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M3TEK

M3 Technology Inc.

2023

Annual Report

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- I. Name, Job title, Contact Telephone and Email of Spokesperson and Deputy Spokesperson of the Company:
Spokesperson: David Da Meng
Title: CEO
Tel: 02-2656-0961
Email: ir@m3tekic.com
Deputy Spokesperson: Shao-Yu Lee
Title: Investment Relations Manager
Tel: 02-2656-0961
Email: ir@m3tekic.com
- II. Address and Telephone Number of Headquarter, Branch and Factory:
(I) Headquarter
Address: 9F., No. 36, Aly. 38, Ln. 358, Ruiguang Rd., Neihu Dist., Taipei City
Tel: 02-2656-0961
Fax: 02-2656-0963
(II) Branch: None
(III) Factory: None
- III. Name, Address, Website and Telephone of Stock Agency:
Name: Registrar and Transfer Agency Department of Yuanta Securities Co., Ltd.
Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City
Website: <https://www.yuanta.com.tw>
Tel: (02)2586-5859
- IV. Name of Independent Auditor, Accounting Firm's Name, Address, Website and Telephone for Financial Report of Recent Year:
Name of Certified Public Accountant (CPA): CPA Ming-Yen Chien, CPA Cheng-Chun Chiu
Name of Accounting Firm: Deloitte Taiwan
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City
Website: <https://www.deloitte.com.tw>
Tel: (02)2725-9988
- V. Name of Stock Exchanges Listed for Trading of Overseas Securities, and Information on Inquiry of These Overseas Securities: None
- VI. Company Website: <http://www.m3tekic.com>

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One. A report to Shareholders

Dear Shareholders,

First, on behalf of the Company and all of the employees, I would like to thank each shareholder for their support of M3 Technology, Inc. 2023 was an extremely challenging year for M3 Technology, Inc. Following the reopening after the COVID-19 pandemic in 2023, increased geopolitical tensions led to more trade restrictions, while conflicts such as those in Ukraine-Russia and Israel-Palestine remained unresolved. The pressure from inflation and the continuous rise in interest rates affected consumer confidence, leading to a slowdown in end-market demand. Amidst the uncertainty of the overall business environment, our clients continued to adjust their inventories. Committed to long-term development goals, M3 Technology, Inc. builds on its existing R&D technology. We focus on enhancing our research and development technology and advanced manufacturing processes, continually launching new products to support our clients' growth. We present the following 2023 business results of M3 Technology, Inc. to all shareholders:

I. 2023 Business Results

(I) Business Plan Implementation Outcome

The Company's net revenue in 2023 was NT\$1,022,564 thousand, with an annual decline of 13.33% from NT\$1,179,809 thousand in 2022. Gross profit in 2023 was NT\$471,190 thousand, with an annual decline of 17.13% from NT\$568,569 thousand in 2022. Operating profit in 2023 was NT\$263,403 thousand, with an annual decline of 25.53% from NT\$353,703 thousand in 2022. Net Income before tax in 2023 was NT\$272,232 thousand, with an annual decline of 27.14% from NT\$373,614 thousand in 2022.

Unit: NT\$ Thousand

| Item | 2023 | | 2022 | | Increase (Decrease) Status | |
|-----------------------|-----------|--------|-----------|--------|----------------------------|---------|
| | Amount | % | Amount | % | Amount | % |
| Net revenue | 1,022,564 | 100.00 | 1,179,809 | 100.00 | (157,245) | (13.33) |
| Gross profit | 471,190 | 46.08 | 568,569 | 48.19 | (97,379) | (17.13) |
| Operating profit | 263,403 | 25.76 | 353,703 | 29.98 | (90,300) | (25.53) |
| Net income before tax | 272,232 | 26.62 | 373,614 | 31.67 | (101,382) | (27.14) |

(II) 2023 Budget Implementation Status

The forecast was not announced by the Company in 2023 so the budget implementation disclosure is not required. Nevertheless, the overall actual operation status and performance have been generally consistent with the operation plan internally established by the Company.

(III) Financial Revenue/Expenditure and Profitability Analysis

Unit: NT\$ Thousand

| Item | | | 2023 | 2022 | Increase (Decrease) Percentage % |
|-----------------------------------|------------------------------------|--------------------------|-----------|-----------|--|
| Financial revenue/ expenditure | Net revenue | | 1,022,564 | 1,179,809 | (13.33) |
| | Gross profit | | 471,190 | 568,569 | (17.13) |
| | Net income before tax | | 272,232 | 373,614 | (27.14) |
| Profitability | Return on assets (%) | | 14.08 | 23.26 | (39.47) |
| | Return on equity (%) | | 16.47 | 30.32 | (45.68) |
| | Ratio to paid-in capital (%) | Operating profit | 62.00 | 85.82 | (27.76) |
| | | Net income before tax | 64.07 | 90.65 | (29.32) |
| | Net profit rate (%) | | 21.37 | 25.09 | (14.83) |
| | Earnings per share (in NT\$) | | 5.42 | 7.58 | (28.50) |

(IV) Research and Development Status

1. Research and development expenses in last two years

Unit: NT\$ Thousand

| Item | 2023 | 2022 |
|---------------------------|-----------|-----------|
| R&D expenses (A) | 117,865 | 106,659 |
| Net operating revenue (B) | 1,022,564 | 1,179,809 |
| Ratio (A)/(B) | 11.53% | 9.04% |

2. R&D outcomes of the Company in 2023 are as follows:

- (1) Released buck converter supporting 3A output current and integrated in DFN1.5*1.0 5L small package.
- (2) Released buck converter supporting low voltage and high current 5A, integrated in QFN3X3_16.
- (3) Released buck converter supporting low voltage and high current 6A, integrated in QFN3X3_12.
- (4) Announced highly integrated buck-boost converter with 28V/6A, 500KHZ, integrated in QFN5X5-28.
- (5) Announced highly integrated buck-boost converter with 28V/6A, 200KHZ, integrated in QFN5X5-28.
- (6) Announced synchronous buck converter with low voltage, 6A/2.2MHz and fast dynamic response.
- (7) Announced buck-boost controller with wide range voltage of 28V/6A.
- (8) Announced LDO supporting DDRII~IV with current of 3A

- (9) Announced 21V high-voltage, 6A-current and overvoltage protection load switch with bidirectional current switch.
- (10) Announced synchronous buck converter with low voltage, 1.2MHz output current of 6A/10A and fast dynamic response.
- (11) Announced synchronous buck converter with 28V/8A and adjustable frequency of 200K~1.2MHZ.
- (12) Announced synchronous buck converter with 18V/8A/700KHZ, highly integrated in QFN3*3_16.

II. Summary of the 2024 Business Plan

(I) Operational Directives

With extensive experience in product development and design, the Company continues to develop competitive analog IC products to satisfy the demands for future development of information, communication and consumer electronics. In addition, the Company also expands the market share through marketing and sales channels.

(II) Sales Volume Forecast and Basis

For the 2024 sales information, forecast is established based on the actual sales outcome in 2023, the domestic and foreign industrial and environmental changes, new product development plans and future business development.

(III) Important Production and Sale Policies

1. Strengthen existing domestic and foreign markets, play the role of long-term strategic partner, and actively improve market share and profitability of all products.
2. Continue to develop new markets and new customers, establish marketing and agency channels and relationship with new customers.
3. Strengthen cooperation with existing main suppliers for obtaining stable and adequate production capacity and technical service.
4. Develop new suppliers to increase supply source and flexibility.
5. Continue to enhance inventory management to reduce the cycle impact of high and low sales seasons.

III. Company's Future Development Strategy, and Impacts of External Competitive Environment, Legal Environment and Overall Operating Environment

(I) Company's Future Development Strategy

To increase revenue and profit, the main development strategies of the Company are as follows:

1. Develop diverse product lines to satisfy market demands, enhance product breadth and depth, and satisfy customer demands.
2. Enhance company operation system, improve organization performance, implement R&D personnel training and marketing management system to properly handle market change and product development trend.
3. Maintain long-term cooperation relationship with suppliers to achieve stable supply and develop of greater competitiveness product.

