In addition, we pay close attention to the announcement and changes of various regulations and propose timely response measures to meet the needs of various changes and reduce the impact and influence brought by changes in the legal environment.

There was no violation of the relevant laws and regulations in 2023.

1.4.3 In terms of the overall business environment

Geopolitical risks are rising, and the global semiconductor ecosystem is being restructured. Manufacturing bases that were originally highly concentrated on Asia are gradually moving to Europe and the United States. Faced with the dilemma of geopolitical development and the imbalance of global semiconductor supply and demand, governments of various countries are actively promoting the development of regional semiconductor supply chains, major foundries are planning to build factories and expand production capacity. However, mass production takes time, and the outbreak of the Russia-Ukraine War in 2023 had a major impact on the global economy. The trend of the development of the pandemic, climate change, and supply chain strategies alliances have made the global semiconductor market full of variables and unpredictability, especially geopolitics, which will be the most uncertain factor affecting the development of the global semiconductor industry.

Behind the crisis also comes opportunities and new business prospects. In response to the changes brought about by the pandemic, existing technologies have been combined with new applications, driving the accelerated development of industries such as remote, cloud, internet, and e-commerce. The applications of smart homes, smart healthcare, Internet of Things, electric vehicles, and drones will also become more widespread. For Sonix, which focuses on consumer electronic chips, the emergence of these new products and services is a long-term opportunity for business growth.

1.4.4 Others in the legal and general business environments do not have a material effect on the Company's finance and business matters.

II. Company Profile

2.1 Date of incorporation : July 13, 1996

2.2 Company history

2.2.1 The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on merger and acquisition activities; strategic investments in affiliated enterprises; corporate reorganization: None

2.2.2 The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on instances in which a major quantity of shares belonging to directors or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands: None

2.2.3 The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, include information on any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity. This section shall further explain how the above matters will affect the company: None

2.2.4 Important information

Date	Milestones
1996.07	Established in Hsinchu, Taiwan with paid in capital NT\$22 million.
1997.01	Announced its first voice controller with 340 seconds with voice and melody features.
1998.11	Introduced its 4 channels voice controllers.
1999.05	Introduced 『Green Voice』 voice controllers.
2000.05	Announced its first 8 bit Otp Mcu.
2000.07	Voice controllers shipped 100 million pieces setting record high.
2000.11	Listed over the counter market.
2001.06	Granted the top 1 of Tech top 200 companies by global view magazine.
2001.12	Launched Dual Mode web camera controllers.
2003.08	Listed on the main board of Taiwan Stock Exchange.
2003.11	Introduced a series of 16-bit A/D 8 bit Mcus for health care products.
2004.06	Granted for ISO9001 certification.
2005.08	Set up two subsidiaries in Shen Zhen and Cheng Du for sales marketing and FAE supports in China.
2006.02	Announced new series of UVC/UAC USB2.0 web cameras.
2006.02	Launched OID2 chipsets with 65,000 index codes.
2007.02	Granted for IECQ QC 080000 certification.
2007.08	Announced new series of USB2.0 High frame rate web camera solutions.
2008.02	Granted for ISO14001 certification.
2008.09	Introduced its first flash type 8 bit Mcus with USB interface for PC peripherals.
2009.05	Announced 2.4G RF wireless chips for wireless headsets, micro phone and game consoles.
2010.10	Launched a whole series of 8 bit flash type MCUs with high EFT and on line ICE function.
2011.10	Set up Sonix Japan branch for Japan market developments and customer services.

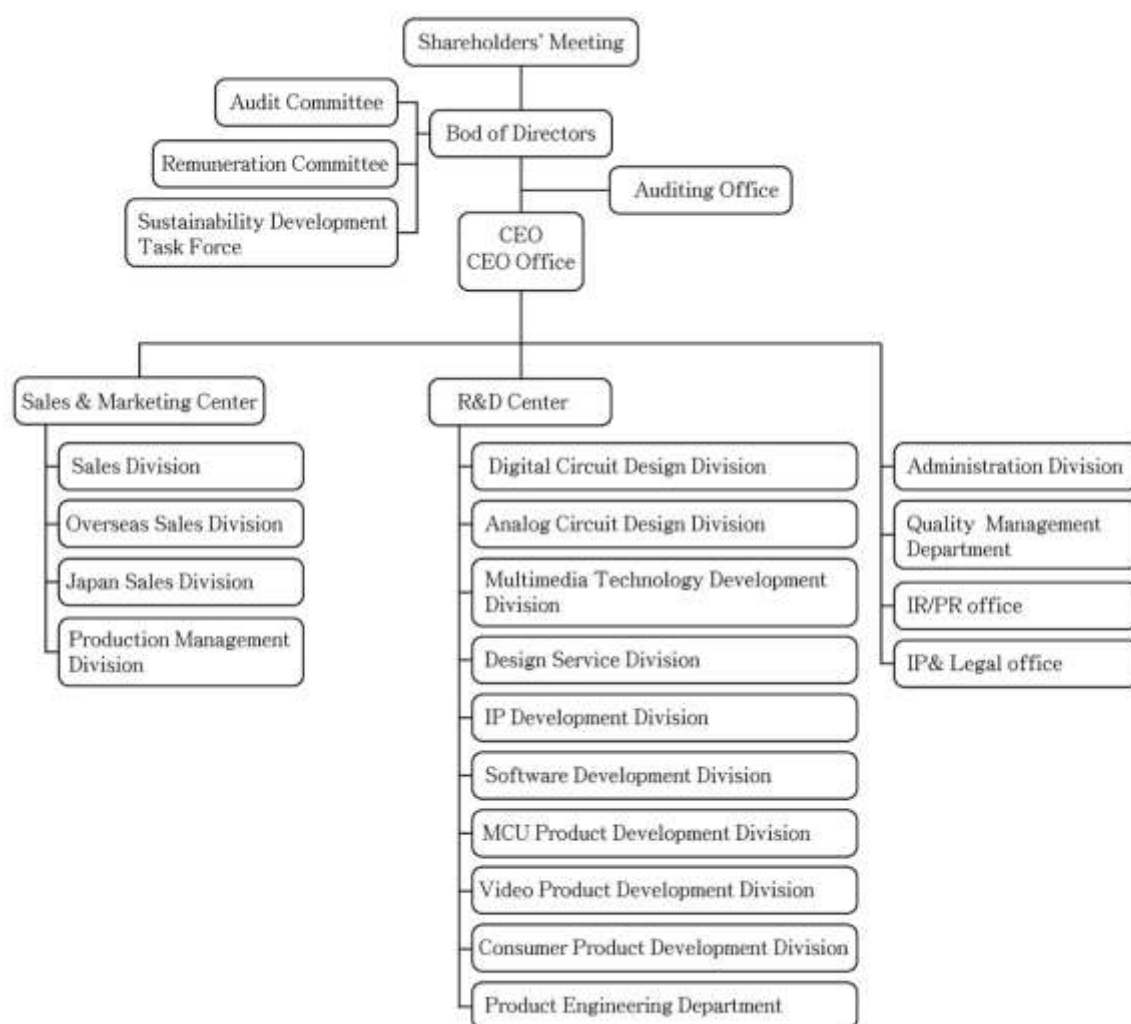
Date	Milestones
2011.11	Introduced new voice controllers with cap sensing touch interface.
2012.08	Announced a new series of 2.4G wireless video compression and transmission chipsets which support 4T to 1R image/audio and command transmission for home care, wireless surveillance and doorbell applications.
2012.11	Announced HD Web camera chip with H.264 compression engine to reach Skype HD video Quality, for TV Camera and IP cam application.
2013.07	Announced the first Wi-Fi wireless parking/rear cameras for car application.
2013.07	Introduced the first IP Camera SOC platform SN98600 which equipped with MIPI and TV/LCD OUT/SD Card interface and embedded ISP and H.264/MJPEG, support Full HD multi-streaming function.
2014.01	Launched the 3 rd generation OID chipsets which with up to 260 million index and support handwriting function.
2014.01	Launched a new series of 8 bit flash type MCU embedded with high precision 20 bit Delta-Sigma ADC.
2015.02	Introduced a series of Near Field Communication (NFC) chips which can connect and interact with mobile devices for development a variety of applications, such as identity recognition, commercial advertising etc.
2016.04	Launched its 1st LED driver SLED 1735 series, designed specifically for LED matrix with the features of multi-channel, constant current and PWM.
2017.03	Launched the image processor SN9C2750 which is specific for ultra-narrow bezel notebook application. The chip is equipped with software and hardware noise-reduction capability to eliminate noise.
2017.11	Launched the SNC86P series equipped with high compression rate algorithm. The solution built-in 16Mbit/8Mbit/4Mbit OTP with 3 times capacity more than traditional ADPCM. Users can use the series to develop long duration voice applications without using external SD, and the series also supports 24ch MIDI channel and 32ch touch keys functions.
2018.03	Launched image processors SN9C2272/2285 which support USB and MIPI interface and Android applications.
2018.08	Introduced a new image processor which is dedicated to ultra-narrow bezel laptop and supports RGBIR sensor for Windows Hello facial recognition function.
2018.12	Launched the high-end 32-bit dual-core platform SNC7320, adopting the Coretex-M3 architecture, which can process different signals synchronously and equipped with multiple interfaces to support voice recognition and multiple functions.
2019.06	Launched the new generation image processor SN9C2286 which supports up to 16 Mega Pixels sensors.
2019.11	Introduced a new turnkey back up camera solution SN93511/SN93700 for automotive DVR and low-power wireless solar license plate applications.
2019.12	Launched USB type C Power delivery integrated micro controllers.
2020.12	Introduces a new generation of image processor which supports FHD, RGB/IR, RGB+IR, and RGBTNR sensors, improving image noise suppression greatly.
2020.12	Launched the medical blood oxygen (SPO2) measurement MCU, which integrated blood oxygen (SPO2) measurement circuit and high-precision 12-bit ADC conversion technology, conformed to the latest medical standards.

Date	Milestones
2021.09	Launched the BLE Bluetooth chips which integrates data transceiver (Tx, Rx), remote wake-up (WOR), Notification, firmware upgrade (FOTA) and other functions for low data volume transmission applications.
2021.10	Launched a single-channel Audio Codec that integrates a high-precision 24-bit ADC and a high-efficiency Class D amplifier with speaker driver.
2021.12	Launched a new generation of blood glucose measurement IC with hematocrit (HCT) compensation technology, which compensates the blood glucose measurement accuracy level through blood impedance and HCT characteristics, which is more in line with international standards.
2022.05	Introduced Brushless Direct Current Motor (BLDC) solution, which is equipped with BLDC algorithm and intuitive developing interface to shorten adjusting time and apply to fans, hair dryer, electronic instrument and e-bike.
2022.06	Sonix integrated BLE chips with OID handwriting solutions to enable 60 OID wireless handwriting pens can operate in one classroom simultaneously.
2022.11	Launched web camera solutions which support to 5M@30fps/FHD@60fps, RGB TNR, RGB-IR, RGB+IR and WinHello, plug-in WinHello face recognition and AI image recognition functions.
2022.11	Sonix M0/8051 MCU all series products granted for UL-60730 certification which enable to improve products' quality and reliability.
2023.10	Launched the first HDR ISP, supporting FHD HDR TNR @30fps/FHD TNR @60fps, a new generation WinHello model that supports RGB TNR and RGB+IR. It can be applied to Notebook cameras, standalone web cameras and AI image recognition related products.
2023.10	Developed a professional DDR5 module LED control MCU, tailor-made for I3C transmission specifications, with built-in ARGB function, and was designed in by major DDR5 module manufacturers.
2023.11	Launched a long-distance/low power consumption/high bandwidth (4 Mbps) 2.4G FHSS wireless transceiver for wireless video and audio applications. The outdoor wireless transmission distance can reach 800m. It can be applied to home security, baby monitors, wireless image reversing, wireless remote controls, and wireless toys.
2023.12	Launched the first true wireless full-duplex 8KHz gaming-specific SNC733XX series solution, which adopts a dual-core architecture to transmit and receive complete mouse packets within an 8KHz cycle, achieving full-duplex performance.

III. Corporate Governance Report

3.1 Organizational structure

3.1.1 Organization Chart



3.1.2 Businesses of Major Departments

Department	Business Scope
CEO Office	1.Planning and setting the company's overall business strategy and future goals. 2.Manage the execution of the company's overall business and inter-departmental coordination. 3. Command and supervise the business progress and performance of various departments. 4.Report to the Director's meeting and implement the resolutions of the Director's meeting. 5.Analysis, implementation and review of company project plans. 6.Planning of domestic and foreign strategic investment projects and management of reinvestment business.
Sustainability Development Task Force	1.Formulate sustainable development implementation goals and directions and regularly review and revise them. 2. Carry out relevant plans for sustainable development. 3.Review the implementation results of sustainable development and write a sustainable development report.
Auditing Office	1.Investigate and evaluate the soundness and rationality of the internal control system and various management systems. 2.Carry out project audit work to achieve the functions of curbing fraud and implementing various internal control systems. 3. Check the internal control system of affiliated enterprises and subsidiaries.

IR/PR office	<ol style="list-style-type: none"> 1. Company image building, public relations establishment and maintenance. 2. Establishment and maintenance of legal person relationship.
IP & Legal office	<ol style="list-style-type: none"> 1. Handling of legal and intellectual property rights cases. 2. Control and assist the company's risks.
Quality Management Department	<ol style="list-style-type: none"> 1. Formulate the company's quality policy and promote quality improvement activities. 2. Quality and yield control during product warehousing and acceptance. 3. Confirmation of the cause of product problems during customer complaints. 4. Perform quality audit and correction tracking of outsourced manufacturers.
R&D Center	<ol style="list-style-type: none"> 1. Update and maintain computer-aided design tools. 2. Planning and execution of IC circuit layout design. 3. Digital IP, 32-bit processor platform design, development and maintenance. 4. Design maintenance and use service of USB IP. 5. Planning and implementation of analog and digital IC circuit design. 6. Development and application of new circuit design technology. 7. Assess the feasibility and application market of new products. 8. Execute system specification design and resource planning. 9. Execute the system specification of the product entrusted by the customer. 10. Assist customers to solve technical problems of product application. 11. FPGA platform development, CHIP circuit board development, verification and measurement services, circuit board parts and outsourcing processing. 12. Execute program development, testing and maintenance of application software for various operating system platforms. 13. Perform program development, testing and maintenance of embedded software, software development tools, and network application services for each product line. 14. Perform software development, testing and maintenance related to audio-visual streaming and network protocols for each product line. 15. New product CP/FT test program development and introduction into mass production. 16. Evaluation and development of testing tools before mass production, program maintenance and troubleshooting. 17. Assist in the verification test and characteristic analysis of new IP or new process. 18. Product electrical failure analysis needs processing.
Sales & Marketing Center	<ol style="list-style-type: none"> 1. Formulate marketing strategies such as the company's product market positioning and selling price. 2. Responsible for the analysis and evaluation of potential new markets and the overall planning of market development and layout. 3. Master the marketing channel and assist the development of agents. 4. Provide good service quality to win customer recognition. 5. Control of outsourced production such as photomasks, wafers, testing and dicing. 6. Management of production scheduling planning, purchase point collection, return, sales, inventory, scrapping, etc. 7. Management, evaluation and assessment of outsourcers. 8. Supplier evaluation and assessment and other management matters. 9. Understanding and introduction of new process technology.
Administration Division	<ol style="list-style-type: none"> 1. Resource planning and execution, salary calculation, announcement and employee welfare operations, etc. 2. Comprehensively manage the allocation of capital flow, plan the optimal capital structure and stock affairs operations, etc. 3. Accounting system establishment and maintenance, budget summary preparation and variance analysis and tracking. 4. Manpower policies, systems, formulation of organizational establishment and planning of human resources. 5. Personnel recruitment, appointment and dismissal, promotion, attendance, retirement, education and training and assessment management, etc. 6. Labor and health insurance, group insurance, attendance and leave matters. 7. Stationery procurement and asset management. 8. Send and receive official documents and other general affairs.

3.2 Information on the company's directors, general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units

3.2.1 Directors

3.2.1.1 Information of Directors

Job title	National-ity or place of registration	Name	Gender, age	Date of election / Appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Chairman	R.O.C	James Pao	Male 61-70	July 16,2021	3	December 17,1997	4,549,318	2.71%	4,549,318	2.71%	549,302	0.33%	0	0	M.S. Electronics Engineering, National Chiao Tung University 、Hualon Microelectronics Corp. Manager	Director of Sonix Technology Ltd. (Sonix Representative of juristic person) 、Director of Sonix Holding (Sonix Technology Ltd. Representative of juristic person) 、Chairman of New Pocket Device Corp.	-	-	-	-
Director	R.O.C	Samuel Chen	Male 71-80	July 16,2021	3	December 17,1997	7,270,261	4.33%	7,270,261	4.33%	2,843,606	1.69%	0	0	B.S. Chemical Engineering 、National Tsing Hua University	Chairman of Rayson Technology Co., Ltd. 、Chip Integration Technology Corp. and Anapex Technology Inc. 、Director of GlobalSat WorldCom Corp. 、Polaris Group. 、Polaris Pharmaceuticals, Inc. 、DesignRx Europe Limited 、Polaris Pharmaceuticals Australia Pty Ltd 、Polaris Pharmaceuticals Ireland Limited and DesignRx Pharmaceuticals, Inc. 、Supervisor of DesignRx Pharmaceuticals (Shanghai) Inc. 、Director of Polaris Pharmaceuticals (Taiwan), Inc. and Polaris Biopharmaceuticals, Inc. (Polaris Group Representative of juristic person) 、Director of Genovior Biotech Corporation (Polaris Biopharmaceuticals, Inc. Representative of juristic person) 、Director of Acepodia, Inc. (Digital Mobile Venture Ltd. Representative of juristic person)	-	-	-	-

As of April 20, 2024

Job title	National-ity or place of registration	Name	Gender, age	Date of election / Appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Director	R.O.C	Chan Yee Hsiung	Male 61-70	July 16,2021	3	December 17,1997	3,532,219	2.10%	3,325,219	1.98%	965,337	0.58%	0	0	Institute of Electrical Engineering, New Jersey Institute of Technology 、Elan Microelectronics Corp. Assistant Manager of System Design Department	CTO of Sonix Technology Co., Ltd.	-	-	-	-
Director	R.O.C	Daniel Pan	Male 61-70	July 16,2021	3	December 17,1997	2,220,515	1.32%	2,220,515	1.32%	97,347	0.06%	0	0	B.B.A. Statistics, National Chung Hsin University College of Law and Commerce 、Elan Microelectronics Corp. Sales Manager	CSO of Sonix Technology Co., Ltd. 、Chairman of Jian Mou Investment Corp. (Sonix Representative of juristic person) 、Director of Paradigm Venture Capital corporation (Jian Mou Investment Corp. Representative of juristic person)	-	-	-	-
Director	R.O.C	Chris Ko	Male 51-60	July 16,2021	3	June 15.2018	578,602	0.34%	578,602	0.34%	85,250	0.05%	1,145,103	0.68%	M.B.A. University Of South Australia 、Elan Microelectronics Corp. Director of System Application Department	CEO of Sonix Technology Co., Ltd.	-	-	-	-
Director	R.O.C	Ching Hui Kuo	Male 61-70	July 16,2021	3	July 16,2021	368,907	0.22%	360,907	0.22%	0	0	0	0	B.B.A., Accounting, Soochow University 、Director of the Honching Certified Public Accountant firm	Director of the Honching Certified Public Accountant firm 、Independent Director of Trigold Holdings Limited.	-	-	-	-

Job title	National-ity or place of registration	Name	Gender, age	Date of election / Appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Job title	Name	Relationship	
Independent Director	R.O.C	Kao Chung Tsai	Male 61-70	July 16,2021	3	June 18,2004	0	0	0	0	0	0	0	0	M.A. Institute of Economics, Soochow University、CEO of Best Yield Management and Consulting Corp.	CEO of Best Yield Management and Consulting Corp.、Director of Champion Microelectronic Corp.(Sonix Representative of juristic person)、Independent Director of Microbio Co., Ltd.、Holy Stone Healthcare Co., Ltd. And Double Bond Chemical Ind. Co., Ltd.、Director of GlycoNex Incorporation、Ultradisplay Inc.、AcadeMab Biomedical Inc.、supervisor of Syncore technology co., Ltd.	-	-	-	-
Independent Director	R.O.C	Chih Cheng Chou	Male 61-70	July 16,2021	3	June 15,2006	0	0	0	0	0	0	0	0	Ph.D., Accounting, Shanghai University of Finance and Economics、M.A. Institute of Accounting, National Chengchi University、CPA and Director of the Taipei Office of WeTec International CPAs	CPA and Director of the Taipei Office of WeTec International CPAs、Director of Ultra Chip,Inc. and Syncore technology co., Ltd.、Director of Medical Imaging Corp. (Representative of juristic person)、Supervisor of Taipei Livestock & Poultry Products Ltd.	-	-	-	-
Independent Director	R.O.C	Mao Tien Shen	Male 61-70	July 16,2021	3	July 16,2021	0	0	0	0	0	0	0	0	B.S. Civil Engineering, Tamkang University、Director and VP of Taiwan Mask Corp.	Independent Director of Alpha Microelectronics Corp. and Nyquest Technology Co., Ltd.	-	-	-	-

3.2.1.2 Major Shareholders of Corporate Shareholders : None.

3.2.1.3 Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
James Pao	Education : M.S. Electronic Engineering, National Chiao Tung University Experience : Chairman of Sonix Technology There are no violations arising out of Article 30 of the Company Act.	Not Available	0
Samuel Chen	Education : B.S. Chemical Engineering, National Tsing Hua University Experience : Chairman of Sonix Technology There are no violations arising out of Article 30 of the Company Act.		0
Chan Yee Hsiung	Education : Institute of Electrical Engineering, New Jersey Institute of Technology Experience : CTO of Sonix Technology There are no violations arising out of Article 30 of the Company Act.		0
Daniel Pan	Education : B.B.A. Statistics, National Chung Hsin University College of Law and Commerce Experience : CSO of Sonix Technology There are no violations arising out of Article 30 of the Company Act.		0
Chris Ko	Education : M.B.A University of South Austria Experience : CEO of Sonix Technology There are no violations arising out of Article 30 of the Company Act.		0
Ching Hui Kuo	Education : B.B.A., Accounting, Soochow University Experience : Director of the Honching Certified Public Accountant firm There are no violations arising out of Article 30 of the Company Act.		1
Kao Chung Tsai	Education : M.A. Institute of Economics, Soochow University Experience : CEO of Best Yield Management and Consulting Corporation There are no violations arising out of Article 30 of the Company Act.	The status of independence for the 3 independent directors: they, their spouses, and their relatives within the second degree have not served as director, supervisor or employees of the company or any of its affiliates and do not hold any shares in the company; have not served as director, supervisor, or employee of any company having a specified relationship with the company; have not received the amount(s) for any services such as business, legal, financial, or accounting services provided to the company or any affiliate thereof within the past 2 years.	3
Chih Cheng Chou	Education : Ph.D., Accounting, Shanghai University of Finance and Economics M.A. Institute of Accounting, National Chengchi University Experience : CPA and Director of the Taipei Office of WeTec International CPAs There are no violations arising out of Article 30 of the Company Act.		0
Mao Tien Shen	Education : B.S. Civil Engineering, Tamkang University Experience : Director and VP of Taiwan Mask Corp. There are no violations arising out of Article 30 of the Company Act.		2

3.2.1.4 Diversity and Independence of the Board of Directors

(1)The company's "Corporate Governance Practice Principles" stipulates that the composition of the board of directors should consider diversity, and formulate appropriate diversification policies for operations, business models and development needs.

The board of directors should have the following abilities:

a. Ability to make operational judgments ; b. Ability to perform accounting and financial analysis ; c. Ability to conduct management administration ; d. Ability to conduct crisis management ; e. Knowledge of the industry ; f. International market perspective ; g. Ability to lead ; h. Ability to make policy decisions

The specific management goal of the diversity policy of the board of directors of the company is that the board of directors should have at least five directors in each of the above-mentioned eight capabilities, and individual directors should have at least five of the above-mentioned eight capabilities. The company has achieved this management goals.

Director	Employee Identity	Age	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	International market perspective	Ability to lead	Ability to make policy decisions
James Pao	-	61-70	✓	-	✓	✓	✓	✓	✓	✓
Samuel Chen	-	71-80	✓	-	✓	✓	✓	✓	✓	✓
Chan Yee Hsiung	✓	61-70	✓	-	✓	✓	✓	✓	✓	✓
Daniel Pan	✓	61-70	✓	-	✓	✓	✓	✓	✓	✓
Chris Ko	✓	51-60	✓	-	✓	✓	✓	✓	✓	✓
Ching Hui Kuo	-	61-70	✓	✓	✓	✓	-	✓	✓	✓
Kao Chung Tsai	-	61-70	✓	✓	✓	✓	✓	✓	✓	✓
Chih Cheng Chou	-	61-70	✓	✓	✓	✓	-	✓	✓	✓
Mao Tien Shen	-	61-70	✓	-	✓	✓	✓	✓	✓	✓

(2) Implementation of Diversification

The education experience of each director of the company is obviously helpful to the company's operation, which is in line with the company's policy of diversification of the composition of the board of directors. Each director has the professional background required for business execution, including accounting, industry, finance, marketing, research and development, technology, in terms of business management, professional skills and industry experience, etc., the implementation of the policy of diversifying the composition of the board of directors is sufficient to enhance the function of the board of directors.

The members of the board of directors include electronic engineering, accounting and finance and other related professional backgrounds. The relevant experience includes semiconductor and investment professional fields (James Pao, Samuel Chen, Chan Yee Hsiung and Mao Tien Shen), product application market professional field (Daniel Pan and Chris Ko), and have

professional fields in accounting, finance and securities market (Ching Hui Kuo , Kao Chung Tsai and Chih Cheng Chou).

The company also pays attention to the issue of gender diversity and equality Among directors. Currently, Although there are currently no female directors, at least one director of different genders will be appointed in accordance with the "Sustainable Development Action Plan for Listed Companies" promotion measures during the 2024 director election.

(3) Independence of the Board of Directors

The company currently has 3 employee directors, 3 outside directors, and 3 independent directors in the tenth session of the board of directors; independent directors account for 33%.

Independent directors ,their spouses, and their relatives within the second degree have not served as directors, supervisors or employees of the company or affiliates; they, their spouses, and their relatives within the second degree do not hold any shares in the company; Directors, supervisors, or employees of specific affiliates; who have not received remuneration for providing business, legal, financial, accounting, etc. services to the company or affiliates within the past 2 years.

There are no spouses or relatives within the second degree of relationship between directors, ensuring the independence of board of directors.

3.2.2 Information on the Management Team

As of April 20, 2024

Job title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					Shares	%	Shares	%	Shares	%			JOB title	Name	Relationship	
CEO	R.O.C	Chris Ko	Male	2015.08	578,602	0.34%	85,250	0.05%	1,145,103	0.68%	M.B.A University Of South Australia 、 Elan Microelectronics Corp. Director of System Application Department	None	-	-	-	-
CTO	R.O.C	Chan Yee Hsiung	Male	2015.07	3,325,219	1.98%	965,337	0.58%	0	0	Institute of Electrical Engineering, New Jersey Institute of Technology 、 Elan Microelectronics Corp. Assistant Manager	None	-	-	-	-
CSO	R.O.C	Daniel Pan	Male	2015.08	2,220,515	1.32%	97,347	0.06%	0	0	B.B.A. Statistics, National Chung Hsin University College of Law and Commerce 、 Elan Microelectronics Corp. Sales Manager	Chairman of Jian Mou Investment Corp. (Sonix Representative of juristic person) 、 Director of Paradigm Venture Capital Corp. (Jian Mou Investment Corp. Representative of juristic person)	-	-	-	-
VP	R.O.C	P.H. Tung	Male	2010.07	368,052	0.22%	29,572	0.02%	0	0	M.S. Optics of Photonics, National Central University 、 Erso image Section leader 、 PixArt Imaging Inc. Director	None	-	-	-	-
Head of Accounting & Finance Department	R.O.C	Sophia Lin	Female	2004.02	6,162	0.004%	0	0	0	0	Fu Jen Catholic University accountancy 、 Deputy Manager of the Audit Department of Arthur Andersen	Director of Paradigm Venture Capital Corp. (Jian Mou Investment Corp. (Representative of juristic person) 、 Supervisor of Sonix Technology (Chengdu) Co., Ltd. (Sonix Holding Representative of juristic person)	-	-	-	-

3.3 Remuneration paid during the most recent fiscal year to directors, the general manager, and assistant general managers

3.3.1. Remuneration to Directors and Independent Directors

Date: December 31, 2023; Unit: Value in NT\$ thousands

Job title	Name	Remuneration								Sum of A+B+C+D and ratio to net income (%)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company				
		Base Compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)										
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities					
Director	James Pao	0	0	0	0	2,700	2,700	80	80	2,780	2,780	1.50%	1.50%	8,128	8,128	4,282	4,282	2,788	0	2,788	0	17,978	17,978	9.67%	9.67%	-
	Samuel Chen																									
	Chan Yee Hsiung																									
	Daniel Pan																									
	Chris Ko																									
	Ching Hui Kuo																									
Independent Director	Kao Chung Tsai	0	0	0	0	1,200	1,200	120	120	1,320	1,320	0.71%	0.71%	0	0	0	0	0	0	0	0	1,320	1,320	0.71%	0.71%	-
	Chih Cheng Chou																									
	Mao Tien Shen																									

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: The Company's directors shall be compensated for the performance of their duties, regardless of the Company's operating profit or loss, as determined by the Board of Directors in accordance with their participation in and contribution to the Company's operations and with reference to industry standards.
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company / any consolidated entities / invested enterprises): None.

