

Stock Code : 6243

**ENE TECHNOLOGY INC AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW
REPORT OF INDEPENDENT
ACCOUNTANTS**

December 31st, 2023 AND 2022

This document is a translated version from the Chinese version for the convenience of reader and for information purpose only. Any discrepancy between the English and Chinese version, the Chinese version shall prevail.

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Representation Letter

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

ENE TECHNOLOGY INC

Dylan Chung

February 27th, 2024

Translated Independent Auditor’s Review Report

To the Board of Directors of ENE TECHNOLOGY INC. :

Opinion

We have audited the accompanying consolidated financial statements of ENE TECHNOLOGY INC and subsidiaries (the “Company”), 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 the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company 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 the 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing stands generally accepted in 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 ENE Technology Inc. and its subsidiaries 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 judgement, 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.

Key audit matters for the Company’s consolidated financial statements for the year ended December 31, 2023 are stated as follows:

1. Key Audit Matters - Allowance to reduce inventory to market

Description of matters:

ENE TECHNOLOGY Group Company designs, manufactures, and sells integrated circuit-related products. Due to the short lifecycle of electronic products and intense market competition, there is a higher risk of inventory obsolescence and losses from price declines. For information regarding the accounting policies, accounting estimates, and assumption uncertainty of the valuation of inventory, as well as allowance to reduce inventory to market, please refer to Notes 4(11), 5(2), and 6(4).

Due to the rapid change of technologies industry in which ENE TECHNOLOGY Group Company operates, and the subjectivity involved in assessing the net realizable value of obsolete inventory and the basis for evaluating inventory obsolescence losses, there is a high degree of estimation uncertainty. Given the significant impact of inventory and its allowances for declines in value on the consolidated financial statements, the auditor has identified the assessment of inventory allowances for declines in value as the most critical area for audit in the current year.

Our key audit procedures performed in respect of the mentioned item included the following:

The auditor has performed the following procedures regarding the critical audit area mentioned above:

1. Based on the auditor's understanding of ENE TECHNOLOGY Group Company's business and industry characteristics, evaluating the policy on inventory valuation and obsolescence loss as well as the reasonableness of allowances on inventory valuation and obsolescence loss.
2. Verify the accuracy and completeness of the inventory aging report and its underlying system logic.
3. Test the market value basis for individual inventory item's net realizable value, and select samples to confirm the accuracy of their net realizable value calculations.

Other Matter – Parent only financial statements

ENE TECHNOLOGY INC has prepared the parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified audit opinion.

Responsibilities of Management and Those Charges 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statement, management is responsible for assessing the ENE TECHNOLOGY Group 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 ENE TECHNOLOGY Group Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the ENE TECHNOLOGY Group Company'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 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 auditing standards generally accepted in 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 based on this consolidated financial statement.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also do below :

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 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 ENE TECHNOLOGY Group 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 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 ENE TECHNOLOGY Group Company 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

PricewaterhouseCoopers Taiwan

Pei-Chuan Huang

CPA

Chin-Chang Chen

2024.02.27th

ENE Technology Inc. and Subsidiaries
Consolidated Balance Sheet
January 1st to December 31st, 2023 & 2022

Unit: NTD thousands

Assets	Note	<u>2 0 2 3 . 1 2 . 3 1</u> A m o u n t	%	<u>2 0 2 2 . 1 2 . 3 1</u> A m o u n t	%	
Current Assets						
1100	Cash & cash equivalents	6(1)	\$ 257,242	23	\$ 229,124	20
1136	Financial asset after amortization	6(2) & 8				
	current		230,682	20	261,454	23
1170	Net accounts receivables	6(3)	210,965	18	167,160	14
1180	Accounts receivable- related	7				
	parties		35,161	3	32,871	3
130X	Inventories	6(4)	290,265	25	375,244	32
1410	Pre-payments		4,683	-	19,368	2
1479	Other current assets-others		4,883	1	4,953	-
11XX	Total Current Assets		<u>1,033,881</u>	<u>90</u>	<u>1,090,174</u>	<u>94</u>
Non-Current Asset						
1535	Financial assets after amortization	6(2) & 8				
	– non current		1,060	-	1,047	-
1600	Property, plant and equipment	6(5)	30,021	3	19,272	2
1755	Right-of-use asset	6(6)	27,498	3	11,022	1
1780	Intangible asset	6(7)	23,862	2	20,835	2
1840	Deferred tax asset	6(19)	15,916	1	15,073	1
1900	Other non-current assets	6(11)&7	15,189	1	6,783	-
15XX	Total Non-current assets		<u>113,546</u>	<u>10</u>	<u>74,032</u>	<u>6</u>
1XXX	Total Assets		<u>\$ 1,147,427</u>	<u>100</u>	<u>\$ 1,164,206</u>	<u>100</u>

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ENE Technology Inc. and Subsidiaries
Consolidated Balance Sheet
January 1st to December 31st, 2023 & 2022

Unit: NTD thousands

Liabilities and Equity	Note	<u>2 0 2 3 . 1 2 . 3 1</u>	<u>A m o u n t</u>	<u>%</u>	<u>2 0 2 2 . 1 2 . 3 1</u>	<u>A m o u n t</u>	<u>%</u>
Current Liabilities							
2100	Short term loan	6(8)	\$ 160,000	14	\$ 196,000	17	
2170	Account payables		73,004	6	111,137	10	
2180	Account payable - related parties	7	23,088	2	3,349	-	
2200	Other account payables	6(9)	42,772	4	42,725	4	
2220	Other account payables-related parties	7	478	-	-	-	
2280	Lease liabilities-current	6(6)	6,101	1	3,187	-	
2320	Loan term loan matured within 1 year	6(10)	-	-	3,636	-	
2399	Other current liabilities-others		1,234	-	2,574	-	
21XX	Total current liabilities		<u>306,677</u>	<u>27</u>	<u>362,608</u>	<u>31</u>	
Non-Current liabilities							
			-	-	3,636	1	
2570	Deferred income tax liabilities	6(19)	-	-	1,694	-	
2580	Lease liabilities – non current	6(6)	20,759	2	7,014	1	
2600	Other non current liabilities		3	-	6	-	
25XX	Non current liabilities		<u>20,762</u>	<u>2</u>	<u>8,714</u>	<u>1</u>	
2XXX	Total liabilities		<u>327,439</u>	<u>29</u>	<u>371,322</u>	<u>32</u>	
Equity							
Equity attributed to Parent							
	Capital	6(13)					
3110	Ordinary share capital		452,688	39	453,228	39	
	Capital surplus	6(14)					
3200	Capital surplus		277,236	24	276,767	24	
	Retained earnings	6(15)					
3310	Legal reserve		13,215	1	6,007	-	
3350	Undistributed earnings		86,878	8	81,820	7	
	Other equity						
3400	Other equity		(10,029)	(1)	(24,938)	(2)	
3XXX	Total equity attributed to Parent company		<u>819,988</u>	<u>71</u>	<u>792,884</u>	<u>68</u>	
	Significant or liable and unrecognized committed contract	9					
	Significant subsequent events	6(15) & 11					
3X2X	Total liabilities and equity		<u>\$ 1,147,427</u>	<u>100</u>	<u>\$ 1,164,206</u>	<u>100</u>	

ENE Technology Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1st to December 31st, 2023 & 2022

Item	Note	<u>2</u> <u>A</u> <u>0</u> <u>2</u> <u>A</u> <u>m</u> <u>o</u> <u>n</u> <u>t</u>	<u>3</u> <u>%</u>	<u>2</u> <u>A</u> <u>0</u> <u>2</u> <u>A</u> <u>m</u> <u>o</u> <u>n</u> <u>t</u>	<u>2</u> <u>%</u>
4000	Operating revenue	6(16) &7	10	\$ 875,342	0
5000	Operating cost	6(4)	(64)	\$ 713,885	100
5900	Gross margin		36	(466,169)	(65)
	Operating expense	6(18)		<u>311,900</u>	<u>35</u>
6100	Selling expense		(9)	(80,545)	(11)
6200	General & admin expense		(9)	(78,648)	(11)
6300	R & D expense		(12)	(108,079)	(12)
6450	Expected credit loss	6(3)	-	(448)	-
6000	Total operating expense		(30)	(281)	-
6900	Operating profit (loss)		6	<u>(259,391)</u>	<u>(34)</u>
	Non-operating income and expense			<u>52,509</u>	<u>1</u>
7100	Interest income		2	17,678	6,082
7010	Other income		-	1,491	-
7020	Other profit and loss	6(17)	-	2,723)	8)
7050	Financial cot		-	(4,069)	-
7000	Total of non operating income and expense		2	<u>12,377</u>	<u>9)</u>
7900	Profit before income tax		8	64,886	70,358
7950	Income tax expense	6(19)	-	1,790	6,548
8200	Net profit for the period		8	<u>\$ 66,676</u>	<u>11</u>
	Other comprehensive profit and loss (net)				
	Items may be reclassified to profit or loss				
8311	Gain/Loss of remeasurement of defined benefit plan	6(11)	-	(\$ 35)	\$ 175
8361	Cumulative translation differences of foreign operation		-	(201)	31
8399	Income tax relating to items may be reclassified	6(19)			
			-	<u>40</u>	(6)
8300	Other comprehensive profit and loss (net)		-	<u>(\$ 196)</u>	<u>\$ 200</u>
8500	Total comprehensive profit and loss		8	<u>\$ 66,480</u>	<u>11</u>
	Net profit attributed to				
8610	Parent company		8	<u>\$ 66,676</u>	<u>\$ 76,906</u>

		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Total comprehensive profit & loss attributed to :				
8710	Parent company	<u>\$ 66,480</u>	<u>8</u>	<u>\$ 77,106</u>	<u>11</u>
	Earning per share		6(20)		
9750	Basic earning per share	<u>\$ 1.50</u>		<u>\$ 1.74</u>	
9850	Diluted earning per share	<u>\$ 1.47</u>		<u>\$ 1.70</u>	

ENE Technology Inc. & Subsidiaries
Consolidated Statements of Changes in Equity
January 1st to December 31st, 2023 & 2022