(II) Impacts of External Competitive Environment, Legal Environment and Overall Operating Environment

1. External competitive environment

IC design company cares about their employees. To cope with the rapid change of the industry and the competition among international giants, the Company obtains updated information on the industrial at all time and also establishes long-term plans on the employee training, product development, marketing and sales in order to enhance the competitiveness of the Company and to reduce impacts due to the external competitive environment.

2. Regulatory environment

The Company continues to pay attention to any changes of policies and regulations that may affect the Company's operation, and also makes response timely to reduce impacts on the finance and business operation of the Company.

3. Overall operation environment

(1) Impact of interest rate change

The 2022 and 2023 interest expenses of the Company accounted for 0.03% and 0.01% of the total net revenue respectively, which mainly referred to the interest expenses incurred due to the bank financing on the working fund for short-term material supply and preparation. As the Company's business scale and profitability increases, the own fund is sufficient such that the reliance on the bank loan is relatively low. In addition, the Company continues to maintain excellent relationship with banks, in case of any short-term fund demands in the future, the Company can obtain preferred interest rate with banks through negotiation. Furthermore, the Company also timely assesses interest rate risk due to interest-bearing liabilities to reduce possible interest rate risk of all liabilities.

(2) Impact of exchange rate change

The 2022 and 2023 foreign exchange gain (loss) of the Company were NT\$ 15,792 thousand and (3,009) thousand respectively, accounted for 1.34% and (0.29)% of the net revenue of that year respectively, such that the impact on the profit and loss of the Company was limited. The purchase and sales transactions of the Company mainly use the currency of USD. Accordingly, the accounts receivable and payable can be offset with each other, achieving the effect of partial natural hedging. In addition, the Company also actively reviews information and future trend of foreign exchange market to provide reference basis for business and purchase quotations. Furthermore, the Company also carefully screens the timing for settlement to achieve the effect of exchange reduction. In recent years, as the exchange of USD to NTD continues to be volatile, the Company has adjusted the exchange timing accordingly in order to perform exchange during offset between accounts receivable and payable in USD. Moreover, the Company also reviews the bank exchange rate in order to choose the settlement timing advantageously, thus reducing the risk of foreign currency exchange risk.

2023 was a year of stable growth for the Company, and we sincerely appreciate all shareholders' support of the Company for the past year. The Company will continue to strengthen the corporate governance internally, and we have established the Remuneration Committee and the Audit Committee. Presently all Board members are equipped with the working experience in commerce, legal, finance, accounting or business necessary for the Company. We will continue to monitor the international trend, and implement rigorous control on the internal resource allocation in order to increase the operation efficiency and to achieve precision management and internal audit control. In addition, we will also continue to develop own IC products and strengthen the service quality for the products. The Company will continue to uphold the business philosophy of "Innovation, Service, Pragmatism, Harmony" and sincerely look forward to achieve greater return for all shareholders. We thank you for your great support!

Sincerely yours,

Wish you all great prosperity and success!

Chairman of the Board: AP Memory Technology Corporation
Representative: Wen-Liang Chen

President, Chief Executive Officer (CEO): David Da Meng

Two. Company Introduction

I. Establishment Date: September 7, 2010.

II. Company Profile

| Year | Key Milestones |
|------|---|
| 2010 | <ul style="list-style-type: none">The Company was established under the name of M3 Technology Inc, located at 2F-1, No. 29, Ln. 66, Ruiguang Rd., Neihu Dist., Taipei City, and the paid-in capital was NT\$14,000 thousand. |
| 2011 | <ul style="list-style-type: none">The Company's Chinese name was changed.Invested in Xi'An M3 Semiconductor Corporation.Executed capital increase by cash of 2,500,000 shares, and the paid-in capital after the capital increase was NT\$60,000 thousand. |
| 2012 | <ul style="list-style-type: none">Company relocated to the address of 4F, No. 62, Ln. 188, Ruiguang Rd., Neihu Dist., Taipei City.Obtained ISO9001 certification.Executed capital increase by cash of 4,000,000 shares, and the paid-in capital after the capital increase was NT\$100,000 thousand. |
| 2013 | <ul style="list-style-type: none">Company relocated to the address of 4F, No. 99, Ruihu Rd., Neihu Dist., Taipei City. |
| 2014 | <ul style="list-style-type: none">Executed capital increase by cash of 17,900,000 shares, and the paid-in capital after the capital increase was NT\$279,000 thousand, with the registered capital of NT\$300,000 thousand.Merged the Power Team of ITE Technology Inc.Released highly integrated Li-ion battery switching and linear charging IC.Announced the highly integrated synchronous boost discharging IC.Announced the industry's first 1uA LDO of the lowest standby power consumption. |
| 2015 | <ul style="list-style-type: none">Announced small package SOT23 high voltage synchronous step-down product.Announced the high power synchronous boost controller.Announced the small QFN2X2 package 3.5A low voltage synchronous COT architecture step-down converter. |
| 2016 | <ul style="list-style-type: none">Company relocated to the address of 2F, No. 19, Ln. 178, Ruihu Rd., Neihu Dist., Taipei City.Invested in M3 Technology (Dallas), Inc..Released high-power integrated power transistor 20A synchronous boost converter.Released Flip chip small package SOT23 high output power 3.5A high voltage synchronous step-down converter. |
| 2017 | <ul style="list-style-type: none">Released the industry's first high-voltage adjustable current limit and voltage limit load switch.Released the industry's first compact integrated inductance/capacitor high switching frequency and low-voltage step-down converter.Announced the ultra-high output current 12A highly integrated COT architecture low-voltage synchronous step-down converter.Released 42V voltage-resistant automotive synchronous step-down converter with integrated dual current limit and line compensation function. |
| 2018 | <ul style="list-style-type: none">Executed capital increase by cash of 4,580,000 shares, and the paid-in capital after the capital increase was NT\$324,833 thousand, with the registered capital of NT\$400,000 thousand.Released the industry's first small package SOT563 highly integrated low-voltage synchronous step-down converter. |