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Name of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities H	The Company	All consolidated entities I
Less than NT\$1,000,000	Director : James Pao Samuel Chen Chan Yee Hsiung Daniel Pan Chris Ko Ching Hui Kuo Independent Director : Kao Chung Tsai Chih Cheng Cho Mao Tien Shen	Director : James Pao Samuel Chen Chan Yee Hsiung Daniel Pan Chris Ko Ching Hui Kuo Independent Director : Kao Chung Tsai Chih Cheng Cho Mao Tien Shen	Director : Samuel Chen Ching Hui Kuo Independent Director : Kao Chung Tsai Chih Cheng Cho Mao Tien Shen	Director : Samuel Chen Ching Hui Kuo Independent Director : Kao Chung Tsai Chih Cheng Cho Mao Tien Shen
NT\$1,000,000(incl.)~ NT\$2,000,000(excl.)	-	-	Director :James Pao	Director :James Pao
NT\$2,000,000(incl.)~ NT\$3,500,000(excl.)	-	-	Director: Chan Yee Hsiung Daniel Pan Chris Ko	Director : Chan Yee Hsiung Daniel Pan Chris Ko
NT\$3,500,000(incl.) ~ NT\$5,000,000(excl.)	-	-	-	-
NT\$5,000,000(incl.) ~ NT\$10,000,000(excl.)	-	-	-	-
NT\$10,000,000(incl.) ~NT\$15,000,000(excl.)	-	-	-	-
NT\$15,000,000(incl.) ~ NT\$30,000,000(excl.)	-	-	-	-
NT\$30,000,000(incl.) ~ NT\$50,000,000(excl.)	-	-	-	-
NT\$50,000,000(incl.) ~ NT\$100,000,000(excl.)	-	-	-	-
NT\$100,000,000 or above	-	-	-	-
Total	9 persons	9 persons	9 persons	9 persons

3.3.2 Remuneration to General Manager and Assistant General Managers

Date: December 31, 2023; Unit: Value in NT\$ thousands

Job title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
CEO	Chris Ko	7,333	7,333	147	147	1,353	1,353	3,698	0	3,698	0	12,531 6.74%	12,531 6.74%	-
CTO	Chan Yee Hsiung													
CSO	Daniel Pan													
VP	P.H. Tung													

Remuneration Range Table

Ranges of remuneration paid to each of the Company's general manager(s) and assistant general manager(s)	Names of General Manager(s) and Assistant General Manager(s)	
	The Company	All consolidated entities (E)
Less than NT\$1,000,000	-	-
NT\$1,000,000(incl.) ~ NT\$2,000,000 (excl.)	-	-
NT\$2,000,000(incl.) ~ NT\$3,500,000 (excl.)	Chan Yee Hsiung 、Daniel Pan 、Chris Ko 、P. H. Tung	Chan Yee Hsiung 、Daniel Pan 、Chris Ko 、P. H. Tung
NT\$3,500,000(incl.) ~ NT\$5,000,000 (excl.)	-	-
NT\$5,000,000(incl.) ~ NT\$10,000,000 (excl.)	-	-
NT\$10,000,000 (incl.) ~NT\$15,000,000 (excl.)	-	-
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)	-	-
NT\$30,000,000(incl.) ~ NT\$50,000,000 (excl.)	-	-
NT\$50,000,000(incl.) ~ NT\$100,000,000 (excl.)	-	-
NT\$100,000,000 or more	-	-
Total	4 persons	4 persons

3.3.3 Names and Distributions of Employee Compensation to Managerial Officers

Date: December 31, 2023; Unit: NT\$ thousands

	Job title	Name	Amount in stock	Amount in cash	Total	As a % of net profit
Managerial officers	CEO	Chris Ko	0	3,900	3,900	2.1%
	CTO	Chan Yee Hsiung				
	CSO	Daniel Pan				
	VP	P.H. Tung				
	Head of Accounting & Finance Department	Sophia Lin				

3.3.4 Separately compare and describe total remuneration, as a percentage of net income stated in financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

3.3.4.1 Analysis of the proportion of the total remuneration paid to the Director, General Manager and Vice President in the past 2 fiscal years to the net profit after tax: The total remuneration of Directors, General Manager and Vice President in 2023 decreased compared with 2022, which was due to the decrease in the company's after-tax net profit in 2023.

Unit: NT\$ thousands

Title	2023				2022			
	The Company		All consolidated entities		The Company		All consolidated entities	
	Remun-erations	Ratio of Net Income	Remun-erations	Ratio of Net Income	Remun-erations	Ratio of Net Income	Remun-erations	Ratio of Net Income
Director	19,298	10.38%	19,298	10.38%	27,097	4.69%	27,097	4.69%
General Manager and VP	12,531	6.74%	12,531	6.74%	20,003	3.46%	20,003	3.46%

3.3.4.2 The policy, standard and combination of rewards, the procedures for setting rewards, and the relationship with business performance and future risks analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

- (1) The company's director, supervisor and manager's remuneration shall be handled in accordance with the provisions of Articles 24 and 28 of the company's articles of association. and the benefits before remuneration of directors and supervisors) shall be allocated no less than 10% as employee remuneration and no more than 5% as remuneration of directors and supervisors, and shall consider their participation in the company's operations and the value of their contributions, and negotiate with the industry's usual

standards; The company uses the performance evaluation results as a reference to determine its individual salary according to the Board of Directors "Self-evaluation of performance".

- (2) The remuneration of the general manager and deputy general manager is evaluated according to the company's "Remuneration Measures for Directors and Managers", and after considering the time invested, responsibilities, performance, and the company's annual profit status and operating performance, etc., Give reasonable remuneration, and depending on the actual operating conditions and relevant laws and regulations at any time, the remuneration committee regularly reviews the policies, systems, standards and structures of the company's directors and managers performance evaluation and salary remuneration.
- (3) The company's financial operations are stable and conservative, so the company's "Remuneration Measures for Directors and Managers" does not guide directors and managers to engage in behaviors that exceed the company's risk appetite in pursuit of salary remuneration.

3.4 The state of the company's implementation of corporate governance

3.4.1 The state of operation of the board of directors

The board of directors held 6 sessions in 2023. The attendance of the directors was as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate	Remarks
Chairman	James Pao	6	0	100%	-
Director	Samuel Chen	6	0	100%	-
Director	Chan Yee Hsiung	5	1	83%	-
Director	Daniel Pan	5	1	83%	-
Director	Chris Ko	6	0	100%	-
Director	Ching Hui Kuo	6	0	100%	-
Independent Director	Kao Chung Tsai	6	0	100%	-
Independent Director	Chih Cheng Chou	6	0	100%	-
Independent Director	Mao Tien Shen	6	0	100%	-

Other information required to be disclosed:

3.4.1.1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

- (1) Any matter under Article 14-3 of the Securities and Exchange Act: None.
- (2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None.

3.4.1.2 The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: None.

3.4.1.3 The evaluation cycle and period of the board of directors' self-evaluation and the evaluation method and content:

Evaluation Cycle	Evaluation Period	Scope of evaluation	Method of evaluation	Evaluation content
Performed once per year	From January 1st to December 31st 2023	The board of directors, individual directors, the audit and remuneration committee	Internal evaluation by the board, self-evaluations by individual board members, internal self-evaluation by members of audit committee and remuneration committee	<p>1.Evaluation of the board of directors : degree of the board's participation in the operation of the company; the quality of the board's decision making; composition and structure of the board; election and continuing education of the directors; internal control.</p> <p>2.Evaluation of the individual directors: familiarity with the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationships and communication; the director's professionalism and continuing education; internal control.</p> <p>3.Evaluation of the audit committee: participation in the operation of the company; awareness of the duties of the audit committee; improvement of quality of decisions made by the audit committee; makeup of the audit committee and election of its members; internal control.</p> <p>4.Evaluation of the remuneration committee: participation in the operation of the company; awareness of the duties of the remuneration committee; improvement of quality of decisions made by the remuneration committee; makeup of the remuneration committee and election of its members; internal control.</p>
The performance evaluation results have been submitted to the board of directors meeting convened on February 27th, 2024. The performance evaluation results of the board of directors, individual directors, the audit and remuneration committee are all between 4 points of "excellent" and 5 points of "excellent", indicating that the overall operation of the company's board of directors is perfect, and that the directors, salary and remuneration committee and audit The committee expressed its approval and positive comments on most of the evaluation items, which can implement corporate governance, improve the functions of the board of directors, and strengthen its operational efficiency.				

3.4.1.4 Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof:

- (1) The board of directors of the company implements the "Rules & Procedures of Board of Director Meetings", and reports the status of directors' attendance (list) on the board of directors in accordance with the regulations. Regarding resolutions of the board of directors, it also follows the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" Information is announced and displayed on the company's website to enhance information transparency

and protect shareholders' rights.

- (2) The company's audit committee consists of three independent directors, the main function is to supervise the fair presentation of the financial reports 、 the hiring (and dismissal) independence and performance of certificated public accountants 、 the effective implementation of the internal control system 、 compliance with relevant laws and regulations and Management of the existing or potential risks; has been set up remuneration committee to strengthen corporate governance and improve the company's salary and remuneration system for directors and managers.

3.4.2 The state of operation of the the audit committee

The audit committee held 5 sessions in 2023. The attendance of the independent directors was as follows:

Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate	Remarks
Chih Cheng Chou (Convener)	5	0	100%	-
Kao Chung Tsai	5	0	100%	-
Mao Tien Shen	5	0	100%	-

Other information required to be disclosed:

- 3.4.2.1 If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the company based on the opinions of the audit committee:

- (1) Any matter under Article 14-5 of the Securities and Exchange Act:

Session	Date	Resolution	Independent directors' opinions and the Company's Follow-up
The 1th Term, the 8th Meeting	2023.2.24	The business report and financial statements of 2022 Internal control system statement of 2022	Approved by all independent directors without objection
The 1th Term, the 9th Meeting	2023.5.5	The consolidated financial statements of the 1st quarter of 2023 The auditing and attesting fees of CPA in 2023 Distribution of 2022 profits General principles for formulating the company's pre-approved non-assurances services policy	
The 1th Term, the 10th Meeting	2023.8.8	The consolidated financial statements of the 1st half of 2023	
The 1th Term, the 11th Meeting	2023.11.8	The consolidated financial statements of the 3rd quarter of 2023	
The 1th Term, the 12th Meeting	2023.12.4	Internal audit plan of 2024	

- (2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.

- 3.4.2.2 Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the

independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.

3.4.2.3 Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor:

- (1) The company's internal audit submits audit report to independent directors for review. If they have any questions or instructions, they will write or call the auditor to inquire or inform the auditors of the matters to be handled. If there are major abnormalities, they can also call meetings at any time to communicate with each other. It's diversified and smooth.
- (2) Summary of communication between independent director and internal audit :

Date and Nature	Topic	Suggestion
2023.2.24 Audit Committee	Audit plan execution report for the 1st quarter of 2023 Internal control system statement of 2022	All independent directors no opinion
2023.5.5 Audit Committee	Audit plan execution report for the 2nd quarter of 2023	
2023.8.8 Audit Committee	Audit plan execution report for the 3rd quarter of 2023	
2023.11.8 Audit Committee	Audit plan execution report for the 4th quarter of 2023	
2023.12.4 Audit Committee	2024 annual audit plan	

- (3)The company's accountants according to the TWSA 260 「Communication with Those Charged with Governance」, to communicate with the company by orally or writing, if there are any major abnormal events, they can convene meetings at any time; accountants hold meetings before and after the annual financial statement audit, and to attend the audit committee to explain the audit schedule and key audit matters. There have good discussion and communication between independent directors and accountants about the audit matters and conclusions.

- (4) Communication between independent directors and CPAs :

Date and Nature	Topic	Suggestion
2023.2.24 audit committee	Accountants and governance units communicate the conclusions of the 2022 audit	All independent directors no opinion
2023.12.4 audit committee	Communication meeting between accountants and governance units before the 2023 annual audit	

3.4.3 Operation of the Remuneration Committee

3.4.3.1 The Company's Remuneration Committee is established on December 21, 2011 and the organizational regulations refer to the Company's Website information

Capacity	Qualifications Name	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convenor)	Kao Chung Tsai	Education : M.A. Institute of Economics, Soochow University Experience : CEO of Best Yield Management and Consulting Corporation	The status of independence for the 3 independent directors: they, their spouse or relative within the second degree of kinship serves has not served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company not held by the member, whether the member has not served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years	4
Independent Director	Chih Cheng Chou	Education : Ph.D., Accounting, Shanghai University of Finance and Economics M.A. Institute of Accounting, National Chengchi University Experience : CPA and Director of the Taipei Office of WeTec International CPAs		0
Independent Director	Mao Tien Shen	Education : Department of Civil Engineering, Tamkang University Experience : Director and VP of Taiwan Mask Corp.		2

3.4.3.2 The function of the remuneration committee of the Company is to evaluate the remuneration policies and systems of the Company's directors and managers from a professional and objective position, and to make recommendations to the Board for its decision-making reference. The Remuneration Committee shall, with the attention of a good administrator, faithfully perform the following functions:

- (1) Formulate and regularly review the policies, systems, standards and structures of the company's directors and managers for performance evaluation and remuneration.
- (2) Regularly evaluate and determine the remuneration of directors and managers.

3.4.3.3 Operation of the Remuneration Committee

- (1) The Company's remuneration committee has a total of 3 members.
- (2) The term of the current members is from July 26, 2021 to July 15, 2024. The number of remuneration committee meetings held in the most recent fiscal year was: 3. The attendance by the members was as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate	Remarks
Independent Director	Kao Chung Tsai	3	0	100%	Convenor
Independent Director	Chih Cheng Chou	3	0	100%	-
Independent Director	Mao Tien Shen	3	0	100%	-

Other information required to be disclosed:

If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee: None.

With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

(3)The company's handling of the opinions of the remuneration committee

Session	Date	Proposal content	Resolution	The measures taken by the Company with respect to the opinions given by of the remuneration committee
The 5th Term, the 6th Meeting	2023.2.24	1.To approve the earnings distribution of directors' and Managers' remuneration of 2022 2. Issues regarding additional pension payment to Chairman James pao	All agree	Proposal to the board of directors, approved by all directors present without objection
The 5th Term, the 7th Meeting	2023.8.8	1.To approve distribution of directors' remuneration 2. To approve distribution of employees' remuneration for managers	All agree	
The 5th Term, the 8th Meeting	2023.12.4	1. To approve distribution of employees' remuneration for managers 2. To approve the year-end bonus to managers of 2023	All agree	

3.4.4 The state of the company's implementation of corporate governance, any deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Evaluation item	Implementation status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established and disclosed the "Corporate Governance Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".	None
2. Shareholding Structure and Shareholders' Rights				None
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(1) The company has formulated "Rules & Procedures of Shareholders Meetings" and has spokesperson and acting spokesperson system. It has dedicated personnel to handle shareholders' suggestions, concerns, disputes and litigation matters. The company website also has an investor relations contact.	
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders ?	✓		(2) The company's stock transfer agent regularly updates the major shareholders and know the identity of its major shareholders and the parties with ultimate control of the major shareholders.	
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		(3) The Company has established "Subsidiaries business management " and "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises"to built and implemented a risk management system and a firewall between the Company and its affiliates.	
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		(4) The Company has formulated the " Procedures for Preventing insider Trading ", " Ethical Corporate Management Best Practice Principles "and "Codes of Ethical Conduct", prohibiting insider trading of securities based on undisclosed information.	
3. Composition and responsibilities of the board of directors				No major differences except that other functional committees have not been voluntarily set up
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	✓		(1) In accordance with the provisions of the Company's "Code of Corporate Governance Practice", the composition of the Board of Directors has taken into account the diversity policy. Each director has the professional background required for business execution, including accounting, industry, finance, marketing, research and development, technology, in terms of business management, professional skills and industry experience, etc., the implementation of the policy of diversifying the composition of the board of directors is sufficient to enhance the function of the board of directors. Please refer to " Diversity and Independence of the Board of Directors" on page 15 of this annual report.	

Evaluation item	Implementation status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
<p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</p> <p>(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary / compensation for individual directors and their nomination and additional office terms?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>	✓	✓	<p>(2) The Company has established remuneration and audit committee, and will to establish other functional committees depending on the provisions of laws and regulations and operational needs.</p> <p>(3)The company has established " Board of directors Self-evaluation of performance " The performance evaluation results of the overall board of directors, individual board members and functional committees in 2023 were all between 4 points of "excellent" and 5 points of "excellent". The evaluation results were reported to the board of directors on 2024.2.27, and Use it as a reference for individual directors' remuneration and nomination for renewal.</p> <p>(4)The company evaluates the independence of certified accountants with reference to Audit Quality Indicators (AQIs) every year, and has submitted the results to the 2024.5.7 Review Committee and the Board of Directors for discussion and approval; the company evaluates accountants Huang Yao lin and Chou Shih Chieh United Accounting Firm Accountants who meet the company's independence assessment standards (Appendix 1) and obtain an independence statement issued by an accounting firm are qualified to serve as the company's certified accountants.</p>	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		The company's 14th session of the 10th Board of Directors resolved sophia Lin will serve as the director of corporate governance, responsible for corporate governance-related matters, providing directors with information needed to perform business, assisting directors to comply with laws, handle matters related to board of directors and shareholders' meetings in accordance with the law, and produce Minutes of board of directors and shareholders meetings, etc.	None
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company	✓		The company's spokesperson and acting spokesperson as the communication channel, the company's website has an investor relations contact and related information; providing channels to assist stakeholders in communicating with the company on various issues. 2023.11.8 Report the issues concerned by stakeholders, communication	None

Evaluation item	Implementation status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?			channels and response methods to the board of directors. The sustainability report enhances communication with various stakeholders on open and transparent way of information disclosure, and presents the company's management principles and actual impacts on the environment, social, and economic to the public, allowing all stakeholders to understand and agree with the company's various practices and measures.	
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		The Company entrusts the Common Stock Transfer Agent of Yuanta Securities Co., Ltd to handle matters related to shareholder meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	✓ ✓ ✓		(1) The company's website has established an investors for inquiring about financial business and corporate governance status. (2) The company has established Chinese and English websites, with dedicated personnel responsible for information collection, and implementing a spokesperson system to provide channels for inquiries and liaisons, fully disclosing financial and business information. Documents and part of the video of the legal person's briefing are also placed on the company's website for shareholders and Public reference inquiry. (3) The company's annual financial report, first, second and third quarter financial reports and monthly operating conditions shall be announced and reported in advance of the specified deadline.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		(1) Employee rights: protect the rights and interests of employees in accordance with the Labor Base Law and related laws and regulations. (2) Employee wellness : The company creates a good working environment with high-quality welfare measures , benefits include wedding and funeral subsidies, three-month electronic welfare points, birthday gifts, group insurance, annual health examinations, and psychological consultation. Consultation with a masseur, massage by a masseur, domestic and foreign travel subsidies, birthday parties, department dinner subsidies, Sonix Family Day, year-end teething, recognition of senior and outstanding employees, best-selling books and magazine lending, free coffee, discounts at special stores, etc.	None

Evaluation item	Implementation status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			<p>(3) Investor relations: have "Investors " on the Company's website, or inquire the Company's public information through Market Observation Post System, and contact the Company's stock agent or spokespersons or make suggestions at any time.</p> <p>(4) Supplier relations: Continue to promote green environmental management, require raw material suppliers to ensure that their products do not contain prohibited substances harmful to the environment, and ensure that products meet the requirements of the European Union Banned Substances (RoHS) Directive on Electronic Products. At the same time, we strengthen the positive impact of suppliers on society and the environment, communicate with suppliers regularly every year, and deal with them in good faith and reciprocity.</p> <p>(5) Rights of stakeholders: There is a "Stakeholders' Concerns" on the company's website to maintain smooth communication channels and respect and protect their due rights and interests.</p> <p>(6) Directors' continuing education: and Independent Directors may participate in the profession from time to time according to their individual needs knowledge training; Details of the further training (Appendix II).</p> <p>(7) Implementation of risk management policies and risk evaluation standards: Comply with the internal control system to reduce various risks, please refer to page 38 of this annual report.</p> <p>(8) Implementation of customer relations policies: Serve customers in a high-quality and efficient manner and create immediate benefits for customers.</p> <p>(9) The Company has purchasing liability insurance for directors and reported the contents of the insurance to the Board of Directors on 2023.6.16.</p>	
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement: The results of the ninth corporate governance evaluation of the company in 2023 are listed companies: 21%~35%, and the company will continue to improve the parts that have not yet scored.</p>				

Attachment 1: Accountant Independence Assessment

Evaluation Items	Results	Independent
1. Whether the accountant has no direct or indirect material financial interest relationship with the company	Yes	Yes
2. Whether the accountant has no financing or guarantee with the company or the directors and supervisors of the company	Yes	Yes
3. Whether the accountant has no close business activities and potential employment relationship with the company	Yes	Yes
4. Whether the accountants and their audit team members have not served as directors, managers or positions that have a significant impact on the audit work in the company at present or in the last two years	Yes	Yes
5. Whether the accountants have not provided the company with non-audit service items that may directly affect the audit work	Yes	Yes
6. Whether the accountant has no family relationship with the company's directors, managers, or personnel with positions that have a significant impact on the audit case	Yes	Yes

Attachment II : Directors' training status

Name	Organizer	Date	Course Title	Hours
Kao Chung Tsai	Corporate Operating and Sustainable Development Association	2023.4.27	Introduction to the newly released my country's Corporate Governance Blueprint 3.0	3
		2023.10.31	The latest trends and potential risks in corporate social responsibility	3
	Taiwan Investor Relations Institute	2023.9.20	New concept of family inheritance tax	3
		2023.9.20	Business cycle and industrial trends	3
Chih Cheng Chou	Taiwan Corporate Governance Association	2023.3.15	Corporate governance and securities regulation	3
		2023.3.15	Directors how to review the financial reports	3
	Securities & Futures Institute	2023.4.11	Advanced Seminar on Directors and Supervisors (Including Independent) and Corporate Governance Supervisors	3
	Corporate Operating and Sustainable Development Association	2023.6.1	Analysis of legal norms and practical cases of insider trading	3
	Taiwan Stock Exchange 、 Taipei Exchange	2023.7.13	Publicity meeting on sustainable development action plans for listed companies	3
Mao Tien Shen	Taiwan Corporate Governance Association	2023.8.10	Risks are everywhere, how to effectively manage them	3
		2023.8.10	Big data analysis and corporate fraud detection and prevention	3
Samuel	Taiwan Corporate Governance Association	2023.6.15	Insider trading prevention and response methods	3
Ching Hui Kuo	Taiwan Institute of Directors	2023.5.11	ChatGPT triggers AI boom industry opportunities	3
	National Federation of CPA Associations of the R.O.C.	2023.8.16	Analysis of money laundering and insider trading cases	3
		2023.9.6	A brief discussion on the impact of sustainable development action plans and institutional management measures on the accounting industry	3
		2023.11.8	Analysis on the practical operation of independent directors and audit committee	3

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

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		<p>In order to implement and implement sustainable development, the company formed a "Corporate Social Responsibility Promotion Team " from cross-department personnel in 2015, and changed its name to the "Sustainable Development Team " in 2022. hold regular meetings, set goals and discuss the implementation direction, and the business director and spokesperson serves as the convener of the sustainable development team to integrate company resources, according the sustainable development best practice principles, toward the four major aspects: exercise corporate governance , foster a sustainable environment, preserve public welfare, Enhance disclosure of corporate sustainable development information , implement various work and review the results. has set up "Corporate Sustainability Development" on the company's website to disclose the work goals, current year's implementation status and future directions.</p> <p>The Sustainable Development Team reports to the Board on a semi-annual basis (most recently reported to the Board as 2024.5.7), issued sustainability report every year and supervised by the board of directors , let stakeholders can understand the company's sustainable development process and results.</p> <p>The board of directors not only reviews the progress of the strategy, but also urges the sustainability team to make timely adjustments when necessary.</p>	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<p>The disclosed information covers the sustainable development performance in Hsinchu, Taiwan from January to December 2023.</p> <p>The company lists potential risks, evaluates the impact and impact of various risk issues, identifies internal and external issues that have the greatest impact on the company, and formulates "Emergency Response Management Procedures" and "Production Operation Risk Management Procedures", report to each management level according to the degree of influence. Through the above management measures, we can quickly grasp the situation when a hazard occurs, and take appropriate corresponding measures in time to reduce the impact on customers, suppliers and stakeholders due to business interruption, and conduct relevant reviews after the incident is over to avoid the same incident from happening again In order to strengthen the company's continuous operation management and achieve the goal of sustainable operation.</p> <p>The risk assessment of issues related to the company's operations is detailed (Attached 1).</p>	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
3. Environmental Issues				
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		(1) Through ISO9001 (certificate period 2022.3.29 ~ 2025.3.29), ISO14001 (certificate period 2022.4.6 ~ 2025.4.6) and IECQ QC 080000 (certificate period 2022.3.1~2025.2.8), we strengthen the management of green products and green supply chain through process-based and systematic management mode, and continuously improve and ensure the effective operation of various management systems. In addition, in order to effectively manage business waste and cooperate with environmental management requirements, a waste clean-up plan approved by the competent environmental protection authority has been obtained. Entrust the removal and treatment company approved by the competent environmental protection authority to be responsible for the removal and treatment of business waste, and classify it according to the content of the application, so as to achieve the goal of source reduction and environmental sustainability.	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		(2) Although our company is an IC design company and does not have its own factory for production and manufacturing, it is still committed to improving the utilization efficiency of various resources, continuing to promote various energy-saving and carbon-reduction plans, and reducing its impact on the environment. The implementation status is as follows: a. Reduce waste: Distributing eco-friendly tableware to colleagues is hygienic and environmentally friendly, and disposable tableware is no longer used at company dinners. b. Save paper: promote various electronic signing projects to reduce paper printing and use; Cooperate with online tax filing and cancel the printing and distribution of supporting documents; Encourage the use of recycled paper double-sided printing, after the implementation and publicity of various paper-saving programs, the annual use of paper per person has been reduced year by year, the highest reduction rate has even reached 35%, and the minimum amount is maintained at present. c. Save electricity: install regular shutdown of air conditioning and lighting devices to avoid waste of electricity caused by colleagues forgetting to turn off the power; Replace LED energy-saving lamps to save electricity. d. For suppliers to produce and provide products and raw materials, it is required to prohibit or restrict the use of substances harmful to the environment and reduce the load on the environment.	

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		(3)The company is an IC design company, no manufacturing, facing the potential risk of climate change, the shortage of raw material resources of the foundry and the increase in production costs, the possible interruption of operations caused by international transportation difficulties, and the threat to the life safety of employees due to extreme weather, etc., all of which may have an impact on the company and increase losses; On the other hand, in order to adapt to the change of climate change also brings new opportunities for the company, with the deterioration of the global environment, the social awareness of environmental protection is increasing, leading consumers to begin to be interested in environmental protection concepts and energy-saving products, the company in the face of this global trend of green energy product consumption and the requirements of various countries and regulations, the design of green environmental protection products and the promotion of green supply chain management also spares no effort, focusing on the development of products for use in the field of consumer electronics, towards high added value, energy saving, environmental protection and other directions.	
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		(4) All greenhouse gas emissions of the company are indirect greenhouse gas emissions. The main sources are purchased electricity and water. The company itself has no demand for production water and only uses domestic water. The sewage it generates is concentrated and collected to the park sewage treatment center. After treatment, the waste will be discharged uniformly after meeting the discharge standards of environmental protection regulations. The company will classify the waste for recycling and storage according to the nature of each waste. The company will also report the output and temporary storage of industrial waste regularly every month in accordance with the requirements of environmental protection laws. We entrust various wastes to qualified cleaners of the Environmental Protection Agency, who are responsible for removing and processing wastes to achieve the goal of reducing waste generation at the source. Although our company is not a public or private site that requires the establishment of greenhouse gas reduction regulations, In recent years, we have promoted various energy-saving programs, with reducing electricity usage and carbon dioxide emissions as the main policies. We have also promoted electronic processes, moved towards paperlessness, reduced the use of paper and toner, and adjusted the operation of the ice water machine according to the seasons. of effectiveness. At present,	

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(4) Has the Company established effective career development training programs for employees?</p> <p>(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p> <p>(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>	✓		<p>training of our colleagues, and enhance our colleagues' knowledge and skills through a complete training system and online learning system. Based on the company's vision and annual goals, relevant learning and development plans are formulated to enable growth and achievement of organizational goals. Please refer to page 65 of this annual report.</p> <p>The company's occupational accident rate in 2023 was 0%, and there were no occupational accidents.</p> <p>The company had no fire incidents in 2023.</p> <p>The company attaches great importance to fire safety management, and the office conducts fire inspections at least once a year to prevent problems 28.in the bud.</p> <p>(4) The company provides excellent training opportunities to colleagues and enhances their skills and knowledge through a variety of training and development programs. We also pass on practical experience to different employees within the organization through peer-to-peer coaching, and provide complete learning and development plans and career planning to help colleagues fully realize their work potential. The employee learning and development map includes newcomers, departmental majors, functional development, personal development plans, etc., and provides diverse and rich learning courses in order to enable employees to enjoy their work, grow and achieve organizational goals. Please refer to page 65 of this annual report.</p> <p>(5) The company has established the "Code of Integrity Management" and operating procedures such as R&D, procurement, production, operation, and service, and strictly abides by them to ensure the quality of the company's products and protect the rights and interests of customers; and a dedicated unit handles the customer complaint process to achieve customer satisfaction target.</p> <p>(6) The company continues to promote green environmental management, requiring raw material suppliers to ensure that their products do not contain prohibited substances that are harmful to the environment, to ensure that the products meet the requirements of customers and the EU's RoHS regulations on electronic products, and reduce environmental impact. At the same time, we will strengthen the positive impact of suppliers on society and the environment, and communicate with suppliers regularly every year, and uphold the principle of integrity and reciprocity to deal with them. For the implementation, please refer to the company's 2022 sustainability report.</p>	
5. Does the company refer to international reporting standards or guidelines when preparing its	✓		The company has prepared a sustainability report with reference to internationally accepted reporting standards and disclosed it on the mops and the	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above??			company's website; this report has not yet obtained the confidence or assurance opinion of a third-party verification unit.	
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The company has a "Sustainable Development Best Practice Principles", which focuses on environmental and ecological protection and effective use of resources, protects the rights and interests of employees and provides a good working environment, and cares for the rights and interests of the disadvantaged and consumers. Its operations are consistent with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". There is no significant difference.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: (1). The company continues to assist disadvantaged groups and supports social welfare organizations such as World Vision, World Peace, BoYouth Social Welfare Foundation, and Lingjiu Mountain Charity Foundation. Specific actions include responding to the "Lingjiu Mountain Charitable Foundation" initiative. The "Vulture Sends Blessings ~ Taiwan Wonderful Blessing Project" sends love food boxes to care for the elderly living alone in the local area, and participates in the "Lingjiu Sends AI, Songhan Education Assistance Program" to help students from Zhaomen Junior High School in Hsinchu area go to school with peace of mind; and also takes the initiative to call for help. The company's colleagues work together to raise funds for charity and help disadvantaged groups with love. In 2023, a total of approximately 350,000 yuan was raised in donations. The company also hired a visually impaired person to provide co-worker massage to relieve stress. In 2023, a total of nearly 550 people were served. frequency. (2). For other information on the company's sustainable development operations, please refer to the "Corporate Sustainability Development" section of the company's website.				

Attached 1: Risk Assessment of Issues Related to Company Operations

Major Issues	Risk Assessment Project	Risk Management Policy or Strategy
Environment	Environmental impact and management	The company continues to promote green manufacturing processes, actively introduces various green products to meet environmental protection standards, implements environmental protection policies and promotes them to the entire supply chain, selects high-quality suppliers and strengthens cooperation with supply chain partners through the audit review and elimination system, and work together to protect the environment; continue to promote energy-saving measures, and obtain the "waste disposal plan" approved by the environmental protection authority. According to the content of the application, implement classification and dispose of industrial waste to achieve the goal of reducing the amount from the source and achieving environmental sustainability.
Social	Occupational safety and human resources risks	The company is committed to creating a friendly workplace, allowing employees to enjoy working and learning to grow, providing employees with a safe workplace and a safe employment environment, and conducting health checks for all employees and managers to maintain the physical and mental health of employees. In the design of a single salary, according to the individual's academic experience and the company's performance evaluation results, refer to the salary level of the industry, provide an overall salary that is superior to the industry level, and actively conduct salary surveys and participate in regional salary associations, in order to Ensure that the overall salary of the company's outstanding talents remains competitive in the market.
Corporate Governance	Operational Risk	The company's sustainable development mission to employees, shareholders and social responsibilities is always ready to face various operational risks and crises, implement the corporate sustainable operation plan, start from risk control and hazard identification, and carry out pre-planning for potential risks and hazards. Drilling and planning, when a hazard occurs, in a planned and organized manner, the company's important business functions can be quickly restored to normal in the

Major Issues	Risk Assessment Project	Risk Management Policy or Strategy
		shortest possible time. List potential risks, assess the impact and the degree of impact on operations, and formulate There are "Emergency Response Management Procedures" and "Production Operation Risk Management Procedures" as a response method, which can quickly grasp the situation when a hazard occurs, and take appropriate corresponding measures in time to reduce the impact on customers, manufacturers and other interests caused by business interruption The influence of related parties, and conduct relevant reviews after the event is over, to avoid the recurrence of the same situation, so as to strengthen the company's continuous operation management and achieve the goal of sustainable operation.