Unit : NTDS Thousands

Note	Equity attributed to Parent Company								Total equity
	Capital surplus			Retained earnings		Others			
	Ordinary shares capital	Capital Surplus – Premium	Capital Surplus – Others	Legal reserve	Undistributed earning	Cumulative translation differences of foreign operation	Unrealized P&L from financial assets measured at fair value through P&L	Other equity – Others	
<u>2022</u>									
Balance as of 0101	\$ 443,228	\$ 241,083	\$ 13,684	\$ -	\$ 60,069	\$ 136	(\$ 5,000)	\$ -	\$ 753,200
Net profit of the period	-	-	-	-	76,906	-	-	-	76,906
Comprehensive P & L of the period	-	-	-	-	175	25	-	-	200
Total of comprehensive P&L of the period	-	-	-	-	77,081	25	-	-	77,106
2021 earning distributions and allotment									
Legal reserve	-	-	-	6,007	(6,007)	-	-	-	-
Cash dividends	-	-	-	-	(44,323)	-	-	-	(44,323)
Cash dividends from capital surplus	-	(8,865)	-	-	-	-	-	-	(8,865)
Share-based payment transaction	10,000	-	30,865	-	-	-	-	(25,099)	15,766
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	(5,000)	-	5,000	-	-
Balance as of 1231	<u>\$ 453,228</u>	<u>\$ 232,218</u>	<u>\$ 44,549</u>	<u>\$ 6,007</u>	<u>\$ 81,820</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>(\$ 25,099)</u>	<u>\$ 792,884</u>
<u>2023</u>									
Balance as of 0101	\$ 453,228	\$ 232,218	\$ 44,549	\$ 6,007	\$ 81,820	\$ 161	\$ -	(\$ 25,099)	\$ 792,884
Net profit of the period	-	-	-	-	66,676	-	-	-	66,676
Comprehensive P & L of the period	-	-	-	-	(35)	(161)	-	-	(196)
Total of comprehensive P&L of the period	-	-	-	-	66,641	(161)	-	-	66,480
2022 earning distributions and allotment									
Legal reserve	-	-	-	7,208	(7,208)	-	-	-	-
Cash dividends	-	-	-	-	(54,375)	-	-	-	(54,375)
Share-based payment transaction	(540)	6,112	(5,643)	-	-	-	-	15,070	14,999
Balance as of 1231	<u>\$ 452,688</u>	<u>\$ 238,330</u>	<u>\$ 38,906</u>	<u>\$ 13,215</u>	<u>\$ 86,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 10,029)</u>	<u>\$ 819,988</u>

ENE Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1st to December 31st, 2023 & 2022

Unit: NTD\$ Thousands

	Notes	20230101~1231	20220101~1231
<u>Cash flow from operating activities:</u>			
Income before income tax		\$ 64,886	\$ 70,358
Adjustments			
Income and expenses/loss items			
Depreciation	6(18)	18,773	15,622
Amortization	6(18)	20,393	4,369
Interest expenses		4,069	2,209
Interest income		(17,678)	(6,082)
Expected credit impairment (profit)loss	6(3)	(448)	281
Disposal of fixed assets loss	6(17)	1,109	403
Disposal of subsidiaries	6(17)	1,160	-
Net financial asset at fair value through P&L (profit) loss	6(2)	(177)	(148)
Cost for share-based payment compensation	6(12)	14,999	15,766
Profits from changes in lease	6(6)(17)	(143)	(15)
Other income		(1,340)	-
Changes in operating assets and liabilities			
Net changes in operating related assets			
Current financial assets at fair value through profit or loss		177	148
Account receivables (include related parties)		(44,037)	17,942
Inventories		84,979	(198,275)
Prepaid payments		15,142	(4,033)
Net defined benefit assets		(113)	141
Other current assets		958	(737)
Net changes in operating related liabilities			
Account payables (include related parties)		(18,394)	6,876
Other account payables		(1,101)	2,906
Other current liabilities		-	(81)
Cash flows from operating activities inflow(outflow)		143,214	(72,350)
Interest received		17,656	5,454
Interest paid		(4,040)	(2,220)
Income tax paid		(1,719)	(250)
Net cash outflow from operating activities		155,111	(69,366)
<u>Cash flow from investment activities</u>			
Acquisition of financial asset after amortization		-	(36,376)
Disposal of financial assets after amortization		30,759	-
Acquisition of real estate, plant and equipment	6(21)	(21,367)	(8,124)
Disposal of fixed asset		-	48
Acquisition of intangible assets		(23,890)	(23,692)
Amount received from disposal of subsidiaries (deduct cash from the disposal)		(2,817)	-
Decrease of refundable deposits (increase) (other non-current asset)		(828)	1,135
Increase of other non-current assets		(7,500)	-
Net cash outflow from investment activities		(25,643)	(67,009)
<u>Cash flow from financing activities</u>			
Increase (decrease) short term loan	6(21)	(36,000)	33,728
Long term loan repayment	6(22)	(3,636)	(7,273)
Lease liabilities principle repayment	6(22)	(7,300)	(8,391)
Cash dividend from capital surplus	6(14)	-	(8,865)
Cash dividend	6(15)	(54,375)	(44,323)
Refundable deposit (decrease) increase		(3)	6
Net cash outflow from financing activities		(101,314)	(35,118)
Effect of exchange rate to cash and cash equivalent		(36)	33
Net increase (decrease) in cash and cash equivalent		28,118	(171,460)
Cash and cash equivalent at beginning of period		229,124	400,584
Cash and cash equivalent at end of period		\$ 257,242	\$ 229,124

ENE Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
January 1st to December 31st, 2023 & 2022

Unit : NTDS\$ thousands
(except otherwise indicated)

1. Company history

ENE TECHNOLOGY INC. (the “Company”) was incorporated as a company by shares on May 20th, 1998. The Company and its subsidiaries (the “Group”) is focused on the R&D, design, development, production and sales of electronic components, information software and circuit design services.

Alcor Micro Corp. is the parent company since June 9th, 2023, the ultimate controlling parent company is Egis Technology Inc.

2. The date and procedure of authorization for issuance of the consolidated financial statements

These consolidated financial statements were approved and authorized by the Board of Directors on February 27th, 2024.

3. Application of New Standards, Amendments, Principles and Interpretations

- (1) Effects of the adoption of new issuances of or amendments to International Financial Reporting Standards (IFRS) as endorsed by the Financial Supervisory Commission (FSC)

The new standards, amendments, principles and interpretations endorsed by the FSC effective from 2023 adopted by the Company are as follows

<u>New Standards/Amendments/Principles and Interpretations</u>	<u>Effective date by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policy”	2023.01.01
Amendments to IAS 8 “Definition of Accounting Estimates”	2023.01.01
Amendments to IAS 12 “Deferred tax related to Assets and Liabilities Arising from Single Transaction”	2023.01.01
Amendments to IAS 12 “International tax reform Pillar two model rules	2023.05.23

After assessing the above standards and interpretations, the Group found no major impact on the consolidated financial report.

(2) The impact of IFRSs issued by IASB and endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, and endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date by IASB</u>
Amendments to IFRS 16 “Lease liabilities in a sale and leaseback”	2024.01.01
Amendments to IAS 1 “To classify debt as current or non-current”	2024.01.01
Amendments to IAS 1 “Non-current liabilities with contractual terms”	2024.01.01
Amendments to IAS 7 and IFRS 7 “Supplier finance arrangements”	2024.01.01

After assessing the above standards and interpretations, the Group found no major impact on the consolidated financial report.

(3) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”	TBD
IFRS 17 “Insurance Contracts”	2023.01.01
Amendments to IFRS 17 “Insurance Contracts”	2023.01.01
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 – Comparative information”	2023.01.01
Amendments to IAS 21 “Lack of exchangeability”	2025.01.01

After assessing the above standards and interpretations, the Group found no major impact on the consolidated financial report.

4. Summary of Significant Accounting Policies

The principle accounting policies applied in the preparation of the consolidated financial statements are outlined below. These policies have been applied consistently to all the periods presented, unless otherwise stated.

(1) Statement of Compliance

These consolidated financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein after as the “IFRSs”).

(2) Preparation basis

Other than the items below, the consolidated report is prepared based on historical cost:

- (1) Financial asset and liability at fair value through profit and loss, financial asset and liability at fair value through other comprehensive income.
- (2) Defined benefit asset measured by pension asset less present value of defined benefit obligation.

Please refer to Note 5 for significant assumptions and estimations.

(3) Basis of consolidation

1. Preparation of the consolidated financial report

- (1) The Group includes all subsidiaries (including structured entities) that are controlled by the Group in the preparation of the consolidated financial statements. The Group controls a entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is lost.
- (2) Transactions, balances, and unrealized gains or losses between companies within the Group have been eliminated. The accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Components of income and other comprehensive income are attributed to the owners of the parent company and non-controlling interests. The total comprehensive income is also attributed to the owners of the parent company and non-controlling interests, even if it results in a deficit in non-controlling interests
- (4) Changes in the parent company's holdings of subsidiaries that do not result in loss of control (transactions with non-controlling interests) are treated as equity transactions, i.e. transactions with owners. The adjustment amount of non-controlling interests between the fair value of consideration paid or received is directly recognized in equity.
- (5) When the Group loses control of a subsidiary, the remaining investment in the subsidiary is remeasured at fair value and recognized as the fair value of the originally recognized financial asset, or the cost of originally recognized investment in an associated enterprise or joint venture. The difference between the fair value and the carrying amount is recognized in the current income statement. For all amounts related to the subsidiary previously recognized in other comprehensive income, the accounting treatment is the same as the basis for disposing of related assets or liabilities directly by the Group. That is, if the previously recognized benefit or loss in other comprehensive income is reclassified to income when disposing of related assets or liabilities, then when the Group loses control of the subsidiary, the benefit or loss will be reclassified from equity to income.

2. List of subsidiaries in the consolidated financial statements:

<u>Name of Investor</u>	<u>Name of Subsidiaries</u>	<u>Business</u>	<u>Percentage of ownership (%)</u>		<u>Note</u>
			<u>2023</u>	<u>2022</u>	
ENE	ENE Touch Technology Co., Ltd (ENE Touch)	Electronic materials distributor	-	100	note

Note: the company sold 100% holding of ENE Touch on 2023.04.20th.

3. List of subsidiaries which are not included in the consolidated financial statement: None.
4. Adjustment and treatment for subsidiaries with different accounting periods: None.
5. Significant restrictions: None.
6. Subsidiaries with significant non-controlling interests in the Group: None.

(4) Foreign currency translation

All items presented in the financial statements of each entity within the Group are measured using the functional currency of that entity's primary economic environment. The functional currency is the currency in which an entity primarily generates and expends cash. The consolidated financial statements are presented in the functional currency of the Company, which is the New Taiwan Dollar (NTD).

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates on the transaction or measurement date, and any resulting translation differences are recognized in the current period's income statement.
- (2) Foreign currency monetary assets and liabilities are remeasured at the exchange rates on the balance sheet date, and any resulting translation differences are recognized in the current period's income statement.
- (3) The balances of non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are adjusted to reflect the spot exchange rates as of the balance sheet date. The resulting exchange differences from the adjustments are recognized in the current period's profit or loss. For those denominated in foreign currencies that are measured at fair value through other comprehensive income, the resulting exchange differences from the adjustments are recognized in the other comprehensive income section of the statement of comprehensive income. For those not measured at fair value, they are measured at the historical exchange rates on the initial transaction date.
- (4) All other exchange gains or losses are reported in the "Other gains and losses" section of the statement of profit or loss based on the nature of the transactions.

2. Conversion of operating agencies overseas

Conversion of functional currency and presentation currency for all entities, related companies, and joint agreements that have different functional currency and presentation currency. The operating results and financial status are converted to presentation currency as follows:

- (1) Assets and liabilities on each balance sheet are converted using the closing exchange rate on the date of the balance sheet
- (2) Revenue and expenses on each income statement are converted using the average exchange rate for the current period
- (3) Any exchange differences arising from the conversion are recognized as other comprehensive income.