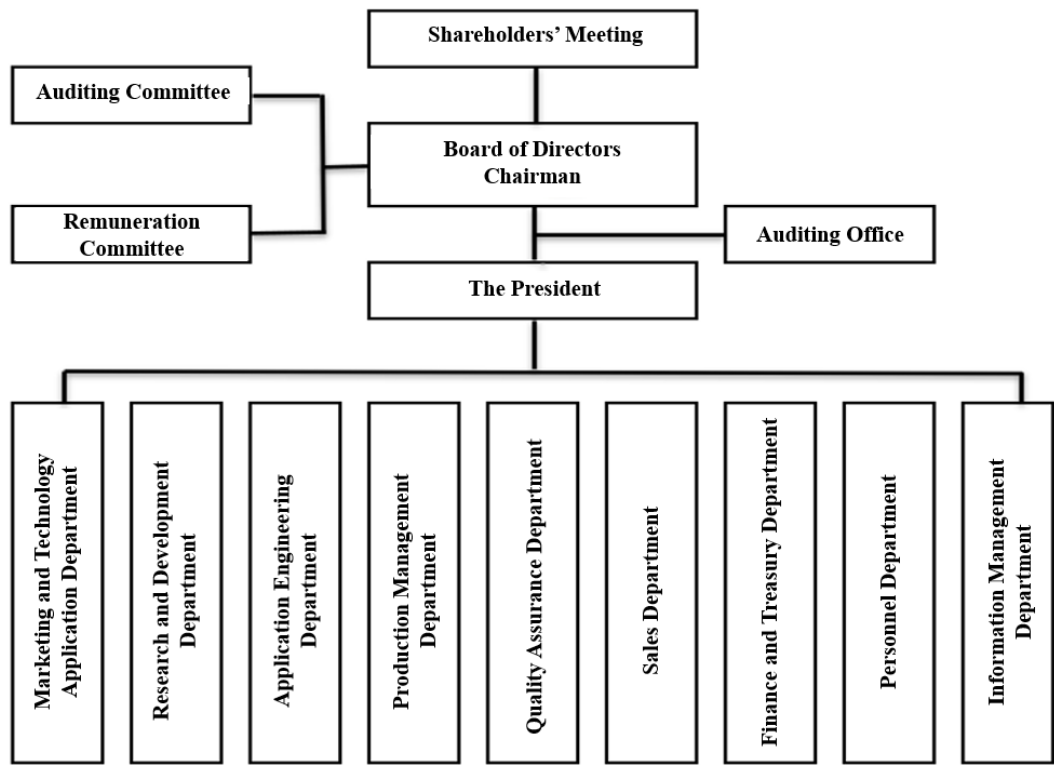
| Year | Key Milestones |
|------|--|
| | <ul style="list-style-type: none"> Released the ultra-high-precision 1% feedback voltage low-voltage synchronous step-down converter. Announced the industry's first ultra-small and highly integrated bidirectional current-limiting voltage 20 V/6A load switch. Announced the ultra-low step-down compact ideal diode. Released a multi-LDO output integrated load switch miniaturized PMIC. |
| 2019 | <ul style="list-style-type: none"> Executed capital increase by cash of 4,240,000 shares, and the paid-in capital after the capital increase was NT\$367,291 thousand. Released ultra-low voltage activating one cell Alkaline synchronous boost converter. Announced high voltage 28V input, high current 6A output synchronous step-down 100% Duty step-down converter. Released 3A large current low dropout linear LDO converter. Released ultra-small package 1.6*1.2, large current 4A load switch protection IC. |
| 2020 | <ul style="list-style-type: none"> The Company applied for public offering and approved on September 17, 2020, with the stock symbol of 6799. The Company registered as a public company in the semiconductor sector of the emerging stock market on November 27, 2020. Released 28V high voltage 4A small package over-voltage over-current protection load switch IC. Released highly integrated Type C over-voltage protection IC with integrated TVS protection components. Released low voltage 4A small package DFN1.2*1.6 load switch IC. Released highly integrated buck-boost converter and controller. Announced low voltage and high output current 6A small package DFN2*3 synchronous step-down converter. |
| 2021 | <ul style="list-style-type: none"> Announced supercapacitor power manager for use in backup power application. Released synchronous step-down IC with 24V high voltage 2A/3A and supporting 100% high duty cycle. Released two-way 36V 3A synchronous buck converter, equipped with four-way constant current limit output. Released synchronizes buck converter with high voltage 24V input, supporting 4A output current, and integrated in small package SOT23-8. Released highly integrated current synchronizes buck converter with high voltage 24V input, supporting 5A output and equipped with external adjustable current limit. Released high performance buck converter with high voltage 28V input, supporting 6A output current and 100% duty cycle for network communication and computing applications. Released synchronous low voltage buck converter with switching frequency of 1.2MHZ and supporting 7A continuous current output, integrated in small package QFN2mm*3mm. Announced highly integrated high voltage synchronous boost converter, supporting switching current reaching 18A, and integrated in small package QFN3mm*4mm. |
| 2022 | <ul style="list-style-type: none"> The Company was listed on TWSE from May 12, 2022. Announced Advanced process low-voltage high-frequency 2.5MHz switching step-down converter. Announced high-frequency switching step-down converter integrated in DFN1.5*1.5 small package. |

| Year | Key Milestones |
|------|---|
| | <ul style="list-style-type: none"> • Announced high-precision charge and discharge with built-in balancing supercapacitor power management IC. • Announced 18V high-voltage 1.5MHz high-frequency switching step-down converter integrated in SOT563 small package. • Announced high-frequency 2.5MHz switching step-down converter integrated in SOT563 ultra small package. • Announced 28V high-voltage, overcurrent and overvoltage protection, adjustable current limit load switch integrated in DFN2*2 package. • Announced wide range voltage input, overvoltage and overcurrent protection, reverse voltage protection power transistor controller load switch. • Announced supercapacitor power management IC that supports high voltage single cell/double cell high-precision charging and discharging and built-in balancing. • Announced synchronous step-down converter with a high voltage of 26V/5A, 200KHZ/500KHZ and a current limit that can be adjusted. • Announced 18V high-voltage, high-current load switch with an external reverse power transistor controller. • Announced a single-input, dual-output, low-voltage 2A, high-frequency 2.5MHz, and small size step-down converter. • Announced 28V high-voltage integrated in DFN2*2 small package. |
| 2023 | <ul style="list-style-type: none"> • Company relocated to the address of 9F., No. 36, Aly. 38, Ln. 358, Ruiguang Rd., Neihu Dist., Taipei City. • Released buck converter supporting 3A output current and integrated in DFN1.5*1.0 5L small package. • Released buck converter supporting low voltage and high current 5A, integrated in QFN3X3_16. • Released buck converter supporting low voltage and high current 6A, integrated in QFN3X3_12. • Announced highly integrated buck-boost converter with 28V/6A, 500KHZ, integrated in QFN5X5-28. • Announced highly integrated buck-boost converter with 28V/6A, 200KHZ, integrated in QFN5X5-28. • Announced synchronous buck converter with low voltage, 6A/2.2MHz and fast dynamic response. • Announced buck-boost controller with wide range voltage of 28V/6A. • Announced Current regulating converter supporting DDRII~IV with current of 3A • Announced 21V high-voltage, 6A-current and overvoltage protection load switch with bidirectional current switch. • Announced synchronous buck converter with low voltage, 1.2MHz output current of 6A/10A and fast dynamic response. • Announced synchronous buck converter with 28V/8A and adjustable frequency of 200K~1.2MHZ. • Announced synchronous buck converter with 18V/8A/700KHZ, highly integrated in QFN3*3_16. |

Three. Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Responsibilities of Main Departments

| Major departments | Responsibilities and Duties |
|---|---|
| Auditing Office | <ol style="list-style-type: none"> 1. Establishment and revision of internal control and audit system of the Company. 2. Audit and self-evaluation operation of all operation processes of the headquarter and branch institutions. 3. Implementation of relevant laws, regulations and systems, provision of recommendation and improvements. |
| Marketing and Technology Application Department | <ol style="list-style-type: none"> 1. Collection, survey, research and analysis of domestic and foreign market information and industrial trend. 2. Evaluation of customer demands, supporting customer application field and assisting sales expansion. |
| Research and Development Department | Research and development of new products and maintenance of existing products. |
| Application Engineering Department | Test system maintenance and development of new test system. |
| Production Management Department | <ol style="list-style-type: none"> 1. Responsible for the production and processing outsourcing of the Company. 2. Establishment of production plan and implement cost control of the Company. 3. Responsible for the product test, maintenance and verification. |
| Quality Assurance Department | <ol style="list-style-type: none"> 1. Planning, execution and maintenance of the product quality and reliability specification plan. 2. Planning of quality assurance system and education and training related operations. |
| Sales Department | <ol style="list-style-type: none"> 1. Responsible for the product sales, business promotion and customer service. 2. Establishment of sales goals, agency management, product promotion strategy planning, and price control. |
| Finance and Treasury Department | <ol style="list-style-type: none"> 1. Providing accurate financial and accounting information to the management timely. 2. Responsible for the accounting, capital movement, financial analysis, budgets, taxation and stock affairs. |
| Personnel Department | Human resource and system, organizational structure, administrative and labor safety and health matters. |
| Information Management Department | Purchase of computers and information products and information security matters. |