3.4.6 Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The company's board of directors has approved the greenhouse gas inventory and verification schedule in line with the "Sustainable Development Roadmap for Listed Companies" on 2021.5.6, and will continue to complete the establishment of full-time (part-time) units in accordance with the reference guidelines and relevant regulations of the competent authority. . Detailed promotion schedule for each project, formulating complete inventory procedures and phased goals for board supervision and control, and reporting the implementation progress to the board of directors on a quarterly basis. Continue to control the greenhouse gas inventory and verification disclosure schedule. Completion status to demonstrate the company's supervision and governance of climate-related risks and opportunities as well as its commitment and practice in sustainable development.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	The company refers to TCFD to identify major climate-related risks and opportunities, and regularly conducts reviews and corrections in accordance with changes in the environment and regulations. The impact on the company's business, strategy and finance (short, medium and long term) is mainly due to the shortage of raw material resources in foundries. Increased production costs, possible interruptions in operations due to difficulties in international transportation, and threats to employee life and safety due to extreme weather may all have an impact on the company and increase losses. Therefore, in response to the issue of climate change, the company will actively extend its green product policy, develop low-power, harmless and green products, take into account carbon reduction, quality and environmental benefits, actively strengthen awareness of energy conservation and recycling, commit to resource conservation and pollution prevention, and then Enhance the company's overall market competitiveness.
3. Describe the financial impact of extreme weather events and transformative actions.	The company is an IC design company without its own factory production and manufacturing. The potential risks faced by climate change are the shortage of raw material resources in foundries and increased production costs, difficulties in international transportation that may cause operational interruptions, and extreme weather that threatens the lives and safety of employees. etc., all of which may have an impact on the company and increase losses; on the other hand, changes in adapting to climate change also bring new opportunities to the company. As the global environment worsens, social awareness of environmental protection becomes more and more high, leading consumers to begin to People are increasingly interested in environmental protection concepts and energy-saving products. In the face of the global trend of green energy product consumption and the regulatory requirements of various countries, the company has spared no efforts in the design of green environmental protection products and the promotion of green supply chain management, focusing on the development of product applications. In the field of consumer electronics, it is developing towards high added value, energy saving, environmental protection and other directions.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The company lists potential risks (including climate risks), evaluates the impact and impact of each risk issue, identifies the issues that have the greatest impact on the company internally and externally, and formulates "emergency management operating procedures" and "production

Item	Implementation status
	<p>operations". "Risk Management Process", reporting to each management level according to the degree of impact.</p> <p>Through the above management measures, we can quickly grasp the situation when the hazard occurs, take appropriate response measures immediately, reduce the impact of business interruption on customers, suppliers and all stakeholders, and conduct relevant reviews after the incident is over to avoid the same situation. It happened again, so as to strengthen the company's continuous operation management and achieve the purpose of sustainable operation.</p>
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	The Company has not yet used scenario analysis to assess resilience to climate change risks.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The Company does not yet have a transformation plan to manage climate-related risks.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The Company has not yet used internal carbon pricing as a planning tool.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	The Company has not yet set climate-related targets.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan	According to the "Sustainable Development Roadmap for Listed Companies" plan, the company is a company with a paid-in capital of less than 5 billion yuan and should apply greenhouse gas inventory and verification in the third stage 2026. The company's consolidated subsidiary (Each subsidiary (including entities reported in consolidated statements) shall be subject to greenhouse gas inventory and verification in the fourth stage 2027.

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

Evaluation item	Implementation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1).In accordance with the “Codes of Ethical Conduct” approved by the board of directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, To ensure the commitment and compliance of the board of directors and senior management.</p> <p>(2) Business activities with a relatively high risk of dishonesty within the business scope of the company include Item 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies " regularly use various meetings to strengthen publicity and education training to avoid violations of integrity management.</p> <p>(3) The integrity management policy formulated by the company clearly and detailly stipulates the specific practices of integrity management and the prevention of dishonest behavior, including operating procedures, behavior guidelines, education and training, etc., and formulates relevant punishment and complaint systems and implements them.</p>	None
<p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p> <p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical</p>	<p>✓</p> <p>✓</p>		<p>(1).The company has formulated the "Codes of Ethical Conduct". need consider the agents, suppliers, customers or others and whether has dishonesty record and avoid dealing with them. When sign a contract with others, the content should include compliance with the integrity management policy and clauses that the counterparty of the transaction can terminate or rescind the contract at any time if it is involved in dishonest behavior.</p> <p>(2).Administrative management department responsible for handling the company's integrity management and other related operations; including setting confidentiality and integrity clauses in the</p>	None

Evaluation item	Implementation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
<p>corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>company contract, conducting employee education and training courses and publicizing legal cases, and the general manager's responsible for supervision and implementation. Report to the Board of Directors quarterly.</p> <p>2023 implementation situation: Formulating contracts about confidentiality agreements and terms- 48 pieces; new employee's education and training - 21 sessions (42 hours); integrity business code case promotion -29 sessions (58 hours).</p> <p>(3).The company has established the "Codes of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles", to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies.</p> <p>(4) The company has established effective accounting and internal control system and operating effectively; internal audit draws up annual audit plan based on the risk assessment results, will consider the principle of integrity to audit. And will submit the results to the audit committee and board of directors.</p> <p>(5) According to the organization's vision and annual goals, including the concept of honest management, formulate and hold training at all levels and various lectures (such as newemployee education and training and online learning course promotion), and send personnel to participate in relevant external training as needed course.</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?</p> <p>(2). Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p> <p>(3) Has the company adopted proper measures to protect whistle-blowers from</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The company has established an "Impeachment policy", set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers.</p> <p>(2) The company's "Impeachment policy" has established investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner</p> <p>(3).The company provides multiple reporting channels, confidentially the</p>	None

Evaluation item	Implementation status (Note)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
retaliation for filing complaints?			identity and content of the whistle-blowers, and promises to protect the whistle-blowers from retaliation for filing complaints.	
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		The company has disclosed the "Codes of Ethical Conduct" and " Procedures for Ethical Management & Guidelines for Conduct " on the Market observation post system and the company website has placed the execution situation on the company website for inspection.	None
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The company formulated the code of integrity management in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies " and relevant laws and regulations, and complied with it. There is no significant difference.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): The company attaches great importance to and adheres to the code of integrity management, and spreads this concept to customers and suppliers to implement the company's concept of integrity management; abide by the company act, securities and exchange act, relevant regulations of listed companies or other relevant laws and regulations of commercial conduct, and follow the regulations disclose company information on the Market observation post system to achieve information openness and transparency.				

3.4.8 If the Company has established "Corporate Governance Guidelines", please disclose how to search for it:

If a company has formulated a code of practice on corporate governance and its related regulations, its inquiry method can be inquired at the Market observation post system and the company website.

3.4.9 Any other information facilitating Corporate Governance implementation status should also be disclosed

For the operation status of the company's corporate governance, you can go to the Market observation post system and the company website.

3.4.10 Matters that should be disclosed regarding the implementation of the internal control system:

3.4.10.1 Statement of Internal Control System: Please refer to page 84.

3.4.10.2 When a CPA is authorized to review the internal control system, the review report prepared by the CPAs shall be disclosed: None

3.4.11 In the most recent year and up to the date of the annual report, where the company and its internal personnel were punished in accordance with the law, or the company has punished its internal personnel for violating the provisions for the internal control system, if the results of penalty could make a significant impact on shareholders' equity or the price of securities, the content of the penalty, major faults and the circumstances of improvement shall be listed here: None.

3.4.12 Major Resolutions of the Annual Shareholders' Meeting, the Board of Directors' Meetings and the Audit Commission's Meetings:

3.4.12.1 Major resolutions of 2023.6.16 Annual Shareholders' Meeting

Major Resolutions	Execution situation
1. To approve the business report and financial statements of 2022	The business report and financial statements have been published on the Market observation post system and the company website for public viewing
2. To approve the distribution of 2022 Profits	Cash of \$2.5 per share, set the ex-dividend record date on 2023.7.25, and complete the distribution on 2023.8.10

3.4.12.2 Major Resolutions of the Board of Directors' Meetings

Date	Major Resolutions
2023.2.24	1.To approve the earnings distribution of directors' and Managers' remuneration of 2022 2.To approve distribution of directors' and employees' remuneration of 2022 3.To approve the business report and financial statements of 2022 4.To approve 「Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies」 5.To approve convening the general shareholders' meeting of 2023 6.To approve the business plan of 2023 7.To approve the statement of Internal control system 2022 8. Issues regarding additional pension payment to Chairman
2023.5.5	1.To approve the consolidated financial statements of the 1st quarter of 2023 2.To approve the auditing and attesting fees of CPA in 2023 3.To approve the distribution of 2022 Profits
2023.6.16	1.To approve the cash ex-dividend date of 2022 2.To appointment of Corporate Governance Officer 3.To approve amendments to 「Standard Operational Protocol for Responding to Requests from Directors」, 「Corporate Governance Practice Principles」 and 「Measures for Financial Business Transactions of Specific Companies and Group Enterprises」
2023.8.8	1.To approve the consolidated financial statements of the 1st half of 2023 2.To approve distribution of directors' remuneration 3.To approve employees' remuneration for managers
2023.11.8	1.To approve the consolidated financial statements of the 3rd quarter of 2023 2.To approve the investment for India subsidiary company
2023.12.4	1.To approve amendments of 「Audit committee Charter」 2.To approve distribution of employees' remuneration for managers 3.To approve to paid the year-end bonus to manager 4.To approve internal audit plan of 2024
2024.2.27	1. To approve the earnings distribution of directors' and Managers' remuneration of 2023 2. To approve distribution of directors' and employees' remuneration of 2023 3. To approve 「Remuneration Measures for Directors and Managers」, 「Rules & Procedures of Board of Director Meetings」 and 「Audit Committee Charter」 4. To approve the business report and financial statements of 2022 5. To approve to elect new Directors 6. To approve the Proposal of release the prohibition on Directors from participation in competitive business 7.To approve convening the general shareholders' meeting of 2024 8.To approve the business plan of 2024 9.To approve the statement of Internal control system 2023
2024.5.7	1.To approve the consolidated financial statements of the 1st quarter of 2024 2.To approve the auditing and attesting fees of CPA in 2024 3.To approve the distribution of 2023 Profits

3.4.13 Major issues of record or written statements made by any Directors dissenting to major resolutions passed by the Board of Directors: None.

3.4.14 Resignation or dismissal of the Company's key individuals, including the Chairman, CEO, and heads of Accounting, Finance, Auditing and R&D: None.

3.5 Information on the professional fees of the attesting CPAs

3.5.1 The amounts of the audit fees and non-audit fees paid to the attesting certified

public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services, and given any of the following conditions, as follows:

Unit: NT\$ thousands

Name of Accounting Firm	Names of CPAs	Period covered by CPA audit	Audit fees	Non-audit fees	Total	Remark
Deloitte Taiwan	Yao Lin Huang	2023.1.1~2023.12.31	3,831	221	4,052	The content of non-audit fees are the transfer pricing report.
	Shih Chieh Chou	2023.4.1~2023.12.31				

3.5.2: When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

3.5.3 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

3.6 Information on replacement of Certified Public Accountant: None.

3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed :None.

3.8 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report disclosed

3.8.1 Changes in Shareholding of Directors, Managerial Officers, and Major Shareholders

Job title	Name	2023		As of April 20,2024	
		Shareholding increase (decrease)	Pledged shareholding increase (decrease)	Shareholding increase (decrease)	Pledged shareholding increase (decrease)
Chairman	James Pao	0	0	0	0
Director	Samuel Chen	0	0	0	0
Director & CTO	Chan Yee Hsiung	(54,000)	0	0	0
Director & CSO	Daniel Pan	0	0	0	0
Director & CEO	Chris Ko	0	0	0	0
Director	Ching Hui Kuo	(8,000)	0	0	0
Independent Director	Kao Chung Tsai	0	0	0	0
Independent Director	Chih Cheng Chou	0	0	0	0
Independent Director	Mao Tien Shen	0	0	0	0
VP	P. H. Tung	0	0	0	0
Head of Accounting & Finance department	Sophia Lin	0	0	0	0

3.8.2 Shares Pledge with Related Parties: None.

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

As of April 20,2024

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Samuel Chen	7,270,261	4.33%	2,843,606	1.69%	0	0%	Fang Hsin Chang Yi Ting Chen Yi Chun Chen	Spouse Father and daughter Father and daughter	-
James Pao	4,549,318	2.71%	549,302	0.33%	0	0%	-	-	-
Chan Yee Hsiung	3,325,219	1.98%	965,337	0.58%	0	0%	-	-	-
Fang Hsin Chang	2,843,606	1.69%	7,270,261	4.33%	0	0%	Samuel Chen Yi Ting Chen Yi Chun Chen	Spouse Mother and daughter Mother and daughter	-
Digital Capital Inc. Taiwan Branch	2,798,000	1.67%	-	-	-	-	Yi Chun Chen	principal	-
Digital Capital Inc. Taiwan Branch representative : Yi Chun Chen	2,280,360	1.36%	0	0%	0	0%	Samuel Chen Fang Hsin Chang Yi Ting Chen	Father and daughter Mother and daughter sisters	-
Digital Mobile Venture Ltd. Taiwan Branch	2,401,000	1.43%	-	-	-	-	-	-	-
Digital Mobile Venture Ltd. Taiwan Branch representative : Yi Ting Chen	1,894,405	1.13%	0	0%	0	0%	Samuel Chen Fang Hsin Chang Yi Chun Chen	Father and daughter mother and daughter sisters	-
Yi Chun Chen	2,280,360	1.36%	0	0%	0	0%	Samuel Chen Fang Hsin Chang Yi Ting Chen Digital Capital Inc. Taiwan Branch	Father and daughter mother and daughter sisters principal	-
Daniel Pan	2,220,515	1.32%	97,347	0.06%	0	0%	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,963,316	1.17%	-	-	-	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1,948,000	1.16%	-	-	-	-	-	-	-

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

As of December 31, 2023

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Jian Mou Investment Corporation	15,500,000	100%	-	-	15,500,000	100%
Paradigm Venture Capital Corporation	-	-	459,960	20.98%	459,960	20.98%
Sonix Technology K.K	8,000	100%	-	-	8,000	100%
Sonix Technology Ltd.	33,010,000	100%	-	-	33,010,000	100%
Sonix Holding	-	-	32,010,000	100%	32,010,000	100%
Sonix Technology (Shenzhen) Co., Ltd	Note	-	Note	100%	Note	100%
Sonix Technology (Chengdu) Co., Ltd.	Note	-	Note	100%	Note	100%

Note : The limited company with no number of shares.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1 Share capital formation process

As of May 8,2024;Unit:/NT\$ thousand

Year/Month	Issued price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital paid in by assets other than cash	Other
1996/07	10	2,200	22,000	2,200	22,000	Founding Capital	None	85 Jian San Ren Zi No. 198989
1998/11	10	7,560	75,600	7,560	75,600	Raise 41,300 thousand for capital Retained earnings of 11,000 thousand transferred to capital Employee stock options was exercised for 1,300 thousand for capital	None	87 Jian San C Zi No. 256681
1999/05	10	30,000	300,000	19,300	193,000	Raise 11,900 thousand for capital Retained earnings of 94,500 thousand transferred to capital ; Employee stock options was exercised for 11,000 thousand for capital	None	Jing (088) Shang Zi No. 088118039
2000/09	10	60,000	600,000	41,000	410,000	Retained earnings of 193,000 thousand transferred to capital Employee stock options was exercised for 24,000 thousand for capital	None	2000/08/29 NO.(2000) Taiwan Financial securities(1)73145
2001/07	10	100,000	1,000,000	67,150	671,500	Retained earnings of 225,500 thousand transferred to capital Employee stock options was exercised for 36,000 thousand for capital	None	2001/07/12 NO.(2001) Taiwan Financial Securities(1)144579
2002/07	10	156,000	1,560,000	94,809.5	948,095	Retained earnings of 235,025 thousand transferred to capital Employee stock options was exercised for 41,570 thousand for capital	None	2002/07/02 NO.(2002) Taiwan Financial Securities(1)0910136011
2003/10	10	156,000	1,560,000	117,380	1,173,800	Retained earnings of 189,619 thousand transferred to capital Employee stock options was exercised for 36,086 thousand for capital	None	2003/08/25 NO.(2003) Taiwan Financial Securities(1)0920138604
2004/11	10	185,000	1,850,000	132,118	1,321,180	Retained earnings of 117,380 thousand transferred to capital Employee stock options was exercised for 30,000 thousand for capital	None	2004/09/30 NO.Financial Management Securities(1)0930144471
2005/08	10	185,000	1,850,000	141,686	1,416,857	Retained earnings of 65,677 thousand transferred to capital Employee stock options was exercised for 30,000 thousand for capital	None	2005/07/12 NO.Financial Management Securities(1)0940128130
2006/09	10	250,000	2,500,000	150,732	1,507,317	Retained earnings of 70,460 thousand transferred to capital ; Employee stock options was exercised for 20,000 thousand for capital	None	2006/07/14 NO.Financial Management Securities(1)0950130704
2007/08	10	250,000	2,500,000	157,254	1,572,536	Retained earnings of 45,219 thousand transferred to capital Employee stock options was exercised for 20,000 thousand for capital	None	2007/07/11 NO.Financial Management Securities(1)0960035577
2008/01	10	250,000	2,500,000	157,809	1,578,087	Employee Stock Option 5,551	None	2008/01/21 NO. Licensed 09701009560
2008/04	10	250,000	2,500,000	158,823	1,588,234	Employee Stock Option 10,147	None	2008/04/22 NO. Licensed 09701101020
2008/07	10	250,000	2,500,000	166,088	1,660,881	Retained earnings of 47,647 thousand transferred to capital Employee stock options was exercised for 25,000 thousand for capital	None	2008/07/11 NO.Financial Management Securities(1)097003487
2008/07	10	250,000	2,500,000	166,582	1,665,815	Employee Stock Option 4,934	None	2008/07/21 NO. Licensed 09701171570
2008/10	10	250,000	2,500,000	166,891	1,668,907	Employee Stock Option 3,092	None	2008/10/17 NO. Licensed 09701263130
2009/01	10	250,000	2,500,000	167,073	1,670,726	Employee Stock Option 1,819	None	2009/01/16 NO. Licensed 09801009210
2009/04	10	250,000	2,500,000	167,175	1,671,749	Employee Stock Option 1,023	None	2009/04/16 NO. Licensed 09801073720
2009/07	10	250,000	2,500,000	167,507	1,675,073	Employee Stock Option 3,324	None	2009/07/16 NO. Licensed 09801156740
2009/10	10	250,000	2,500,000	167,729	1,677,289	Employee Stock Option 2,216	None	2009/10/15 NO. Licensed 09801238330
2010/01	10	250,000	2,500,000	167,877	1,678,770	Employee Stock Option 1,481	None	2010/01/18 NO. Licensed 09901008410

4.1.1.2 Share Type

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	167,877,062	82,122,938	250,000,000	Listed stock

4.1.1.3 Information Relating to the Shelf Registration System:Not applicable.

4.1.2 Shareholder structure

As of April 20,2024

Quantity \ Shareholder composition	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	4	0	223	51,570	162	51,959
No. of shares held	476,620	0	4,631,665	138,702,819	24,065,958	167,877,062
Shareholding ratio	0.28%	0.00%	2.76%	82.62%	14.34%	100.00%

4.1.3 Distribution of Shareholding

As of April 20,2024

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1~ 999	25,399	826,318	0.49%
1,000~ 5,000	22,568	43,358,483	25.84%
5,001~ 10,000	2,359	18,447,215	10.99%
10,001~ 15,000	601	7,673,010	4.57%
15,001~ 20,000	336	6,222,095	3.71%
20,001~ 30,000	276	7,034,046	4.19%
30,001~ 40,000	105	3,696,034	2.20%
40,001~ 50,000	81	3,760,448	2.24%
50,001~ 100,000	119	8,584,908	5.11%
100,001~ 200,000	53	7,208,304	4.29%
200,001~ 400,000	22	6,559,780	3.91%
400,001~ 600,000	14	6,891,146	4.10%
600,001~ 800,000	6	4,038,298	2.41%
800,001~1,000,000	4	3,658,337	2.18%
1,000,001 or over	16	39,918,640	23.77%
Total	51,959	167,877,062	100.00%

Preferred shares: None

4.1.4 List of Major Shareholders

As of April 20, 2024

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%)
Samuel Chen		7,270,261	4.33%
James Pao		4,549,318	2.71%
Chan Yee Hsiung		3,325,219	1.98%
Fang Hsin Chang		2,843,606	1.69%
Digital Capital Inc. Taiwan Branch		2,798,000	1.67%
Digital Mobile Venture Ltd. Taiwan Branch		2,401,000	1.43%
Yi Chun Chen		2,280,360	1.36%
Daniel Pan		2,220,515	1.32%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		1,963,316	1.17%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds		1,948,000	1.16%

4.1.5 Related information of market price, net worth, earnings and dividends per share for the past 2 fiscal years

Unit: NT\$

Item			Fiscal year	2022	2023	Up to April 30 2024
Market price per share (Note 1)	Highest			96.40	59.10	57.70
	Lowest			44.00	42.05	48.00
	Average			73.19	52.70	52.88
Net worth per share (Note 2)	Before distribution			21.45	21.22	(Note 9)
	After distribution			18.95	(Note 8)	(Note 9)
Earnings per share	Weighted average shares (thousand shares)			167,877	167,877	(Note 9)
	Earnings per share (Note 3)			3.45	1.11	(Note 9)
Dividends per share	Cash dividends			2.5	(Note 8)	(Note 9)
	Stock dividends	Dividends from retained earnings		0	0	(Note 9)
		Dividends from capital reserve		0	0	(Note 9)
	Accumulated undistributed dividends (Note 4)			0	0	(Note 9)
Return on investment analysis	Price/earnings ratio (Note5)			19.34	45.59	(Note 9)
	Price/dividend ratio (Note6)			26.69	(Note 8)	(Note 9)
	Cash dividend yield (Note 7)			3.75%	(Note 8)	(Note 9)

- Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.
- Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.
- Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.
- Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.
- Note 5: Price/earnings ratio = average closing price per share for the year / earnings per share.
- Note 6: Price / dividend ratio = average closing price per share for the year / cash dividends per share
- Note 7: Cash dividend yield = cash dividend per share / average closing price per share for the year.
- Note 8: Pending on approval of shareholders at 2024 Annual Shareholders' Meeting.
- Note 9: The current year has not yet ended, so there is no relevant information.

4.1.6 Dividend Policy and Implementation Status

4.1.6.1 Dividend Policy

If there are any net profits after tax (including the amount of adjustment of unappropriated earnings) for the current period as indicated in the Company's annual final accounts, the Company shall first make up for the accumulated losses and set aside 10% as legal reserve in accordance with the laws; however, this shall not apply if the accumulated legal reserve has reached the Company's paid-in capital. Then, special reserve is provided or reversed in accordance with the law or the regulations of the competent authority. The Board of Directors shall prepare a proposal for the distribution of the annual earnings, including the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company distributes share dividends and cash dividends after taking into account its future business needs and long-term financial plan and provided that the ratio for share dividend shall not exceed 50% of the total distribution. The distribution of profits may also be made by way of share or cash dividends. The appropriation for cash dividend should not be less than 10% of the annual dividends distributed.

The company's dividend distribution ratio has been higher than 70% in the past five years. In the future, based on the company's operating conditions, capital needs and changes in the internal and external environment, and taking into account the company's operations and shareholders' interests, the company will aim to distribute dividends stably every year. Return earnings to shareholders.

4.1.6.2 Proposed Distribution of Dividend

The cash dividends paid to shareholders from the Company's 2023 earnings amounted to NT\$201,452,474 with NT \$1.2 per share paid to shareholders listed in the shareholder roster as of the ex-dividend date in accordance with their shareholdings.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

4.1.8 Employee and Directors' Remuneration

4.1.8.1 The percentages or ranges with respect to employee and director profit-sharing compensation, as set forth in the company's articles of incorporation
When the Company has an amount of profit (the term "an amount of profit" means pre-tax benefits deducted the benefits before employees' and directors'

remuneration), shall allocate not less than 10% as employees' remuneration, not more than 5% as directors' remuneration. However, the company's accumulated losses (including adjusted unappropriated earnings) shall have been covered.

The aforementioned employee remuneration may be in the form of stock or cash and may be paid to employees of the controlling company or subordinate companies who meet the conditions set by the Board of Directors. The aforementioned director remuneration can only be in the form of cash.

The previous two shall be resolved by the Board of Directors and reported to the shareholders' meeting.

- 4.1.8.2 The basis for estimating the amount of employee and director profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

If the Company makes a profit in a year, which is defined as profit before tax before the distribution of employee remuneration and director and supervisor remuneration, no less than 10% of the profit shall be allocated as employee remuneration and no more than 5% to director and supervisor remuneration. If there is a major change in the distribution amount resolved by the board of directors before the release date of the annual individual financial report, the change will adjust the original annual expenses. Annual adjustments are posted.

- 4.1.8.3 Information on any approval by the board of directors of distribution of profit-sharing compensation:

The proposed distribution of Directors', Employees' remuneration of NT\$3,900 thousand and NT\$37,360 thousand, respectively, from the Company's 2023 earnings, all in cash, was approved by the Board of Directors on February 27, 2024.

- 4.1.8.4 The actual distribution of employee and director profit-sharing compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director profit-sharing compensation, additionally the discrepancy, cause, and how it is treated: The Board of Directors of the Company passed the resolution to total NT\$118,420 thousand for employees' remunerations in 2023, as well as NT\$10,000 thousand for directors' remunerations in 2023, and all paid in cash. These actual payments match the original resolution and the figures decided upon by the Board of Directors.

4.1.9 Status of a company repurchasing its own shares: None.

4.2 Status of Corporate Bonds: None.

4.3 Status of Preferred Shares: None.

4.4 Status of Global Depositary Receipts: None.

4.5 Status of Employee Stock Option Plan (ESOP): None.

4.6 Status of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 Main business content

- (1) Research and development, design, manufacturing, sales, distribution, and import/export trade of semiconductors.
- (2) Computer program design and development.
- (3) Sales, distribution, and import/export trade of electronic, chemical, and mechanical equipment and chemical raw materials.
- (4) I599990 other design businesses (integrated circuit design, testing).
- (5) ZZ99999 In addition to licensed businesses, it may engage in non-prohibited or restricted businesses under the law.

5.1.1.2 Business Proportions (2023)

Main Product Items	% of Revenue
Consumer IC	52%
Multimedia IC	48%
Total	100%

5.1.1.3 The company's current main product(service) items

Currently, the company's main products can be roughly divided by their primary use into consumer ICs, microcontroller ICs, multimedia ICs, and optical recognition chipsets (Optical ID).

5.1.1.4 New products (services) planned to be developed

- (1) 32-bit high-performance voice SoC platform
- (2) 32-bit wireless image control platform
- (3) High-precision microcontroller medical application platform
- (4) Support HPD AI web camera solution
- (5) USB type-C interface Power Delivery control chip
- (7) Motor control chip
- (8) Industrial control chip

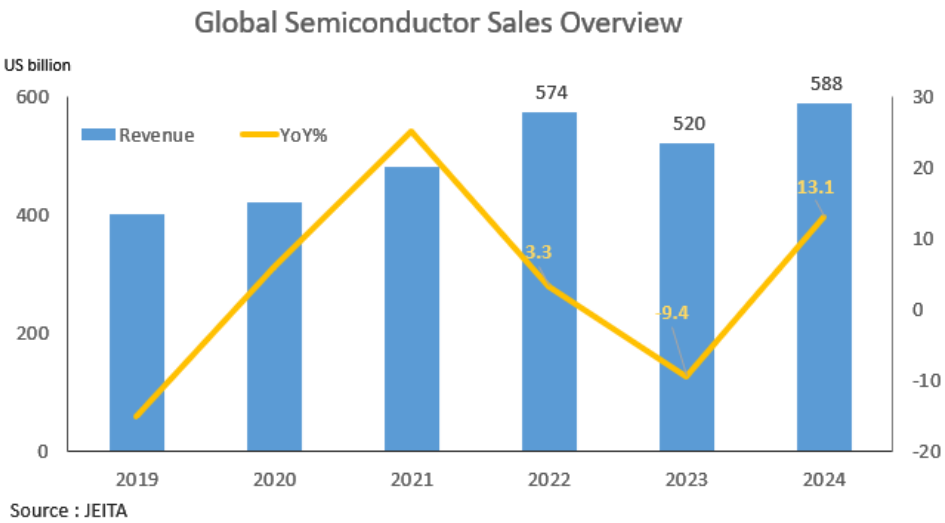
5.1.2 Industry Overview

5.1.2.1 Industry Development and Current Status

The development of our country's semiconductor industry can be traced back to the 1960s, beginning with semiconductor packaging and testing sector. In the 1970s, the business of professional wafer foundry emerged, laying the foundation for the gradual development of the industry from downstream to upstream, and gradually forming a vertically integrated and specialization industrial structure. Benefiting from the complete semiconductor industry chain in our country and government policy promotion, the IC design industry began to stand out, and today, the output value of Taiwan's IC design industry is ranked second only to the United States.

Although the COVID-19 pandemic has gradually eased and countries around the world are gradually lifting restrictions, the downturn in the economy and inflation have caused weak demand, leading to a global semiconductor market reversal. According to data from the World Semiconductor Trade Statistics (WSTS), the global semiconductor market revenue in 2023 was US\$520.1 billion. Affected by weakening memory demand, output value fell by 9.4%. Although the global semiconductor market was decline in 2023, Chat GPT has driven generative AI to be widely used, as well as personal computers (PCs) and

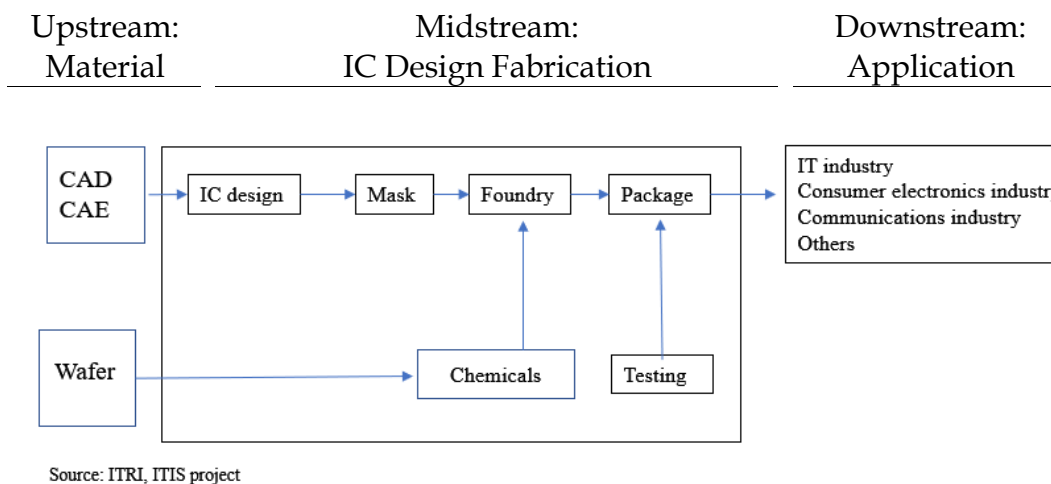
smartphones. Sales of these products continue to improve, and the chip industry is starting to show signs of recovery.