(5) Standards for Assets and Debts Classified as Current and Non-Current

1. An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Company holds the asset primarily for the purpose of trading.
- C. The Company expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all assets that do not meet the above criteria as non-current assets.

2. A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle.
- B. The Company holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all assets that do not meet the above criteria as non-current liability

(6) Cash equivalent

Cash equivalents refer to short-term and highly liquid investments that can be converted into fixed amounts of cash at any time with little risk of value changes.

Bank overdrafts that are repayable at any time and form part of overall cash management are included in the Group's cash flow statement as cash and cash equivalents. In the balance sheet, bank overdrafts are listed under short-term borrowings in current liabilities.

(7) Financial assets through profit & loss at fair value

1. Refers to financial assets that are not measured at amortized cost or at fair value through other comprehensive profit or loss. °
2. The Company adopts transaction date accounting for financial assets measured at fair value through profit or loss that are consistent with conventional transactions. °
3. The company measures it at fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit and loss. Subsequently, it is measured at fair value, and its profits or losses are recognized in profit and loss. °
4. When the right to receive dividends is established, the economic benefits related to the dividend are likely to flow in, and the amount of the dividend can be measured reliably, the company recognizes dividend income in profit or loss.

(8) Financial assets measured at fair value through other comprehensive income (FVOCI)

1. This refers to an irrevocable election made at initial recognition to either report the fair value changes of equity instruments classified as non-hold-for-trading investments in other comprehensive income or to report both the following conditions of debt instrument investments:

(1) The financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial asset.

(2) The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. The Group applies the trade date accounting for financial assets measured at fair value through other comprehensive income in accordance with market conventions.

3. The Group initially measures financial instruments at fair value plus transaction costs and subsequently measures them at fair value.

(1) The fair value changes of equity instruments are recognized in other comprehensive income and are not reclassified to profit or loss upon derecognition. They are transferred to retained earnings upon disposal. When the right to receive dividends is established and the economic benefits associated with the dividends are expected to flow to the Group, and the amount of the dividends can be measured reliably, the Group recognizes dividend income in profit or loss.

(2) The fair value changes of debt instruments are recognized in other comprehensive income, and impairment losses, interest income, and foreign exchange gains and losses are recognized in profit or loss prior to derecognition. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

(9) Financial assets measured at amortized cost

1. This refers to financial assets that meet both of the following conditions:

(1) It is held within a business model whose objective is to hold assets to collect contractual cash flows

(2) Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. For financial assets measured at amortized cost that comply with transaction, practices, the Group adopts the transaction date.
3. The Group measures financial assets at fair value on initial recognition, and subsequently at amortized cost using the effective interest method. Interest income is recognized over the expected life of the financial asset and impairment losses are recognized, and at the time of derecognition, any gain or loss is recognized in profit or loss.
4. The Group holds time deposits that are not considered as cash equivalents. Due to the short-term nature of these deposits, their discounted value is not significant and they are measured at the invested amount.

(10) Accounts Receivable

1. Refers to the amount receivable for goods or services transferred under a contract, which has an unconditional right to receive.
2. Short-term accounts receivable that have not yet accrued interest are measured at their original invoice amounts as the effect of discounting is not significant.

(11) Impairment of Financial Assets

On each balance sheet date, the Group considers all reasonable and supportable information (including forward-looking information) to assess the credit risk of debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost. For financial assets for which credit risk has not increased significantly since initial recognition, the Group measures the expected credit loss amount over 12 months as the provision for impairment losses. For financial assets for which credit risk has increased significantly since initial recognition, the Group measures the expected credit loss amount over the remaining life of the financial asset as the provision for impairment losses. For trade receivables or contract assets that do not contain a significant financing component, the Group measures the provision for impairment losses based on the expected credit loss amount over the remaining life of the financial asset.

(12) Derecognition of financial assets

When the contractual rights to receive cash flows from a financial asset have expired, the Group derecognizes the financial asset.

The Group derecognizes a financial asset upon either of the following conditions is met:

1. The contractual rights to receive cash flows from the financial asset have expired.
2. The right to receive cash flows from financial assets is transferred and almost all risks and rewards of ownership have been transferred.
3. The right to receive cash flows from financial assets is transferred, but control over the financial asset is not retained.

(13) Inventory

Inventory is measured at cost or net realizable value, whichever is lower, using the weighted average method for cost determination. When comparing cost and net realizable value, the lower amount is recognized. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary selling expenses.

(14) Property, Plants and Equipment

1. Property, plant and equipment are recorded at cost of acquisition.
2. Subsequent costs are included in the carrying amount of an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Any replaced part's carrying amount is derecognized. All other maintenance expenses are recognized in profit or loss as incurred.
3. Property, plant and equipment are measured using the cost model and depreciated using the straight-line method over their estimated useful lives. Depreciation of significant components of property, plant and equipment is recognized separately.
4. The Group reviews the residual values, useful lives, and depreciation methods of all assets at the end of each financial year. If there is a difference in the expected residual value or useful life compared to previous estimates, or there is a significant change in the expected consumption pattern of future economic benefits of an asset, the change is accounted for in accordance with the provisions of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of each asset are as follows:

Research & development equipment	2~8 years
Office and miscellaneous equipment	2~10 years
Lease improvement	5~10 years

(15) Lease Transactions of Lessee - Right-of-Use Assets/Lease Liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they become available for use by the company. When the lease contract is a short-term lease or relates to a low-value underlying asset, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. Lease liabilities are recognized on the lease commencement date at the present value of lease payments not yet paid, discounted at the incremental borrowing rate of the company. Lease payments include fixed payments, less any lease incentives receivable.

Subsequently, the interest method is used to measure the lease. Liabilities are amortized at cost and interest expense is recognized over the lease term. When a lease modification does not qualify as a separate contract and results in a change in the lease term or lease payments, the lease liabilities are remeasured, and the right-of-use assets are adjusted accordingly.

3. Right-of-use assets are recognized at cost on the lease commencement date, which includes:
 - (1) the initial measurement of lease liabilities.
 - (2) any lease payments made before or on the lease commencement date. Subsequently, the cost model shall be used to measure the right-of-use asset, and depreciation expense shall be recognized when the asset reaches the end of its useful life or at the end of the lease term, whichever comes earlier. Any adjustment to the lease liability's remeasurement shall result in an adjustment to the right-of-use asset.
4. For lease modifications that reduce the scope of the lease, the lessee shall reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognize the difference between the adjusted lease liability and the right-of-use asset as a gain or loss in profit or loss.

(16) Intangible Assets

Computer software is recognized as costs and amortized using the straight-line method over the estimated useful lives of 1 to 3 years.

(17) Impairment of non-financial assets

For assets showing impairment indicators, the Group estimates their recoverable amounts on the balance sheet date. If the recoverable amount is lower than the carrying amount, impairment losses are recognized. The recoverable amount refers to the higher of the fair value of an asset less disposal costs or its value in use. Impairment losses are reversed when there is an indication that the impairment loss recognized in prior years has decreased or no longer exists. However, the carrying amount of an asset increased by the reversal of an impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, less any depreciation or amortization charged in subsequent periods.

(18) Loan

This refers to long-term and short-term borrowings obtained from banks. When initially recognized, the Group measures these borrowings at fair value less transaction costs, and subsequently any difference between the carrying amount and the redemption value, net of transaction costs, is recognized as interest expense over the period of the borrowings using the effective interest method and an amortization schedule in the statement of comprehensive income.

(19) Account payable and Guarantee Notes

1. This refers to the liabilities arising from purchasing raw materials, goods, or services on credit, as well as the notes payable arising from both operating and non-operating activities.
2. These are short-term accounts payable and notes payable with unpaid interest, which are measured by the original invoice amount as the discount effect is not significant to the Group.

(20) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are fulfilled, cancelled, or expire according to the terms of the contract.

(21) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount expected to be paid, and are recognized as an expense when the related service is provided.

2. Pension

(1) Defined contribution plans

For defined benefit plans, the amount of retirement benefits to be accrued is recognized as retirement benefit costs in the current period based on the occurrence of obligations and responsibilities. Prepaid contribution is recognized as an asset within the scope of refundable cash or reduced future benefits.

(2) Defined benefit plans

- A. The net obligation under a defined benefit plan is calculated by discounting the future benefit payments earned by employees for their current or past service, using the present value of the defined benefit obligation as of the balance sheet date less the fair value of plan assets. The net obligation under the defined benefit plan is calculated annually by an actuary using the projected unit credit method, and the discount rate used is determined based on the market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity that match the expected cash flows of the obligations. In countries where there is no deep market for high-quality corporate bonds, the discount rate is based on the market yields of government bonds as of the balance sheet date.
- B. The rereasurement amount arising from defined benefit plans is recognized in other comprehensive income in the period in which it occurs and presented in retained earnings.
- C. Expenses related to prior service costs are recognized immediately in the income statement.

3. Remuneration to employee and directors

Employee compensation and director and supervisor remuneration are recognized as expenses and liabilities when there is a legal or constructive obligation, and the amount can be reliably estimated. Subsequently, if there are differences between the actual distribution amount and the estimated amount, it will be handled as an accounting estimate change.

(22) Employee Share-Based Payment

1. The equity-settled share-based payment arrangement is a method of providing employee compensation by granting equity instruments at fair value on the grant date. The fair value of the equity instruments should reflect the effects of vesting conditions and non-vesting conditions. The related compensation cost is recognized as an expense over the vesting period, and the equity is correspondingly adjusted. The recognized compensation cost is adjusted for the expected number of awards that will ultimately vest, including the effects of non-market-based vesting conditions, until the amount recognized is based on the number of awards that actually vest on the vesting date.
2. Restricted Stock for Employees
 - (1) Recognize the cost of employee compensation over the vesting period based on the fair value of the equity instruments granted on the grant date.
 - (2) For employees who are not prohibited from participating in dividend distributions and are not required to return dividends already received upon resignation during the vesting period, the portion of dividends expected to be received by employees who are expected to resign within the vesting period is recognized as compensation cost at the fair value of the dividends on the date of the dividend announcement.
 - (3) Employees do not need to pay a purchase price to obtain restricted stock. If employees resign during the vesting period, the company will reclaim the shares at no cost and cancel them.

(23) Income Tax

1. Income tax expense includes current and deferred income tax. Except for income taxes related to items included in other comprehensive income or directly in equity, income tax is recognized in income.
2. The Group calculates the current income tax based on the tax rates that have been legislated or substantively enacted in the countries where the Group operates and generates taxable income as of the balance sheet date. Management assesses the status of income tax filings periodically in accordance with the applicable income tax regulations and estimates income tax liabilities based on expected tax payments to be made to tax authorities when applicable. Income tax expense on undistributed earnings, as required by income tax laws, is recognized when a resolution for the distribution of earnings is passed by the shareholders' meeting in the year following the year in which the earnings are generated and based on the actual distribution of earnings.