II.Information on the Directors and Main Managerial Officers

(I) Directors and Supervisors

1. Directors Information (M3TEK has not appointed any supervisors):

March 31, 2024; Unit: thousand shares / %

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Tenure | Date first elected | Shares held when elected | | Shares currently held | | Shares currently held by spouse, underage children. | | Shares currently held by in the name of a third party | | Major experience and academic background | Selected current positions at M3TEK and other companies | Other officer, Director, or Supervisor who is spouse or kin within the 2 nd degree | | | Remarks |
|----------|--------------------------------------|----------------------------------|------------|--------------------------------|---------|--------------------|--------------------------|-------|-----------------------|-------|---|-----------------------|---|-----------------------|---|---|---|-------|----------|---------|
| | | | | | | | Shares | % | Shares | % | Shares | Ratio of shareholding | Shares | Ratio of shareholding | | | Title | Name | Relation | |
| Chairman | Republic of China | AP Memory Technology Corporation | - | Jan 31, 2024 | 3 years | Jan 31, 2024 | 4,000,000 | 9.40 | 4,000,000 | 9.39 | - | - | - | - | - | - | None. | None. | None. | - |
| | Republic of China | Representative: Wen-Liang Chen | Male 51~60 | Jan 31, 2024 | 3 years | Jan 31, 2024 | - | - | - | - | - | - | - | - | Ph.D. in Applied Physics, Yale University, USA Manager of R&D Department of Intel Corporation, USA; Senior R&D Manager of Cypress Semiconductor Corporation, USA; President, Cascade Semiconductor Corporation, USA; | Note 1 | None. | None. | None. | - |
| Director | Republic of China | Chang-Yong Chen | Male 71~80 | May 24, 2023 | 3 years | Sep 7, 2010 | 8,406,666 | 20.43 | 4,266,666 | 10.01 | - | - | - | - | Master of Electronic Engineering, University of California, Berkeley, USA CEO of Mycomp Co., Ltd. | Note 2 | None. | None. | None. | - |
| Director | Republic of China | David Da Meng | Male 51~60 | May 24, 2023 | 3 years | Sep 7, 2010 | 50,000 | 0.12 | 190,000 | 0.45 | 1,100,949 | 2.58 | - | - | Electrical Engineering, Florida Atlantic University, USA Master of Electronic Engineering, University of New Mexico, USA Senior Engineer at Maxim Integrated Products Inc. Vice President of Design of Monolithic Power Systems Inc. | Note 3 | None. | None. | None. | - |

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Tenure | Date first elected | Shares held when elected | | Shares currently held | | Shares currently held by spouse, underage children. | | Shares currently held by in the name of a third party | | Major experience and academic background | Selected current positions at M3TEK and other companies | Other officer, Director, or Supervisor who is spouse or kin within the 2 nd degree | | | Remarks |
|----------------------|--------------------------------------|------------------------------|------------|--------------------------------|---------|--------------------|--------------------------|------|-----------------------|------|---|-----------------------|---|-----------------------|---|---|---|-------|----------|---------|
| | | | | | | | Shares | % | Shares | % | Shares | Ratio of shareholding | Shares | Ratio of shareholding | | | Title | Name | Relation | |
| Director | Republic of China | ITE Tech. Inc. | - | May 24, 2023 | 3 years | Aug 19, 2014 | 1,884,000 | 4.56 | 1,024,000 | 2.40 | - | - | - | - | - | - | None. | None. | None. | - |
| | | Representative: Hsiu-Che Lin | Male 51~60 | Jan 2, 2024 | 3 years | Jan 2, 2024 | - | - | - | - | - | - | - | - | Master of Computer Science, Cornell University Bachelor of Department of Electrical Engineering, National Taiwan University Assistant Vice President of TLC Capital Co., Ltd. Assistant Vice President of Fortune Venture Capital Corp. Engineer of C-Cube Microsystems | Note 4 | None. | None. | None. | - |
| Independent Director | Republic of China | Zhi-Feng Jiang | Male 51~60 | May 24, 2023 | 3 years | Nov 6, 2020 | - | - | - | - | - | - | - | - | Bachelor of Department of Accounting, Tamkang University Assistant Vice President of Audit Department, Deloitte Taiwan CPA of Zhi-Jing CPA Firm | Note 5 | None. | None. | None. | - |
| Independent Director | Republic of China | Zu-Ming Bi | Male 51~60 | May 24, 2023 | 3 years | Nov 6, 2020 | - | - | - | - | - | - | - | - | Master of Department of Finance, National Sun Yat-sen University Assistant Vice President of Delta Venture Capital Co., Ltd. | Note 6 | None. | None. | None. | - |

| Title | Nationality or place of registration | Name | Gender Age | Date of election (appointment) | Tenure | Date first elected | Shares held when elected | | Shares currently held | | Shares currently held by spouse, underage children. | | Shares currently held by in the name of a third party | | Major experience and academic background | Selected current positions at M3TEK and other companies | Other officer, Director, or Supervisor who is spouse or kin within the 2 nd degree | | | Remarks |
|----------------------|--------------------------------------|---------------|------------|--------------------------------|---------|--------------------|--------------------------|---|-----------------------|---|---|-----------------------|---|-----------------------|--|---|---|-------|----------|---------|
| | | | | | | | Shares | % | Shares | % | Shares | Ratio of shareholding | Shares | Ratio of shareholding | | | Title | Name | Relation | |
| Independent Director | Republic of China | Hsieh-Ju Peng | Male 51~60 | May 24, 2023 | 3 years | May 24, 2023 | - | - | - | - | - | - | - | - | Master of Business Administration, National Chiao Tung University Executive Vice President of Enflex Corporation | Note 7 | None. | None. | None. | - |

Note 1: Chairman of the Board ,CEO and CTO of AP Memory Technology Corporation, Chairman of the Board of VIVR Corporation, Person in charge of VIVR Corporation Taiwan Branch, Director of the Board of Onecent Technology Ltd., Director of the Board of Lyontek Inc., Director of the Board of AI Memory Corporation, Supervisor of AP Memory Technology (Hangzhou) Co. Limited.

Note 2: Chairman of Xie Tai Investment Co., Ltd., Chairman of Intelligent Capital Corp., Chairman of Xi"An M3 Semiconductor Corporation, Director of Blink Electronic Co., Ltd .

Note 3: Director of M3 Technology (Dallas), Inc., Vice Chairman of Xi'An M3 Semiconductor Corporation.

Note 4: Sopkesperson of ITE Tech Inc.

Note 5: CPA of Zhi-Jing CPA Firm, Independent Director of Taiwan Chelic Co., Ltd., Independent Director of Alltop Technology Co., Ltd.

Note 6: Assistant Vice President of Delta Venture Capital Co., Ltd., Independent Director of Trusval Technology Co., Ltd., Corporate Director Representative of Kunshan Victory Venture Capital, Supervisor of imedtac Co., Ltd.

Note 7: Independent Director of Ezconn Corporation, Independent Director of Wafer Works (Shanghai) Co., Ltd., Director of Icometure Company Limited.