The data from the Taiwan Semiconductor Industry Association (TSIA) indicated that the output value of Taiwan's IC industry in 2023 was approximately NT\$4.34 trillion, an annual decrease of 10.2%, a decline higher than the 8.2% of the global semiconductor market. The IC manufacturing industry was NT\$2.66 trillion a year-on-year decrease of 8.8%, of which wafer foundry was NT\$2.49 trillion, a year-on-year decrease of 7.2%. According to Digitimes Research's observation, the second half of 2023 will mostly be short-term urgent demand, and end consumers have a conservative attitude towards market demand. Therefore, the revenue pressure of IC design companies has not diminished.

Looking forward to 2024, as inventories gradually return to normal and AI drives various new applications, shipments of smartphones and NB/PCs are expected to resume growth, driving the output value of Taiwan's IC design industry to NT\$1.26 trillion, an annual increase of 14.6%. Although global economic concerns remain unresolved, geopolitics prevails, and war risks continue to turmoil, the technology industry continues to innovate under the general direction of AI promoting digital transformation and sustainable development of carbon reduction and green energy. Taiwan's semiconductor industry is highly clustered and has the advantages of a complete supply chain. Upstream and downstream focus on the development of new products and applications, which can catalyze new demands in the future. In the medium and long term, semiconductors will be used in AI servers, high-speed computing, cloud manufacturing, electric vehicles, The prospects for data centers, network communications and other fields are still promising, which will also drive the continued growth of the IC design industry.

5.1.2.2 The interconnectivity among the upstream, midstream, and downstream industries



5.1.2.3 Product Development Trends

Consumer ICs have a wide range of applications such as home appliances, education, entertainment, and health care equipment. The products have a wide range of uses and are complex. At the company's inception, its main product was voice control ICs, but in recent years, it has continued to develop and expand its product offerings. In addition to successfully developing related products for microcontrollers, the company has expanded into the field of multimedia imaging, making its product applications more diverse.

The core of the company's consumer ICs is microcontrollers with voice functions, i.e. voice control ICs, which have long been used in toys, clocks and gifts, and educational products. Taiwan is a major global supplier of voice control ICs. Recently, artificial intelligence and the Internet of Things have driven the combination of voice control ICs with household appliances, medical equipment, gaming peripherals, and various devices, making the application of ICs even more widespread.

Microcontrollers are widely used in various small home appliances, electronic devices, personal and family medical care products, wireless transmission handheld communication devices, wearable devices, and computers and multimedia peripherals. The core technology of the company's microcontrollers has been developed for more than ten years and has excellent performance in reliability and anti-interference ability. Medical measurement microcontrollers have built-in high-precision digital signal converters up to 24 bits and provide customers with complete development toolkits and real-time technical support. The product performance is superior and has become the best partner for small home appliance, computer peripheral equipment, and personal medical device manufacturers. In response to demand, the company has gradually moved from consumer electronics to industrial control and automotive fields, entering a broader new market.

In terms of multimedia imaging, the main products include image processing chips and wireless audio and video solutions, which are used in laptop webcams, USB transfer cameras, drones, wireless monitoring cameras, and car monitoring cameras. In various applications and ecosystems in the AI era, network cameras play a key role and future growth is expected in this area. The optical identification chip set (Optical ID) in the multimedia product line is the company's self-developed core technology, with multiple patents granted in different countries. In addition to the educational product market, it also supports handwriting functions and can be combined with different media and

wireless transmission components such as Bluetooth and WiFi to become a new type of input device, and can be used with various accessories as a STEM education platform.

5.1.2.4 Product Competition Situation

With favorable conditions such as policy promotion and a complete semiconductor peripheral support system, the IC design industry in our country is flourishing. IC products are widely used in various fields such as industry, automotive, and 3C products. Therefore, each IC design company has its own specialized areas. As for our company's product applications, the main competitors in the microcontroller market are Taiwanese IC design companies. With the popularity of the Internet of Things and foreign companies exiting the consumer market, the application of microcontrollers continues to expand, which presents unlimited business opportunities for our company. Our company and Taiwanese manufacturers are leading the high-end market in voice control ICs. Multimedia imaging products are mainly competing with Taiwanese manufacturers in laptop applications. Wireless multimedia chips and

5.1.3 Technology and R&D Overview

5.1.3.1 Levels of Research and Development Technology

The company currently has a research and development center that actively engages in the research, development, and design of new products. In order to sustain the company's growth and continuously innovate its technological capabilities, we will not only continue to enhance our research and development capabilities in the consumer electronics field but also establish key core technologies for multimedia and information-related product markets. Our business technology levels are as follows:

- (1) Development of High-Speed Digital Signal Processor: Establish a high-speed computing digital signal processor to develop a series of related products that require high-speed computing capability.
- (2) Image Technology: Develop core image technology and apply it to PC peripherals, security monitoring, consumer electronics, home entertainment, information household appliances display and graphics chips, such as image compression, image transmission, image storage, and digital image processing, and other series of products.

Our company aims to become a comprehensive integrated circuit provider for digital audio and video, information household appliances, and computer peripherals through our product process capability and core technology research and development capability.

5.1.3.2 The research and development expenses

Unit: NT\$ thousand

Items	Year	2022	2023	As of March, 31 2024(Note)
R&D Expense		745,660	694,628	180,487
Net Operating Sales		3,354,067	2,609,937	612,028
Proportion of R&D Expenses to Operating Income		22%	27%	30%

Note : Financial figures are reviewed by CPA

5.1.3.3 Technologies and products successfully developed in the last two years

R&D Outcomes
<p>2023</p> <ul style="list-style-type: none"> • Launched the market's first true wireless full-duplex 8KHz gaming-specific series solution, which adopts a dual-core architecture to handle RF control and peripheral sensors separately, truly realizing the transmission and reception of complete mouse packets within an 8KHz cycle time. Achieve full-duplex performance. • Developed DDR5 module LED professional control MCU, tailor-made for I3C transmission specifications, with built-in ARGB function to help customers reduce design requirements. • Launched Sonix's first HDR ISP, supporting FHD HDR TNR @30fps/FHD TNR @60fps, and supporting RGB, RGB+IR new generation Win Hello models. • For wireless audio and video applications, a long-distance/low power consumption/high bandwidth (4 Mbps) 2.4G FHSS wireless transceiver is developed, enabling outdoor wireless transmission distances up to 800 meters.
<p>2022</p> <ul style="list-style-type: none"> • Developed a new generation of dual-core 32-bit platform chips with built-in high-speed communication interfaces including USB 2.0 HS, SPI, UART, I2C, multiple sets of I2S audio interfaces, high-speed storage media interface SD/SDIO, and a 12-bit SAR ADC. • Integrating the 32-bit platform and the high-precision AUD01 Audio Codec, the development of a gaming headset solution is completed. It includes a built-in equalizer (EQ) algorithm that optimizes the headset's sound quality. • Developed a BLDC (brushless DC) motor control solution, equipped with built-in BLDC motor algorithms and intuitive development interface, can facilitate quick product development and shorten debugging time for customers. This solution is applicable to various products, such as fans, ceiling fans, hair dryers, power tools, and electric bikes, and has been adopted by multiple customers. • The entire series of M0/8051 MCU products have passed the UL-60730 certification. The UL 60730 series standard is a general safety specification for products designed for household, commercial, and industrial controllers. It can meet the certification requirements of the industry and significantly improve product quality and reliability. • Introduced the new generation WinHello device, which supports RGB TNR, RGB-IR, and RGB+IR and can deliver 5M@30fps/FHD@60fps. It can be applied to laptop cameras, network cameras with external WinHello face recognition, and AI image recognition related products. • With regards to campus classroom digitization, a successful solution has been integrated using BLE chips and OID digital pens, allowing 60 wireless OID digital pens to operate simultaneously in one classroom.

5.1.4 Long and Short-Term Business Development Plans

5.1.4.1 Short-term plans

- (1) Operational contingency measures: Establish a platform to allow personnel to be diverted or work remotely from home when necessary to ensure that operations are not affected by the epidemic or other problems.
- (2) Information security risks and response: In the post-epidemic era, working from home and remote video conferencing have become trends, and the demand for information security protection has also increased. Develop information security policies and continuously introduce information security management plans to reduce risks and threats.
- (3) Marketing strategy: In line with the launch of new products and based on the market characteristics of different regions, formulate marketing strategies to meet customer needs and expand business operations.
 - A. Taiwan, Hong Kong, and Mainland China: Increase professional agents and solution developers, and assist in enhancing their software engineering capabilities to facilitate product promotion and sales. Provide customers with real-time services through remote meetings and video conferencing in response to the epidemic.
 - B. North America: Actively develop solution designers and makers, understand customer needs, and provide user-friendly interface development tools to

expand downstream customer application areas ; Expand the marketing service network and provide direct technical support to key customers, coupled with application services from agents, to increase the company's market share.

- C. Asian regional market: Establish local marketing distributors in Japan and set up Japanese subsidiaries. Sales and FAE personnel who are familiar with the market will directly understand customer needs and provide real-time services to penetrate into the local market. Actively expand the Korean market, increase agents and solution providers to promote products, and will set up a base in India to explore emerging regional markets.

(4) Production Strategy

- A. Maintain stable cooperative relationships with existing wafer foundry manufacturers and seek domestic and foreign wafer foundries to meet the demand for increased production capacity and reduce the risk of material shortages. Implement a quality management system to further enhance the quality image of the company's products and increase the company's competitiveness.
- B. Continuously upgrade the process to increase the output of each wafer unit area to cope with the problem of insufficient production capacity.

(5) Product Development

- A. Master the timeliness of product launches In response to the expansion of business scale, establish a project management system, integrate communication and coordination between departments, and facilitate the mastery of the timeliness of product launches.
- B. Strengthen research and development work and expand the product line Actively expand end-use products, develop technology towards high-end products, and enter application areas such as the Internet of Things, wearable devices, automotive electronics, and smart handheld peripheral devices.

- (6) Human Resources: Human resources are an important asset in the IC design industry. In order to maintain the company's high growth and market competitiveness, actively enhance the company's reputation and strive to provide a good working environment and compensation to attract excellent research and development and management talents.

5.1.4.2 Long-term Plan

(1) Marketing Strategy

- A. In addition to marketing in the existing markets of Taiwan, Hong Kong, the United States, and Japan, actively explore marketing opportunities in other regions globally to diversify product marketing areas.
- B. Establish overseas branches or joint ventures to effectively manage agents or direct customers in various regions and provide the fastest service.
- C. Strengthen the international marketing capabilities of business personnel to provide customers with more comprehensive services.
- D. Promote products through remote conferences and video introductions.

(2) Product Development

- A. With the improvement of production processes, develop towards highly integrated chip development.
- B. Seek cooperation with domestic and foreign academic research institutions or IC design peers to obtain key technologies and improve product levels and accelerate product development.
- C. In the future, high-growth industries will focus on automotive and industrial

control semiconductors, and the company's product development will also gradually move towards this direction.

- (3) Production Strategy: Establish long-term partnerships with main wafer foundries and back-end chip testing and cutting manufacturers to achieve the goal of coexistence and mutual prosperity.

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Sales region of the main products

Unit: NT\$ thousands

Region \ Year	2023	
	Sales Amount (NTD)	Sales Proportion %
Taiwan	761,505	29%
China	1,817,249	70%
Others	31,183	1%
Total	2,609,937	100%

5.2.1.2 Market share

The company's products mainly consist of consumer ICs, multimedia ICs, and microcontrollers. The company's revenue in 2023 was NT\$2,610 million, ranking roughly 37th in the IC design industry. Due to the widespread use of consumer voice ICs and multimedia ICs, there is a lack of market share statistics. However, regarding microcontrollers (MCUs), according to the global MCU revenue and application survey conducted by Gartner, the market share of MCUs is highly concentrated among large international companies. Our company's market share is only in single digits, indicating potential for continuous growth in the future.

5.2.1.3 Future supply and demand situation and growth of the market

(1) Future supply and demand situation :

The semiconductor market has always been characterized by business cycles, as it often takes 2 to 4 years from new investments in semiconductor factories to mass production, since 2020, the tight supply of wafer production capacity has caused a global chip shortage, severely affecting various industries, from automobiles to consumer electronics, all of which have been affected. This situation has continued into 2021. In response to strong market demand, semiconductor manufacturers, including upstream wafer foundries and packaging testing, have actively invested in expanding production. After experiencing full production capacity and supply shortage, by 2022, wafer supply gradually became sufficient, and the utilization rate of production capacity of various wafer factories began to decline.

However, after the Covid-19 epidemic is over, the economy is sluggish and demand has also turned weak. In 2023, it was still in a period of inventory adjustment. Trend Force analyzes that inventory adjustments are expected to end in the first half of 2024. The demand for AI and high-speed computing promotes the introduction of advanced processes, coupled with inventory replenishment, wafer foundry should have opportunities to grow. Geopolitics affects the development of foundry production capacity. Under the restrictions of the US ban, high-end processes will become increasingly concentrated in Taiwan, the United States, Japan, Europe and other places, while China is

actively developing mature processes.

However, in the short term, due to economic factors, the demand for terminal electronic products has slowed down. But in the medium and long term, the evolution of new technologies will continue to provide strong support for the growth of the semiconductor industry.

(2) Possibilities of growth :

The global economy and technology industry are constantly changing under the impact of the pandemic. The popularization of 5G and WiFi6 technology has driven the demand for communication equipment, and the improvement of product specifications has increased the demand for advanced processes.

Giant companies such as Google, Apple, Facebook, and Amazon have successively launched self-made AI chips, increasing their reliance on wafer foundries.

The introduction of AI has also become another important trend in IC design. The application of AI chips has extended from cloud computing to edge computing, and is widely used in AI cameras, AI visual sensors, assisted driving systems, automotive imaging, home security monitoring, and many other fields. The pandemic of Covid-19 has led to a closer integration of healthcare technology and science, and patients and healthcare workers increasingly rely on remote care. Medical research combined with high-performance computing and artificial intelligence (AI) has gradually become mainstream, and remote treatment is becoming more accurate through the use of medical devices such as blood pressure monitors and blood glucose meters, and medical device manufacturers are gradually adding network connectivity technologies such as Wi-Fi and Bluetooth to their devices, combined with cloud technology and big data to provide more accurate diagnosis.

The upgrade of IoT technology to the experience of smart homes enhances entertainment choices, improves home security, and provides more convenience. Smart speakers for entertainment, wireless security systems, smart locks and doorbell cameras for home security, voice assistants, smart lighting and other devices provide more convenience for home life.

Overall, in the post-pandemic era, the development of smart healthcare, smart factories, smart cities, and smart car electronics is accelerating, providing a broad market opportunity for MediaTek, which is focused on imaging and video, healthcare, and consumer electronics.

5.2.1.4 Competitive Advantages

- (1) Excellent R&D and innovation.
- (2) Maintain good relationships with the wafer fabs.
- (3) Provide customers with excellent product services and maintain stable and mutually beneficial cooperation.

5.2.1.5 Factors affecting the development vision, advantages, disadvantages and coping strategies

(1) Advantages:

- A. Rapid evolution of electronic product technology, with new applications and business opportunities constantly emerging.
- B. The complete domestic semiconductor foundry system provides the company with excellent logistics support.
- C. Maintaining long-term stable cooperative relationships with customers.
- D. Stable R&D management team and excellent product development and cost control capabilities.

E. The gradual manifestation of long-term brand effects, with solution providers and third-party technical support forming a powerful driving force for product expansion.

(2) Disadvantages:

- A. Short life cycle of IC products, high homogeneity of product specifications, and numerous competitors.
- B. Limited talent pool for IC design in Taiwan, still requiring improvement in system integration capabilities. In addition, the rapid advancement of semiconductor manufacturing technology, the rise of China's IC industry, and the absorption of experienced talent has made talent retention difficult. The threshold for the IC design industry has also risen, leading to a rising cost trend.
- C. The wafer foundry supply chain has the characteristics of a business cycle. Expanding factories takes time, and dramatic fluctuations in production capacity and prices affect the company's growth and profits.
- D. With the rise of geopolitics, the semiconductor industry policies of various countries have shifted from global division of labor to national protectionism. The United States, the European Union, India, Japan, and mainland China have all actively established independent semiconductor production capacity as a national policy, causing supply chain sectors and market shifts, requiring adjustments to operational directions and deployment arrangements.

(3) Coping strategies for disadvantages:

- A. Actively integrate the development of Silicon IP, develop diverse and high-value niche products to enrich the company's product line, provide customers with complete solutions, strengthen market competitiveness, and enhance profit margins.
- B. Strengthen cooperation with universities to cultivate and attract more outstanding talents to join the R&D team.
- C. Cooperate with domestic and foreign IP design companies to promote system integration, while also grasping the demands of the mainland domestic market and collaborating with local brands to grasp the first-hand product specifications, so as to maintain the advantage of technology leadership.
- D. Continuously develop diverse wafer foundry partners and upgrade to more advanced processes to diversify risks and reduce costs.

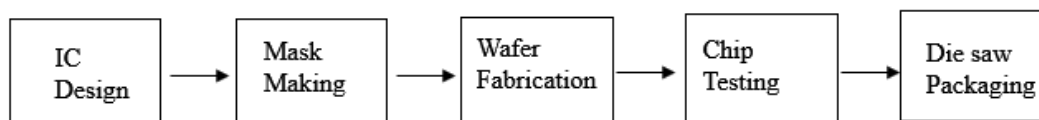
5.2.2 The important uses and production processes of the main products

5.2.2.1 The important application of the product

Product items	Major Applications
Consumer IC	Including high-speed voice/melody ICs, high-point LCD voice/melody ICs, green and environmentally friendly music ICs, 4/16/24 multi-channel voice/music ICs, as well as high-compression and high-quality DSP/32-bit SoC platforms, which are widely used in interactive toys, educational toys, handheld game consoles, e-books, toy robots, unmanned aerial vehicles, home appliances, gaming headsets, and various products that require voice, sound, and melody.
Microcontroller	The 8-bit microcontroller IC has excellent anti-power supply noise interference ability and has been widely used in various products such as air conditioning control boards, induction cookers, and microwaves. In addition, the microcontroller IC has a built-in high-resolution analog-to-digital converter, which can effectively capture weak signals from various sensors and is widely used in medical and health care products such as blood pressure monitors, ear thermometers, and electronic scales. The series of products that integrate USB transmission interface and built-in

Product items	Major Applications
	flash memory support online update function, making it easy for the development and program modification of end products, and are applied to computer and gaming peripheral devices such as mice, keyboards, and headsets. In response to energy-saving needs, BLDC brushless DC motor IC has the characteristics of low power consumption and high efficiency, and is gradually used in the fields of home appliances, machine tools and automobiles.
Multimedia IC	The applications of multimedia image processor IC include web cameras for Notebook and USB camera chips. It further enhances integration with new generations of various embedded operating systems and continuously strengthens image and color processing technologies. In addition, it integrates high-quality compression engines, expands integration with other image recognition, transmission, and processing technologies, allowing image control chips to be used in various fields such as communication, video surveillance, and human-machine interfaces. Furthermore, a series of wireless audio and video solutions have also been developed for various external devices. These solutions can perform synchronized data transmission for multiple devices, with stable signals that will not interfere with each other. They are suitable for products such as home security monitoring platforms, wireless headphones, microphones, wireless video doorbells, wireless audio and video remote-controlled cars, and unmanned aerial vehicles.
Optical ID	Optical ID is an innovative solution that combines optical, image processing, and printing technologies. It can embed digital data onto the surface of ordinary printed materials, and the information can be read by an OID chip. This technology has obtained multiple patents in various countries and is widely used in educational toys, electronic audio books, electronic whiteboards, anti-counterfeiting, gaming machines, IPTV, online teaching, and STEM education.

5.2.2.2 The production process of the product



The manufacturing process mentioned above, the company is mainly responsible for circuit design, while the other vendors in the supply chain collaborate to complete the production.

5.2.3 Supply of Main Materials

The main material of the company is wafer, which is currently supplied by well-known domestic and foreign manufacturers such as TSMC, UMC, and Korean manufacturers. Although short-term foundry production capacity is tight, we have established a close and cooperative long-term relationship with our suppliers, and have actively coordinated with them to strive for production capacity to meet customer demand.

5.2.4 Customer names and corresponding sales/purchase amounts and percentages that account for 10% or more of the total sales/purchase amount in any of the past two years

5.2.4.1 Information on Major Suppliers for the Most Recent 2 Years

Unit : NT\$ thousand

	2022				2023				Up to of the 1 st Quarter of 2024			
Item.	Name	Amount	Percentage	Relationship	Name	Amount	Percentage	Relationship	Name	Amount	Percentage	Relationship
1	F	251,332	24.26%	None	F	197,619	31.72%	None	F	86,131	37.42%	None
2	J	173,193	16.72%	None	J	102,137	16.40%	None	I	49,156	21.36%	None
3	I	159,819	15.43%	None	K	63,127	10.13%	None	G	25,882	11.25%	None
4	Others	451,526	43.59%	-	Others	260,088	41.75%	-	Others	68,988	29.97%	-
	Net Purchase	1,035,870	100.00%	-	Net Purchase	622,971	100.00%	-	Net Purchase	230,157	100.00%	-

Suppliers with a fluctuation of over 20% are mainly due to changes in their sales portfolio and significant shifts in procurement targets.

5.2.4.2 Information on Major Customers for the Most Recent 2 Fiscal Years

Unit : NT\$ thousand

	2022				2023				Up to of the 1 st Quarter of 2024			
Item.	Name	Amount	Percentage	Relationship	Name	Amount	Percentage	Relationship	Name	Amount	Percentage	Relationship
1	D	701,345	20.91%	None	D	556,417	21.32%	None	D	88,235	14.42%	None
2	Others	2,652,722	79.09%	-	Others	2,053,520	78.68%	-	Others	523,793	85.58%	-
	Net Sales	3,354,067	100.00%	-	Net Sales	2,609,937	100.00%	-	Net Sales	612,028	100.00%	-

Customers with a fluctuation of over 20% are mainly due to changes in their sales portfolio and significant shifts in procurement targets.

5.2.5 Production Volume and Value in the Most Recent 2 Fiscal Years

Unit: Thousand pieces; NT\$ thousand

Year	2022		2023	
Major products \ Output	Production volume	Production value	Production volume	Production value
Consumer IC	328,263	1,273,966	266,652	1,205,868
Multimedia IC	62,069	858,534	54,474	914,541
Total	390,332	2,132,500	321,126	2,120,409

The main raw material for the company's products is wafers, which are manufactured by a well-known semiconductor factory on commission, and then outsourced for testing, cutting, packaging, and shipping, with no production capacity limitations.

5.2.6 Sales Volume Table for the Past Two Years

Unit: Thousand pieces; NT\$ thousand

Year	2022				2023			
Major products \ Sales	Local		Export		Local		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Consumer IC	36,166	328,514	319,945	1,532,884	31,701	239,894	237,941	1,107,963
Multimedia IC	38,523	710,757	19,031	781,645	24,322	521,611	19,838	740,116
Others	-	-	-	267	-	-	-	353
Total	74,689	1,039,271	338,976	2,314,796	56,023	761,505	257,779	1,848,432

5.3 Employee Information

Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date.

Year	2022	2023	Up to May 8, 2024
Number of Employees	R&D	343	364
	Sales	27	27
	Administration	76	77
	Total	446	468
Average Age		39.0	39.4
Average Years of Service		9.8	10.0
Education distribution percentage	Ph.D. & Masters	46%	47%
	Bachelor's Degree	51%	45%
	Below Senior High School	3%	8%

5.4 Environmental Protection Expenditure Information

Losses incurred in the past year and up to the date of printing due to environmental pollution and disclose the estimated amounts and countermeasures that may occur currently and in the future: None.

5.5 Labor Relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

5.5.1.1 Employee Benefits

The company attaches great importance to employee welfare and spares no effort to protect employees' rights and interests. Based on this concept, the company and the employee welfare committee provide employee remuneration, wedding and funeral subsidies, three-month electronic welfare points, birthday gifts, group insurance, annual health examinations, and psychological consultation. Consultation with a masseur, massage by a masseur, domestic and foreign travel subsidies, birthday parties, department dinner subsidies, Sonix Family Day, year-end teething, recognition of senior and outstanding employees, best-selling books and magazine lending, free coffee, discounts at special stores, etc. Through the provision of various employee benefits, we promote labor-management harmony, protect employee welfare and health, and achieve a win-win situation for labor and management.

5.5.1.2 Employee Training and Development

In 2023, there were 953 person-times for education, training, and development, with 2,630 training hours and a training cost expenditure of NT\$147 thousands. Employee talent development is an important and valued issue for the company, and we hope to enhance employees' skills and knowledge through various training and development programs. Our diverse learning and development opportunities include:

New employee training:

- (1) New employee training: enabling new employees to quickly understand the organization's overview and corporate culture.
- (2) New employee mentoring system: assisting new employees in getting familiar with the work and living environment, understanding the personnel and work-related training, and helping them feel appropriate care and a sense of belonging.
- (3) New employee functional training and results presentation: senior engineers with expertise in each department provide lectures and experience sharing, and a new employee results presentation is held three months later to review new employees' adaptation status.

The Lecture:

- (1) Regularly organize the inheritance and work experience sharing of mature technologies in various departments.
- (2) Invite well-known domestic and foreign professors, artists, and scholars to give themed speeches to recharge employees and demonstrate the company's corporate responsibility and concern for social issues.

Job specific training:

- (1) Colleagues: The company, according to its functional planning, organizes its own or dispatches its colleagues to participate in courses offered by professional institutions, and pays for their education and training expenses.
- (2) Supervisors: According to the management functions of each level, a

management talent training system should be developed for each level of supervisors, so that supervisors at different stages can learn various management skills and then actually apply them to department leaders.

Online learning:

Provide multiple online learning e-learning courses, each college has rich information, employees can improve their knowledge and skills according to their own needs and time, and complete self-development learning.

5.5.1.3 Retirement system and implementation status

The company has established an employee retirement system in accordance with the Labor Standards Act. Each month, a retirement fund for employees under the old system is set aside, and 2% of the employee's total salary is deposited into a designated account at the Bank of Taiwan. In addition, the new labor retirement system has been implemented since July 1, 2005, and 6% of the employee's salary is contributed to their personal retirement account in accordance with the Labor Pension Act to ensure their rights.

5.5.1.4 Agreements and measures to protect employee rights between labor and management

The company is committed to protecting and maintaining the rights of its employees and strengthening the harmonious relationship between labor and management. Regular meetings are held as a communication channel between labor and management, and there have been no major labor disputes between the two parties.

5.5.1.5 Work Environment and Employee Personal Safety Protection Measures

Our company is committed to providing a safe and secure working environment for our employees. We strive to provide safe and proper equipment, and combine with the security mechanisms of external park security companies and park management centers to protect the interests and safety of the company, customers, employees, and shareholders. Access control is set up at all entrances and exits of the park, and vehicles must go through a license plate recognition process to enter and exit. In order to strengthen the internal security of the office, access control and surveillance systems are installed at each entrance and exit, and personnel are allowed to enter and exit the office area according to their job nature and authorized work scope. Security personnel are stationed in the lobby to manage visitor access and elevator floor control. The park employs a professional security company to provide 24-hour security operations and regularly patrols all floors. All security hardware and software in the office are designed to prioritize the safety of personnel and ensure that employees receive the highest level of security protection. The company has set up an emergency response team and civil defense team to familiarize personnel with the environment. We hold regular internal training courses and participate in park training courses every year. We inspect fire equipment in accordance with regulations and report the inspection results on time. In addition, the fire equipment is monitored 24 hours a day in conjunction with the park system. We also regularly clean and disinfect the internal environment, including carpets, air conditioning units, and indoor air supply fans. We have a dedicated team of professional cleaners to provide our colleagues with a neat and clean working environment. Drinking water is tested regularly in accordance with regulations, and we require the water quality inspection report for purchased bottled water to ensure the hygiene and safety of employee drinking water.

5.5.1.6 Employee Behavior or Code of Ethics

Our company has established “Ethical Corporate Management Best Practice Principles” and “Codes of Ethical Conduct”, Regardless of whether they are inside or outside the company, employees should demand high standards of personal behavior and professional ethics. When engaging in daily work and business, they should strictly follow the company's professional ethics standards, maintain the company's reputation, and earn the respect and trust of customers, suppliers, and other stakeholders.

5.5.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The company values employee welfare and is committed to maintaining harmonious labor relations. We will continue to adhere to this principle and so far, there have been no significant labor disputes.

5.6 Information security management

5.6.1 The Information Security Risk Management Framework

The company has an "Information Security Team" led by the highest-ranking information unit executive, have dedicated information security supervisor and security personnel, responsible for information security management, planning, supervision and execution. The Team is mainly responsible for formulating and regularly reviewing information security policies, establishing incident reporting and response mechanisms, continuously improving defense capabilities, and enhancing employees' information security awareness. They report to the board of directors regularly each year, the latest reporting date was 8th November 2023.

5.6.2 Information Security Policy

The company's information security policy key points are as follows:

- (1) Refer to international information security standards and comply with domestic and foreign information security regulations, regularly revise the latest information security specifications
- (2) Collaborate with external information security expert teams to detect and prevent security threats early
- (3) Establish a multi-level defense structure and strengthen defense depth
- (4) Strengthen information security professional capabilities and personnel, enhance internal information security planning and incident analysis and handling capabilities
- (5) Continuously promote information security education and disaster recovery drills

5.6.3 Information security management programs

The specific management plans that the company has adopted or implemented are as follows:

- (1) Next-generation firewall and intrusion detection system
- (2) Endpoint antivirus and regular system vulnerability patching
- (3) Multi-level antivirus and anti-hacking mechanisms for email and network, as well as joint defense systems
- (4) Regular scanning and correction of website vulnerabilities
- (5) Regular data backup and restoration mechanisms
- (6) Regular information security awareness training and testing for colleagues
- (7) Regular social engineering defense exercises

(8) Establishment of information security incident analysis, monitoring, and handling mechanisms

(9) Joining a security alliance to obtain the latest security information

(10) Weekly meetings to discuss information security risks and response measures

The company has strengthened its measures to respond to possible hacker intrusions, ransomware, and DDOS/APT attacks. We will continue to monitor external information security incidents, absorb new knowledge to strengthen information security controls, continuously establish multi-level protection and information security incident handling mechanisms, and strengthen the promotion of information security awareness to respond to the ever-changing network attack behaviors. In addition, when sensitive data needs to be delivered to vendors and customers, we always require the signing of a confidentiality agreement to regulate their confidentiality obligations.