3. The deferred income tax is calculated based on the balance sheet method, recognizing temporary differences between the tax base of assets and liabilities and their carrying amounts on the consolidated balance sheet. The applicable tax rate (and tax law) expected to be used upon realization of the deferred income tax assets or settlement of the deferred income tax liabilities is based on the tax rates that have been enacted or substantively enacted at the balance sheet date.
4. Deferred income tax assets may be recognized for the temporary differences that are likely to be utilized to offset future taxable income, and the unrecognized and recognized deferred income tax assets are re-evaluated on each balance sheet date.

(24) Capital

Common stock is classified as equity. The net amount after deducting income tax of the incremental cost attributed to the issuance of new shares or stock options is directly allocated to equity as a deduction from proceeds.

(25) Dividend distribution

Dividends distributed to the shareholders of this company are recognized in the financial statements when they are approved for distribution at the shareholders' meeting. Cash dividends are recognized as liabilities.

(26) Recognition of Revenue

Sale of Goods

1. The Group designs and sells products related to integrated circuits, and sales revenue is recognized when control of the products is transferred to customers, that is, when the products are delivered to the customers, and the customers have the discretion over the sales channel and price of the products. The Group has no remaining performance obligations that may affect the customers' acceptance of the products. When the products are shipped to the designated location, the risks of obsolescence, damage, and loss have been transferred to the customers, and the revenue recognition occurs when the customer accepts the products in accordance with the sales contract or when there is objective evidence that all acceptance criteria have been met.
2. Sales revenue is recognized as the net amount of contract price, excluding business tax, sales return, quantity discount and allowance. The amount of revenue recognition is limited to the portion that is highly probable not to be subject to significant reversals in the future and is updated at each balance sheet date based on estimation. Payment terms for sales transactions are typically 40 to 190 days after shipment, which is consistent with market practice, and therefore it is determined that there is no significant financing component included in the contracts.
3. Accounts receivable are recognized when goods are delivered to customers, as the Group has an unconditional right to payment for the contract price from that point in time, with only the passage of time required before the customer pays.

(27) Operating Segments

The operational information of this group is reported in a consistent manner in the internal management report provided to the main operational decision makers. The main operational decision makers are responsible for allocating resources to the operating departments and evaluating their performance. It has been identified that the board of directors is the main decision maker of this group.

5. Critical Accounting Judgements, Estimations and Key Sources of Assumption Uncertainty

The preparation of the Group's consolidated financial statements, the management of this group has exercised its judgment to determine the accounting policies adopted and made accounting estimates and assumptions based on its reasonable expectations of future events as of the date of the balance sheet. Significant accounting estimates and assumptions made may differ from actual results, which will be continuously evaluated and adjusted based on historical experience and other factors. These estimates and assumptions carry the risk of significant adjustments to the amounts of assets and liabilities in the next financial year. Please refer to the following explanation regarding the uncertainties associated with significant accounting judgments, estimates, and assumptions:

(1) Accounting policy adoption significant judgments

None.

(2) Significant accounting estimates and assumptions

Inventory evaluation

Inventories are stated at the lower of cost or net realizable value., this group must exercise judgment and estimation to determine the net realizable value of inventory as of the balance sheet date. This group evaluates the amount of inventory that has normal wear and tear, is obsolete or has no market sales value as of the balance sheet date and reduces the inventory cost to its net realizable value. Because the determination of the net realizable value used in the inventory valuation and the estimation of inventory obsolescence losses often involve subjective judgment and have a high degree of estimation uncertainty and because inventory and the provision for inventory obsolescence losses have a significant impact on the financial statements, significant changes may occur

6. Contents of significant accounts

(1) Cash and Cash Equivalent

	<u>2023.12.31</u>	<u>2022.12.31</u>
Cash	\$ 30	\$ 30
Cash in Bank and Cheque	154,024	107,493
Term Deposit	<u>103,188</u>	<u>121,601</u>
	<u>\$ 257,242</u>	<u>\$ 229,124</u>

1. The above said term deposit is deemed as high liquidation investment matured within 3 months.
2. The Group deals with a number of financial institutions with good credibility, to lower credit risks. Thus, the risk to contract breach is deemed very low.
3. Cash and cash equivalents were not pledged for collateral. ◦

(2) Financial assets at amortized cost

	<u>2023.12.31</u>	<u>2022.12.31</u>
Current		
>3 months Term deposit	\$ 5,000	\$ 5,000
Term deposit pledged for collateral	<u>225,682</u>	<u>256,454</u>
Total	<u>\$ 230,682</u>	<u>\$ 261,454</u>
Non current		
Term deposit pledged for collateral	<u>\$ 1,060</u>	<u>\$ 1,047</u>

1. Regardless of the collateral held or other credit enhancements, it is the most representative of the Group's holdings of financial assets measured at amortized cost, the largest credit risk on December 31, 2023 and 2022. The insurance amount is the book value of the recognized financial assets.
2. Please refer to Note 8 for details on financial asset at amortized cost pledged as collateral.
3. Please refer to Note 12(2) for the credit risks on financial assets at amortized cost. It is deemed that the possibility of contract breach is very low.

(3) Account receivables

	<u>2023.12.31</u>	<u>2022.12.31</u>
Account receivables	\$ 212,048	\$ 168,809
Less: allowances for doubtful accounts	<u>(1,083)</u>	<u>(1,649)</u>
	<u>\$ 210,965</u>	<u>\$ 167,160</u>

1. Age analysis:

	<u>2023.12.31</u>	<u>2022.12.31</u>
	<u>Account receivables</u>	<u>Account receivables</u>
Not past due	\$ 208,274	\$ 166,653
Past due 0~30 days	2,786	-
Past due 31-90 days	-	727
Past due over 91 days	<u>988</u>	<u>1,429</u>
	<u>\$ 212,048</u>	<u>\$ 168,809</u>

2. Balance of account receivables as of 2023.12.31, 2022.12.31 and 2022.01.01 are \$212,048 、 \$168,809 and \$191,427.

3. The Group adopts a simplified approach to estimate expected credit losses based on the provision matrix. The loss rate is adjusted based on historical and current information for a specific period to estimate the provision loss of accounts receivable.

Expected loss for the Group as of 2023.12.31, 2022.12.31 areas following:

	<u>Not past due</u>	<u>Past due 30 days</u>	<u>Past due 31-90 days</u>	<u>Past due over 91</u>	<u>Total</u>
<u>2023.12.31</u>					
Expected loss %	0%~0.03%	0%~0.81%	0%~30.56%	100%	
AR total	<u>\$ 208,274</u>	<u>\$ 2,786</u>	<u>\$ -</u>	<u>\$ 988</u>	<u>\$212,048</u>
Allowance for credit impairment loss	<u>\$ 73</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 988</u>	<u>\$ 1,083</u>
	<u>Not past due</u>	<u>Past due 30 days</u>	<u>Past due 31-90 days</u>	<u>Past due over 91</u>	<u>Total</u>
<u>2022.12.31</u>					
Expected loss %	0%~5.00%	0%~12.30%	0%~44.10%	0%~100%	
AR total	<u>\$ 166,653</u>	<u>\$ -</u>	<u>\$ 727</u>	<u>\$ 1,429</u>	<u>\$168,809</u>
Allowance for credit impairment loss	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,429</u>	<u>\$ 1,649</u>

4. The Group has adapted simplified measure for changes in allowance for impairment loss:

	<u>2023</u>	<u>2022</u>
	<u>Account receivable</u>	<u>Account receivable</u>
01.01	\$ 1,649	\$ 2,336
Allowance for impairment loss	(448)	281
Impact of consolidated/parent change	(118)	-
Amounts written off as uncollectible.	<u>-</u>	<u>(968)</u>
12.31	<u>\$ 1,083</u>	<u>\$ 1,649</u>

5. Please refer to Note 12(2) for details on AR credit risk.

(4) Inventory

	<u>2023.12.31</u>		
	<u>Costs</u>	<u>Allowance for inventory valuation loss</u>	<u>Book Value</u>
Raw material	\$ 126,217	(\$ 22,158)	\$ 104,059
Work in process	190,614	(28,817)	161,797
Finished goods	<u>30,273</u>	<u>(5,864)</u>	<u>24,409</u>
	<u>\$ 347,104</u>	<u>(\$ 56,839)</u>	<u>\$ 290,265</u>
	<u>2022.12.31</u>		
	<u>Costs</u>	<u>Allowance for inventory valuation loss</u>	<u>Book Value</u>
Raw material	\$ 87,556	(\$ 4,842)	\$ 82,714
Work in process	205,156	(17,843)	187,313
Finished goods	<u>110,610</u>	<u>(5,393)</u>	<u>105,217</u>
	<u>\$ 403,322</u>	<u>(\$ 28,078)</u>	<u>\$ 375,244</u>

1. Inventory cost recognized as loss for the period

	<u>2023</u>	<u>2022</u>
Cost of good sold	\$ 533,867	\$ 415,163
Inventory valuation loss	28,761	21,522
Unallocated manufacturing overhead	<u>814</u>	<u>29,484</u>
Others	<u>-</u>	<u>-</u>
	<u>\$ 563,442</u>	<u>\$ 466,169</u>

2. Inventory was not pledged for collateral.

3. The Group enters a long-term contract with the supplier, which stipulates the minimum amount or quantity to be purchased. If the Group fails to fulfill the contractual amount, the loss shall be recognized as the cost of the current period.

(5) Real estate, plant and equipment

	<u>2023</u>			
	<u>R&D equipment</u>	<u>Office equipment</u>	<u>Improvement on lease</u>	<u>Total</u>
2023.01.01				
Cost	\$ 73,591	\$ 17,970	\$ 3,417	\$ 94,978
Accumulated depreciation	(63,263)	(11,211)	(1,232)	(75,706)
	<u>\$ 10,328</u>	<u>\$ 6,759</u>	<u>\$ 2,185</u>	<u>\$ 19,272</u>
2023.01.01	\$ 10,328	\$ 6,759	\$ 2,185	\$ 19,272
Acquisition	17,946	1,838	3,181	22,965
Disposal	-	-	(1,109)	(1,109)
Depreciation expense	(8,210)	(2,363)	(534)	(11,107)
2023.12.31	<u>\$ 20,064</u>	<u>\$ 6,234</u>	<u>\$ 3,723</u>	<u>\$ 30,021</u>
2023.12.31				
Cost	\$ 91,537	\$ 19,739	\$ 5,247	\$ 116,523
Accumulated depreciation	(71,473)	(13,505)	(1,524)	(86,502)
	<u>\$ 20,064</u>	<u>\$ 6,234</u>	<u>\$ 3,723</u>	<u>\$ 30,021</u>
	<u>2022</u>			
	<u>R&D equipment</u>	<u>Office equipment</u>	<u>Improvement on lease</u>	<u>Total</u>
2022.01.01				
Cost	\$ 66,927	\$ 18,253	\$ 2,526	\$ 87,706
Accumulated depreciation	(57,735)	(8,999)	(1,126)	(67,860)
	<u>\$ 9,192</u>	<u>\$ 9,254</u>	<u>\$ 1,400</u>	<u>\$ 19,846</u>
2022.01.01	\$ 9,192	\$ 9,254	\$ 1,400	\$ 19,846
Acquisition	6,663	328	1,351	8,342
Disposal	-	(244)	(207)	(451)
Depreciation expense	(5,527)	(2,579)	(359)	(8,465)
2022.12.31	<u>\$ 10,328</u>	<u>\$ 6,759</u>	<u>\$ 2,185</u>	<u>\$ 19,272</u>
2022.12.31				
Cost	\$ 73,591	\$ 17,970	\$ 3,417	\$ 94,978
Accumulated depreciation	(63,263)	(11,211)	(1,232)	(75,706)
	<u>\$ 10,328</u>	<u>\$ 6,759</u>	<u>\$ 2,185</u>	<u>\$ 19,272</u>

The real estate, plant and equipment were not pledged for collateral.