2. Directors and supervisors as corporate shareholders

(1) Major shareholders of corporate shareholders

| Name of institutional shareholder | Dominant shareholders of the institutional shareholder |
|-----------------------------------|---|
| AP Memory Technology Corporation | Shanyi Investment Co.,Ltd (16.47%) 、DEUTRON ELECTRONICS CORPORATION (4.01%) 、Chung-Jen Huang(3.52%) 、Yu-Chan Wu(3.38%) 、Yuhui Enterprise Co., Ltd.(2.70%) 、YAMAICHI HOLDINGS CO., LTD.(2.66%) 、RESEN CORPORATION (2.49%) 、Girish(2.19%) 、Hsuan-Hsi Lee(1.68%) 、Investment account of Norges Bank managed by Citibank Taiwan (1.63%) |
| ITE Tech. Inc. | United Microelectronics Corporation (8.66%) 、Chun-Yang Hu(1.23%) 、iShares Core MSCI Emerging Markets ETF (1.08%) 、Vanguard Emerging Markets Stock Index Fund Account in custody of J.P. Morgan Asset Management (1.07%) 、Hsien-Jin Star Fund Series – Advanced International ETF Investment Account in custody of JP Morgan Chase Bank Taipei Branch (1.03%) 、Bank Taiwan Life Insurance Co., Ltd. (1.01%) 、Bank Of Kaohsiung Co., Ltd. (0.82%) 、Taipei Fubon Commercial Bank Co., Ltd (0.72%) 、Emerging Markets Core Equity Portfolio of DFA Investment Dimensions Group Inc. (0.65%) 、Jia Yuan Investment Co., Ltd. (0.62%) |

(2) Major shareholders of corporate shareholders as the major shareholders

| Name of institutional | Dominant shareholders of the institutional shareholder |
|-------------------------------------|--|
| Shanyi Investment Co.,Ltd | Yamaichi Holdings Co., Ltd. (100%) |
| DEUTRON ELECTRONICS CORPORATION | RESEN CORPORATION (5.80%) 、Li Yuan Investment Corporation (4.50%) 、JENDAN INVESTMENT INC.(4.48%) 、Molecatex Inc. (3.69%) 、Yue Shan Investment Corporation (1.84%) 、Li Shih Investment Corporation (1.23%) 、Ho Yuan Investment Corporation (0.03%) 、Shun Li Investment Corporation (0.02%) 、Hua Na Investment Corporation (0.00%) |
| YAMAICHI HOLDINGS CO., LTD | JUAN LI (100%) |
| RESEN CORPORATION | Li Yuan Investment Corporation (100%) |
| Yuhui Enterprise Co., Ltd. | ChinChen International Co., Ltd. (100%) |
| United Microelectronics Corporation | JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs (4.75%) 、Hsun Chieh Investment Co., Ltd. (3.54%) 、Silicon Integrated Systems Corp. (2.29%) 、Taiwan Life Insurance Co., Ltd. (1.76%) 、CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP. (1.55%) 、Yann Yuan Investment Co., Ltd. (1.52%) 、Labor Pension Fund (1.40%) 、Fubon Life Insurance Co., Ltd. (1.38%) 、China Life Insurance Co., Ltd. (1.34%) 、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.13%) |
| BankTaiwan Life Insurance | Taiwan Financial Holding Co.,Ltd.((100%) |

| Name of institutional | Dominant shareholders of the institutional shareholder |
|--|--|
| Co., Ltd. | |
| Bank Of Kaohsiung Co., Ltd. | Kaohsiung City Government (41.73%) 、Jinn Her Enterprise Co., Ltd. (14.17%) 、Mr. Chen Qichuan, Foundation of Culture and Education Foundation (3.61%) 、Foundation Kaohsiung Jinn Her Social Welfare Charity Foundations (3.22%) 、Chun-Chin Shih (2.08%) 、Standard Chartered international commercial banking department entrusted with the custody iShares MSCI Emerging Markets ETF core investment accounts (1.86%) 、Mei-Yuan Yu (1.70%) 、Citigroup (Taiwan) commercial banks entrusted with the custody Norges Bank investment accounts (0.88%) 、Vanguard Newly Emerged Market ETF special account managed by Vanguard Group in the custody of Morgan Chase Bank Taipei Branch (0.59%) 、Chuan-Pu Investment Holding Co., Ltd (0.53%) |
| Taipei Fubon Commercial Bank Co., Ltd. | Fubon Financial Holding Co., Ltd. (100%) |
| Jia Yuan Investment Co., Ltd. | Hsien-He Shen (30.85%) |

3. Disclosure of professional qualification of directors and supervisors and independence of independent directors:

| <div>Condition</div> <div>Name</div> | Professional Qualifications and Experience | Independence Status | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director |
|---|--|--|--|
| AP Memory Technology Corporation Representative: Wen-Liang Chen | <u>Main experience (educational background)</u> <ul style="list-style-type: none"> • Ph.D. in Applied Physics, Yale University, USA • Manager of R&D Department of Intel Corporation, USA; • Senior R&D Manager of Cypress Semiconductor Corporation, USA; • President, Cascade Semiconductor Corporation, USA; <u>Current positions:</u> <ul style="list-style-type: none"> • Chairman of the Board , CEO and CTO of AP Memory Corporation • Chairman of the Board of VIVR Corporation • Person in charge of VIVR Corporation Taiwan Branch • Director of the Board of Lyontek Inc. • Director of the Board of AI Memory Corporation • Supervisor of AP Memory Technology (Hangzhou) Co. Limited • Director of the Board of Onecent Technology Ltd. <u>Expertise:</u> <ul style="list-style-type: none"> • Board leadership experience • Experience in industries such as IC design, semiconductor, electronics, venture capital, and international markets • Professional leadership, operational management, and strategic planning capabilities • Chairperman of other listed companies | Directors of the Company are not in violation against independence specified in the "Securities and Exchange Act". | - |
| Chang-Yong Chen | <u>Main experience (educational background)</u> <ul style="list-style-type: none"> • Master of Electronic Engineering, University of California, Berkeley, USA • CEO of Mycomp Co., Ltd. <u>Current positions:</u> <ul style="list-style-type: none"> • Chairman of Xie Tai Investment Co., Ltd. • Chairman of Intelligent Capital Corp. • Chairman of Xi'An M3 Semiconductor Coropration. • Director of Blink Electronic Co., Ltd. <u>Expertise:</u> <ul style="list-style-type: none"> • Board of directors/board leading experience • IC design industry experience/semiconductor industry experience/international market experience • Relevant industry experience (venture capital/electronics industry) | | - |
| David Da Meng | <u>Main experience (educational background)</u> <ul style="list-style-type: none"> • Electrical Engineering, Florida Atlantic University, USA • Master of Electronic Engineering, University of New Mexico, USA • Senior Engineer at Maxim Integrated Products Inc. • Vice President of Design of Monolithic Power Systems Inc. <u>Current positions:</u> <ul style="list-style-type: none"> • Director of M3 Technology (Dallas), Inc. • Vice Chairman of Xi'An M3 Semiconductor Corporation. <u>Expertise:</u> <ul style="list-style-type: none"> • Board of directors/board leading experience • IC design industry experience/semiconductor industry experience/international market experience • Profession (electronics) | | - |

| <div>Condition</div> <div>Name</div> | Professional Qualifications and Experience | Independence Status | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director |
|---|--|--|--|
| ITE Tech. Inc. Representative: Hsiu-Che Lin | <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Master of Computer Science, Cornell University • Bachelor of Department of Electrical Engineering, National Taiwan University • Assistant Vice President of TLC Capital Co., Ltd. • Assistant Vice President of Fortune Venture Capital Corp. • Engineer of C-Cube Microsystems <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • Sopkespersion of ITE Tech. Inc. <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • IC design and venture capital experience • Relevant industry experience (electronics industry /semiconductor industry /venture capital) | | - |
| Zhi-Feng Jiang | <p>Equipped with work experience in commerce, law, finance, accounting, or other necessary for the business of the company; equipped with the license of Certified Public Accountant (CPA) of R.O.C.</p> <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Bachelor of Department of Accounting, Tamkang University • Assistant Vice President of Audit Department, Deloitte Taiwan • CPA of Zhi-Jing CPA Firm <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • CPA of Zhi-Jing CPA Firm • Independent Director of Taiwan Chelic Co., Ltd. • Independent Director of Alltop Technology Co., Ltd. <p>Not under any circumstances of Article 30 of the Company Act.</p> <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • Other listed company board member • Profession (accounting) • Relevant industry experience (financial management / Securities) | <p>The Company has obtained the declaration from each independent director, confirming independence of themselves and their lineal relative with respect to the Company.</p> <p>Independent directors of the Company are the members of the Board of Directors, Audit Committee and Remuneration Committee.</p> <p>The independent directors, their spouses, relatives</p> | 2 |