5.6.4 Investments in resources for information security management

The company has invested in information security management in 2023 are as follows:

(1) Education and training: all employees have 100% completed online information security education and training

(2) Social engineering drill: perform 2 phishing email tests

(3) Vulnerability scan: perform a vulnerability scan of major external service equipment

(4) The funding for [Information Security] related software and hardware exceeds NT\$5 million

5.6.5 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant information security incidents, the possible impacts therefrom, and measures being or to be taken.: None.

5.7 Important contracts: None.

VI. Financial Information

6.1 Condensed balance sheet and statement of comprehensive income for the past 5 fiscal years

6.1.1 condensed balance sheet and statement of comprehensive income-IFRS

6.1.1.1 Condensed balance sheet

Unit: NT\$ Thousands

<div>Year</div> <div>Item</div>		Financial Information for Most Recent 5 Fiscal Years (Note 1)					Up to March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current Assets		2,280,434	3,548,998	4,123,760	2,883,469	2,824,516	2,888,171
Property, Plant and Equipment		756,572	751,930	723,640	708,637	682,680	687,744
Intangible assets		56,365	67,554	90,845	115,582	135,955	138,781
Other assets		543,455	723,887	663,288	466,124	464,615	449,066
Total assets		3,636,826	5,092,369	5,601,533	4,173,812	4,107,766	4,163,762
Current Liabilities	Before distribution	519,357	1,019,215	1,015,882	408,650	412,283	391,555
	After distribution	871,899	2,213,724	2,191,021	828,343	Note 2	-
Non-current Liabilities		107,265	175,294	254,171	163,430	133,868	128,759
Total liabilities	Before distribution	626,622	1,194,509	1,270,053	572,080	546,151	520,314
	After distribution	979,164	2,151,408	2,445,192	991,773	Note 2	-
Equity attributable to owners of the parent company		3,010,204	3,897,860	4,331,480	3,601,732	3,561,615	3,643,448
Share capital		1,678,770	1,678,770	1,678,770	1,678,770	1,678,770	1,678,770
Capital surplus		62,661	62,661	62,661	62,661	62,661	62,661
Retained earnings	Before distribution	1,335,842	2,009,134	2,516,419	1,926,088	1,789,005	1,836,471
	After distribution	983,300	1,052,235	1,341,280	1,506,395	Note 2	-
Other equity		(67,069)	147,295	73,630	(65,787)	31,179	65,546
Treasury shares		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,010,204	3,897,860	4,331,480	3,601,732	3,561,615	3,643,448
	After distribution	2,657,662	2,940,961	3,156,341	3,182,039	Note 2	-

Note 1 : Financial data of the past 5 fiscal years were all audited CPAs. ; Financial data of January 1 to March 31, 2024 have been reviewed by CPAs.

Note 2 : Pending on approval of shareholders at Annual Shareholders' Meeting.

6.1.1.2 Condensed statement of comprehensive income

Unit: NT\$ Thousands

Year Item	Financial Information for Most Recent 5 Fiscal Years (Note)					January 1 to March 31, 2024 (Note)
	2019	2020	2021	2022	2023	
Operating Revenue	3,234,503	5,370,626	5,865,539	3,354,067	2,609,937	612,028
Gross Profit	1,289,224	2,282,470	3,014,001	1,563,233	1,090,270	260,120
Operating Income	362,207	1,236,163	1,846,558	558,209	157,929	24,775
Non-operating income and expenses	33,029	2,059	23,150	139,306	43,234	34,350
Profit Before Income Tax	395,236	1,238,222	1,869,708	697,515	201,163	59,125
Net income for the period from continuing operations	341,522	1,025,601	1,462,320	578,568	185,882	47,466
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) for the period	341,522	1,025,601	1,462,320	578,568	185,882	47,466
Other comprehensive income (loss) for the period (net of Income Tax)	55,469	214,597	(71,801)	(133,177)	193,694	34,367
Total comprehensive income for the period	396,991	1,240,198	1,390,519	445,391	379,576	81,833
Net income attributable to owners of parent	341,522	1,025,601	1,462,320	578,568	185,882	47,466
Net income (loss) attributable to noncontrolling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of parent	396,991	1,240,198	1,390,519	445,391	379,576	81,833
Total comprehensive income, attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share (NT\$)	2.03	6.11	8.71	3.45	1.11	0.28

Note : Financial data of the past 5 fiscal years were all audited by CPAs. ; Financial data Up to March 31, 2024 have been reviewed by CPAs.

6.1.2 The parent company condensed balance sheet and comprehensive income statement-IFRS

6.1.2.1 Condensed balance sheet

Unit: NT\$ Thousands

Year Item		Financial Information for Most Recent 5 Fiscal Years (Note 1)					Up to March 31, 2024
		2019	2020	2021	2022	2023	
Current Assets		1,808,892	2,666,681	3,062,148	1,920,321	1,977,157	Not Applicable
Property, Plant and Equipment		365,256	351,898	347,873	353,045	355,016	
Intangible assets		53,718	65,831	88,359	114,045	134,938	
Other assets		1,371,979	1,893,468	2,229,320	1,828,211	1,629,691	
Total assets		3,599,845	4,977,878	5,727,700	4,215,622	4,096,802	
Current Liabilities	Before distribution	514,366	938,081	1,182,368	503,046	450,740	
	After distribution	866,908	1,894,980	2,357,507	922,739	Note 2	
Non-current Liabilities		75,275	141,937	213,852	110,844	84,447	
Total liabilities	Before distribution	589,641	1,080,018	1,396,220	613,890	535,187	
	After distribution	942,183	2,036,917	2,571,359	1,033,583	Note2	
Equity attributable to owners of the parent company		3,010,204	3,897,860	4,331,480	3,601,732	3,561,615	
Share capital		1,678,770	1,678,770	1,678,770	1,678,770	1,678,770	
Capital surplus		62,661	62,661	62,661	62,661	62,661	
Retained earnings	Before distribution	1,335,842	2,009,134	2,516,419	1,926,088	1,789,005	
	After distribution	983,300	1,052,235	1,341,280	1,506,395	Note 2	
Other equity		(67,069)	147,295	73,630	(65,787)	31,179	
Treasury shares		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	3,010,204	3,897,860	4,331,480	3,601,732	3,561,615	
	After distribution	2,657,662	2,940,961	3,156,341	3,182,039	Note 2	

Note1 : Financial data of the past 5 fiscal years were all audited by CPAs.

Note2 : Pending on approval of shareholders at Annual Shareholders' Meeting.

6.1.2.2 Condensed statement of comprehensive income

Unit: NT\$ Thousands

Year Item	Financial Information for Most Recent 5 Fiscal Years (Note)					January 1 to March 31, 2024
	2019	2020	2021	2022	2023	
Operating Revenue	2,837,070	4,461,447	4,879,771	3,028,449	2,234,761	Not Applicable
Gross Profit	1,091,543	1,812,205	2,388,572	1,615,025	1,113,722	
Operating Income	328,066	930,007	1,401,870	790,339	349,311	
Non-operating income and expenses	67,607	286,670	414,053	(89,258)	(149,208)	
Profit Before Income Tax	395,673	1,216,677	1,815,923	701,081	200,103	
Net income for the period from continuing operations	341,522	1,025,601	1,462,320	578,568	185,882	
Loss from discontinued operations	0	0	0	0	0	
Net income (loss) for the period	341,522	1,025,601	1,462,320	578,568	185,882	
Other comprehensive income (loss) for the period (net of Income Tax)	55,469	214,597	(71,801)	(133,177)	193,694	
Total comprehensive income for the period	396,991	1,240,198	1,390,519	445,391	379,576	
Earnings per share (NT\$)	2.03	6.11	8.71	3.45	1.11	

Note : Financial data of the past 5 fiscal years were all audited by CPAs.

6.1.3 Auditors' opinions from 2019 to 2023

Year	Accounting Firm	CPA	Audit Comments
2023	Deloitte & Touche	CPA Yao Lin Huang CPA Shih Chieh Chou	Unqualified opinion
2022	Deloitte & Touche	CPA Yao Lin Huang CPA Shih Chieh Chou (Note)	Unqualified opinion
2021	Deloitte & Touche	CPA Yao Lin Huang CPA Shui-Chin Lee (Note)	Unqualified opinion
2020	Deloitte & Touche	CPA Tun-Fang Lee CPA Yao Lin Huang (Note)	Unqualified opinion
2019	Deloitte & Touche	CPA Tun-Fang Lee CPA Yang Jing ting	Unqualified opinion

Note : The replacement of the certified accountant is due to the internal work scheduling and arrangement of the accounting firm.

6.2 Financial Analysis

6.2.1 Consolidated financial analysis - IFRS

Item \ Year		Financial Information for the Most Recent 5 Years (Note)					Up to March 31, 2024 (Note)
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt to assets ratio	17.23	23.46	22.67	13.71	13.29	12.49
	Ratio of long-term capital to property, plant and equipment	412.05	541.69	633.69	531.32	541.31	548.48
Solvency (%)	Current ratio	439.09	348.21	405.93	705.61	685.09	737.61
	Quick ratio	307.39	256.99	261.13	399.45	488.96	522.31
	Times interest earned	-	-	-	-	-	-
Operating Performance	Accounts receivable turnover (times)	8.07	9.96	9.62	8.44	9.34	8.46
	Average collection days	45.22	36.64	37.94	43.24	39.07	43.14
	Inventory turnover (times)	2.82	3.64	2.31	1.28	1.44	1.70
	Average payable turnover (times)	9.15	8.36	6.60	7.09	9.88	8.17
	Average days in sales	129.43	100.27	158.00	285.15	253.47	214.70
	Property, plant and equipment turnover (times)	5.60	7.12	7.95	4.68	3.75	3.57
	Total assets turnover (times)	0.91	1.23	1.10	0.69	0.63	0.59
Profitability	Return on total assets (%)	9.57	23.50	27.35	11.84	4.48	4.59
	Return on equity (%)	11.44	29.69	35.54	14.59	5.18	5.27
	Ratio of income before tax to paid-in capital (%)	23.54	73.76	111.37	41.55	11.98	14.08
	Net profit margin (%)	10.56	19.10	24.93	17.25	7.12	7.76
	Earnings per share (NT\$)	2.03	6.11	8.71	3.45	1.11	0.28
Cash Flow	Cash flow ratio (%)	70.15	113.01	115.40	137.76	150.13	13.60
	Cash flow adequacy ratio (%)	70.45	94.34	95.73	86.36	88.69	91.28
	Cash reinvestment ratio (%)	0.47	19.68	4.56	(14.80)	4.84	1.26
Leverage	Operating leverage	1.21	1.08	1.05	1.14	1.57	3.04
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio difference exceeding 20% for the last two years:

1. Increase of Quick ratio and Average payable turnover : Increase due to the inventory decrease at the end of 2023 and the average accounts payable in 2023 decrease compared with 2022.
2. Decrease of inventory turnover 、Increase of Average days in sales : Mainly due to the weakening of market demand in 2023, revenue and net profit both declined.
3. Increase of Cash reinvestment ratio : The cash dividend in 2022 is higher than 2023.

Note : Financial data of the past 5 fiscal years were all audited by CPAs. ; Financial data Up to March 31, 2024 have been reviewed by CPAs.

6.2.2 Entity financial analysis – IFRS

<div>Year</div> <div>Item</div>		Financial Information for the Most Recent 5 Years (Note)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to assets ratio	16.38	21.70	24.38	14.56	13.06
	Ratio of long-term capital to property, plant and equipment	844.74	1,148.00	1,306.61	1,051.59	1,027.01
Solvency (%)	Current ratio	351.67	284.27	258.98	381.74	438.64
	Quick ratio	246.25	211.57	164.05	185.73	299.10
	Times interest earned	-	-	-	-	-
Operating Performance	Accounts receivable turnover (times)	6.80	8.13	8.78	10.11	10.51
	Average collection days	53.68	44.89	41.57	36.10	34.72
	Inventory turnover (times)	3.08	3.99	2.56	1.39	1.43
	Average payable turnover (times)	9.95	9.77	7.37	7.28	10.97
	Average days in sales	118.51	91.47	142.57	262.58	255.24
	Property, plant and equipment turnover (times)	7.89	12.44	13.95	8.64	6.31
	Total assets turnover (times)	0.80	1.04	0.91	0.61	0.53
Profitability	Return on total assets (%)	9.67	23.91	27.32	11.64	4.47
	Return on equity (%)	11.44	29.69	35.54	14.59	5.18
	Ratio of income before tax to paid-in capital (%)	23.57	72.47	108.17	41.76	11.91
	Net profit margin (%)	12.04	22.99	29.97	19.10	8.31
	Earnings per share (NT\$)	2.03	6.11	8.71	3.45	1.11
Cash Flow	Cash flow ratio (%)	67.20	91.51	102.43	117.93	129.78
	Cash flow adequacy ratio (%)	76.67	91.95	97.23	85.50	88.10
	Cash reinvestment ratio (%)	(0.11)	12.79	5.55	(14.75)	4.23
Leverage	Operating leverage	1.22	1.14	1.20	0.96	1.03
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio difference exceeding 20% for the last two years:

1. Increase of Quick ratio and Average payable turnover : Increase due to the inventory decrease at the end of 2023 and the average accounts payable in 2023 decrease compared with 2022.
2. Decrease of inventory turnover 、Increase of Average days in sales : Mainly due to the weakening of market demand in 2023, revenue and net profit both declined.
3. Increase of Cash reinvestment ratio : The cash dividend in 2022 is higher than 2023.

Note : Financial data of the past 5 fiscal years were all audited by CPAs.

Please find below calculation formulas:

1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long term capital to property, plant and equipment ratio = (Total equity + Non-current Liabilities) / property, plant and equipment net

2. Solvency

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets – Inventories – Prepaid expenses) / Current Liabilities

(3) Interest coverage ratio = net profit before income tax and interest expense / Interest expenses

Operating capacity

(1) Accounts Receivable (including Trade Receivable and Notes Receivable) Turnover = Net of sales / average Accounts Receivable (including Trade Receivable and Notes Receivable) Balance

(2) Average cash recovery day = 365 / Receivable turnover rate

(3) Inventory Turnover Ratio = Cost of Sales / Average Inventory

(4) Accounts Payable (including Accounts Payable and Notes Payable) Turnover = Cost of Sales / Average Accounts Payable (including Account Payable and Notes Payable) Balance

(5) Days sales outstanding = 365 / Inventory Turnover

(6) Property, Plant, and Equipment Turnover = Cost of Net Sales / Average Net of Property, Plant, and Equipment

(7) Total asset turnover = Net of Sales / Average Total assets

4. Profitability

(1) Return on assets = [P&L after tax + Interest expense × (1 – Tax Ratio)] / Average Total assets

(2) Return on equity = P&L after tax / Average Total Equity

(3) Net profit ratio = P&L after tax / Net of Sales

(4) Earnings per Share = (P&L attributable to stockholders of the parent – Dividend of Preferred Shares) / Weighted average number of outstanding shares

5. Cash Flow

(1) Cash Flow ratio = Net Cash of Operating activities / Current Liabilities

(2) Net Cash flow adequacy ratio = Net Cash Flow of Operating activities of the Last 5 Years / of the Last 5 Years (Capital Expenses + Inventories Increase + Cash Dividend)

(3) Cash reinvestment ratio = (Net Cash Flow from Operating activities – Cash Dividend) / (Property, Plant and Equipment + Long-term Investment + Other Non-Current Assets + Operating Capital)

6. Leverage

(1) Operating Leverage = (Net of Operating Revenue – Variable operating costs and expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

6.3 Audit Committee's Review Report : Please refer to page 85.

6.4 Consolidated Financial Statements and Independent Auditors' Report-the Company & Subsidiaries : Please refer to page 87.

6.5 Financial Statements and Independent Auditors' Report-the Parent Company : Please refer to page 142.

6.6 Any insolvency for the company and the affiliates in the last fiscal period and to the date this annual report was printed, and the effect on the financial position: None.

VII. Review of Financial Position, Financial Performance, and Risk Matters

7.1 Financial Position

7.1.1 Financial Position

Unit: NT\$ thousands

<div>Year</div> <div>Item</div>	2023.12.31	2022.12.31	Difference	
			Amount	%
Current Assets	2,824,516	2,883,469	(58,953)	(2.04%)
Property, Plant and Equipment	682,680	708,637	(25,957)	(3.66%)
Investments accounted for using equity method	4,207	5,209	(1,002)	(19.24%)
Investment properties	118,186	120,919	(2,733)	(2.26%)
Intangible Assets	135,955	115,582	20,373	17.63%
Other Assets	342,222	339,996	2,226	0.65%
Total Assets	4,107,766	4,173,812	(66,046)	(1.58%)
Current Liabilities	412,283	408,650	3,633	0.89%
Non-Current Liabilities	133,868	163,430	(29,562)	(18.09%)
Total Liabilities	546,151	572,080	(25,929)	(4.53%)
Capital Stock	1,678,770	1,678,770	0	0%
Capital surplus	62,661	62,661	0	0%
Retained Earnings	1,789,005	1,926,088	(137,083)	(7.12%)
Other Equity	31,179	(65,787)	96,966	147.39%
Non-controlling Equity	0	0	0	0%
Total Equity	3,561,615	3,601,732	(40,117)	(1.11%)
Explanation: (variance over 20% and more than 10 million) Increase of Other Equity : Mainly due to Increase unrealized gain on total equity financial assets at fair value through other comprehensive income.				

7.2 Financial Performance

7.2.1 Financial Performance Comparative Analysis

Unit: NT\$ thousands

Item \ Year	2023	2022	Amount	%
Operating Revenue	2,609,937	3,354,067	(744,130)	(22.19%)
Operating Costs	1,519,667	1,790,834	(271,167)	(15.14%)
Gross Profit	1,090,270	1,563,233	(472,963)	(30.26%)
Operating Expenses	932,341	1,005,024	(72,683)	(7.23%)
Profit from Operations	157,929	558,209	(400,280)	(71.71%)
Non -Operating Income and Expenses	43,234	139,306	(96,072)	(68.96%)
Profit before Tax	201,163	697,515	(496,352)	(71.16%)
Income Tax Expenses	15,281	118,947	(103,666)	(87.15%)
Net Profit for the year	185,882	578,568	(392,686)	(67.87%)
Other Comprehensive Income for the year	193,694	(133,177)	326,871	245.44%
Total Comprehensive Income for the year	379,576	445,391	(65,815)	(14.78%)

Explanation : (variance over 20% and more than 10 million)

1. Decrease of operating revenue 、gross profit 、profit from operations 、profit before tax 、income tax expenses and net profit : Mainly due to the weakening of market demand in 2023, revenue and net profit both declined.
2. Decrease of non-operating income and expenses : Mainly due to the decrease in net foreign currency exchange and dividend income in 2023.
3. Increase of other comprehensive income : Increase in unrealized gain on investments in equity instruments at fair value through other comprehensive income in 2023.

7.2.2 The sales volume forecast and its basis, impact on the company's future financial operations and response plans

The company continues to focus on the field of consumer electronics, and will actively expand the widely used microcontrollers and multimedia products with high growth potential. Based on the sales data in 2023, the current industrial environment and market demand, etc., the sales volume forecast in 2024 are about 365,751 thousand pieces.

Respond to future market demands, the company actively develops new products and strengthens talent training to gain competitive advantage.

7.3 Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Net Cash flow from fund-raising	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plan	Financing Plan
822,487	618,964	382,630	1,058,821	-	-

Analysis of change in cash flow in 2023 :

1. Net cash generated from operating activities : Mainly due to the profits and inventories.
2. Net cash generated from investing activities : Mainly due to proceeds from sale of financial assets at Fair value through other comprehensive income.
3. Net cash used in financing activities : Mainly due to the distribution of cash dividends.

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Net Cash flow from fund-raising	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plan	Financing Plan
1,058,821	250,000	182,000	1,126,821	-	-
Analysis of change in cash flow in 2024 :					
1.Net cash generated from operating activities : Mainly due to the 2024 annual profits.					
2.Net cash used in investing and financing activities : Mainly due to the distribution of cash dividends.					

7.4 Impact of the latest major capital expenditures on financial operations: None.

7.5 Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the coming year

The company's main investment policy is to invest in mainland China through overseas companies. It has established Sonix Technology (Shenzhen) Company and Sonix Technology (Chengdu) Company, which are mainly engaged in sales and R&D business. In 2023, the company adopted the equity method to recognize its subsidiaries and Affiliated enterprises lost NT\$181,476 thousand, a decrease of NT\$53,063 thousand compared with the recognized loss of 234,539 thousand in 2022. This was mainly due to the gradual destocking of Sonix Technology (Shenzhen) Company in 2023 and the improvement in operating profits; future investment The plan still takes the company's overall development into consideration, and will be evaluated separately when necessary based on industry conditions and business needs.

7.6 Risk Management Analysis

7.6.1 Effects of changes in interest rates, foreign exchange rates and inflation on corporate finances and future response measures

Unit: NT\$ thousands

Item	2023
Net interest income	19,868
Net foreign exchange gain	1,209
Net interest income/net revenue	0.8%
Net interest income/net income before tax	9.9%
Net foreign exchange gain/net revenue	0.1%
Net foreign exchange gain/net income before tax	0.6%

7.6.1.1 Effects of changes in interest rates on corporate finances and future response measures

The Company has no significant impact on the company's profits and losses due to changes in interest rates.

7.6.1.2 Effects of changes in foreign exchange rates on corporate finances and future response measures

In terms of exchange rate, the company mainly adopts the natural risk avoidance method and increases the holdings of accounts in different currencies to avoid most exchange risks, and pays attention to exchange rate changes to adjust foreign currency holding positions at any time; masters information on exchange rate changes, and judges that measures should be taken to reduce The impact of

exchange rate changes.

7.6.1.3 Effects of changes in inflation on corporate finances and future response measures

The impact of inflation does not currently have a significant impact on the Company's profits and losses.

For financial risk management objectives and policies. (Please refer to page 128).

7.6.2 The company's policy regarding high-risk investments, highly leveraged investments, lending funds to others parties , endorsements & guarantees, and derivatives trading; the main reasons for the profits or losses generated thereby; and response measures to be taken in the future

7.6.2.1 The company has not engaged in high-risk, high-leverage investments, lending funds to others parties, endorsements & guarantees, and derivatives trading in 2023 and as of the publication date of the annual report.

7.6.2.2 The company formulates the "Procedures for Acquisition or Disposal Assets", "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee"; if engaged in related matters, implement them in accordance with the relevant provisions of the measures, and avoid losses through the control mechanism. In order to protect the rights of the company.

7.6.3 Future research & development projects and corresponding budget

The company takes R&D and design as the main development topic, and has spared no effort in R&D investment over the years. In 2023, the research and development expenditure was NT\$ 694,628 thousand, accounting for 27% of the revenue; in 2024, it will still invest in research and development funds accounting for more than 20% of the revenue, which is estimated to be NT\$ 729,360 thousand For the development plan of new products. (Please refer to page 53)

7.6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The execution of the company's various businesses is handled in accordance with laws and regulations. In the most recent year and up to the date of publication of the annual report, the company has not been affected by major domestic and foreign policy and legal changes that affect the financial and business affairs.

7.6.5 Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response

The semiconductor technology industry is changing with each passing day. No matter the technical level of wafer manufacturing process, packaging and testing is constantly improving, IC design needs to be equipped with more IP technologies to respond to market development and competition trends. In order to launch more complete functions, low cost and High-quality product. The company actively invests in the research and development of various products, pays attention to the changes in the industry at any time, and introduces advanced process technology to meet the challenges of technological changes. (Please refer to page 53).

In accordance with the information security management policy (Please refer to page 67), the company is committed to maintaining the normal operation of the company's financial business and implementing information security risk management.

7.6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response : None.

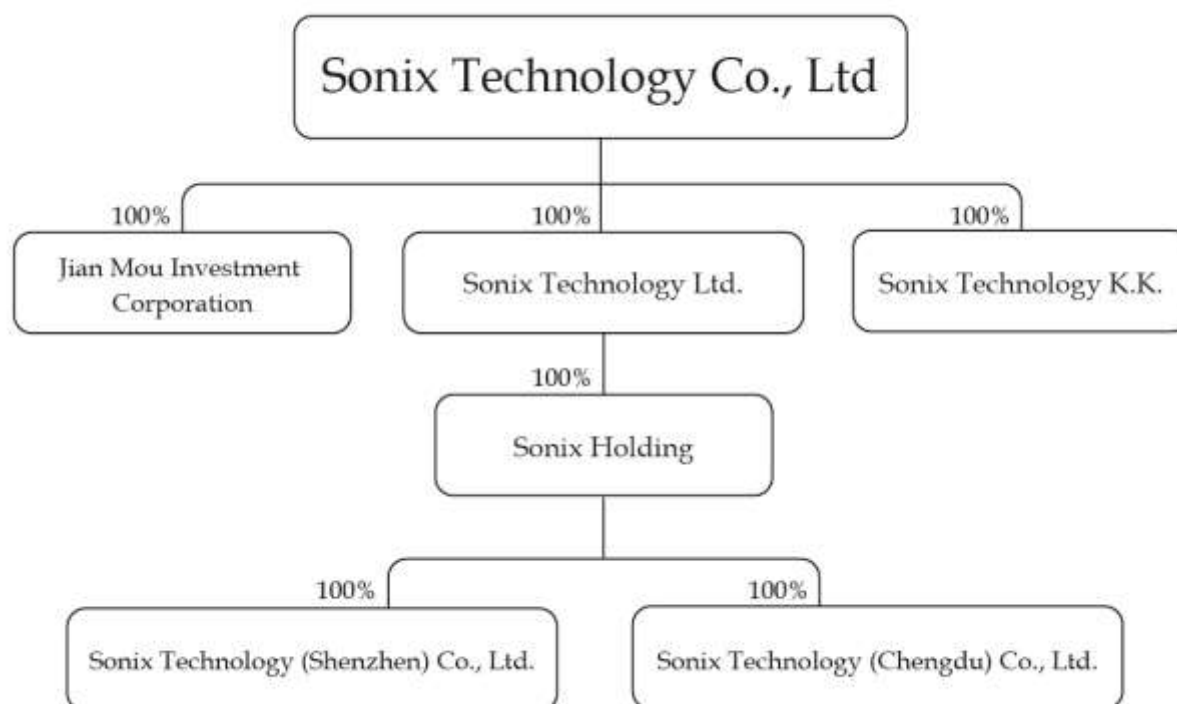
- 7.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken : None.
- 7.6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken : None.
- 7.6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken
In order to ensure production capacity and delivery time, the company is currently cooperating with several well-known wafer manufacturers and packaging and testing foundries to avoid the risk of centralized.
- 7.6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken : None.
- 7.6.11 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken : None.
- 7.6.12 Major Law Suits, Non-Contentious Matters, or Administrative Actions involving the Directors, general manager, owners, shareholders that hold more than 10% of the equity shares, with sentence or pending on court decision, the result of which may significantly affect the shareholders' equity or stock price of the Company, the action taken in response to the aforementioned disputes, the target amount involved, the date on which the law suit started, the parties concerned, and the status as of the day this report was printed : None.
- 7.6.13 Other important risks, and mitigation measures being or to be taken : Information security management policy (Please refer to page 67).
- 7.7 Other important matters : None.

VIII. Special Items

8.1 Information about the Affiliated Companies

8.1.1 Consolidated Business Report

8.1.1.1 Affiliated Companies Chart



8.1.1.2 Profile of various associated enterprises

As of Dec. 31, 2023

Company Name	Date of Establishment	Address	Paid-in capital	Main scope of operations or production
Jian Mou Investment Corporation	2003.5	9F-1, No. 8, Lane 32, Xianzheng 5th Street, Zhubei City, Hsinchu County	NTD 155,000,000	Investment activities
Sonix Technology K.K.	2011.10	Kobayashi bldg. 2F, 4-8-27 Kudanminami, Chiyoda-ku, Tokyo	YEN 80,000,000	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services
Sonix Technology Ltd.	2002.1	P.O. Box 3321, RoadTown, Tortola, The British Virgin Islands	USD 33,010,000	Investment activities
Sonix Holding	2005.4	P.O. Box 438, RoadTown, Tortola, The British Virgin Islands	USD 32,010,000	Investment activities
Sonix Technology (Shenzhen) Co., Ltd.	2005.8	Floor 26, COFCO Tianyue Plaza, Xin'an 2nd Road, Bao'an District, Shenzhen	USD 22,000,000	Computer system integration and technical consultation services
Sonix Technology (Chengdu) Co., Ltd.	2005.10	8th Floor, Building B6, Tianfu Software Park, No. 99, Tianhua 1st Road, High-tech Zone, Chengdu	USD 10,000,000	Computer system integration and technical consultation services

8.1.1.3 The industries covered by the business of the overall related enterprises

Company Name	The industry covered by the business	Interaction and division of labor between business operators
Sonix Technology Co., Ltd	IC design industry	None
Jian Mou Investment Corporation	Investment activities	None
Sonix Technology K.K.	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	None
Sonix Technology Ltd.	Investment activities	None
Sonix Holding	Investment activities	None
Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	Sales IC
Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	None

8.1.1.4 List of Directors and General Manager of Sonix's affiliated companies

As of Dec. 31, 2023

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
Jian Mou Investment Corporation	Chairman	Sonix Technology Co., Ltd Rep.:Daniel Pan	15,500,000	100%
Sonix Technology K.K.	Representative Director	Koh Jiang	8,000	100%
Sonix Technology Ltd.	Director	Sonix Technology Co., Ltd Rep.:James Pao	33,010,000	100%
Sonix Holding	Director	Sonix Technology Ltd. Rep.:James Pao	32,010,000	100%
Sonix Technology (Shenzhen) Co., Ltd.	Executive Director and General Manager	Sonix Holding Rep.:Albert Chen	-	100%
Sonix Technology (Chengdu) Co., Ltd.	Executive Director and General Manager	Sonix Holding Rep.:Robert Tsai	-	100%
Sonix Technology (Chengdu) Co., Ltd.	Supervisor	Sonix Holding Rep.:Sophia Lin	-	100%

8.1.1.5 Operation Highlights of Sonix's Affiliated Companies

As of Dec. 31, 2023; Unit: NT\$ Thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT\$)
Jian Mou Investment Corporation	155,000	98,472	204	98,268	1,829	1,617	2,261	0.15
Sonix Technology K.K.	31,792	11,082	491	10,591	4,575	722	586	73.25
Sonix Technology Ltd.	1,031,999	1,068,546	0	1,065,546	0	(207)	(184,323)	(5.58)
Sonix Holding	997,099	1,030,849	0	1,030,849	0	0	(185,431)	(5.79)
Sonix Technology (Shenzhen) Co., Ltd.	675,510	1,110,415	200,217	910,198	1,172,291	(202,597)	(195,950)	Note
Sonix Technology (Chengdu) Co., Ltd.	307,050	127,455	6,811	120,644	41,318	3,006	10,519	Note

Note: It is a limited company with no number of shares.