(6) Lease – lessee

	<u>2023.12.31</u>	<u>2022.12.31</u>
Right-of-use assets:		
buildings	\$ 25,248	\$ 10,540
Transportation vehicles	<u>2,250</u>	<u>482</u>
	<u>\$ 27,498</u>	<u>\$ 11,022</u>
Lease liabilities:		
Current	\$ 6,101	\$ 3,187
Non current	<u>20,759</u>	<u>7,014</u>
	<u>\$ 26,860</u>	<u>\$ 10,201</u>

1. The lease include building and transportation vehicle. The contracts are normally 2~5 years. The lease contracts are negotiated separately with different terms and conditions. There are no other restrictions other than leased assets shall not be pledged for collaterals.
2. Depreciation expenses for right-of-use assets:

	<u>2023</u>	<u>2022</u>
Building	\$ 7,003	\$ 6,127
Transport vehicle	<u>663</u>	<u>1,030</u>
	<u>\$ 7,666</u>	<u>\$ 7,157</u>

3. Acquisition of right-of-use asset for 01.01 to 12.31, 2023 and 2022 are \$32,042 and \$10,691.
4. Car park lease contract does not exceed 12 months. Office printer is regarded as low value lease asset.
5. P& L items related to lease contracts:

	<u>2023</u>	<u>2022</u>
Interest expense from lease liabilities	\$ 567	\$ 196
Expenses of short term lease	261	254
Expenses of low-value lease	125	106
Expenses of changes in lease payment	(143)	(15)

Note: the company terminated the office lease in June, 2023.

6. Cash outflow from lease for the period 01.01 to 12.31 of 2023 and 2022 are \$8,253 and \$8,947.

7. Due to changes in lease contract during 2023.01.01 to 2023. 12.31, the amounts for right-of-use asset are decreased by \$7,344 and \$1,175; and lease liabilities are decreased by \$7,487 and \$1,190 as of 2023.12.31.

(7) Intangible asset

	<u>2023</u>	<u>2022</u>
	<u>Computer software</u>	<u>Computer software</u>
01.01		
Cost	\$ 25,204	\$ 2,467
Accumulated amortization	(4,369)	(955)
	<u>\$ 20,835</u>	<u>\$ 1,512</u>
01.01	\$ 20,835	\$ 1,512
Acquisition	23,890	23,692
Reclassified (note)	(470)	-
Amortization expenses	(20,393)	(4,369)
12.31	<u>\$ 23,862</u>	<u>\$ 20,835</u>
12.31		
Cost	\$ 44,255	\$ 25,204
Accumulated amortization	(20,393)	(4,369)
	<u>\$ 23,862</u>	<u>\$ 20,835</u>

Note: Reclassify computer software to prepaid items

Intangible assets amortization expenses:

	<u>2023</u>	<u>2022</u>
	<u>Computer software</u>	<u>Computer software</u>
Administration expenses	\$ 1,912	\$ 2,233
R&D expenses	18,481	2,136
	<u>\$ 20,393</u>	<u>\$ 4,369</u>

(8) Short term loan

	<u>2023.12.31</u>	<u>2022.12.31</u>
Guarantee bank loan	<u>\$ 160,000</u>	<u>\$ 196,000</u>
Range of interests	<u>1.71%~1.99%</u>	<u>1.46%~1.89%</u>

1. Unused quota as of 2023.12.31 and 2022.12.31 are \$\$220,000 and \$154,000.
2. Please refer to Note 8 for details on short term loan pledged for collateral.

(9) Other account payables

	<u>2023.12.30</u>	<u>2022.12.31</u>
Employee bonus	\$ 16,853	\$ 18,275
Salary	13,462	10,967
Compensation to Director of the Board	2,528	2,741
Equipment	2,371	840
Others	<u>7,558</u>	<u>9,902</u>
	<u>\$ 42,772</u>	<u>\$ 42,725</u>

(10) Long term loan

<u>Type</u>	<u>Duration and terms</u>	<u>Interest range</u>	<u>Guarantee</u>	<u>2023.12.31</u>
Guarantee Bank loan	2020.06.29 ~2023.06.29 monthly interest payment	1.27%~2.69%	Note	\$ 3,091
Credit loan	"	"	None	<u>545</u>
				3,636
Less: loan matured within one year				<u>(3,636)</u>
				<u>\$ -</u>

Note: The long-term loan is guaranteed by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG).

Unused quota for period ending 2023.12.31 and 2022.12.31 are \$0.

(11) Pension

1. Defined benefit

- (1) The company and its domestic subsidiaries have established a retirement method with defined benefits in accordance with the provisions of the "Labor Standards Law", which is applicable to the full-time employees before the implementation of the "Labor Pension Regulations" on July 1, 1994, and after the implementation of the "Labor Pension Regulations", the employees who choose to continue to apply the Labor Standards Law have their subsequent years of service. For employees who meet the retirement requirements, the pension payment is calculated based on the years of service and the average salary of the six months before retirement. The service years within 15 years (inclusive) will be given two bases for each full year, and the service years exceeding 15 years will be paid every year. A base is given for one full year, maximum

payout base is 45. The company allocates 2% of the total salary to the retirement fund on a monthly basis in a special account in the name of the Labor Retirement Reserve Fund Supervisory Committee in the Bank of Taiwan. In addition, estimation of the balance of the special account for labor retirement reserves will be made at the end of the year. If the balance is insufficient to cover the estimated amount of pensions calculated for employees who meet the retirement requirements in the next year, the balance will be calculated again before the end of March the following year.

(2) The amounts recognized in the balance sheet are as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Defined benefit obligation.	(\$ 1,542)	(\$ 1,462)
Plan assets at fair value	<u>7,248</u>	<u>7,090</u>
Net defined benefit asset (Note).	<u>\$ 5,706</u>	<u>\$ 5,628</u>

Note: Classified as other non-current assets.

approval by the competent authority. Because our company has no right to participate in the operation and management of the fund, we are unable to disclose the classification of the fair value of plan assets as required by paragraph 142 of International Accounting Standard No. 19. Please refer to the annual labor retirement fund utilization reports announced by the government for the fair value of the total assets of that fund as of December 31, 2023 and 2022.

- (5) The summary of actuarial assumptions regarding retirement benefits is as follows:

	<u>2023</u>	<u>2022</u>
Discount rate.	<u>1.88%</u>	<u>2.00%</u>
Future salary growth rate	<u>2.50%</u>	<u>2.50%</u>

The assumption for future mortality rates is estimated based on the Taiwan life insurance industry's sixth experience life table. The impact on the determination of the present value of defined benefit obligations due to changes in the main actuarial assumptions used is analyzed as follows:

	<u>Discount rate</u>		<u>Future salary growth rate</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
Discount rate.				
2023.12.31	(\$ <u>67</u>)	(\$ <u>70</u>)	(\$ <u>69</u>)	(\$ <u>66</u>)
The impact on the present value of defined benefit obligations.				
2022.12.31				
The impact on the present value of defined benefit obligations.	(\$ <u>67</u>)	(\$ <u>70</u>)	(\$ <u>69</u>)	(\$ <u>66</u>)

The sensitivity analysis described above analyzes the impact of a single assumption change while holding other assumptions constant. However, in practice, changes in many assumptions may be interrelated. Sensitivity analysis is consistent with the method used to calculate the net retirement benefit liability on the balance sheet.

The method and assumptions used in the sensitivity analysis prepared for the current period are the same as those used in the previous period.

- (6) This group plans to stop making contributions in the fiscal year 2023 as the retirement reserve is fully funded.

2. Determination of Provision Plan.

- (1) According to the "Labor Pension Act", the Company and its domestic subsidiaries have established a retirement method with definite contribution, which is applicable to employees of their nationality. The company and

domestic subsidiaries choose to apply the part of the labor pension system stipulated in the "Labor Pension Regulations" for employees and contribute labor pensions to the individual accounts of employees of the Labor Insurance Bureau at the rate of 6% of salary every month. The payment of employee pensions is based on the employee's personal pension special account and accumulated income is collected in monthly pension or one-time pension °

- (2) According to the pension insurance system stipulated by the government of the People's Republic of China, ENE Touch allocates pension insurance funds according to a certain percentage of the total salary of local employees every month. The pension of each employee is managed and arranged by the government, and the Group has no further obligations other than the monthly allocation.
- (3) Amount recognized for the pension in according to the above method for the period ending 01.01~12.31 of 2023 and 2022 are \$4,673 and \$4,902.

(12) Share-based payments

1.Share based payment as of 2023.12.31:

Issuer	Type	Issuance date	Quantity	No. shares available for subscription per unit (shares)	Contract Period	Condition
ENE	Restricted employee stock	2023.05.10	20 thousands unit	1	3years	Continuous employment for 1 year and meet the set KPI, one can exercise in a certain portion (note)
"	"	2023.03.16	980 thousands unit	1	3years	Continuous employment for 1 year and meet the set KPI, one can exercise in a certain portion (note)

New shares with limited employee rights issued by the company may not be sold, pledged, transferred, gifted to others, encumbered, or disposed of in other ways before the vested conditions are met.

Note: For those who meet the service years and performance conditions stipulated in the Regulations on Employee Restricted Shares, the conditions are as follows:

Service with one year: 20%, Service with two years: 30%, Service with three years: 50%

2. Details for the above said share-based payments are as follows:

Restricted Employee Stock (RES) plan

	<u>2023</u>	<u>2022</u>
	<u>Quantity (thousands)</u>	<u>Quantity (thousands)</u>
RES at the beginning of the period	1,000	-
Issued shares at the current period	-	1,000
Share acquired	(198)	-
Ineffective shares	(54)	-
RES at the end of the period	<u>748</u>	<u>1,000</u>

3. The par value of new shares issued by the Group to restrict employee shares is NT\$10 per share, and the issue price per share is NT\$0 (free for employees). The closing price on the date of grant (\$41.5 and \$40.25) is used to measure fair value.