| <div>Condition</div> <div>Name</div> | Professional Qualifications and Experience | Independence Status | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director |
|--------------------------------------|--|--|--|
| Zu-Ming Bi | <p>Equipped with work experience in commerce, law, finance, accounting, or other necessary for the business of the company.</p> <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Master of Department of Finance, National Sun Yat-sen University • Assistant Vice President of Delta Venture Capital Co., Ltd. <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • Assistant Vice President of Delta Venture Capital Co., Ltd. • Independent Director of Trusval Technology Co., Ltd. • Corporate Director Representative of Kunshan Victory Venture Capital Co., Ltd. • Supervisor of imedtac Co., Ltd. <p>Not under any circumstances of Article 30 of the Company Act.</p> <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • Other listed company board member • Relevant industry experience (electronics industry / venture capital / financial management) | within second degree of kinship (or under the name of others) do not hold any shares of the Company. The independent directors are not an employee of Company or any of its affiliates, and do not receive any remuneration for providing business, legal, financial, accounting services to the Company or any of its affiliates. | 1 |
| Hsieh-Ju Peng | <p>Equipped with work experience in commerce, law, finance, accounting, or other necessary for the business of the company.</p> <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Master of Business Administration, National Chiao Tung University • Executive Vice President of Enflex Corporation <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • Independent Director of Ezconn Corporation • Independent Director of Wafer Works (Shanghai) Co., Ltd. • Director of Icometure Company Limited. <p>Not under any circumstances of Article 30 of the Company Act.</p> <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • Other listed company board member • Relevant industry experience (semiconductor industry /financial management) | | 1 |

4. Diversity and independence of board of directors:

(1) Diversity of board of directors:

Article 23 of the “Corporate Governance Best Practice Principles” of the Company has explicitly specified that the composition of the board of directors shall be determined by taking diversity into consideration, and appropriate policy on diversity based on the company's business operations, operating dynamics, and development shall be established.

The board of directors of the Company include four directors and three independent directors. The expertise of the board members include semiconductor, electrical and mechanical, financial and accounting fields. To achieve the ideal goal of corporate governance, the board of directors has possessed the following abilities:

- (A) Operational judgment ability
- (B) Accounting and financial analysis ability
- (C) Business management ability
- (D) Crisis management ability
- (E) Knowledge of the industry
- (F) International market perspective
- (G) Leadership
- (H) Ability to make policy decisions

(2) Specific management of diversity policy and implementation status

The Company promotes and respects the board diversity policy. To enhance the corporate governance and to promote the development of the board composition and structure, the Company believes that diversity policy is beneficial to the improvement of the overall performance of the Company. The board members of the Company are equipped with cross-industry and diverse competence, including basic qualification and value, professional background, professional skills and industry experience. The diverse and professional backgrounds of the current board members of the Company are summarized in the following:

| Name of Director \ Diversity Core | | Basic Composition | | | | | | | Industrial Experience | | | | | | | | | Professional Competence | | |
|---|--|-------------------|--------|---------------------------------|-----------------|-----------------|-----------------|---|-----------------------|----------------------|------------------------|--------------------------------|------------------------|-------------------------|----------------------------|------------------------|-----------------------------------|-------------------------|------------------------|------------|
| | | Nationality | Gender | Equipped with Employee Identity | Age | | | Length of service of the Independent Director | | Electronics Industry | Semiconductor Industry | Venture Capital and Investment | Finance and Management | Marketing and Promotion | Information and Technology | Securities and Finance | Engineering and System Technology | Electronics | Electrical Engineering | Accounting |
| | | | | | 51-60 years old | 61-70 years old | 71-80 years old | Less than 3 years | Over 3 years | | | | | | | | | | | |
| AP Memory Technology Corporation Representative: Wen-Liang Chen | | Republic of China | Male | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| Chang-Yong Chen | | Republic of China | Male | | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | | | | | ✓ | ✓ | |
| David Da Meng | | Republic of China | Male | ✓ | ✓ | | | | | ✓ | ✓ | | ○ | | ○ | | | ✓ | ✓ | |
| ITE Tech. Inc. Representative: Hsiu-Che Lin | | Republic of China | Male | | ✓ | | | | | ✓ | ✓ | ✓ | | | | | | ✓ | | |
| Zhi-Feng Jiang | | Republic of China | Male | | ✓ | | | | ✓ | ○ | ○ | | ✓ | | | ✓ | | | | ✓ |

| Name of Director \ Diversity Core | | Basic Composition | | | | | | Industrial Experience | | | | | | | Professional Competence | | | | | |
|-----------------------------------|-------------------|-------------------|--------|---------------------------------|-----------------|-----------------|-----------------|---|--------------|----------------------|------------------------|--------------------------------|------------------------|-------------------------|----------------------------|------------------------|-----------------------------------|-------------|------------------------|------------|
| | | Nationality | Gender | Equipped with Employee Identity | Age | | | Length of service of the Independent Director | | Electronics Industry | Semiconductor Industry | Venture Capital and Investment | Finance and Management | Marketing and Promotion | Information and Technology | Securities and Finance | Engineering and System Technology | Electronics | Electrical Engineering | Accounting |
| | | | | | 51-60 years old | 61-70 years old | 71-80 years old | Less than 3 years | Over 3 years | | | | | | | | | | | |
| Zu-Ming Bi | Republic of China | Male | | ✓ | | | | | ✓ | ✓ | | ✓ | ✓ | | ○ | ○ | | ○ | ○ | ○ |
| Hsieh-Ju Peng | Republic of China | Male | | ✓ | | | | ✓ | | | ✓ | ○ | ✓ | | | | | | | ✓ |

Note: ✓ refers to being equipped with the competence; ○ refers to being equipped with partial competence.

(2) Independence of Board of Directors:

The company includes 7 directors in total, all of which are held by individuals of local nationality, and there are 3 independent directors, account for 43% of the total number of directors. The directors are not in the relationship of spouse or relative within second degree of kinship with other directors.

(II) Information of President, Vice President, Associate Vice President and Department Heads

March 31, 2024; Unit: thousand shares / %

| Title | Nationality | Name | Gender | Date of appointment | Number of shares held | | Shares currently held by spouse, underage children | | Shares currently held in the name of a third party | | Main experience and academic background | Selected current positions at other companies | Managers who are spouses or within second-degree relative of consanguinity to each other | | | Remarks |
|---------------------------------------|-------------------|----------------|--------|---------------------|-----------------------|------|--|------|--|---|--|---|--|-------|----------|---------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| CEO and R&D Head of Taiwan M3TEK | Republic of China | Davd Da Meng | Male | Sep 7, 2010 | 190,000 | 0.45 | 1,100,949 | 2.58 | - | - | Electrical Engineering, Florida Atlantic University, USA Master of Electronic Engineering, University of New Mexico, USA Senior Engineer at Maxim Integrated Products Inc. Vice President of Design of Monolithic Power Systems Inc. | Note 1 | None. | None. | None. | - |
| Vice President and R&D Head of Xi' An | China | Xiao-Yu Xi | Male | Sep 1, 2014 | 150,000 | 0.35 | - | - | - | - | Bachelor of Electrical Engineering, Shanghai Fudan University Master of Electronics and Computer Engineering, Iowa State University, USA Design Engineer of Texas Instruments Inc. Senior Design Manager of Monolithic Power Systems Inc. Director/President of Xi' An M3 Semiconductor Corporation. | Note 2 | None. | None. | None. | - |
| Director, QA&PE | Republic of China | Tsung-Chin Wu | Male | Sep 24, 2012 | - | - | - | - | - | - | Bachelor of Mechanical Engineering, National Taiwan University of Science and Technology Quality Assurance Manager of Eutech Microelectronics Inc. Quality Assurance Manager of Cheng Yuan Co., Ltd. | None. | None. | None. | None. | - |
| Associate Vice President, PP&TE | Republic of China | Ping-Ming Peng | Male | May 2, 2013 | 37,000 | 0.09 | - | - | - | - | Bachelor of Electrical Engineering, Chung Hua University Testing Department Manager of Eutech Microelectronics Inc. Manager of Production Technology Division/President's Office of Richtek Technology Corporation | None. | None. | None. | None. | - |