8.1.2 Representation Letter : Please refer to page 86.

8.1.3 Business Reports of Affiliated Companies: Not applicable.

8.2 Where the company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.3 Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.4 Other matters that require additional description

8.4.1 Evaluation basis and basis of the method of listing assets and liabilities evaluation items in Financial Statements

Assets and Liabilities Evaluation Items	Evaluation basis	Evaluation Method
Allowance for bad debts	Aging analysis	1. The date of uncollected accounts is 0-60 days, the withdrawal ratio is 0% 2. The date of uncollected accounts is 61-90 days, the withdrawal ratio is 1% 3. The date of uncollected accounts is 91-120 days, the withdrawal ratio is 5% 4. The date of uncollected accounts is 121-150 days, the withdrawal ratio is 10% 5. The date of uncollected accounts is 151-180 days, the withdrawal ratio is 15% 6. The date of uncollected accounts is more than 181 days, the withdrawal ratio is 100%
Allowance for inventory write-downs	Dependent on inventory sluggish Aging analysis	1. Sluggish for more than 6 months withdraw 100% 2. Scrap warehouse withdraw 100%

8.4.2 The accounting department obtained certificates and licenses: 1 person passed the professional ability test for stock affairs personnel.

8.4.3 The company does not adopt hedge accounting, so not applicable its relevant regulations.

8.4.4 The affiliated companies have not engaged in endorsements & guarantees, lending funds to others parties and derivatives trading.

8.5 If any of the situations that have a materially affect shareholders' equity or the price of securities as listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, in the most recent fiscal year up to the publication date of the annual report: None.



Sonix Technology Co., Ltd

Internal Control System Statement

Date: February 27, 2024

With regard to the 2023 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. Internal control systems has inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take corrective actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) Control Environment, (2) Risk Assessment, (3) Control Operations, (4) Information and Communications and (5) Monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2023, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This Statement shall become a principal part of the Company's annual report and prospectus and will be made public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been approved on February 27, 2024 by the Board, with none of the 9 attending directors expressed dissenting opinions, and all consented to the content of this Statement.

Sonix Technology Co., Ltd.

Chairman: James Pao

General Manager: Chris Ko

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements and proposal for distribution of profits. The 2023 Financial Statements were audited by independent auditors of Deloitte & Touche and issued an Independent Audit Report. The 2023 Business Report, Financial Statements and proposal for distribution of profits have been checked by the Audit Committee and no irregularities were found. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To Sonix Technology Co., Ltd. 2024 annual shareholders' meeting

Sonix Technology Co., Ltd.

Chairman of the Audit Committee : Chih cheng Chou

May 7, 2024

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Sonix Technology Co., Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sonix Technology Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SONIX TECHNOLOGY CO., LTD.

By

JAMES PAO
Chairman

February 27, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sonix Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sonix Technology Co., Ltd. (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 matters identified in the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Occurrence of Revenue

The Group's operating income mainly comes from transactions generated from R&D, design, manufacturing and sales of voice controllers, microcontrollers, video/image controllers, wireless multimedia, optical identification and so on. We performed an analytical procedure on the sales revenue in 2023, and some kinds of products have a relatively certain percentage of annual sales, and the revenue of these products may have been recognized before fulfilling the requirements of IAS regulations on revenue recognition, which can have a significant impact to the financial statements of the Group. Thus, we identified the occurrence of revenue for specific products as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies and details of revenue recognition.

We performed the following main audit procedures for the occurrence of revenue:

1. We obtained an understanding of and tested the design and operating effectiveness of the key controls with regard to the occurrence of revenue.
2. We selected samples from specific products' sales details, and we checked the original documents. We also verified the collections and other procedures performed and confirmed that there were no abnormalities in the occurrence of operating income.

Other Matter

We have also audited the parent company only financial statements of Sonix Technology Co., Ltd. as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, 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 the supervisors, 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 Yao Lin Huang and Shih Chieh Chou

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 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.

SONIX TECHNOLOGY CO., LTD. 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 (Notes 4 and 6)	\$ 1,058,821	26	\$ 822,487	20
Financial assets at fair value through profit or loss - current (Note 4)	58,765	1	55,753	1
Financial assets at amortized cost - current (Notes 4, 8 and 25)	541,312	13	471,742	11
Trade receivables from unrelated parties (Notes 4, 9 and 24)	310,768	8	240,530	6
Inventories (Notes 4, 5 and 10)	768,771	19	1,222,093	29
Other current assets	<u>86,079</u>	<u>2</u>	<u>70,864</u>	<u>2</u>
Total current assets	<u>2,824,516</u>	<u>69</u>	<u>2,883,469</u>	<u>69</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	298,472	7	283,921	7
Investments accounted for using equity method (Notes 4 and 12)	4,207	-	5,209	-
Property, plant and equipment (Notes 4, 13 and 25)	682,680	17	708,637	17
Investment properties (Notes 4 and 14)	118,186	3	120,919	3
Intangible assets (Notes 4 and 15)	135,955	3	115,582	3
Deferred tax assets (Notes 4 and 20)	41,037	1	50,970	1
Refundable deposits	2,713	-	5,067	-
Other non-current assets	<u>-</u>	<u>-</u>	<u>38</u>	<u>-</u>
Total non-current assets	<u>1,283,250</u>	<u>31</u>	<u>1,290,343</u>	<u>31</u>
TOTAL	<u>\$ 4,107,766</u>	<u>100</u>	<u>\$ 4,173,812</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables to unrelated parties	\$ 171,938	4	\$ 135,641	3
Other payables (Note 16)	157,266	4	243,647	6
Current tax liabilities (Notes 4 and 20)	71,892	2	15,310	1
Other current liabilities	<u>11,187</u>	<u>-</u>	<u>14,052</u>	<u>-</u>
Total current liabilities	<u>412,283</u>	<u>10</u>	<u>408,650</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 4)	24,777	1	18,970	1
Deferred tax liabilities (Notes 4 and 20)	11,890	-	48,272	1
Net defined benefit liabilities - non-current (Notes 4 and 17)	8,847	-	14,329	-
Guarantee deposits	<u>88,354</u>	<u>2</u>	<u>81,859</u>	<u>2</u>
Total non-current liabilities	<u>133,868</u>	<u>3</u>	<u>163,430</u>	<u>4</u>
Total liabilities	<u>546,151</u>	<u>13</u>	<u>572,080</u>	<u>14</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 18)				
Share capital				
Ordinary shares	<u>1,678,770</u>	<u>41</u>	<u>1,678,770</u>	<u>40</u>
Capital surplus	<u>62,661</u>	<u>1</u>	<u>62,661</u>	<u>2</u>
Retained earnings				
Legal reserve	1,210,820	30	1,152,339	28
Special reserve	66,015	2	228	-
Unappropriated earnings	<u>512,170</u>	<u>12</u>	<u>773,521</u>	<u>18</u>
Total retained earnings	<u>1,789,005</u>	<u>44</u>	<u>1,926,088</u>	<u>46</u>
Other equity	<u>31,179</u>	<u>1</u>	<u>(65,787)</u>	<u>(2)</u>
Total equity	<u>3,561,615</u>	<u>87</u>	<u>3,601,732</u>	<u>86</u>
TOTAL	<u>\$ 4,107,766</u>	<u>100</u>	<u>\$ 4,173,812</u>	<u>100</u>

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

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)				
Sales	\$ 2,609,937	100	\$ 3,354,067	100
OPERATING COSTS (Notes 10 and 19)				
Cost of goods sold	<u>1,519,667</u>	<u>58</u>	<u>1,790,834</u>	<u>53</u>
GROSS PROFIT	<u>1,090,270</u>	<u>42</u>	<u>1,563,233</u>	<u>47</u>
OPERATING EXPENSES (Notes 9, 15, 17, 19 and 24)				
Selling and marketing expenses	64,861	2	66,036	2
General and administrative expenses	172,858	7	193,346	6
Research and development expenses	694,628	27	745,660	22
Expected credit gain	<u>(6)</u>	<u>-</u>	<u>(18)</u>	<u>-</u>
Total operating expenses	<u>932,341</u>	<u>36</u>	<u>1,005,024</u>	<u>30</u>
PROFIT FROM OPERATIONS	<u>157,929</u>	<u>6</u>	<u>558,209</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 24)	20,836	1	43,590	1
Other gains and losses (Notes 19 and 26)	2,597	-	79,040	2
Share of profit or loss of associates	(67)	-	(128)	-
Interest revenue (Note 19)	<u>19,868</u>	<u>1</u>	<u>16,804</u>	<u>1</u>
Total non-operating income and expenses	<u>43,234</u>	<u>2</u>	<u>139,306</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	201,163	8	697,515	21
INCOME TAX EXPENSE (Notes 4 and 20)	<u>15,281</u>	<u>1</u>	<u>118,947</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>185,882</u>	<u>7</u>	<u>578,568</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	268	-	7,800	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	212,192	8	(164,943)	(5)

(Continued)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Share of the other comprehensive loss of associated accounted for using the equity method	\$ (935)	-	\$ (1,377)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>(53)</u>	<u>-</u>	<u>(1,560)</u>	<u>-</u>
	211,472	8	(160,080)	(5)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(17,778)</u>	<u>-</u>	<u>26,903</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>193,694</u>	<u>8</u>	<u>(133,177)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 379,576</u>	<u>15</u>	<u>\$ 445,391</u>	<u>13</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 1.11</u>		<u>\$ 3.45</u>	
Diluted	<u>\$ 1.10</u>		<u>\$ 3.38</u>	

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

(Concluded)

SONIX TECHNOLOGY CO., LTD. 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							Other Equity		Total	Total Equity
	Share Capital		Capital Surplus Ordinary Shares Issued at Premium	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
	Shares (In Thousands)	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings			Total		
BALANCE AT JANUARY 1, 2022	167,877	\$ 1,678,770	\$ 62,661	\$ 1,005,920	\$ 228	\$ 1,510,271	\$ 2,516,419	\$ (66,995)	\$ 140,625	\$ 73,630	\$ 4,331,480
Appropriation of 2021 earnings											
Legal reserve	-	-	-	146,419	-	(146,419)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(1,175,139)	(1,175,139)	-	-	-	(1,175,139)
Net profit for the year ended December 31, 2022	-	-	-	-	-	578,568	578,568	-	-	-	578,568
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	6,240	6,240	26,903	(166,320)	(139,417)	(133,177)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	584,808	584,808	26,903	(166,320)	(139,417)	445,391
BALANCE AT DECEMBER 31, 2022	167,877	1,678,770	62,661	1,152,339	228	773,521	1,926,088	(40,092)	(25,695)	(65,787)	3,601,732
Appropriation of 2022 earnings											
Legal reserve	-	-	-	58,481	-	(58,481)	-	-	-	-	-
Special reserve	-	-	-	-	65,787	(65,787)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(419,693)	(419,693)	-	-	-	(419,693)
Net profit for the year ended December 31, 2023	-	-	-	-	-	185,882	185,882	-	-	-	185,882
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	215	215	(17,778)	211,257	193,479	193,694
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	-	186,097	186,097	(17,778)	211,257	193,479	379,576
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	96,513	96,513	-	(96,513)	(96,513)	-
BALANCE AT DECEMBER 31, 2023	167,877	\$ 1,678,770	\$ 62,661	\$ 1,210,820	\$ 66,015	\$ 512,170	\$ 1,789,005	\$ (57,870)	\$ 89,049	\$ 31,179	\$ 3,561,615

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

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 201,163	\$ 697,515
Adjustments for:		
Depreciation expense	71,010	63,796
Amortization expense	19,847	16,444
Expected credit loss reversed on trade receivables	(6)	(18)
Net gain (loss) on fair value changes of financial assets at fair value through profit or loss	(3,012)	5,156
Interest income	(19,868)	(16,804)
Dividend income	(6,571)	(29,572)
Share of (profit) loss of associates	67	128
Loss on disposal of property, plant and equipment	21	374
Reversal of write-downs of inventory and loss of obsolete inventory	55,053	15,566
Net loss on foreign currency exchange	2,483	8,209
Changes in operating assets and liabilities		
Notes receivable and trade receivables	(75,672)	302,833
Inventories	398,420	210,637
Other current assets	6,372	(16,631)
Trade payables	38,321	(233,707)
Other payables	(86,084)	(183,138)
Provisions for employee benefits	5,807	(1,787)
Other current liabilities	(2,741)	8,483
Net defined benefit liabilities	(5,214)	(1,172)
Cash generated from operations	599,396	846,312
Interest received	17,277	14,378
Dividends received	6,571	33,318
Income tax paid	(4,280)	(326,910)
Net cash generated from operating activities	<u>618,964</u>	<u>567,098</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	197,641	-
Purchase of financial assets at amortized cost	(358,223)	(153,317)
Disposal of financial assets at amortized cost	283,883	154,443
Proceeds from sale of financial assets at fair value through profit or loss	-	120,267
Payments for property, plant and equipment	(47,983)	(40,506)
Increase in refundable deposits	(442)	(129)
Decrease in refundable deposits	2,833	2,712
Payments for intangible assets	(40,235)	(41,137)
Decrease in other non-current assets	<u>37</u>	<u>33</u>
Net cash generated from investing activities	<u>37,511</u>	<u>42,366</u>

(Continued)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	\$ 12,695	\$ 18,511
Refund of guarantee deposits received	(4,912)	(58,598)
Dividends paid to owners of the Company	<u>(419,693)</u>	<u>(1,175,139)</u>
Net cash used in financing activities	<u>(411,910)</u>	<u>(1,215,226)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(8,231)</u>	<u>15,148</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	236,334	(590,614)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>822,487</u>	<u>1,413,101</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,058,821</u>	<u>\$ 822,487</u>

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

(Concluded)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sonix Technology Co., Ltd. (the “Company”) was incorporated in the Republic of China (“ROC”) in July 1996. The Company mainly develops, designs, manufactures and trades semiconductors.

The Company was listed on the OTC market on November 27, 2000 and submitted applications to be listed on the stock exchange market to the Securities and Futures Bureau, FSC, on June 27, 2000, which was then approved by the Taiwan Stock Exchange on July 25, 2003. The Company’s shares have been traded on the Taiwan Stock Exchange since August 25, 2003.

The consolidated financial statements for the Company and its subsidiaries (collectively, the “Group”) are presented in the Company’s financial currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on February 27, 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).

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 “Lease 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.

The Group has assessed the above standards that have not had a material impact. 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.

The Group has assessed the above standards that have not had a material impact. 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, other regulations 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, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) 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 used by the Company.

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 11 and Tables 4 and 5 for the detailed information of subsidiaries, including the percentage of ownership and main business.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, 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.

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 items denominated in a foreign currency and measured at historical cost are stated in the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, 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.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process 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 their weighted-average costs.

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.

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

Under the equity method, investments in an associate is 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. The Group also recognizes the changes in the Group's share of the equity of associates.

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 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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

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

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 method 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. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

j. Intangible assets

1) Intangible assets acquired separately

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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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.

k. Impairment of property, plant and equipment, investment properties and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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 or cash-generating unit 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 or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when an entity in 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 FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 23.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable and trade receivables at amortized cost, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include 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.

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 and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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 determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged 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. 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

Debt and equity instruments issued by an entity in the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share type. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own 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.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of consumer IC and multimedia IC. Sales of consumer IC and multimedia IC are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

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.

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.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liabilities (assets)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

p. 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 and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of Inventory

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 with product sales 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
Cash on hand	\$ 254	\$ 329
Checking accounts and demand deposits	829,203	709,259
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	71,559	50,100
Repurchase agreements collateralized by bonds	<u>157,805</u>	<u>62,799</u>
	<u>\$ 1,058,821</u>	<u>\$ 822,487</u>

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

	December 31	
	2023	2022
Bank balance	0.005%-1.4%	0.005%-2.025%
Time deposits with original maturities of less than 3 months	1.1%-5.3%	0.88%-1.405%
Repurchase agreements collateralized by bonds	5.1%-5.3%	3.8%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Champion Microelectronic Corp.	\$ 298,438	\$ 283,887
Unlisted shares		
Ordinary shares - Ours Technology Inc.	<u>34</u>	<u>34</u>
	<u>\$ 298,472</u>	<u>\$ 283,921</u>

These investments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate 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.

In August and September 2023, the company sold part of the ordinary shares of Champion Microelectronic Corp. at a fair value of NT\$197,641 thousand, and the unrealized gain on financial assets at fair value through other comprehensive income of NT\$96,513 thousand will be transferred to retained earnings.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
<u>Current</u>		
Domestic investments		
Time deposits with original maturity of more than 3 months	\$ 246,606	\$ 246,578
Foreign investments		
Time deposits with original maturity of more than 3 months	<u>294,706</u>	<u>225,164</u>
	<u>\$ 541,312</u>	<u>\$ 471,742</u>

- a. The interest rates for time deposits with original maturity of more than 3 months were 1.29%-5.6% and 0.35%-2.7% as of December 31, 2023 and 2022, respectively.
- b. Refer to Note 25 for information relating to investments in financial assets at amortized cost pledged as security.

9. TRADE RECEIVABLES

	December 31	
	2023	2022
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 314,522	\$ 244,290
Less: Allowance for impairment loss	<u>(3,754)</u>	<u>(3,760)</u>
	<u>\$ 310,768</u>	<u>\$ 240,530</u>

Trade Receivables

The average credit period of sales of goods was 60 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that have good credit ratings, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information 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.

The following table details the loss allowance of trade receivables.

December 31, 2023

	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.11%	0%	0%	100%	
Gross carrying amount	\$ 311,107	\$ -	\$ -	\$ 3,415	\$ 314,522
Loss allowance (Lifetime ECLs)	<u>(339)</u>	<u>-</u>	<u>-</u>	<u>(3,415)</u>	<u>(3,754)</u>
Amortized cost	<u>\$ 310,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,768</u>

December 31, 2022

	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.14%	0%	0%	100%	
Gross carrying amount	\$ 240,868	\$ -	\$ -	\$ 3,422	\$ 244,290
Loss allowance (Lifetime ECLs)	<u>(338)</u>	<u>-</u>	<u>-</u>	<u>(3,422)</u>	<u>(3,760)</u>
Amortized cost	<u>\$ 240,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,530</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 3,760	\$ 3,778
Less: Net remeasurement of loss allowance	<u>(6)</u>	<u>(18)</u>
Balance at December 31	<u>\$ 3,754</u>	<u>\$ 3,760</u>

10. INVENTORIES

	December 31	
	2023	2022
Finished and purchased goods	\$ -	\$ 24
Finished goods	154,626	273,137
Work in progress	506,757	784,455
Raw materials	<u>107,388</u>	<u>164,477</u>
	<u>\$ 768,771</u>	<u>\$ 1,222,093</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 1,464,614	\$ 1,775,268
Inventory write-downs (reversed)	(13,292)	3,831
Loss of obsolete inventory	<u>68,345</u>	<u>11,735</u>
	<u>\$ 1,519,667</u>	<u>\$ 1,790,834</u>

As a result of the net realizable value rebounding, the benefit of inventory write-down was reversed.

11. SUBSIDIARIES

Subsidiaries included in consolidated financial statements are shown below:

Investor	Investee	Nature of Activities	% of Ownership	
			December 31	
			2023	2022
Sonix Technology Co., Ltd.	Sonix Technology Ltd.	General Investment	100.00	100.00
	Jian Mou Investment Corporation	General Investment	100.00	100.00
	Sonix Technology K.K.	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	100.00	100.00
Sonix Technology Ltd. Sonix Holding	Sonix Holding	General Investment	100.00	100.00
	Sonix Technology (Chengdu) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	100.00	100.00
	Sonix Technology (Shenzhen) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	100.00	100.00

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31	
	2023	2022
<u>Associate that is not individually material</u>		
Unlisted shares		
Paradigm Venture Capital Corporation	\$ 4,207	\$ 5,209
	<u>For the Year Ended December 31</u>	
	2023	2022
The Group's share of:		
(Loss) profit from continuing operations	\$ (67)	\$ (128)
Other comprehensive income (loss)	<u>(935)</u>	<u>(1,377)</u>
Total comprehensive income (loss) for the year	<u>\$ (1,002)</u>	<u>\$ (1,505)</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 110,984	\$ 729,050	\$ 183,151	\$ 295,926	\$ 1,319,111
Additions	-	2,200	22,706	15,600	40,506
Disposals	-	-	(4,789)	-	(4,789)
Effects of foreign currency exchange differences	-	7,180	396	35	7,611
Balance at December 31, 2022	<u>\$ 110,984</u>	<u>\$ 738,430</u>	<u>\$ 201,464</u>	<u>\$ 311,561</u>	<u>\$ 1,362,439</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 170,479	\$ 140,187	\$ 284,805	\$ 595,471
Depreciation expense	-	29,745	22,025	9,394	61,164
Disposals	-	-	(4,415)	-	(4,415)
Effects of foreign currency exchange differences	-	1,323	236	23	1,582
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 201,547</u>	<u>\$ 158,033</u>	<u>\$ 294,222</u>	<u>\$ 653,802</u>
Carrying amount at December 31, 2022	<u>\$ 110,984</u>	<u>\$ 536,883</u>	<u>\$ 43,431</u>	<u>\$ 17,339</u>	<u>\$ 708,637</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 110,984	\$ 738,430	\$ 201,464	\$ 311,561	\$ 1,362,439
Additions	-	1,300	30,127	16,556	47,983
Disposals	-	-	(723)	-	(723)
Effects of foreign currency exchange differences	-	(7,848)	(498)	(41)	(8,387)
Balance at December 31, 2023	<u>\$ 110,984</u>	<u>\$ 731,882</u>	<u>\$ 230,370</u>	<u>\$ 328,076</u>	<u>\$ 1,401,312</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 201,547	\$ 158,033	\$ 294,222	\$ 653,802
Depreciation expense	-	30,163	24,475	13,744	68,382
Disposals	-	-	(702)	-	(702)
Effects of foreign currency exchange differences	-	(2,499)	(314)	(37)	(2,850)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 229,211</u>	<u>\$ 181,492</u>	<u>\$ 307,929</u>	<u>\$ 718,632</u>
Carrying amount at December 31, 2023	<u>\$ 110,984</u>	<u>\$ 502,671</u>	<u>\$ 48,878</u>	<u>\$ 20,147</u>	<u>\$ 682,680</u>

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

Buildings	
Main buildings	20-50 years
Renovation equipment	2-20 years
Office equipment	2-5 years
Other equipment	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 25.

14. INVESTMENT PROPERTIES

	Amount
<u>Cost</u>	
Balance at January 1, 2022	\$ 168,893
Effects of foreign currency exchange differences	<u>496</u>
Balance at December 31, 2022	<u>\$ 169,389</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 45,495
Depreciation expense	2,632
Effects of foreign currency exchange differences	<u>343</u>
Balance at December 31, 2022	<u>\$ 48,470</u>
Carrying amount at December 31, 2022	<u>\$ 120,919</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 169,389
Effects of foreign currency exchange differences	<u>(542)</u>
Balance at December 31, 2023	<u>\$ 168,847</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 48,470
Depreciation expense	2,628
Effects of foreign currency exchange differences	<u>(437)</u>
Balance at December 31, 2023	<u>\$ 50,661</u>
Carrying amount at December 31, 2023	<u>\$ 118,186</u>

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2023 and 2022 was as follows:

	<u>December 31</u>	
	2023	2022
Year 1	\$ 11,585	\$ 7,132
Year 2	11,406	2,777
Year 3	<u>4,471</u>	<u>2,901</u>
	<u>\$ 27,462</u>	<u>\$ 12,810</u>

The investment properties are depreciated using the straight-line method over 20 and 50 years.

The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs on December 31, 2023. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The significant unobservable inputs used include discount rates and capitalization rates and the fair value as appraised.

	Amount
Fair value	<u>\$ 161,717</u>
Capitalization rate	2.5%

All of the Group's investment properties were held under freehold interests.

15. INTANGIBLE ASSETS

	Computer Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 264,193	\$ 170,293	\$ 434,486
Additions	1,646	39,491	41,137
Derecognitions	(15)	-	(15)
Effects of foreign currency exchange differences	<u>115</u>	<u>-</u>	<u>115</u>
Balance at December 31, 2022	<u>\$ 265,939</u>	<u>\$ 209,784</u>	<u>\$ 475,723</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 250,289	\$ 93,352	\$ 343,641
Amortization expense	4,888	11,556	16,444
Derecognitions	(15)	-	(15)
Effects of foreign currency exchange differences	<u>71</u>	<u>-</u>	<u>71</u>
Balance at December 31, 2022	<u>\$ 255,233</u>	<u>\$ 104,908</u>	<u>\$ 360,141</u>
Carrying amount at December 31, 2022	<u>\$ 10,706</u>	<u>\$ 104,876</u>	<u>\$ 115,582</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 265,939	\$ 209,784	\$ 475,723
Additions	1,880	38,355	40,235
Effects of foreign currency exchange differences	<u>(134)</u>	<u>-</u>	<u>(134)</u>
Balance at December 31, 2023	<u>\$ 267,685</u>	<u>\$ 248,139</u>	<u>\$ 515,824</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 255,233	\$ 104,908	\$ 360,141
Amortization expense	4,435	15,412	19,847
Effects of foreign currency exchange differences	<u>(119)</u>	<u>-</u>	<u>(119)</u>
Balance at December 31, 2023	<u>\$ 259,549</u>	<u>\$ 120,320</u>	<u>\$ 379,869</u>
Carrying amount at December 31, 2023	<u>\$ 8,136</u>	<u>\$ 127,819</u>	<u>\$ 135,955</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Patents	1-10 years

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Selling and marketing expenses	\$ 11	\$ 12
General and administrative expenses	230	231
Research and development expenses	<u>19,606</u>	<u>16,201</u>
	<u>\$ 19,847</u>	<u>\$ 16,444</u>

16. OTHER PAYABLES

	December 31	
	2023	2022
Other payables		
Payables for salaries or bonuses	\$ 122,190	\$ 207,597
Payables for purchases of equipment	4,725	2,384
Payables for insurance	2,925	2,999
Payables for professional service fees	1,901	4,887
Others	<u>25,525</u>	<u>25,780</u>
	<u>\$ 157,266</u>	<u>\$ 243,647</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Japan and China are members of a state-managed retirement benefit plan operated by the governments of Japan and China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is

managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 63,127	\$ 66,111
Fair value of plan assets	<u>(54,280)</u>	<u>(51,782)</u>
Net defined benefit liabilities	<u>\$ 8,847</u>	<u>\$ 14,329</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 69,771</u>	<u>\$ (46,470)</u>	<u>\$ 23,301</u>
Service cost			
Current service cost	144	-	144
Net interest expense (income)	<u>349</u>	<u>(236)</u>	<u>113</u>
Recognized in profit or loss	<u>493</u>	<u>(236)</u>	<u>257</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,647)	(3,647)
Actuarial (gain) loss - changes in demographic assumptions	156	-	156
Actuarial (gain) loss - changes in financial assumptions	(5,611)	-	(5,611)
Actuarial (gain) loss - experience adjustments	<u>1,302</u>	<u>-</u>	<u>1,302</u>
Recognized in other comprehensive income	<u>(4,153)</u>	<u>(3,647)</u>	<u>(7,800)</u>
Contributions from the employer	<u>-</u>	<u>(1,429)</u>	<u>(1,429)</u>
Balance at December 31, 2022	<u>\$ 66,111</u>	<u>\$ (51,782)</u>	<u>\$ 14,329</u>
Balance at January 1, 2023	<u>\$ 66,111</u>	<u>\$ (51,782)</u>	<u>\$ 14,329</u>
Service cost			
Current service cost	140	-	140
Net interest expense (income)	<u>909</u>	<u>(722)</u>	<u>187</u>
Recognized in profit or loss	<u>1,049</u>	<u>(722)</u>	<u>327</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(380)	(380)
Actuarial (gain) loss - changes in demographic assumptions	3	-	3

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial (gain) loss - changes in financial assumptions	\$ 675	\$ -	\$ 675
Actuarial (gain) loss - experience adjustments	<u>(566)</u>	<u>-</u>	<u>(566)</u>
Recognized in other comprehensive income	<u>112</u>	<u>(380)</u>	<u>(268)</u>
Contributions from the employer	-	(1,396)	(1,396)
Benefits paid	<u>(4,145)</u>	<u>-</u>	<u>(4,145)</u>
Balance at December 31, 2023	<u>\$ 63,127</u>	<u>\$ (54,280)</u>	<u>\$ 8,847</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2023	2022
Selling and marketing expenses	\$ 12	\$ 10
General and administrative expenses	65	52
Research and development expenses	<u>250</u>	<u>195</u>
	<u>\$ 327</u>	<u>\$ 257</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rate(s)	1.25%	1.375%
Expected rate(s) of salary increase	4.000%	4.000%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate(s)		
0.25% increase	<u>\$ (1,339)</u>	<u>\$ (1,483)</u>
0.25% decrease	<u>\$ 1,384</u>	<u>\$ 1,535</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,325</u>	<u>\$ 1,471</u>
0.25% decrease	<u>\$ (1,289)</u>	<u>\$ (1,430)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 1,396</u>	<u>\$ 1,429</u>
Average duration of the defined benefit obligation	8.6 years	9.1 years

18. EQUITY

a. Share capital

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>167,877</u>	<u>167,877</u>
Shares issued	<u>\$ 1,678,770</u>	<u>\$ 1,678,770</u>

b. Capital surplus

Any capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, 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 should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19.g.

The Company distributes share dividends and cash dividends after taking into account its future business needs and long-term financial plan and provided that the ratio for share dividend shall not exceed 50% of the total distribution. The distribution of profits may also be made by way of share or cash dividends. The appropriation for cash dividend should not be less than 10% of the annual dividends distributed.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings on June 16, 2023 and June 21, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 58,481	\$ 146,419
Special reserve	\$ 65,787	\$ -
Cash dividends	\$ 419,693	\$ 1,175,139
Cash dividends per share (NT\$)	\$ 2.5	\$ 7

The appropriation of earnings for 2023 will be proposed by the Company's board of directors in May 2024.

19. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2023	2022
Rental income		
Investment properties	\$ 9,126	\$ 7,047
Dividends	6,571	29,572
Others	<u>5,139</u>	<u>6,971</u>
	<u>\$ 20,836</u>	<u>\$ 43,590</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Fair value changes of financial assets		
Financial assets designated as at FVTPL	\$ 3,012	\$ (5,156)
Net foreign exchange gains	1,209	86,483
Loss on disposal of property, plant and equipment	(21)	(374)
Others	<u>(1,603)</u>	<u>(1,913)</u>
	<u>\$ 2,597</u>	<u>\$ 79,040</u>

c. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ 15,953	\$ 14,039
Financial assets at amortized cost	3,909	2,762
Others	<u>6</u>	<u>3</u>
	<u>\$ 19,868</u>	<u>\$ 16,804</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 68,382	\$ 61,164
Investment properties	2,628	2,632
Intangible assets	<u>19,847</u>	<u>16,444</u>
	<u>\$ 90,857</u>	<u>\$ 80,240</u>
An analysis of depreciation by function		
Operating costs	\$ 6,909	\$ 3,525
Operating expenses	61,473	57,639
Non-operating income and expenses*	<u>2,628</u>	<u>2,632</u>
	<u>\$ 71,010</u>	<u>\$ 63,796</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 19,847</u>	<u>\$ 16,444</u>

* The depreciation expense above includes rent revenue and other expenditures in other gains and losses.

e. Depreciation expense directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct depreciation expense from investment properties generating rental income	\$ 2,295	\$ 1,890
Direct depreciation expense from investment properties not generating rental income	<u>333</u>	<u>742</u>
	<u>\$ 2,628</u>	<u>\$ 2,632</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 33,112	\$ 32,890
Defined benefit plans (Note 17)	<u>327</u>	<u>257</u>
	33,439	33,147
Other employee benefits	<u>654,786</u>	<u>718,429</u>
Total employee benefits expense	<u>\$ 688,225</u>	<u>\$ 751,576</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 688,225</u>	<u>\$ 751,576</u>

g. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 27, 2024 and February 24, 2023, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	15.48%	14.28%
Remuneration of directors	1.62%	1.21%

Amount

	For the Year Ended December 31			
	2023		2022	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 37,360	\$ -	\$ 118,420	\$ -
Remuneration of directors	3,900	-	10,000	-

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 paid 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 in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 30,833	\$ 91,348
Foreign exchange losses	<u>(29,624)</u>	<u>(4,865)</u>
	<u>\$ 1,209</u>	<u>\$ 86,483</u>

20. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
<u>Current tax</u>		
In respect of the current period	\$ 65,605	\$ 159,594
Income tax on unappropriated earnings	2,042	7,131
Offshore income tax expense	775	2,075
Adjustments for prior periods	(26,627)	(24,809)
<u>Deferred tax</u>		
In respect of the current period	<u>(26,514)</u>	<u>(25,044)</u>
Income tax expense recognized in profit or loss	<u>\$ 15,281</u>	<u>\$ 118,947</u>

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

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 13,979	\$ 104,641
Nondeductible expenses in determining taxable income	(1,920)	(3,670)
Tax-exempt income	-	(146)
Weighted deduction of research and development expenses in China	(10,177)	(9,674)
Unrecognized loss carryforwards	37,209	43,399
Adjustments for prior years' tax	(26,627)	(24,809)
Effects of different tax rates of entities in the Group operating in other jurisdictions	775	2,075
Income tax on unappropriated earnings	<u>2,042</u>	<u>7,131</u>
Income tax expense recognized in profit or loss	<u>\$ 15,281</u>	<u>\$ 118,947</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	\$ (53)	\$ (1,560)
Total income tax recognized in other comprehensive income	<u>\$ (53)</u>	<u>\$ (1,560)</u>

c. Current tax liabilities

The current tax liabilities for December 31, 2023 and 2022 are income taxes payable.

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventories	\$ 11,421	\$ (2,476)	\$ -	\$ (23)	\$ 8,922
Provisions	3,794	1,161	-	-	4,955
Capitalized expenses	348	(308)	-	-	40
Unappropriated earnings of subsidiaries	32,036	(9,990)	-	-	22,046
Pension limits	1,535	(213)	-	-	1,322
Unrealized foreign exchange losses	1,333	1,969	-	-	3,302
Others	<u>503</u>	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>450</u>
	<u>\$ 50,970</u>	<u>\$ (9,857)</u>	<u>\$ (53)</u>	<u>\$ (23)</u>	<u>\$ 41,037</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Foreign investment income accounted for using equity method	\$ 48,089	\$ (36,747)	\$ -	\$ -	\$ 11,342
Unrealized interest income	<u>183</u>	<u>376</u>	<u>-</u>	<u>(11)</u>	<u>548</u>
	<u>\$ 48,272</u>	<u>\$ (36,371)</u>	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ 11,890</u>

For the year ended December 31, 2022

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventories	\$ 10,938	\$ 471	\$ -	\$ 12	\$ 11,421
Provisions	4,151	(357)	-	-	3,794
Capitalized expenses	72	276	-	-	348
Unappropriated earnings of subsidiaries	48,596	(16,560)	-	-	32,036
Pension limits	1,770	(235)	-	-	1,535
Unrealized foreign exchange losses	5,704	(4,371)	-	-	1,333
Others	<u>2,063</u>	<u>-</u>	<u>(1,560)</u>	<u>-</u>	<u>503</u>
	<u>\$ 73,294</u>	<u>\$ (20,776)</u>	<u>\$ (1,560)</u>	<u>\$ 12</u>	<u>\$ 50,970</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
Foreign investment income accounted for using equity method	\$ 94,022	\$ (45,933)	\$ -	\$ -	\$ 48,089
Unrealized interest income	<u>70</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>183</u>
	<u>\$ 94,092</u>	<u>\$ (45,820)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,272</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2023	2022
Loss carryforwards		
Expiry in 2023	\$ 2,014	\$ 2,446
Expiry in 2024	903	903
Expiry in 2025	<u>1,631</u>	<u>1,631</u>
	<u>\$ 4,548</u>	<u>\$ 4,980</u>
Deductible temporary differences		
Others	<u>\$ 590</u>	<u>\$ 590</u>

f. Information on unused loss carryforwards

As of December 31, 2023, loss carryforwards comprised:

Unused Amount	Expiry Year
\$ 2,014	2023
903	2024
1,631	2025
6,457	2026
19,495	2027
11,761	2028
2,860	2029
<u>298,019</u>	2032
<u>\$ 343,140</u>	

g. Income tax assessments

The Company and its subsidiaries had their income taxes examined by the tax authorities at the following years:

	Year of Examination
The Company	2021
Jian Mou Investment Corporation	2021
Sonix Technology (Chengdu) Co., Ltd.	2022
Sonix Technology (Shenzhen) Co., Ltd.	2022

21. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	<u>\$ 185,882</u>	<u>\$ 578,568</u>

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares in computation of basic earnings per share	167,877	167,877
Effects of potentially dilutive ordinary shares		
Compensation of employees or bonus issue to employees	<u>1,033</u>	<u>3,497</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>168,910</u>	<u>171,374</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses 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.

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group monitors the funds by regularly examining the ratio of assets to debt. The capital in the Group is the total equity listed in the balance sheet also known as the amount of total assets deducted from the total debt.

23. FINANCIAL INSTRUMENTS

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

- Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ <u>58,765</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>58,765</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 298,438	\$ -	\$ -	\$ 298,438
Unlisted shares	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
	\$ <u>298,438</u>	\$ <u>-</u>	\$ <u>34</u>	\$ <u>298,472</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ <u>55,753</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>55,753</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 283,887	\$ -	\$ -	\$ 283,887
Unlisted shares	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
	\$ <u>283,887</u>	\$ <u>-</u>	\$ <u>34</u>	\$ <u>283,921</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL		
Mutual funds	\$ 58,765	\$ 55,753
Financial assets at amortized cost (1)	1,913,614	1,539,826
Financial assets at FVTOCI		
Equity instruments	298,472	283,921
<u>Financial liabilities</u>		
Amortized cost (2)	295,368	253,550

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables, refundable deposits.
- 2) The balance includes financial liabilities measured at amortized cost, which comprise short-term bills payable and trade and other payables (excluding employment benefits), guarantee deposits.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables and trade payables. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, 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), interest rates (see (b) below), and market price risk (see (c) below).

There have been no changes to the Group's exposure to market risk or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and Sonix Technology (Shenzhen) Co., Ltd. have foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 50% of the Group's sales is denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst almost 37% of costs is denominated in currencies other than the functional currency of the entity in the Group.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximize the hedging effectiveness. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar and RMB (the functional currencies) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar and RMB strengthens 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar and RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		EUR Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022	2023	2022
Profit or loss	\$ 5,817 (i)	\$ 4,033 (i)	\$ 251 (ii)	\$ 244 (ii)	\$ 2,848 (iii)	\$ 1,300 (iii)

- i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period, and the changes in financial assets are measured at FVTPL.
- ii. This was mainly the result of the changes in the financial assets are measured at amortized cost.
- iii. The result was mainly attributable to the exposure on outstanding accounts receivable in RMB that were not hedged at the end of the year.

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 reporting period were as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 686,483	\$ 500,470
Cash flow interest rate risk		
Financial assets	913,207	793,158

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of the reporting period was outstanding for the whole year. 1% increase or decrease is 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 1% 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 \$9,132 thousand and \$7,932 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank savings and financial assets at amortized cost.

c) Other price risk

The Group was exposed to price risk through its investments in beneficiary certificates and equity securities. The investments are not held for trading purposes. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit or loss for years ended December 31, 2023 and 2022 would have increased/decreased by NT\$588 thousand and NT\$558 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$2,985 thousand and NT\$2,839 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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. The Group only deals with creditworthy counterparties of financial institutions and entities that are rated the equivalent of investment grade and above. Therefore, there is no expected great credit risk.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group's concentration of credit risk of 43% and 41% of total trade receivables as of December 31, 2023 and 2022, respectively, was related to the Group's largest customer and the five largest customers within the business segment. The rest of the credit risk concentration of trade receivables are not comparatively significant.

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.

The working capital of the Group is sufficient for its liabilities, and hence there's no liquidity risk for not fulfilling contractual obligations due to a failure to raise funds.

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationship with the Company</u>
Senno Technology Inc.	Related party in substance
Digit Mobile Inc.	Related party in substance
New Pocket Device Corp.	Related party in substance

b. Operating transactions

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Sales	Related party in substance		
	Others	<u>\$ 2,176</u>	<u>\$ 4,553</u>
Operating expenses Miscellaneous expenses	Related party in substance		
	Others	<u>\$ 166</u>	<u>\$ 208</u>
Non-operating revenue	Related party in substance		
	Others	<u>\$ -</u>	<u>\$ 3</u>

The sales prices and payment terms for related parties are similar with those of sales to third parties.

c. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31, 2023</u>
Accounts receivable	Related party in substance	
	Others	<u>\$ 146</u>

The outstanding trade receivables from related parties are unsecured. For the year ended December 31, 2023, no impairment loss was recognized for trade receivables from related parties.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 24,714	\$ 34,411
Post-employment benefits	<u>199</u>	<u>199</u>
	<u>\$ 24,913</u>	<u>\$ 34,610</u>

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

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for short-term bank borrowings, purchases and tariffs of imported goods:

	December 31	
	2023	2022
Property, plant and equipment	\$ 202,981	\$ 206,523
Pledge deposits (classified as financial assets at amortized cost - current)	<u>2,206</u>	<u>52,178</u>
	<u>\$ 205,187</u>	<u>\$ 258,701</u>

26. 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 foreign currencies and respective functional currencies were as follows:

December 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,571	30.655 (USD:NTD)	\$ 599,949
USD	3,340	7.0827 (USD:RMB)	102,388
EUR	743	33.78 (EUR:NTD)	25,099
RMB	66,378	4.302 (RMB:NTD)	285,558
<u>Financial liabilities</u>			
Monetary items			
USD	3,923	30.755 (USD:NTD)	120,652
RMB	180	4.352 (RMB:NTD)	783

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,355	30.66 (USD:NTD)	\$ 440,124
USD	2,004	6.9646 (USD:RMB)	61,443
EUR	750	32.52 (EUR:NTD)	24,390
RMB	29,662	4.383 (RMB:NTD)	130,009

Financial liabilities

Monetary items			
USD	3,194	30.76 (USD:NTD)	98,247

Due to the variety of foreign currency transactions of the Group, the exchange gains or losses information is disclosed on an aggregated basis. Foreign currency exchange gains (realized and unrealized) were NT\$1,209 thousand and NT\$86,483 thousand as of December 31, 2023 and 2022, respectively.

27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (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. (None)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 3)

- b. Information on investees. (Table 4)
- 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 period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 5)
 - 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: (Tables 2, 3 and 5)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - 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 period and the purposes.
 - e) The highest balance, the end of period 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 receiving 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. (None)

28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the segment information of each project. The Company manufactured and sold semi-conductor products in the years ended December 31, 2023 and 2022, respectively. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were within the semi-conductor segment.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Segment Revenue for the Year Ended December 31		Segment Profit for the Year Ended December 31	
	2023	2022	2023	2022
Semi-conductor sector	<u>\$ 2,609,937</u>	<u>\$ 3,354,067</u>	\$ 157,929	\$ 558,209
Share of profits or losses of associates accounted for using the equity method			(67)	(128)
Interest revenue			19,868	16,804
Rent revenue			9,126	7,047
Dividends			6,571	29,572
Gain or loss on financial assets at FVTPL			3,012	(5,156)
Loss on disposal of property, plant and equipment			(21)	(374)
Profits and losses on net exchange			1,209	86,483
Other income			5,139	6,971
Other expenditures			<u>(1,603)</u>	<u>(1,913)</u>
Profit before tax			<u>\$ 201,163</u>	<u>\$ 697,515</u>

Segment revenue reported above represent revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without a share of profits or losses of associates under the equity method, interest income, rent revenue, dividends, gain or loss on financial assets at FVTPL, gain or loss on disposal of property, plant and equipment, exchange gains or losses, other income, other expenditures and income tax expense. This was the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision-maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	Depreciation and Amortization	
	2023	2022
Semi-conductor segment	<u>\$ 88,229</u>	<u>\$ 77,608</u>

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2023	2022
Revenue from semi-conductors	<u>\$ 2,609,937</u>	<u>\$ 3,354,067</u>

e. Geographical information

The Group operates in two principal geographical areas - 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	
	For the Year Ended December 31	
	2023	2022
Taiwan	\$ 1,440,148	\$ 2,250,031
China	1,169,466	1,103,895
Others	<u>323</u>	<u>141</u>
	<u>\$ 2,609,937</u>	<u>\$ 3,354,067</u>

f. Information on major customers

The amounts of sales revenue of \$2,609,937 thousand and \$3,354,067 thousand in 2023 and 2022, respectively, came from the semiconductor sector while the amounts of sales revenue of approximately \$556,417 thousand and \$701,345 thousand, respectively, came from the Group's largest customer in 2023 and 2022.

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

	For the Year Ended December 31	
	2023	2022
Customer A	<u>\$ 556,417</u>	<u>\$ 701,345</u>

TABLE 1

SONIX TECHNOLOGY CO., LTD. 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
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Sonix Technology Co., Ltd.	<u>Shares</u> Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	54	\$ 7	-	\$ 7	Note
	Champion Microelectronic Corp.	-	Financial assets at fair value through other comprehensive income - non-current	4,071,472	298,438	5.09	298,438	Note
	<u>Mutual funds</u> Franklin Templeton - Global Total Return Fund	-	Financial assets at fair value through profit or loss - current	29,951.693	22,688	-	22,688	Note
Jian Mou Investment Corporation	<u>Shares</u> Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	115	27	-	27	Note
	<u>Mutual funds</u> Jih Sun Asian Non-Investment Grade Bond Fund TWD	-	Financial assets at fair value through profit or loss - current	1,307,168.12	11,594	-	11,594	Note
	Jih Sun Target Income Fund of Funds TWD	-	Financial assets at fair value through profit or loss - current	1,500,000	14,445	-	14,445	Note
	Nomura Fallen Angel High Yield Bond Fund Accumulated TWD	-	Financial assets at fair value through profit or loss - current	1,007,650	10,038	-	10,038	Note

Note: The amount is measured at the fair value of net assets as of December 31, 2023.

TABLE 2

SONIX TECHNOLOGY CO., LTD. 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/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Third-tier subsidiary	Sale	\$ (794,614)	(36)	30 days	\$ -	-	\$ 74,605	28	
Sonix Technology (Shenzhen) Co., Ltd.	Sonix Technology Co., Ltd.	Parent company	Purchase	794,614	98	30 days	-	-	(74,605)	(100)	

Note: All the transactions have been eliminated when preparing the consolidated financial statements.

TABLE 3

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	1	Trade receivable	\$ 74,605	No significant difference from non-related party.	2
		Sonix Technology (Shenzhen) Co., Ltd.	1	Sales	794,614	No significant difference from non-related party.	30

Note 1: 1 represents parent to subsidiary, 2 represents subsidiary to parent, 3 represents subsidiary to subsidiary.

Note 2: All the transactions have been eliminated when preparing the consolidated financial statements.

TABLE 4

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
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 1)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Sonix Technology Co., Ltd.	Sonix Technology Ltd.	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	General Investment	\$ 1,031,999	\$ 1,031,999	33,010,000	100.00	\$ 1,068,546	\$ (184,323)	\$ (184,323)	Subsidiary
	Jian Mou Investment Corporation	Hsinchu County	General Investment	155,000	155,000	15,500,000	100.00	98,268	2,261	2,261	Subsidiary
	Sonix Technology K.K.	Tokyo Metropolitan	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	31,792	31,792	8,000	100.00	10,591	586	586	Subsidiary
Jian Mou Investment Corporation	Paradigm Venture Capital Corporation	Taipei City	General Investment	43,948	43,948	459,960	20.98	4,207	(320)	(67)	
Sonix Technology Ltd.	Sonix Holding	P.O. Box 438, Road Town, Tortola, British Virgin Islands	General Investment	997,099	997,099	32,010,000	100.00	1,030,849	(185,431)	(185,431)	Second-tier subsidiary

Note: With the exception of Paradigm Venture Capital Corporation, gains or losses on investments between investees, equity-method investments in investors and net equity in investees are eliminated when the consolidated financial statements are prepared.

TABLE 5

SONIX TECHNOLOGY CO., LTD. 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							
Sonix Technology (Chengdu) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	\$ 307,050 (US\$ 10,000 thousand)	Invest in mainland China through companies incorporated in third regions	\$ 307,050 (US\$ 10,000 thousand)	\$ -	\$ -	\$ 307,050 (US\$ 10,000 thousand)	\$ 10,519 (US\$ 338 thousand)	100	\$ 10,519 (US\$ 338 thousand)	\$ 120,644 (US\$ 3,929 thousand)	\$ -	
Sonix Technology (Shenzhen) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	675,510 (US\$ 22,000 thousand)	Invest in mainland China through companies incorporated in third regions	675,510 (US\$ 22,000 thousand)	-	-	675,510 (US\$ 22,000 thousand)	(195,950) (US\$ -6,290 thousand)	100	(195,950) (US\$ -6,290 thousand)	910,198 (US\$ 29,643 thousand)	-	

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 Investment Stipulated by Investment Commission, MOEA
\$982,560 (US\$32,000 thousand)	\$1,028,618 (US\$33,500 thousand)	\$2,136,969

Note 1: The investment profit and loss were recognized based on the average exchange rate from January 1, 2023 to December 31, 2023; the other accounts were all based on prevailing exchange rate as of December 31, 2023.

Note 2: The profit and loss of investments between reinvested companies, investments accounted for using the equity method, and the equity of investee companies were all eliminated during the preparation of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sonix Technology Co., Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the 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 matters identified in the Company's financial statements for the year ended December 31, 2023 are stated as follows:

Occurrence of Revenue

The Company's operating income mainly comes from transactions generated from R&D, design, manufacturing and sales of voice controllers, microcontrollers, video/image controllers, wireless multimedia, optical identification and so on. We performed an analytical procedure on the sales revenue in 2023, and some kinds of products have a relatively certain percentage of annual sales, and the revenue of these products may have been recognized before fulfilling the requirements of IAS regulations on revenue recognition, which can have a significant impact to the financial statements of the Company. Thus, we identified the occurrence of revenue for specific products as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies and details of revenue recognition.

We performed the following main audit procedures for the occurrence of revenue:

1. We obtained an understanding of and tested the design and operating effectiveness of the key controls with regard to the occurrence of revenue.
2. We selected samples from specific products' sales details, and we checked the original documents. We also verified the collections and other procedures performed and confirmed that there were no abnormalities in the occurrence of operating income.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, 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 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 Yao Lin Huang and Shih Chieh Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.

SONIX TECHNOLOGY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 785,522	19	\$ 493,305	12
Financial assets at fair value through profit or loss - current (Note 4)	22,688	-	21,571	1
Financial assets at amortized cost - current (Notes 4, 8 and 24)	240,206	6	240,178	6
Trade receivables from unrelated parties (Notes 4 and 9)	191,614	5	145,499	3
Trade receivables from related parties (Notes 4 and 23)	74,751	2	5,767	-
Inventories (Notes 4, 5 and 10)	589,338	14	957,211	23
Other current assets (Note 23)	<u>73,038</u>	<u>2</u>	<u>56,790</u>	<u>1</u>
Total current assets	<u>1,977,157</u>	<u>48</u>	<u>1,920,321</u>	<u>46</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	298,445	7	283,894	7
Investments accounted for using equity method (Notes 4 and 11)	1,177,405	29	1,377,594	32
Property, plant and equipment (Notes 4, 12 and 24)	355,016	9	353,045	8
Investment properties (Notes 4 and 13)	111,813	3	112,982	3
Intangible assets (Notes 4 and 14)	134,938	3	114,045	3
Deferred tax assets (Notes 4 and 19)	39,613	1	48,977	1
Refundable deposits	<u>2,415</u>	<u>-</u>	<u>4,764</u>	<u>-</u>
Total non-current assets	<u>2,119,645</u>	<u>52</u>	<u>2,295,301</u>	<u>54</u>
TOTAL	<u>\$ 4,096,802</u>	<u>100</u>	<u>\$ 4,215,622</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables to unrelated parties (Notes 4 and 23)	\$ 120,878	3	\$ 92,513	2
Other payables (Note 15)	138,840	3	222,213	5
Current tax liabilities (Notes 4 and 19)	71,757	2	15,310	1
Other current liabilities	<u>119,265</u>	<u>3</u>	<u>173,010</u>	<u>4</u>
Total current liabilities	<u>450,740</u>	<u>11</u>	<u>503,046</u>	<u>12</u>
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 4)	24,777	1	18,970	1
Deferred tax liabilities (Notes 4 and 19)	11,342	-	48,089	1
Net defined benefit liabilities - non-current (Notes 4 and 16)	8,847	-	14,329	-
Guarantee deposits	<u>39,481</u>	<u>1</u>	<u>29,456</u>	<u>1</u>
Total non-current liabilities	<u>84,447</u>	<u>2</u>	<u>110,844</u>	<u>3</u>
Total liabilities	<u>535,187</u>	<u>13</u>	<u>613,890</u>	<u>15</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 17)				
Share capital				
Ordinary shares	<u>1,678,770</u>	<u>41</u>	<u>1,678,770</u>	<u>40</u>
Capital surplus	<u>62,661</u>	<u>1</u>	<u>62,661</u>	<u>1</u>
Retained earnings				
Legal reserve	1,210,820	30	1,152,339	27
Special reserve	66,015	2	228	-
Unappropriated earnings	<u>512,170</u>	<u>12</u>	<u>773,521</u>	<u>19</u>
Total retained earnings	<u>1,789,005</u>	<u>44</u>	<u>1,926,088</u>	<u>46</u>
Other equity	<u>31,179</u>	<u>1</u>	<u>(65,787)</u>	<u>(2)</u>
Total equity	<u>3,561,615</u>	<u>87</u>	<u>3,601,732</u>	<u>85</u>
TOTAL	<u>\$ 4,096,802</u>	<u>100</u>	<u>\$ 4,215,622</u>	<u>100</u>

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

SONIX TECHNOLOGY CO., LTD.

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)				
Sales	\$ 2,234,761	100	\$ 3,028,449	100
OPERATING COSTS (Notes 10, 18 and 23)				
Cost of goods sold	<u>1,170,990</u>	<u>52</u>	<u>1,496,222</u>	<u>50</u>
GROSS PROFIT	1,063,771	48	1,532,227	50
UNREALIZED LOSS (GAIN) ON THE TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>(68,946)</u>	<u>(3)</u>	<u>82,798</u>	<u>3</u>
REALIZED LOSS ON THE TRANSACTIONS WITH SUBSIDIARIES	<u>118,897</u>	<u>5</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,113,722</u>	<u>50</u>	<u>1,615,025</u>	<u>53</u>
OPERATING EXPENSES (Notes 14, 16, 18 and 23)				
Selling and marketing expenses	49,915	2	53,275	2
General and administrative expenses	124,231	6	138,751	4
Research and development expenses	590,271	26	632,678	21
Expected credit gain	<u>(6)</u>	<u>-</u>	<u>(18)</u>	<u>-</u>
Total operating expenses	<u>764,411</u>	<u>34</u>	<u>824,686</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>349,311</u>	<u>16</u>	<u>790,339</u>	<u>26</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 18 and 23)	22,892	1	56,993	2
Other gains and losses (Notes 18 and 25)	(446)	-	79,403	3
Share of profit or loss of associates	(181,476)	(8)	(234,539)	(8)
Interest revenue (Note 18)	<u>9,822</u>	<u>-</u>	<u>8,885</u>	<u>-</u>
Total non-operating income and expenses	<u>(149,208)</u>	<u>(7)</u>	<u>(89,258)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	200,103	9	701,081	23
INCOME TAX EXPENSE (Notes 4 and 19)	<u>14,221</u>	<u>1</u>	<u>122,513</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>185,882</u>	<u>8</u>	<u>578,568</u>	<u>19</u>

(Continued)

SONIX TECHNOLOGY CO., LTD.

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

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 16)	\$ 268	-	\$ 7,800	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	212,192	10	(164,943)	(5)
Share of the other comprehensive loss of associated accounted for using the equity method	(935)	-	(1,377)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	(53)	-	(1,560)	-
	<u>211,472</u>	<u>10</u>	<u>(160,080)</u>	<u>(5)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(17,778)	(1)	26,903	1
Other comprehensive income for the year, net of income tax	<u>193,694</u>	<u>9</u>	<u>(133,177)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 379,576</u>	<u>17</u>	<u>\$ 445,391</u>	<u>15</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 1.11</u>		<u>\$ 3.45</u>	
Diluted	<u>\$ 1.10</u>		<u>\$ 3.38</u>	

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

(Concluded)

SONIX TECHNOLOGY CO., LTD.

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

	Share Capital		Capital Surplus Ordinary Shares Issued at Premium	Retained Earnings			Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
	Shares (In Thousands)	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	<u>167,877</u>	<u>\$ 1,678,770</u>	<u>\$ 62,661</u>	<u>\$ 1,005,920</u>	<u>\$ 228</u>	<u>\$ 1,510,271</u>	<u>\$ 2,516,419</u>	<u>\$ (66,995)</u>	<u>\$ 140,625</u>	<u>\$ 73,630</u>	<u>\$ 4,331,480</u>
Appropriation of 2021 earnings											
Legal reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,419</u>	<u>-</u>	<u>(146,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,175,139)</u>	<u>(1,175,139)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,175,139)</u>
Net profit for the year ended December 31, 2022	-	-	-	-	-	578,568	578,568	-	-	-	578,568
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,240</u>	<u>6,240</u>	<u>26,903</u>	<u>(166,320)</u>	<u>(139,417)</u>	<u>(133,177)</u>
Total comprehensive income (loss) for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,808</u>	<u>584,808</u>	<u>26,903</u>	<u>(166,320)</u>	<u>(139,417)</u>	<u>445,391</u>
BALANCE AT DECEMBER 31, 2022	<u>167,877</u>	<u>1,678,770</u>	<u>62,661</u>	<u>1,152,339</u>	<u>228</u>	<u>773,521</u>	<u>1,926,088</u>	<u>(40,092)</u>	<u>(25,695)</u>	<u>(65,787)</u>	<u>3,601,732</u>
Appropriation of 2022 earnings											
Legal reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,481</u>	<u>-</u>	<u>(58,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,787</u>	<u>(65,787)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(419,693)</u>	<u>(419,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(419,693)</u>
Net profit for the year ended December 31, 2023	-	-	-	-	-	185,882	185,882	-	-	-	185,882
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215</u>	<u>215</u>	<u>(17,778)</u>	<u>211,257</u>	<u>193,479</u>	<u>193,694</u>
Total comprehensive income (loss) for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,097</u>	<u>186,097</u>	<u>(17,778)</u>	<u>211,257</u>	<u>193,479</u>	<u>379,576</u>
Disposal for financial assets at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,513</u>	<u>96,513</u>	<u>-</u>	<u>(96,513)</u>	<u>(96,513)</u>	<u>-</u>
BALANCE AT DECEMBER 31, 2023	<u>167,877</u>	<u>\$ 1,678,770</u>	<u>\$ 62,661</u>	<u>\$ 1,210,820</u>	<u>\$ 66,015</u>	<u>\$ 512,170</u>	<u>\$ 1,789,005</u>	<u>\$ (57,870)</u>	<u>\$ 89,049</u>	<u>\$ 31,179</u>	<u>\$ 3,561,615</u>

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

SONIX TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	\$ 200,103	\$ 701,081
Adjustments for:		
Depreciation expense	42,557	34,912
Amortization expense	19,342	15,451
Expected credit loss reversed on trade receivables	(6)	(18)
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,117)	237
Interest income	(9,822)	(8,885)
Dividend income	(6,571)	(29,572)
Share of profit of associates and joint ventures	181,476	234,539
Reversal of write-downs of inventory and loss of obsolete inventory	58,699	6,585
Net loss on foreign currency exchange	3,966	7,018
Changes in operating assets and liabilities		
Trade receivables	(121,874)	286,895
Inventories	309,174	136,252
Other current assets	2,630	2,041
Trade payables	30,389	(226,011)
Other payables	(83,076)	(181,073)
Provisions for employee benefits	5,807	(1,787)
Other current liabilities	(53,621)	(74,077)
Net defined benefit liabilities	(5,214)	(1,172)
Cash generated from operations	572,842	902,416
Interest received	9,876	6,934
Dividends received	6,571	32,858
Income tax paid	(4,284)	(344,850)
Net cash generated from operating activities	<u>585,005</u>	<u>597,358</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	197,641	-
Purchase of financial assets at amortized cost	(102,206)	(2,178)
Disposal of financial assets at amortized cost	102,178	17,159
Proceeds from sale of financial assets at fair value through profit or loss	-	120,267
Payments for property, plant and equipment	(43,359)	(38,915)
Increase in refundable deposits	(422)	(121)
Decrease in refundable deposits	2,824	-
Payments for intangible assets	(40,235)	(41,137)
Net cash generated from investing activities	<u>116,421</u>	<u>55,075</u>
		(Continued)

SONIX TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	\$ 12,695	\$ 6,391
Refund of guarantee deposits received	(2,211)	(58,067)
Dividends paid to owners of the Company	<u>(419,693)</u>	<u>(1,175,139)</u>
Net cash used in financing activities	<u>(409,209)</u>	<u>(1,226,815)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	292,217	(574,382)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>493,305</u>	<u>1,067,687</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 785,522</u>	<u>\$ 493,305</u>

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

(Concluded)

SONIX TECHNOLOGY CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sonix Technology Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in July 1996. The Company mainly develops, designs, manufactures and trades semiconductors.

The Company was listed on the OTC market on November 27, 2000 and submitted applications to be listed on the stock exchange market to the Securities and Futures Bureau, FSC on June 27, 2000, which was then approved by the Taiwan Stock Exchange on July 25, 2003. The Company’s shares have been traded on the Taiwan Stock Exchange since August 25, 2003.

The financial statements for the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on February 27, 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)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 “Lease 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.

The Company has assessed the above standards that have not had a material impact. As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company'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.

The Company has assessed the above standards that have not had a material impact. As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company'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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company 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. Foreign currencies

In preparing the financial statements of each individual entity in the Company, 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.

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 items denominated in a foreign currency and measured at historical cost are stated in the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the functional currencies of the Company its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, 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.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process 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 their weighted-average costs.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (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 Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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 method 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.

h. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

i. Intangible assets

1) Intangible assets acquired separately

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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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, investment properties and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, investment properties 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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 or cash-generating unit 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 or cash-generating unit 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 an entity in the Company 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 FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 22.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable and trade receivables at amortized cost, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company 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 Company'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 and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company 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 Company 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 Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged 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 Company 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. 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

Debt and equity instruments issued by an entity in the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by an entity in the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share type. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own 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 Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of consumer IC and multimedia IC. Sales of consumer IC and multimedia IC are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leases

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company 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.

n. 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.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liabilities (assets)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

o. 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, and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Company 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.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of Inventory

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 with product sales 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
Cash on hand	\$ 75	\$ 75
Checking accounts and demand deposits	606,183	430,431
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	21,459	-
Repurchase agreements collateralized by bonds	<u>157,805</u>	<u>62,799</u>
	<u>\$ 785,522</u>	<u>\$ 493,305</u>

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

	December 31	
	2023	2022
Bank balance	0.005%-1.40%	0.005%-1.05%
Time deposits with original maturities of less than 3 months	5.3%	-
Repurchase agreements collateralized by bonds	5.1%-5.3%	3.8%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Champion Microelectronic Corp.	\$ 298,438	\$ 283,887
Unlisted shares		
Ordinary shares - Ours Technology Inc.	<u>7</u>	<u>7</u>
	<u>\$ 298,445</u>	<u>\$ 283,894</u>

These investments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate 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 Company's strategy of holding these investments for long-term purposes.