4. The cost for above said RES for the period ending 2023.01.01~12.31 and 2022.01.01~2022.12.31 are \$14,999 and \$15,766 °

(13) Capital

1. As of 2023.12.31, the registered capital is \$950,000, total of 95,000 thousand shares. Actual capital is \$452,688 with par value of NT\$10. The adjustment of shares for the period as following:

	<u>2023</u>	<u>2022</u>
01.01	45,322,841	44,322,841
RES	-	1,000,000
Cash Refund	(54,000)	-
12.31	<u>45,268,841</u>	<u>45,322,841</u>

2. Restricted employee shares (RES)

In order to attract and retain professional talents and create the best interests of the company and shareholders, the company has passed the resolution of the BOD in March 2023 and May 2023 to issue new shares with restricted employee rights for free. The base date of issuance is March 16, 2023. And on May 10, 2023, the total amount was 1,000,000 shares. The employee's personal retention and annual performance evaluation standards have all met the vested conditions. If the vested conditions are not met, the company has the right to take back its shares without compensation and cancel them. As of December 31, 2023, 1,000,000 shares have been issued, 198 thousands shares are vested and 54 thousands shares canceled.

(14) Capital surplus

1. In accordance with the provisions of the Company Law, the surplus from the issuance of shares exceeding the par value and the capital reserve from the receipt of gifts may be used to make up for losses. When the company has no accumulated losses, new shares or cash. In addition, in accordance with the relevant provisions of the Securities and Exchange Act, when the above-mentioned capital reserve is allocated to capital, the total amount shall not exceed 10% of the paid-in capital each year. When the company still has insufficient surplus reserves to make up for capital losses, it may not use capital reserves to compensate it. ◦
2. The Shareholders Meeting in June 2022 has approved the proposal to distribute cash from capital surplus, NT\$0.2 per share, total of \$8,865.

(15) Retained earning/Subsequent events

1. According to the company's Articles, if the company has a surplus in its annual final accounts, in addition to paying taxes in accordance with the law, it should first make up for the accumulated losses, and then allocate 10% of the balance as the statutory surplus reserve, but the statutory surplus reserve This is not the case when the total paid-in capital of the company has been reached; in addition, depending on the company's operating needs and legal requirements, the special surplus reserve shall be appropriated or reversed. If there is still a surplus, and the undistributed surplus at the beginning of the same period, the board of directors shall propose a shareholder dividend Proposal on distribution, after submitting to the shareholders' meeting for resolution.
2. The company's dividend policy is formulated in accordance with the company law and the company's Articles, and is determined based on factors such as the company's capital and financial structure, operating conditions, earnings, and the nature and cycle of the industry to which it belongs. 50% of the surplus, cash dividends shall be withdrawn at no less than 50% of the total dividends for the year.
3. The statutory surplus reserve shall not be used except to make up for the company's losses and to issue new shares or cash in proportion to the shareholders' original shares.
4. When the company distributes the surplus, according to laws and regulations, the debit balance of other equity items on the balance sheet must be allocated as a special surplus reserve.
5. Earning distributed as approved in Shareholders Meeting on 2023.06.09 are:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>EPS</u>	<u>Amount</u>	<u>EPS</u>
Legal reserve	\$ 7,208		\$ 6,007	
Cash dividends	<u>54,375</u>	\$ 1.20	<u>44,323</u>	\$ 0.98
	<u>\$ 61,583</u>		<u>\$ 50,330</u>	

6. Subsequent events:
Earning distributed as approved in Shareholders Meeting on 2023.03.02 are:

	<u>2023</u>	
	<u>Amount</u>	<u>Dividends per share</u>
Legal reserve	\$ 6,664	
Cash dividends	<u>45,269</u>	\$ 1
	<u>\$ 51,933</u>	

The above-mentioned 2023 surplus distribution proposal has not yet been resolved by the shareholders' meeting.

(16) Operation revenue

The Group's revenue is mainly derived from goods transferred at a certain point in time, and revenue can be broken down into the following geographical areas :

<u>2023</u>	<u>China</u>	<u>Taiwan</u>	<u>Others</u>	<u>Total</u>
External customer contract	<u>\$ 564,747</u>	<u>\$ 300,960</u>	<u>\$ 9,635</u>	<u>\$ 875,342</u>
<u>2022</u>	<u>China</u>	<u>Taiwan</u>	<u>Others</u>	<u>Total</u>
External customer contract	<u>\$ 450,113</u>	<u>\$ 257,109</u>	<u>\$ 6,663</u>	<u>\$ 713,885</u>

(17) Other profit and loss

	<u>2023</u>	<u>2022</u>
Loss of investment disposal	(\$ 1,160)	\$ -
Disposal of real estate, plant and equipment	(1,109)	(403)
Foreign exchange (loss)gain	(513)	62,101
Gain from financial asset at fair value through P&L		
	177	148
Gain from lease change	143	15
Others	(261)	(113)
	<u>(\$ 2,723)</u>	<u>\$ 61,748</u>

(18) Additional information on cost and expense

	<u>2023</u>		
	<u>Operation costs</u>	<u>Operation expense</u>	<u>Total</u>
Employee benefit expense			
Salary expense	\$ -	\$ 126,771	\$ 126,771
Share based payment	-	14,999	14,999
Labor and health insurance expense	-	8,242	8,242
Pension expense	-	4,673	4,673
Other HR	-	2,569	2,569
	<u>\$ -</u>	<u>\$ 157,254</u>	<u>\$ 157,254</u>
Depreciation expense	<u>\$ -</u>	<u>\$ 18,773</u>	<u>\$ 18,773</u>
Amortization expense	<u>\$ -</u>	<u>\$ 20,393</u>	<u>\$ 20,393</u>
	<u>2022</u>		
	<u>Operation costs</u>	<u>Operation expense</u>	<u>Total</u>
Employee benefit expense			
Salary expense	\$ -	\$ 118,164	\$ 118,164
Share based payment	-	15,766	15,766

Labor and health insurance expense	-	7,716	7,716
Pension expense	-	4,902	4,902
Other HR	-	2,376	2,376
	<u>\$</u>	<u>148,924</u>	<u>\$ 148,924</u>
Depreciation expense	<u>\$</u>	<u>15,622</u>	<u>\$ 15,622</u>
Amortization expense	<u>\$</u>	<u>4,369</u>	<u>\$ 4,369</u>

1. According to the company's Articles, the company shall allocate no less than 20% of the employee's remuneration and no more than 3% of the BOD's remuneration if there is a balance after deducting the accumulated losses.
2. Remuneration for BOD and employees are as follows:

	<u>2023</u>	<u>2022</u>
Remuneration to BODs	\$ 2,528	\$ 2,741
Remuneration to employees	<u>16,853</u>	<u>18,275</u>
	<u>\$ 19,381</u>	<u>\$ 21,016</u>

The estimation of profits is recognized in according to the Articles. For the period 01.01~12.31 of 2023 and 2022.

3. The remuneration for directors and employees for the fiscal year 2023, which was approved by the board of directors on February 27, 2024, is consistent with the estimated amount. The employee remuneration will be paid in cash.
4. The remuneration of directors and employees approved by the board of directors in 2022 is consistent with the amount recognized in the financial report of 2022.
5. Please see MOPS for related information.

(19) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Current income tax:		
Current income tax expense	\$ -	\$ -
Undistributed profits	498	-
Under-estimation from prior year	<u>209</u>	<u>-</u>
	<u>707</u>	<u>-</u>
Deferred income tax:		
Origination and reversal of temporary differences	(<u>2,497</u>)	(<u>6,548</u>)
Income tax	<u>(\$ 1,790)</u>	<u>(\$ 6,548)</u>

(2) Amount of income tax related to other comprehensive income:

	<u>2023</u>	<u>2022</u>
	<u>(40)</u>	<u>6</u>

2. The relationship between income tax benefit and accounting profit:

	<u>2023</u>	<u>2022</u>
Income tax calculated at statutory tax rate on income before income taxes (Note)	\$ 12,977	\$ 15,825
Expenses to be deducted in accordance with tax laws and regulations	-	29
Income exempted from taxation according to tax law	(58)	(30)
Undistributed profits	498	
Under/Over estimation from prior year	209	
Unrecognized deferred tax assets due to temporary differences	(209)	350
Changes in the assessment of realizability of deferred tax assets	<u>(15,207)</u>	<u>(22,722)</u>
Income tax benefit	<u>(\$ 1,790)</u>	<u>(\$ 6,548)</u>

Note: The applicable tax rates are calculated based on the tax rates in the countries where the Company and its subsidiaries are located.

3. The amounts of deferred income tax assets or liabilities resulting from temporary differences and tax loss. carryforwards are as follows:

	<u>01.01</u>	<u>Recognized in income statement.</u>	<u>2023 Recognized in other comprehensive income (OCI).</u>	<u>12.31</u>
Deferred income tax asset				
-Temporary difference				
Unrealized loss from inventory value	\$ 5,616	\$ 5,752	\$ -	\$ 11,368
Unrealized gross profit on sales	7,566	(4,306)	-	3,260
Foreign investment accounted for using the equity method	1,891	(1,891)	-	-
	<u>-</u>	<u>1,288</u>	<u>-</u>	<u>1,288</u>

	<u>\$ 15,073</u>	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 15,916</u>
Deferred income tax liabilities:				
-Temporary differences:				
Foreign exchange differences - operational entity	(\$ 40)	\$ -	\$ 40	\$ -
Unrealized translation gains.	<u>(1,654)</u>	<u>1,654</u>	<u>-</u>	<u>-</u>
	<u>(\$ 1,694)</u>	<u>\$ 1,654</u>	<u>\$ 40</u>	<u>\$ -</u>

			2022	
	<u>01.01</u>	<u>Recognized in income statement.</u>	<u>Recognized in other comprehensive income (OCI).</u>	<u>12.31</u>
Deferred income tax asset				
- Temporary difference				
Unrealized inventory loss	\$ 3,541	\$ 2,075	\$ -	\$ 5,616
Unrealized gross profit on sales.	3,330	4,236	-	7,566
Foreign investment accounted for using the equity method	<u>-</u>	<u>1,891</u>	<u>-</u>	<u>1,891</u>
	<u>\$ 6,871</u>	<u>\$ 8,202</u>	<u>\$ -</u>	<u>\$ 15,073</u>
Deferred income tax liabilities.				
- Temporary difference				
Foreign exchange differences - operational entity	(\$ 34)	\$ -	(\$ 6)	(\$ 40)
Unrealized translation gains.	<u>-</u>	<u>(1,654)</u>	<u>-</u>	<u>(1,654)</u>
	<u>(\$ 34)</u>	<u>(\$ 1,654)</u>	<u>(\$ 6)</u>	<u>(\$ 1,694)</u>

4. The effective period of unused tax losses and the amount of unrecognized deferred tax assets related to the Company and its domestic subsidiaries are as follows:

<u>Year</u>	<u>Verified amount</u>	<u>2023.12.31</u>		<u>Final deduction year</u>
		<u>Unutilized amount</u>	<u>Unrecognized deferred tax assets</u>	
2013	68,665	-	-	2023
2014	205,755	183,483	183,483	2024
2015	119,209	119,209	119,209	2025
2016	121,815	121,815	121,815	2026
2017	94,604	92,739	92,739	2027
2018	70,693	70,963	70,963	2028
2019	50,962	50,962	50,962	2029
2020	32,271	<u>32,271</u>	<u>32,271</u>	2030
		<u>\$ 640,995</u>	<u>\$ 640,995</u>	

<u>Year</u>	<u>Verified amount</u>	<u>2022.12.31</u>		<u>Final deduction year</u>
		<u>Unutilized amount</u>	<u>Unrecognized deferred tax assets</u>	
2012	\$ 35,036	\$ -	\$ -	2023
2013	68,665	-	-	2023
2014	205,755	183,483	183,483	2024
2015	119,249	119,249	119,249	2025
2016	121,815	121,815	121,815	2026
2017	94,604	92,739	92,739	2027
2018	70,963	70,963	70,963	2028
2019	50,962	50,962	50,962	2029
2020	32,271	<u>32,271</u>	<u>32,271</u>	2030
		<u>\$ 671,442</u>	<u>\$ 671,442</u>	

5. The deductible temporary differences that have not been recognized as deferred tax assets

	<u>2023.12.31</u>	<u>2022.12.31</u>
Deductible temporary differences	\$ <u>5,271</u>	\$ <u>6,314</u>

6. Our company's income tax for operating businesses has been verified by the tax collection agency until fiscal year 2021.