| Title | Nationality | Name | Gender | Date of appointment | Number of shares held | | Shares currently held by spouse, underage children | | Shares currently held in the name of a third party | | Main experience and academic background | Selected current positions at other companies | Managers who are spouses or within second-degree relative of consanguinity to each other | | | Remarks |
|---------------------------------|-------------------|------------------|--------|---------------------|-----------------------|------|--|---|--|---|--|---|--|-------|----------|---------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Associate Vice President, Sales | Republic of China | Ren-Sheng Chuang | Male | Apr 14, 2014 | - | - | - | - | - | - | Bachelor of Department of Business Administration, National Chengchi University Monolithic Power System Inc. Taiwan Branch, Sales Deputy Manager. Senior Sales Manager of ITE Tech. Inc. | None. | None. | None. | None. | - |
| Director, FAE | Republic of China | Chih-Chien Lu | Male | Mar 2, 2015 | 75,000 | 0.18 | - | - | - | - | Bachelor of Electrical Engineering, Lunghwa University of Science and Technology FAE Manager of Eutech Microelectronics Inc. FAE Manager of Diodes Inc. | None. | None. | None. | None. | - |
| Director, Finance | Republic of China | Shu-Hui Huang | Female | Mar 3, 2015 | 19,000 | 0.04 | - | - | - | - | Master, University of Leicester, UK Accounting Deputy Manager of Sercomm Corporation Senior Financial Manager of Alpha & Omega Semiconductor Ltd. | None. | None. | None. | None. | - |
| Director, AE | USA | Bo Yang | Male | Jan 2, 2017 | 134,000 | 0.31 | - | - | - | - | Master of Electrical Engineering, Beijing Tsinghua University PhD., Virginia Polytechnic Institute and State University Senior Chip Design Engineer of Monolithic Power Systems Inc. System Architecture Engineer of Diodes Inc. Chief System Architecture Engineer of NuVolta Technologies Inc. | None. | None. | None. | None. | - |
| Associate Manager, IA | Republic of China | Yao-Ling Yeh | Female | Aug 10, 2023 | - | - | - | - | - | - | Bachelor of Accounting, Ming Chuang University Accounting Manager of STARK TECHNOLOGY, INC. Principal Administrator of Nuvoton Technology Corporation | None. | None. | None. | None. | - |

| Title | Nationality | Name | Gender | Date of appointment | Number of shares held | | Shares currently held by spouse, underage children | | Shares currently held in the name of a third party | | Main experience and academic background | Selected current positions at other companies | Managers who are spouses or within second-degree relative of consanguinity to each other | | | Remarks |
|--------------------------|-------------------|--------------|--------|---------------------|-----------------------|------|--|---|--|---|---|---|--|-------|----------|---------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director, Sales | Republic of China | Yao-Ming Hu | Male | Feb 1, 2024 | - | - | - | - | - | - | Bachelor of Electrical Engineering, Asia Eastern University of Science and Technology Vice President, Micro Commercial Components Corp. Sales Manager, YOSUN INDUSTRIAL CORP. | None. | None. | None. | None. | - |
| Special Assistant of CEO | Republic of China | Hsiao-Mei Wu | Female | Sep 1, 2020 | 13,000 | 0.03 | - | - | - | - | Master of Chung Yuan Christian University Telephone Marketing Sales Head, BNP Paribas Cardif TCB Life Insurance Co., Ltd. Sales Administration Senior Director of TutorABC Inc. | None. | None. | None. | None. | - |

Note 1: Director of M3 Technology (Dallas), Inc., Vice Chairman of Xi'An M3 Semiconductor Corporation.

Note 2: Director of M3 Technology (Dallas), Inc., Director/President of Xi'An M3 Semiconductors Corporation.

III. Remuneration paid to directors, supervisors, president, and vice presidents for the most recent fiscal year:

(I) Remuneration of Directors, Supervisors, President and Vice Presidents

1. Remuneration of Directors and Independent Directors (Individual Disclosure of Names and Remuneration Items)

Unit: NT\$ Thousand; %

| Title | Name | Remuneration to the Directors | | | | | | | | Total amount of A+B+C+D and as a Percentage of Net Income (%) | | | | Remuneration to Directors who are also employees | | | | | | | | Total amount of A+B+C+D+E+F+G and as a Percentage of Net Income (%) | | | | Receives remuneration from non-subsidiary investments |
|----------------------|---|-------------------------------|--|-------------------------------|--|-------------------------------|--|--|--|---|------|--|------|--|--|-------------------------------|--|-------------------------------|---|--|---|---|------|--|------|---|
| | | Remuneration (A) | | Pension and severance pay (B) | | Remuneration of directors (C) | | Expenses for execution of business (D) | | | | | | Salary, bonus and special disbursement (E) | | Pension and severance pay (F) | | Remuneration of employees (G) | | | | | | | | |
| | | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements | The Company | | All companies listed in the financial statements | | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements | The Company | | All companies listed in the financial statements | | The Company | | All companies listed in the financial statements | | |
| | | | | | | | | | | Amount | % | Amount | % | | | | | Amount | % | Amount | % | Amount | % | Amount | % | |
| Chairman | Chang-Yong Chen | - | - | - | - | 1,172 | 1,172 | 33 | 33 | 1,205 | 0.55 | 1,205 | 0.55 | - | - | - | - | - | - | - | - | 1,205 | 0.55 | 1,205 | 0.55 | - |
| Director | David Da Meng | - | - | - | - | 585 | 585 | 33 | 33 | 618 | 0.28 | 618 | 0.28 | 6,105 | 6,105 | 108 | 108 | 21 | - | 21 | - | 6,852 | 3.14 | 6,852 | 3.14 | - |
| Director | ITE Tech. Inc. | - | - | - | - | 585 | 585 | - | - | 585 | 0.27 | 585 | 0.27 | - | - | - | - | - | - | - | - | 585 | 0.27 | 585 | 0.27 | - |
| | Hung-Yao Lin | - | - | - | - | - | - | 18 | 18 | 18 | 0.01 | 18 | 0.01 | - | - | - | - | - | - | - | - | 18 | 0.01 | 18 | 0.01 | - |
| Director | Top Taiwan IX Venture Capital Co., Ltd. | - | - | - | - | - | - | - | - | - | 0.00 | - | 0.00 | - | - | - | - | - | - | - | - | - | 0.00 | - | 0.00 | - |
| | Pei-Yu Zheng | - | - | - | - | - | - | 3 | 3 | 3 | 0.00 | 3 | 0.00 | - | - | - | - | - | - | - | - | 3 | 0.00 | 3 | 0.00 | - |
| Director | Wei-Tse Hung | - | - | - | - | 585 | 585 | 12 | 12 | 597 | 0.27 | 597 | 0.27 | - | - | - | - | - | - | - | - | 597 | 0.27 | 597 | 0.27 | - |
| Independent Director | Jiang-Long Kuo | 240 | 240 | - | - | - | - | 3 | 3 | 243 | 0.11 | 243 | 0.11 | - | - | - | - | - | - | - | - | 243 | 0.11 | 243 | 0.11 | - |
| Independent Director | Zhi-Feng Jiang | 758 | 758 | - | - | - | - | 27 | 27 | 785 | 0.36 | 785 | 0.36 | - | - | - | - | - | - | - | - | 785 | 0.36 | 785 | 0.36 | - |
| Independent Director | Zu-Ming Bi | 755 | 755 | - | - | - | - | 24 | 24 | 779 | 0.36 | 779 | 0.36 | - | - | - | - | - | - | - | - | 779 | 0.36 | 779 | 0.36 | - |
| Independent Director | Hsieh-Ju Peng | 506 | 506 | - | - | - | - | 12 | 12 | 518 | 0.24 | 518 | 0.24 | - | - | - | - | - | - | - | - | 518 | 0.24 | 518 | 0.24 | - |

1. Please describe the payment policy, system, standard and structure for remuneration of independent directors, and explain the relationship with the remuneration payment according to the job duties handled, risks and time invested: The remuneration of independent directors of the Company includes transportation allowance for participating in the board of directors' meetings and functional committee meetings and fixed remuneration.