In August and September 2023, the Company sold part of the ordinary shares of Champion Microelectronic Corp. at a fair value of NT\$197,641 thousand, and the unrealized gain on financial assets at fair value through other comprehensive income of NT\$96,513 thousand will be transferred to retained earnings.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
<u>Current</u>		
Domestic investments		
Time deposits with original maturity of more than 3 months	\$ 240,206	\$ 240,178
a. The interest rates for time deposits with original maturity of more than 3 months were 1.29%-1.575% and 0.78%-1.405% as of December 31, 2023 and 2022, respectively.		
b. Refer to Note 24 for information relating to investments in financial assets at amortized cost pledged as security.		

9. TRADE RECEIVABLES

	December 31	
	2023	2022
Trade receivables		
At amortized cost		
Gross carrying amount	\$ 195,368	\$ 149,259
Less: Allowance for impairment loss	(3,754)	(3,760)
	<u>\$ 191,614</u>	<u>\$ 145,499</u>

Trade Receivables

The average credit period of sales of goods was 60 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that have good credit ratings, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

December 31, 2023

	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.18%	0%	0%	100%	
Gross carrying amount	\$ 191,963	\$ -	\$ -	\$ 3,405	\$ 195,368
Loss allowance (Lifetime ECLs)	<u>(349)</u>	<u>-</u>	<u>-</u>	<u>(3,405)</u>	<u>(3,754)</u>
Amortized cost	<u>\$ 191,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,614</u>

December 31, 2022

	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.24%	0%	0%	100%	
Gross carrying amount	\$ 145,848	\$ -	\$ -	\$ 3,411	\$ 149,259
Loss allowance (Lifetime ECLs)	<u>(349)</u>	<u>-</u>	<u>-</u>	<u>(3,411)</u>	<u>(3,760)</u>
Amortized cost	<u>\$ 145,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,499</u>

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 3,760	\$ 3,778
Less: Net remeasurement of loss allowance	<u>(6)</u>	<u>(18)</u>
Balance at December 31	<u>\$ 3,754</u>	<u>\$ 3,760</u>

10. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 104,328	\$ 207,291
Work in progress	377,703	585,859
Raw materials	<u>107,307</u>	<u>164,061</u>
	<u>\$ 589,338</u>	<u>\$ 957,211</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 1,112,291	\$ 1,489,637
Inventory write-downs reversed	(9,646)	(2,082)
Loss of obsolete inventory	<u>68,345</u>	<u>8,667</u>
	<u>\$ 1,170,990</u>	<u>\$ 1,496,222</u>

As a result of the net realizable value rebounding, the benefit of inventory write-down was reversed.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	<u>\$ 1,177,405</u>	<u>\$ 1,377,594</u>
Sonix Technology Ltd.	\$ 1,068,546	\$ 1,269,933
Jian Mou Investment Corporation	98,268	96,942
Sonix Technology K.K.	<u>10,591</u>	<u>10,719</u>
	<u>\$ 1,177,405</u>	<u>\$ 1,377,594</u>

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2023	2022
Sonix Technology Ltd.	100%	100%
Jian Mou Investment Corporation	100%	100%
Sonix Technology K.K.	100%	100%

Refer to Tables 3 and 4 for the details of the subsidiaries indirectly held by the Company.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 110,984	\$ 270,170	\$ 157,758	\$ 293,622	\$ 832,534
Additions	-	2,200	21,115	15,600	38,915
Disposals	<u>-</u>	<u>-</u>	<u>(1,046)</u>	<u>-</u>	<u>(1,046)</u>
Balance at December 31, 2022	<u>\$ 110,984</u>	<u>\$ 272,370</u>	<u>\$ 177,827</u>	<u>\$ 309,222</u>	<u>\$ 870,403</u>

(Continued)

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ -	\$ 76,927	\$ 124,642	\$ 283,092	\$ 484,661
Depreciation expense	-	5,354	19,367	9,022	33,743
Disposals	-	-	(1,046)	-	(1,046)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 82,281</u>	<u>\$ 142,963</u>	<u>\$ 292,114</u>	<u>\$ 517,358</u>
Carrying amount at December 31, 2022	<u>\$ 110,984</u>	<u>\$ 190,089</u>	<u>\$ 34,864</u>	<u>\$ 17,108</u>	<u>\$ 353,045</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 110,984	\$ 272,370	\$ 177,827	\$ 309,222	\$ 870,403
Additions	-	1,300	25,503	16,556	43,359
Disposals	-	-	(513)	-	(513)
Balance at December 31, 2023	<u>\$ 110,984</u>	<u>\$ 273,670</u>	<u>\$ 202,817</u>	<u>\$ 325,778</u>	<u>\$ 913,249</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	\$ -	\$ 82,281	\$ 142,963	\$ 292,114	\$ 517,358
Depreciation expense	-	5,832	21,812	13,744	41,388
Disposals	-	-	(513)	-	(513)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 88,113</u>	<u>\$ 164,262</u>	<u>\$ 305,858</u>	<u>\$ 558,233</u>
Carrying amount at December 31, 2023	<u>\$ 110,984</u>	<u>\$ 185,557</u>	<u>\$ 38,555</u>	<u>\$ 19,920</u>	<u>\$ 355,016</u> (Concluded)

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

Buildings	
Main buildings	50 years
Renovation equipment	2-3 years
Office equipment	2-3 years
Other equipment	2-3 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 24.

13. INVESTMENT PROPERTIES

	Amount
<u>Cost</u>	
Balance at January 1, 2022 and December 31, 2022	<u>\$ 137,237</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 23,086
Depreciation expense	<u>1,169</u>
Balance at December 31, 2022	<u>\$ 24,255</u>
Carrying amount at December 31, 2022	<u>\$ 112,982</u>
<u>Cost</u>	
Balance at January 1, 2023 and December 31, 2023	<u>\$ 137,237</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 24,255
Depreciation expense	<u>1,169</u>
Balance at December 31, 2023	<u>\$ 25,424</u>
Carrying amount at December 31, 2023	<u>\$ 111,813</u>

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2023 and 2022 was as follows:

	<u>December 31</u>	
	2023	2022
Year 1	\$ 4,858	\$ 2,841
Year 2	4,881	2,777
Year 3	<u>393</u>	<u>2,901</u>
	<u>\$ 10,132</u>	<u>\$ 8,519</u>

The investment properties are depreciated using the straight-line method over 50 years.

The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs on December 31, 2023. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The significant unobservable inputs used include discount rates and capitalization rates and the fair value as appraised.

Fair value	<u>\$ 161,717</u>
Capitalization rate	2.5%

All of the Company's investment properties were held under freehold interests.

14. INTANGIBLE ASSETS

	Computer Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 256,573	\$ 170,293	\$ 426,866
Additions	1,646	39,491	41,137
Derecognitions	<u>(15)</u>	<u>-</u>	<u>(15)</u>
Balance at December 31, 2022	<u>\$ 258,204</u>	<u>\$ 209,784</u>	<u>\$ 467,988</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 245,155	\$ 93,352	\$ 338,507
Amortization expense	3,895	11,556	15,451
Derecognitions	<u>(15)</u>	<u>-</u>	<u>(15)</u>
Balance at December 31, 2022	<u>\$ 249,035</u>	<u>\$ 104,908</u>	<u>\$ 353,943</u>
Carrying amount at December 31, 2022	<u>\$ 9,169</u>	<u>\$ 104,876</u>	<u>\$ 114,045</u>
<u>Cost</u>			
Balance at January 1, 2023	\$ 258,204	\$ 209,784	\$ 467,988
Additions	<u>1,880</u>	<u>38,355</u>	<u>40,235</u>
Balance at December 31, 2023	<u>\$ 260,084</u>	<u>\$ 248,139</u>	<u>\$ 508,223</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ 249,035	\$ 104,908	\$ 353,943
Amortization expense	<u>3,930</u>	<u>15,412</u>	<u>19,342</u>
Balance at December 31, 2023	<u>\$ 252,965</u>	<u>\$ 120,320</u>	<u>\$ 373,285</u>
Carrying amount at December 31, 2023	<u>\$ 7,119</u>	<u>\$ 127,819</u>	<u>\$ 134,938</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-5 years
Patents	1-10 years

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
An analysis of depreciation by function		
Selling and marketing expenses	\$ 12	\$ 12
General and administrative expenses	168	169
Research and development expenses	<u>19,162</u>	<u>15,270</u>
	<u>\$ 19,342</u>	<u>\$ 15,451</u>

15. OTHER PAYABLES

	December 31	
	2023	2022
Other payables		
Payables for salaries or bonuses	\$ 102,267	\$ 187,522
Payables for purchases of equipment	4,725	2,384
Payables for insurance	2,815	2,666
Payables for professional service fees	1,721	4,726
Others	<u>27,312</u>	<u>24,915</u>
	<u>\$ 138,840</u>	<u>\$ 222,213</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 63,127	\$ 66,111
Fair value of plan assets	<u>(54,280)</u>	<u>(51,782)</u>
Net defined benefit liabilities	<u>\$ 8,847</u>	<u>\$ 14,329</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 69,771</u>	<u>\$ (46,470)</u>	<u>\$ 23,301</u>
Service cost			
Current service cost	144	-	144
Net interest expense (income)	<u>349</u>	<u>(236)</u>	<u>113</u>
Recognized in profit or loss	<u>493</u>	<u>(236)</u>	<u>257</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,647)	(3,647)
Actuarial (gain) loss - changes in demographic assumptions	156	-	156
Actuarial (gain) loss - changes in financial assumptions	(5,611)	-	(5,611)
Actuarial (gain) loss - experience adjustments	<u>1,302</u>	<u>-</u>	<u>1,302</u>
Recognized in other comprehensive income	<u>(4,153)</u>	<u>(3,647)</u>	<u>(7,800)</u>
Contributions from the employer	<u>-</u>	<u>(1,429)</u>	<u>(1,429)</u>
Balance at December 31, 2022	<u>\$ 66,111</u>	<u>\$ (51,782)</u>	<u>\$ 14,329</u>
Balance at January 1, 2023	<u>\$ 66,111</u>	<u>\$ (51,782)</u>	<u>\$ 14,329</u>
Service cost			
Current service cost	140	-	140
Net interest expense (income)	<u>909</u>	<u>(722)</u>	<u>187</u>
Recognized in profit or loss	<u>1,049</u>	<u>(722)</u>	<u>327</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(380)	(380)
Actuarial (gain) loss - changes in demographic assumptions	3	-	3
Actuarial (gain) loss - changes in financial assumptions	675	-	675
Actuarial (gain) loss - experience adjustments	<u>(566)</u>	<u>-</u>	<u>(566)</u>
Recognized in other comprehensive income	<u>112</u>	<u>(380)</u>	<u>(268)</u>
Contributions from the employer	-	(1,396)	(1,396)
Benefits paid	<u>(4,145)</u>	<u>-</u>	<u>(4,145)</u>
Balance at December 31, 2023	<u>\$ 63,127</u>	<u>\$ (54,280)</u>	<u>\$ 8,847</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2023	2022
Selling and marketing expenses	\$ 12	\$ 10
General and administrative expenses	65	52
Research and development expenses	<u>250</u>	<u>195</u>
	<u>\$ 327</u>	<u>\$ 257</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rate(s)	1.25%	1.375%
Expected rate(s) of salary increase	4.000%	4.000%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate(s)		
0.25% increase	<u>\$ (1,339)</u>	<u>\$ (1,483)</u>
0.25% decrease	<u>\$ 1,384</u>	<u>\$ 1,535</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,325</u>	<u>\$ 1,471</u>
0.25% decrease	<u>\$ (1,289)</u>	<u>\$ (1,430)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 1,396</u>	<u>\$ 1,429</u>
Average duration of the defined benefit obligation	8.6 years	9.1 years

17. EQUITY

a. Share capital

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>167,877</u>	<u>167,877</u>
Shares issued	<u>\$ 1,678,770</u>	<u>\$ 1,678,770</u>

b. Capital surplus

Any capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, 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 should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 18.g.

The Company distributes share dividends and cash dividends after taking into account its future business needs and long-term financial plan and provided that the ratio for share dividend shall not exceed 50% of the total distribution. The distribution of profits may also be made by way of share or cash dividends. The appropriation for cash dividend should not be less than 10% of the annual dividends distributed.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings on June 16, 2023 and June 21, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 58,481	\$ 146,419
Special reserve	\$ 65,787	\$ -
Cash dividends	\$ 419,693	\$ 1,175,139
Cash dividends per share (NT\$)	\$ 2.5	\$ 7.0

The appropriation of earnings for 2023 will be proposed by the Company's board of directors in May 2024.

18. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2023	2022
Rental income		
Investment properties	\$ 3,903	\$ 2,446
Dividends	6,571	29,572
Others	<u>12,418</u>	<u>24,975</u>
	<u>\$ 22,892</u>	<u>\$ 56,993</u>

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Fair value changes of financial assets		
Financial assets designated as at FVTPL	\$ 1,117	\$ (237)
Net foreign exchange gains	41	81,383
Others	<u>(1,604)</u>	<u>(1,743)</u>
	<u>\$ (446)</u>	<u>\$ 79,403</u>

c. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ 5,907	\$ 6,120
Financial assets at amortized cost	3,909	2,762
Others	<u>6</u>	<u>3</u>
	<u>\$ 9,822</u>	<u>\$ 8,885</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 41,388	\$ 33,743
Investment properties	1,169	1,169
Intangible assets	<u>19,342</u>	<u>15,451</u>
	<u>\$ 61,899</u>	<u>\$ 50,363</u>
An analysis of depreciation by function		
Operating costs	\$ 6,909	\$ 3,525
Operating expenses	34,479	30,218
Non-operating income and expenses*	<u>1,169</u>	<u>1,169</u>
	<u>\$ 42,557</u>	<u>\$ 34,912</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 19,342</u>	<u>\$ 15,451</u>

* The depreciation expense above includes rent revenue and other expenditures in other gains and losses.

e. Depreciation expense directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct depreciation expense from investment properties generating rental income	\$ 836	\$ 596
Direct depreciation expense from investment properties not generating rental income	<u>333</u>	<u>573</u>
	<u>\$ 1,169</u>	<u>\$ 1,169</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 21,509	\$ 19,950
Defined benefit plans (See Note 16)	<u>327</u>	<u>257</u>
	21,836	20,207
Other employee benefits	<u>546,096</u>	<u>601,451</u>
Total employee benefits expense	<u>\$ 567,932</u>	<u>\$ 621,658</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 567,932</u>	<u>\$ 621,658</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
Salaries	\$ 481,773	\$ 540,476
Insurance	39,463	36,751
Pension	21,836	20,207
Remuneration of directors	4,100	10,200
Others	<u>20,760</u>	<u>14,024</u>
Total employee benefits expense	<u>\$ 567,932</u>	<u>\$ 621,658</u> (Concluded)

- 1) The average number of employees of the Company in 2023 and 2022 was 331 and 327, respectively, and there were 6 and 6 directors who do not serve as employees concurrently, respectively. They are subject to the same basis of calculation as employee benefit expenses.
- 2) The average employee benefit expenses in 2023 and 2022 were NT\$1,735 thousand and NT\$1,905 thousand, respectively. The average employee salary expenses in 2023 and 2022 were NT\$1,482 thousand and NT\$1,684 thousand, respectively. In 2023, the average employee salary cost decreased by 12% compared with that in 2022.
- 3) The remuneration of directors and key executives was determined by the compensation committee in accordance with the performance of individuals and market trends. The remuneration of employees was determined by the individual performance and the market trends.

g. Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 27, 2024 and February 24, 2023, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	15.48%	14.28%
Remuneration of directors	1.62%	1.21%

Amount

	For the Year Ended December 31			
	2023		2022	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 37,360	\$ -	\$ 118,420	\$ -
Remuneration of directors	3,900	-	10,000	-

If there is a change in the amounts after the annual 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 paid and the amounts recognized in the 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 in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 29,665	\$ 86,248
Foreign exchange losses	<u>(29,624)</u>	<u>(4,865)</u>
	<u>\$ 41</u>	<u>\$ 81,383</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
<u>Current tax</u>		
In respect of the current period	\$ 65,467	\$ 159,595
Income tax on unappropriated earnings	2,042	7,131
Offshore income tax expense	775	2,075
Adjustments for prior periods	(26,627)	(22,017)
<u>Deferred tax</u>		
In respect of the current period	<u>(27,436)</u>	<u>(24,271)</u>
Income tax expense recognized in profit or loss	<u>\$ 14,221</u>	<u>\$ 122,513</u>

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

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 40,021	\$ 140,216
Nondeductible expenses in determining taxable income	(1,990)	(4,838)
Tax-exempt income	-	(54)
Adjustments for prior years' tax	(26,627)	(22,017)
Effects of different tax rates of entities in the Company operating in other jurisdictions	775	2,075
Income tax on unappropriated earnings	<u>2,042</u>	<u>7,131</u>
Income tax expense recognized in profit or loss	<u>\$ 14,221</u>	<u>\$ 122,513</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	\$ (53)	\$ (1,560)
Total income tax recognized in other comprehensive income	<u>\$ (53)</u>	<u>\$ (1,560)</u>

c. Current tax liabilities

The current tax liabilities for December 31, 2023 and 2022 are income taxes payable.

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Loss on inventories	\$ 9,428	\$ (1,930)	\$ -	\$ 7,498
Provisions	3,794	1,161	-	4,955
Capitalized expenses	348	(308)	-	40
Unappropriated earnings of subsidiaries	32,036	(9,990)	-	22,046
Pension limits	1,535	(213)	-	1,322
Unrealized foreign exchange losses	1,333	1,969	-	3,302
Others	<u>503</u>	<u>-</u>	<u>(53)</u>	<u>450</u>
	<u>\$ 48,977</u>	<u>\$ (9,311)</u>	<u>\$ (53)</u>	<u>\$ 39,613</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Foreign investment income accounted for using equity method	<u>\$ 48,089</u>	<u>\$ (36,747)</u>	<u>\$ -</u>	<u>\$ 11,342</u>

For the year ended December 31, 2022

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Loss on inventories	\$ 9,843	\$ (415)	\$ -	\$ 9,428
Provisions	4,151	(357)	-	3,794
Capitalized expenses	72	276	-	348
Unappropriated earnings of subsidiaries	48,596	(16,560)	-	32,036
Pension limits	1,770	(235)	-	1,535
Unrealized foreign exchange losses	5,704	(4,371)	-	1,333
Others	<u>2,063</u>	<u>-</u>	<u>(1,560)</u>	<u>503</u>
	<u>\$ 72,199</u>	<u>\$ (21,662)</u>	<u>\$ (1,560)</u>	<u>\$ 48,977</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Foreign investment income accounted for using equity method	<u>\$ 94,022</u>	<u>\$ (45,933)</u>	<u>\$ -</u>	<u>\$ 48,089</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2023	2022
Deductible temporary differences		
Others	<u>\$ 590</u>	<u>\$ 590</u>

- f. Income tax assessments

The income tax returns through 2021 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	<u>\$ 185,882</u>	<u>\$ 578,568</u>

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares in computation of basic earnings per share	167,877	167,877
Effects of potentially dilutive ordinary shares		
Compensation of employees or bonus issue to employees	<u>1,033</u>	<u>3,497</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>168,910</u>	<u>171,374</u>

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses 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.

21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company monitors the funds by regularly examining the ratio of assets to debt. The capital in the Company is the total equity listed in the balance sheet also known as the amount of total assets deducted from the total debt.

22. FINANCIAL INSTRUMENTS

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 22,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,688</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 298,438	\$ -	\$ -	\$ 298,438
Unlisted shares	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
	<u>\$ 298,438</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 298,445</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 21,571	\$ -	\$ -	\$ 21,571
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 283,887	\$ -	\$ -	\$ 283,887
Unlisted shares	-	-	7	7
	\$ 283,887	\$ -	\$ 7	\$ 283,894

There were no transfers between Levels 1 and 2 in the current and prior periods.

b. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL		
Mutual funds	\$ 22,688	\$ 21,571
Financial assets at amortized cost (1)	1,294,508	889,513
Financial assets at FVTOCI		
Equity instruments	298,445	283,894
<u>Financial liabilities</u>		
Amortized cost (2)	196,932	156,660

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables, refundable deposits.
- 2) The balance includes financial liabilities measured at amortized cost, which comprise short-term bills payable and trade and other payables (excluding employment benefits), guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables and trade payables. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company 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 Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and market price risk (see (c) below).

There have been no changes to the Company's exposure to market risk or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and Sonix Technology (Shenzhen) Co., Ltd. have foreign currency sales and purchases, which exposed the Company to foreign currency risk. Approximately 93% of the Company's sales is denominated in currencies other than the functional currency of the entity in the Company making the sale, whilst almost 48% of costs is denominated in currencies other than the functional currency of the entity in the Company.

It is the Company's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximize the hedging effectiveness. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currencies) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar and RMB strengthens 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar and RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		EUR Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022	2023	2022
Profit or loss	<u>\$ 4,793</u>	<u>\$ 3,419</u>	<u>\$ 251</u>	<u>\$ 244</u>	<u>\$ 2,848</u>	<u>\$ 1,300</u>
	i.	i.	ii.	ii.	iii.	iii.

- i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period, and the changes in financial assets are measured at FVTPL.
- ii. This was mainly the result of the changes in the financial assets are measured at amortized cost.
- iii. The result was mainly attributable to the exposure on outstanding accounts receivable in RMB that were not hedged at the end of the year.

b) Interest rate risk

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 343,777	\$ 227,306
Cash flow interest rate risk		
Financial assets	681,686	505,829

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of the reporting period was outstanding for the whole year. 1% increase or decrease is 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 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$6,817 thousand and NT\$5,058 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank savings and financial assets at amortized cost.

c) Other price risk

The Company was exposed to price risk through its investments in beneficiary certificates and equity securities. The investments are not held for trading purposes. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit or loss for years ended December 31, 2023 and 2022 would have increased/decreased by NT\$227 thousand and NT\$216 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$2,984 thousand and NT\$2,839 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

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 Company. The Company only deals with creditworthy counterparties of financial institutions and entities that are rated the equivalent of investment grade and above. Therefore, there is no expected great credit risk.

In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company's concentration of credit risk of 67% and 53% of total trade receivables as of December 31, 2023 and 2022, respectively, was related to the Company's largest customer and the five largest customers within the business segment. The rest of the credit risk concentration of trade receivables are not comparatively significant.

3) Liquidity risk

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

The working capital of the Company is sufficient for its liabilities, and hence there's no liquidity risk for not fulfilling contractual obligations due to a failure to raise funds.

23. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties and relationships

Related Parties	Relationship with the Company
Sonix Technology K.K	Subsidiary
Jian Mou Investment Corporation	Subsidiary
Sonix Technology (Shenzhen) Co., Ltd	Indirect subsidiary
Senno Technology Inc.	Related party in substance
Digit Mobile Inc.	Related party in substance
New Pocket Device Corp.	Related party in substance

b. Operating transaction

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales	Indirect subsidiary		
	Sonix Technology	\$ 794,614	\$ 778,418
	(Shenzhen) Co., Ltd		
	Related party in substance		
	Others	<u>2,176</u>	<u>4,553</u>
		<u>\$ 796,790</u>	<u>\$ 782,971</u>

For sales of goods sold by the Company to related parties, the transaction price is determined by both parties after negotiation. The payment terms for related parties are similar with those of sales to third parties.

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Purchases	Indirect subsidiary		
	Others	\$ <u>2,725</u>	\$ <u>627</u>

The purchase price of the Company's purchases from related parties is determined by both parties after negotiation. The payment terms for related parties are similar with those of sales to third parties.

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Professional service fees	Subsidiary		
	Others	\$ 4,197	\$ 4,303
Materials	Indirect subsidiary		
	Others	83	267
Miscellaneous expenses	Related party in substance		
	Others	<u>166</u>	<u>208</u>
		<u>\$ 4,446</u>	<u>\$ 4,778</u>
Non-operating revenue			
Consulting income	Indirect subsidiary		
	Others	\$ 7,883	\$ 19,809
Others	Subsidiary		
	Others	23	23
	Related party in substance		
	Others	<u>-</u>	<u>3</u>
		<u>\$ 7,906</u>	<u>\$ 19,835</u>

c. Receivables from related parties

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Accounts receivable	Indirect subsidiary		
	Sonix Technology (Shenzhen) Co., Ltd	\$ 74,605	\$ 5,767
	Related party in substance		
	Others	<u>146</u>	<u>-</u>
		<u>\$ 74,751</u>	<u>\$ 5,767</u>

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

d. Payables to related parties

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Accounts payable	Indirect subsidiary Sonix Technology (Shenzhen) Co., Ltd	\$ 783	\$ -

e. Other

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Other receivables (included in other current assets)	Subsidiary		
	Others	\$ 24	\$ 24
	Indirect subsidiary		
	Sonix Technology (Shenzhen) Co., Ltd	6,963	17,729
		\$ 6,987	\$ 17,753

f. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 24,714	\$ 34,411
Post-employment benefits	199	199
	\$ 24,913	\$ 34,610

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for short-term bank borrowings, purchases and tariffs of imported goods:

	December 31	
	2023	2022
Property, plant and equipment	\$ 202,981	\$ 206,523
Pledge deposits (classified as financial assets at amortized cost - current)	2,206	52,178
	\$ 205,187	\$ 258,701

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 19,571	30.655 (USD:NTD)	\$ 599,949
EUR	743	33.78 (EUR:NTD)	25,099
RMB	66,378	4.302 (RMB:NTD)	285,558
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	34,800	30.655 (USD:NTD)	1,068,546
<u>Financial liabilities</u>			
Monetary item			
USD	3,923	30.755 (USD:NTD)	120,652
RMB	180	4.352 (RMB:NTD)	783

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 14,355	30.66 (USD:NTD)	\$ 440,124
EUR	750	32.52 (EUR:NTD)	24,390
RMB	29,662	4.383 (RMB:NTD)	130,009
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	41,352	30.66 (USD:NTD)	1,269,933
<u>Financial liabilities</u>			
Monetary item			
USD	3,194	30.76 (USD:NTD)	98,247

Due to the variety of foreign currency transactions of the Company, the exchange gains or losses information is disclosed on an aggregated basis. Foreign currency exchange gains (realized and unrealized) were NT\$41 thousand and NT\$81,383 thousand as of December 31, 2023 and 2022, respectively.

26. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (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. (None)
- 9) Trading in derivative instruments. (None)

b. Information on investees (Table 3)

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 period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 4)
- 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: (Tables 2 and 4)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - 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 period and the purposes.

- e) The highest balance, the end of period 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 receiving 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. (None)

TABLE 1

SONIX TECHNOLOGY CO., LTD. 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
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Sonix Technology Co., Ltd.	<u>Shares</u> Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	54	\$ 7	-	\$ 7	Note
	Champion Microelectronic Corp.	-	Financial assets at fair value through other comprehensive income - non-current	4,071,472	298,438	5.09	298,438	Note
	<u>Mutual funds</u> Franklin Templeton - Global Total Return Fund	-	Financial assets at fair value through profit or loss - current	29,951.693	22,688	-	22,688	Note
Jian Mou Investment Corporation	<u>Shares</u> Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	115	27	-	27	Note
	<u>Mutual funds</u> Jih Sun Asian Non-Investment Grade Bond Fund TWD	-	Financial assets at fair value through profit or loss - current	1,307,168.12	11,594	-	11,594	Note
	Jih Sun Target Income Fund of Funds TWD	-	Financial assets at fair value through profit or loss - current	1,500,000	14,445	-	14,445	Note
	Nomura Fallen Angel High Yield Bond Fund Accumulated TWD	-	Financial assets at fair value through profit or loss - current	1,007,650	10,038	-	10,038	Note

Note: The amount is measured at the fair value of net assets as of December 31, 2023.

TABLE 2

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$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/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Third-tier subsidiary	Sale	\$ (794,614)	(36)	30 days	\$ -	-	\$ 74,605	28	
Sonix Technology (Shenzhen) Co., Ltd.	Sonix Technology Co., Ltd.	Parent company	Purchase	794,614	98	30 days	-	-	(74,605)	(100)	

TABLE 3

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
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		Original Investment Amount			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Sonix Technology Co., Ltd.	Sonix Technology Ltd.	P.O. Box 3321, Road Town, Tortola, British Virgin Islands	General investment	\$ 1,031,999	\$ 1,031,999	33,010,000	100.00	\$ 1,068,546	\$ (184,323)	\$ (184,323)	Subsidiary
	Jian Mou Investment Corporation	Hsinchu County	General investment	155,000	155,000	15,500,000	100.00	98,268	2,261	2,261	Subsidiary
	Sonix Technology K.K.	Tokyo Metropolitan	Design, development, after-sales services, wholesale of semi-conductor products and parts and related software and commission agency services	31,792	31,792	8,000	100.00	10,591	586	586	Subsidiary
Jian Mou Investment Corporation	Paradigm Venture Capital Corporation	Taipei City	General investment	43,948	43,948	459,960	20.98	4,207	(320)	(67)	
Sonix Technology Ltd.	Sonix Holding	P.O. Box 438, Road Town, Tortola, British Virgin Islands	General investment	997,099	997,099	32,010,000	100.00	1,030,849	(185,431)	(185,431)	Second-tier subsidiary

TABLE 4

SONIX TECHNOLOGY CO., LTD. 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							
Sonix Technology (Chengdu) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	\$ 307,050 (US\$ 10,000 thousand)	Invest in mainland China through companies incorporated in third regions	\$ 307,050 (US\$ 10,000 thousand)	\$ -	\$ -	\$ 307,050 (US\$ 10,000 thousand)	\$ 10,519 (US\$ 338 thousand)	100	\$ 10,519 (US\$ 338 thousand)	\$ 120,644 (US\$ 3,929 thousand)	\$ -	
Sonix Technology (Shenzhen) Co., Ltd.	Engaged in the business of computer system integration and technical consulting services, etc.	675,510 (US\$ 22,000 thousand)	Invest in mainland China through companies incorporated in third regions	675,510 (US\$ 22,000 thousand)	-	-	675,510 (US\$ 22,000 thousand)	(195,950) (US\$ -6,290 thousand)	100	(195,950) (US\$ -6,290 thousand)	910,198 (US\$ 29,643 thousand)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$982,560 (US\$32,000 thousand)	\$1,028,618 (US\$33,500 thousand)	\$2,136,969

Note: The investment profit and loss were recognized based on the average exchange rate from January 1, 2023 to December 31, 2023; the other accounts were all based on prevailing exchange rate as of December 31, 2023.

Sonix Technology Co., Ltd.

Chairman: James Pao