(20) Earnings per share

		<u>2023</u>	
	<u>\$ after tax</u>	<u>Weighted average Outstanding shares (thousand shares)</u>	<u>EPS (Dollar)</u>
<u>Basic EPS</u>			
Net profit attributed to common shareholders of the parent company	<u>\$ 66,676</u>	<u>44,480</u>	<u>\$ 1.50</u>
<u>Diluted EPS</u>			
Net profit attributed to common shareholders of the parent company	\$ 66,676	44,480	
Potential dilution impact			
RES	-	504	
Employee remuneration	<u>-</u>	<u>321</u>	
Potential dilution impact attributed to the parent company	<u>\$ 66,676</u>	<u>45,305</u>	<u>\$ 1.47</u>
<u>2022</u>			
	<u>\$ after tax</u>	<u>Weighted average Outstanding shares (thousand shares)</u>	<u>EPS (Dollar)</u>
<u>Basic EPS</u>			
Net profit attributed to common shareholders of the parent company	<u>\$ 60,307</u>	<u>37,791</u>	<u>\$ 1.60</u>
<u>Diluted EPS</u>			
Net profit attributed to common shareholders of the parent company	<u>\$ 76,906</u>	<u>44,322</u>	<u>\$ 1.74</u>
Potential dilution impact			
RES	-	719	
Employee remuneration	<u>-</u>	<u>78</u>	
Potential dilution impact attributed to the parent company	<u>\$ 76,906</u>	<u>45,119</u>	<u>\$ 1.70</u>

(21) Additional information to cash flow

Investment activity with partial cash payment:

	<u>2023</u>		<u>2022</u>	
Acquisition of real estate, plant and equipment	\$	22,965	\$	8,342
Add: equipment payment at the beginning of the period		773		555
Less: equipment payment at the beginning of the period	(<u>2,371</u>)	(<u>773</u>)
Cash payment of the period	\$	<u>21,367</u>	\$	<u>8,124</u>

(22) Changes in liabilities from financing activities

2023

	<u>Short term loan</u>	<u>Long term loan</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
01.01	\$196,000	\$ 3,636	\$ 10,201	\$ 209,837
Changes in financing cash flow	(36,000)	(3,636)	(7,300)	(46,936)
Other non-cash changes	<u>-</u>	<u>-</u>	<u>23,959</u>	<u>23,959</u>
12.31	<u>\$160,000</u>	<u>\$ -</u>	<u>\$ 26,860</u>	<u>\$ 186,860</u>

2022

	<u>Short term loan</u>	<u>Long term loan</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
01.01	\$ 162,272	\$ 10,909	\$ 9,085	\$ 182,266
Changes in financing cash flow	(33,728)	(7,273)	(8,391)	(18,064)
Other non-cash changes	<u>-</u>	<u>-</u>	<u>9,703</u>	<u>9,703</u>
12.31	<u>\$ 196,000</u>	<u>\$ 3,636</u>	<u>\$ 10,201</u>	<u>\$ 209,837</u>

7. Related party transactions

(1) Related party

<u>Related party</u>	<u>Relationship</u>
ASUSTek Computer Inc. (Asus)	Key personnel of the Company (Institutional Director)
Siguard Microelectronic Corp. (Siguard)	Key personnel of the Company (Institutional Director)
Alcor Micro	Key personnel of the Company (Institutional Director)
Egis Technology Inc. (EgisTec)	Ultimate parent entity
Algotek	Related company

(2) Significant transactions with related parties

1. Sales

	<u>2023</u>	<u>2022</u>
Sales:		
ASUSTek	<u>\$ 106,538</u>	<u>\$ 91,430</u>

Product prices quoted to the related parties were determined by the product specification. Therefore, prices quoted to the related parties were of no big difference to other customers.

2. Purchasing

	<u>2023</u>	<u>2022</u>
Outsourcing product purchase		
Egis	<u>\$ 39,174</u>	<u>\$ -</u>

The trading conditions between the Company and related parties are no different to those with general suppliers.

	<u>2023</u>	<u>2022</u>
Service purchase		
Siguard	<u>\$ 16,145</u>	<u>\$ 15,085</u>

The trading conditions between the Company and related parties are no different to those with general suppliers.

3. R&D expenses

	<u>2023</u>	<u>2022</u>
Eqig	\$ 4,306	\$ -
Alcor Micro	<u>2,730</u>	<u>-</u>
	<u>\$ 7,036</u>	<u>\$ -</u>

Expenses for IC research and development and masks.

4.Account receivable

	<u>2023.12.31</u>	<u>2022.12.31</u>
Service purchase		
ASUSTek	<u>\$ 35,161</u>	<u>\$ 32,871</u>

There is no bad debt allowances for the related party AR. The AR is mainly from product sales.

5.Account payable

	<u>2023.12.31</u>	<u>2022.12.31</u>
Account payable		
Egis	\$ 19,755	\$ -
Siguard	<u> 3,333</u>	<u> 3,349</u>
	<u>\$ 23,088</u>	<u>\$ 3,349</u>
Other payable		
Alcor Micro	<u>\$ 478</u>	<u>\$ -</u>

Related party AP is mainly from purchasing transactions and masks, no interests incurred. Other payables are mainly from purchasing technology.

6.Assets trading

	<u>Accounting Subject</u>	<u>2023</u>	<u>2022</u>
Egis	Purchase other equipment	<u>\$ 6,707</u>	<u>\$ -</u>

Purchase of masks, please refer to Note 7(5) for unpaid payment at the end of the period. The trading conditions between the Company and related parties are no different to those with general suppliers.

7.Other non-current assets

	<u>2023.12.31</u>	<u>2022.12.31</u>
Prepaid payments		
Egis (Note)	<u>\$ 7,500</u>	<u>\$ -</u>
Deposits		
Algotek	<u>\$ 595</u>	<u>\$ -</u>

Note: The company has signed a product development contract. The unpaid payment for the period ending 2023.12.31 is \$22,500.

8.Lease -leasee

(1)The company rents office from Algotek. The contract is for 5 years. The right-of-use asset for the period is \$14,340. The company pays the rent on monthly basis.

(2)Lease liabilities

A.Amount at the end of the period:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Algotek	<u>\$ 12,459</u>	<u>\$ -</u>
B. Interest expenses		

	<u>2023.12.31</u>	<u>2022.12.31</u>
Algotek	<u>\$ 269</u>	<u>\$ -</u>

(3) Key personnel remuneration information

	<u>2023</u>		<u>2022</u>
Salary and other short term employee benefit	\$ 32,500		\$ 28,820
Post employment benefit	798		699
Share based payment	<u>5,769</u>		<u>2,378</u>
Total	<u>\$ 39,067</u>		<u>\$ 31,897</u>

8. Pledged Asset

Details of the assets provided as collateral by the Group are as follows:

<u>Asset</u>	<u>2023.12.31</u>	<u>2022.12.31</u>	<u>Purpose</u>
Term deposit(Note1)	\$ 225,682	\$ 256,454	Note 3
Term deposit(Note2)	<u>1,060</u>	<u>1,047</u>	Note 4
	<u>226,742</u>	<u>257,501</u>	

Note1: financial asset at amortized cost -current

Note2: financial asset at amortized cost -non current

Note3: guarantee for short term loan

Note4: guarantee for tariff on imported raw material

9. Significant commitments

1. The group has signed a software licensing contract. As of December 31, 2023, the amount not yet paid is \$19,994.
2. Please refer to Note7 for details on the unrecognized contractual commitments with related parties.

10. Losses due to major disasters

None.

11. Significant subsequent events

Please refer to Note6 (15.) for details.

12. Others

(1) Capital management

The capital management objective of this group is to ensure the continued operation of the group, maintain the optimal capital structure to reduce the cost of funds, and provide returns to shareholders. In order to maintain or adjust the capital structure, the group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares of common stock in private placement, or sell assets to reduce debt. The group uses the debt-to-capital ratio to monitor its capital, which is calculated by dividing net debt by total capital. Net debt is calculated as total borrowings minus cash and cash equivalents. Total capital is calculated as equity reported on the consolidated balance sheet plus net debt.

In 2023, the capital management strategy of this group remains the same as in 2022, which is to maintain the debt-to-equity ratio within a reasonable range.

(2) Financial instruments

1.Types

	<u>2023.12.31</u>	<u>2022.12.31</u>
<u>Financial asset</u>		
amortized cost measurement (note1)	<u>\$ 740,492</u>	<u>\$ 697,094</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (note2)	<u>\$ 299,345</u>	<u>\$ 356,853</u>
Lease liabilities	<u>\$ 26,860</u>	<u>\$ 10,201</u>

Note1: cash and cash equivalent, financial asset at amortized cost, net account receivable (including related parties), other account receivables and refundable deposit.

Note2: account payables (including related parties), other account payable, short term loan, long term loan (including maturity within one year) and refundable deposit.

2.Risk management policy

- (1) The daily operations of the Group are subject to various financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.
- (2) The risk management work is carried out by the Finance Department of the Company in accordance with policies approved by the Board of Directors. The Finance Department works closely with the various operating units within the Company to identify, assess and mitigate financial risks. The Board of Directors has established written principles for overall risk management and also provides written policies for specific areas and matters, such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative

financial instruments, and the investment of excess cash.

3. Significant financial risks

(1) Market risks

Exposure to currency risk

A. The Group operates globally, therefore, it is exposed to various currency exchange rate risks, mainly from the US dollar and the RMB. These exchange rate risks arise from future business transactions and recognized assets and liabilities.

B. The Company financial assets and liabilities exposed to exchange rate risk were as following:

	<u>2023.12.31</u>				
	Foreign currency		Book value	<u>Sensitivity analysis</u>	
	<u>(\$thousands)</u>	<u>FX rate</u>	<u>(NTD)</u>	<u>Change %</u>	<u>Impact on P&L</u>
<u>Financial asset</u>					
Monetary item					
USD: NTD	\$ 21,740	30.71	\$667,635	1%	\$ 6,676
<u>Financial liabilities</u>					
Monetary item					
USD: NTD	791	30.71	24,292	1%	243

	<u>2022.12.31</u>				
	Foreign currency		Book value	<u>Sensitivity analysis</u>	
	<u>(\$thousands)</u>	<u>FX rate</u>	<u>(NTD)</u>	<u>Change %</u>	<u>Impact on P&L</u>
<u>Financial asset</u>					
Monetary item					
USD: NTD	\$ 20,168	30.71	\$ 619,356	1%	\$ 6,194
<u>Financial liabilities</u>					
Monetary item					
USD: NTD	2,391	30.71	73,416	1%	734

Recognized FX translation (loss)gains (realized and unrealized) are (\$513) and 62,101 for period of 2023 and 2022.

Price risk

The Group mainly invests in equity instruments of domestic listed and over-the-counter companies and open-ended funds, and the prices of these equity instruments will be affected by the uncertainty of the future value of the underlying investments. In order to manage the price risk of financial instrument investments, the Group diversifies its investment portfolio, which is done in accordance with the limits set by the Group.

Cash flow and fair value interest rate risk

A. The Group's interest rate risk primarily arises from borrowings issued at floating interest rates, exposing the Group to cash flow interest rate risk. In 2023 and 2022, the Group's borrowings issued at floating interest rates were denominated in NTD.

B. When the interest rate of NTD-denominated loans increases or decreases by 1% while all other factors remain unchanged, the profit before tax of the Company for the years 2023 and 2022 will decrease or increase by \$1,280 and \$1,597, respectively, mainly due to the change in interest expenses caused by the floating rate loans.

(2) Credit risk

A. The credit risk of the Group refers to the risk of financial loss caused by customers or counterparties of financial instruments being unable to fulfill contractual obligations. It mainly comes from counterparties being unable to settle accounts receivable according to payment conditions, and debt instruments investment contracts with cash flow measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

B. The Group establishes credit risk management from a group perspective. According to the internal credit policy, each operating unit within the group and each new customer must be managed and analyzed for credit risk before setting payment and delivery terms and conditions. Internal risk control is carried out by assessing the credit quality of customers by considering their financial condition, past experience, and other factors. The individual risk limit is set by the board of directors based on internal or external ratings and regularly monitors the use of credit limits.

C. The group adopts the following premise assumptions under IFRS 9 as a basis for determining whether there has been a significant increase in credit risk of financial instruments since initial recognition:

(A) When the contractual payment terms of a financial asset are overdue for more than 30 days, it is considered that the credit risk of the financial asset has significantly increased since initial recognition.

(B) Financial assets that are rated as investment grade by any external credit rating agency on the balance sheet date are considered to have low credit risk.

D. When the payment terms of a contract are overdue for more than 120 days according to the agreed terms, it is considered a default.

E. The Group considers the characteristics of trade credit risk and categorizes accounts receivable from customers into groups. A

simplified approach is used to estimate expected credit losses based on a matrix.

F. The indicators used by the Group to determine credit impairment of debt instrument investments are as follows:

(A) Significant financial difficulties of the issuer and a high probability of bankruptcy or other financial restructuring.

(B) The active market for the financial asset disappears due to the issuer's financial difficulties.

(C) The issuer delays or fails to pay interest or principal.

(D) Changes in national or regional economic conditions that are unfavorable and lead to the issuer's default.

G. After the collection process, the Group wrote off the amount of financial assets that cannot be reasonably expected to be recovered. However, the Group will continue to pursue legal proceedings to preserve its rights to the receivables.

H. The Group adjusts its forward-looking assessment to estimate the allowance for doubtful accounts by using loss rates established based on a specific historical and current information period. Please refer to Note6(3) for details.

(3) Liquidity Risk

A. Cash flow forecasts are prepared by individual operating entities within the Group and consolidated by the Group's finance department. The finance department monitors the forecasted cash needs of the Group to ensure that sufficient funds are available to support its operations.

B. Please refer to Note6(8) and Note6(10) for loan un-used quota.

C. The non-derivative financial liabilities of the Group, except for those listed in the table below, are due within one year and represent significant cash flow amounts within one year from December 31, 2023 and December 31, 2022, including short-term borrowings, accounts payable, and other payables. These amounts are undiscounted and consistent with the balances of each item in the balance sheet.

2023.12.31	<u>within one year</u>	<u>over one year</u>	<u>total</u>
<u>Non-derivative financial liabilities:</u>			
lease liabilities	\$ 6,742	\$ 23,007	\$ 29,749
Long-term borrowings (including current portion)	-	-	-
2022.12.31	<u>within one year</u>	<u>over one year</u>	<u>total</u>
<u>Non-derivative financial liabilities:</u>			
lease liabilities	\$ 3,337	\$ 7,195	\$ 10,532
Long-term borrowings (including current portion)	3,666	-	3,666

(3) Fair value of financial instruments

1. Categories of financial instruments and fair value

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability (directly or indirectly).

Level 3: Assets or liabilities that are not observable market information (unobservable parameters).

2. Financial instrument not measured by fair value

The carrying amount of the financial instruments not measured by fair value (cash and cash equivalent, financial assets at amortized cost, account receivables, other account receivables, account payables, other account payables, refundable deposits, short term loan, long term loan and lease liabilities) is regarded as reasonable fair value.

3. Valuation method and techniques to measure fair value

(1) Valuation techniques for financial instruments measured at fair value:

	<u>Open fund</u>
Market quote	Net worth

(2) If one or more significant parameters cannot be retrieved from the market, the financial instrument shall belong to Level 3.

4. For the period of 2023 and 2022, there was no transfer of Level1 and Level2

5. For the period of 2023 and 2022, there was no transfer of financial instruments in Level 3.

6. Finance department is responsible for verifying the valuation of Level 3 financial instruments.

7. The significant unobservable inputs of equity instrument investments in an inactive market are independent of each other and therefore are not interrelated. Not applicable for 2023.12.31. and 2022.12.31.

13. Other disclosures

(1) Information on significant transactions

1. Loans to other parties: none

2. Guarantees and endorsements for other parties: none

3. Securities held as of June 30th 2022 (other than investments in subsidiaries, associates and JVs): none

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: none

5. Acquisition of individual property with amount exceeding the lower of NT\$300 million or 20% of the capital stock: none

6. Disposal of individual property with amount exceeding the lower of NT\$300 million or 20% of the capital stock: none
7. Related party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: (attachment I)
8. Receivables from related parties with amount exceeding the lower of NT\$100 million or 20% of capital stock: none
9. Trading in derivative instruments: none
10. Business relationship and significant intercompany transactions: none

(2) Investment

Not applicable.

(3) Investment in China

1. Basic information: please see attachment II
2. Direct or indirect significant transaction between investee in China and the company: none

(4) Major shareholders

Please refer to attachment III

14. Segment information

(1) General information

The Group is focus on the research and development, design, manufacture and sales of NB related application ICs. The Group operates as a single operation entity.

(2) Department information

1. The profit and loss of the Group's operating departments are measured by pre-tax operating profit and serve as the basis for performance evaluation. The accounting policies and accounting estimates of the operating department are the same as the summary of important accounting policies and important accounting estimates and assumptions described in Notes 4 and 5.
2. External revenue (no revenue from transactions within other operating units of the enterprise), profit and loss, and financial information reported to the chief operating decision maker are the same and measured in a consistent manner as revenue, profit and loss, and financial information in the consolidated income statement.
3. Total asset amount and total liability amount provided to the chief operating decision maker adopts the same measurement method as the assets and liabilities in this financial statement.

(3) Information by Product and Service

External customer revenue primarily comes from the design and sale of integrated circuit-related products.

(4) Regional information

The regional information for the years 2023 and 2022 of the Group is presented below:

	<u>2023</u>		<u>2022</u>	
	<u>revenue</u>	<u>non-current assets</u>	<u>revenue</u>	<u>non-current assets</u>
Taiwan	\$ 564,747	\$ 950	\$ 450,113	\$ 651
China	300,960	80,431	257,109	50,478
Others	<u>9,635</u>	<u>-</u>	<u>6,663</u>	<u>-</u>
Total	<u>\$ 875,342</u>	<u>\$ 81,381</u>	<u>\$ 713,885</u>	<u>\$ 51,129</u>

1. Revenue from external customers and non-current assets are attributed based on the country of origin of the customer and the region where the asset is located.
2. Non-current assets refer to real estate, plant and equipment, right-of-use assets, intangible assets, and other non-current assets.

(5) Information on key customers

Key customer information for the 2023 and 2022 of the Group are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>revenue</u>		<u>revenue</u>	
customer A	\$ 387,540		\$ 336,201	
ASUSTek	106,538		91,430	

ENE Technology Inc

Purchase and sales with related parties that reach NT\$100 Millions or 20% of the paid-in capital

January 1st to December 31st, 2023

Attachment I

Unit : NTD thousands
(unless otherwise indicated)

<u>Company of purchase or sales</u>	<u>Counterparty</u>	<u>Relationship</u>	<u>Transaction details</u>				<u>Situation and reasons for trading conditions different to others</u>		<u>Account receivable, note</u>		<u>Notes</u>
			<u>Purchase or sales</u>	<u>Amount</u>	<u>% of total purchase/sales</u>	<u>Credit period</u>	<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>% of total AR</u>	
ENE Technology Inc	ASUSTek Computer Inc.	The main management level of ENE (legal board of director)	Sales	\$ 106,538	12%	60 days	All equivalent to normal business practices		\$ 35,161	14%	

ENE Technology Inc and Subsidiaries

Investment in China- Basic Information

January 1st to December 31st, 2023

Attachment II

Unit : NTD Thousands

(unless otherwise specified)

Investee in China	Main Business	Paid-in capital	Method	Accumulated \$	Outflow/Inflow		Accumulated \$	P&L of	Ownership %		Carrying \$ at	Retrieved gains	Notes
				from Taiwan	Investmnet \$		from Taiwan		Direct or	P&L		From	
		Note 3	Note 1	of the period	Outflow	Inflow	the period (N3)	investee	indirect	recognized	end of period	investment	
ENE Touch Technology Inc.	Electronic component distribution	Note 3	Note 1	\$ 9,047	2,284	31	\$ 11,300	(\$ 683)	100(\$	683)	\$ -	\$ 31	Note 2

Name	Accumated \$	Investment \$	Investment \$
	outflow from TW	Commission	Maxximum limit
	(N3)	MOEA(Note3)	on investment
ENE Technology Inc	\$ 11,300	\$ 11,300	\$ 491,993

Note1 : Direct investment in China

Note2 : The Company has sold all shareholdings of ENE Touch on 2023.April 20th. The transaction has been reported to MOEA, the related P&L has recognized in the financia report.

ENE Technology Inc and Subsidiaries

Major Shareholders

2023.12.31

Attachment III

	<u>Major Shareholders</u>	<u>No. of shares</u>	<u>Shareholding</u>	<u>%</u>
Alcor Micro Corp		8,000,000		17.65%