2. In addition to the disclosure of the table above, the remuneration collected by directors of the Company for providing services to all companies listed in the financial report (such as acting as non-employee consultant of the parent company/companies/investees indicated in the financial report): None.

Table of remuneration range

| Remuneration bracket for individual Directors of the Company | Name of Director | | | |
|--|---|--|--|--|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements |
| Less than NTD1,000,000 | David Da Meng, ITE Tech. Inc. (Representative: Hung-Yao Lin), Top Taiwan IX Venture Capital Co., Ltd. (Representative: Pei-Yu Zheng), Wei-Tse Hung, Jiang-Long Kuo, Zhi-Feng Jiang, Zu-Ming Bi, Hsieh-Ju Peng | | ITE Tech. Inc. (Representative: Hung-Yao Lin), Top Taiwan IX Venture Capital Co., Ltd. (Representative: Pei-Yu Zheng), Wei-Tse Hung, Jiang-Long Kuo, Zhi-Feng Jiang, Zu-Ming Bi, Hsieh-Ju Peng | |
| NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive) | Chang-Yong Chen | | Chang-Yong Chen | |
| NT\$ 2,000,000 (inclusive)~NT\$ 3,500,000 (exclusive) | | | | |
| NT\$ 3,500,000 (inclusive)~NT\$ 5,000,000 (exclusive) | | | | |
| NT\$ 5,000,000 (inclusive)~NT\$ 10,000,000 (exclusive) | | | David Da Meng | |
| NT\$ 10,000,000 (inclusive)~NT\$ 15,000,000 (exclusive) | | | | |
| NT\$ 15,000,000 (inclusive)~NT\$ 30,000,000 (exclusive) | | | | |
| NT\$ 30,000,000 (inclusive)~NT\$ 50,000,000 (exclusive) | | | | |
| NT\$ 50,000,000 (inclusive)~NT\$ 100,000,000 (exclusive) | | | | |
| More than NTD100,000,000 | | | | |
| Total | 9 people | 9 people | 9 people | 9 people |

2. Remuneration of Supervisors: The Company has elected independent directors during the extraordinary shareholders' meeting on November 6, 2020 and the Audit Committee has been established to replace the functions of the supervisors.

3. Remuneration of President and Vice Presidents (Individual Disclosure of Names and Remuneration Items)

Unit: NT\$ Thousand, %

| Title | Name | Salaries (A) | | Pension and severance pay (B) | | Bonus and special disbursement (C) | | Amount of remuneration to employees (D) | | | | Total of A+B+C+D as a Percentage of Net Income (%) | | | | Whether the person receives remuneration from nonsubsidiary investments |
|-----------------|---------------|--------------|--|-------------------------------|--|------------------------------------|--|---|-------------|--|-------------|--|------|--|------|---|
| | | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements | The Company | All companies listed in the financial statements | The Company | | All companies listed in the financial statements | | The Company | | All companies listed in the financial statements | | |
| | | | | | | | | Cash bonus | Share bonus | Cash bonus | Share bonus | Amount | % | Amount | % | |
| President (CEO) | David Da Meng | 3,927 | 3,927 | 108 | 108 | 2,178 | 2,178 | 21 | - | 21 | - | 6,234 | 2.85 | 6,234 | 2.85 | - |
| Vice President | Xiao-Yu Xi | - | 7,536 | - | 386 | - | 1,009 | - | - | 1,705 | - | - | - | 10,636 | 4.87 | - |

Table of remuneration range

| Payment to individual President and Vice Presidents, remuneration bracket | Names of President and Vice Presidents | |
|---|--|--|
| | The Company | All companies listed in the financial statements |
| Less than NTD1,000,000 | - | - |
| NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive) | - | - |
| NT\$ 2,000,000 (inclusive)~NT\$ 3,500,000 (exclusive) | - | - |
| NT\$ 3,500,000 (inclusive)~NT\$ 5,000,000 (exclusive) | - | - |
| NT\$ 5,000,000 (inclusive)~NT\$ 10,000,000 (exclusive) | David Da Meng | David Da Meng |
| NT\$ 10,000,000 (inclusive)~NT\$ 15,000,000 (exclusive) | - | Xiao-Yu Xi |
| NT\$ 15,000,000 (inclusive)~NT\$ 30,000,000 (exclusive) | - | - |
| NT\$ 30,000,000 (inclusive)~NT\$ 50,000,000 (exclusive) | - | - |
| NT\$ 50,000,000 (inclusive)~NT\$ 100,000,000 (exclusive) | - | - |
| More than NTD100,000,000 | - | - |
| Total | 1 person | 2 people |

4. Remuneration to the Five Highest Remunerated Management Personnel of a TWSE or TPEx listed Company (Individual Disclosure of Names and Remuneration Items)

Unit: NT\$ Thousand, %

| Job title | Name | Salary (A) | | Retirement pay and pension (B) | | Rewards and special disbursements (C) | | Rewards and special disbursements (C) | | | | Sum of A+B+C+D and ratio to net income (%) | | | | Remuneration received from investee enterprises other than subsidiaries or from the parent company |
|---------------------------------|------------------|-------------|---------------------------|--------------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------------------|-------------|---------------------------|-------------|--|------|---------------------------|------|--|
| | | The Company | All consolidated entities | The Company | All consolidated entities | The Company | All consolidated entities | The Company | | All consolidated entities | | The Company | | All consolidated entities | | |
| | | | | | | | | Cash bonus | Share bonus | Cash bonus | Share bonus | Amount | % | Amount | % | |
| President (CEO) | David Da Meng | 3,927 | 3,927 | 108 | 108 | 2,178 | 2,178 | 21 | - | 21 | - | 6,234 | 2.85 | 6,234 | 2.85 | - |
| Vice President | Xiao-Yu Xi | - | 7,536 | - | 386 | - | 1,009 | - | - | 1,705 | - | - | - | 10,636 | 4.87 | - |
| Director, AE | Bo Yang | - | 6,906 | - | 308 | - | 730 | - | - | 1,355 | - | - | - | 9,299 | 4.26 | - |
| Associate Vice President, Sales | Ren-Sheng Chuang | 1,764 | 1,764 | 108 | 108 | 1,031 | 1,031 | 284 | - | 284 | - | 3,187 | 1.46 | 3,187 | 1.46 | - |
| Director, FAE | Chih-Chien Lu | 1,766 | 1,766 | 108 | 108 | 850 | 850 | 199 | - | 199 | - | 2,923 | 1.34 | 2,923 | 1.34 | - |

(II) Name of Managerial Officers for Distribution of Employees' Compensation and Distribution Status

December 31, 2022; Unit: NT\$ Thousand; %

| | Title | Name | Amount of stock | Amount of cash | Total | Ratio of Total to Net Income (%) |
|---------------------|--------------------------|------------------|-----------------|----------------|--------|----------------------------------|
| Managerial Officers | President (CEO) | David Da Meng | - | 13,878 | 13,878 | 6.36 |
| | Vice President | Xiao-Yu Xi | | | | |
| | Associate Vice President | Ren-Sheng Chuang | | | | |
| | Director | Chih-Chien Lu | | | | |
| | Associate Vice President | Ping-Ming Peng | | | | |
| | Director | Tsung-Chin Wu | | | | |
| | Director | Shu-Hui Huang | | | | |
| | Director | Bo Yang | | | | |
| | Special Assistant of CEO | Hsiao-Mei Wu | | | | |

(III) The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, President, and Vice Presidents of the Company, relative to net income, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

1. Remuneration paid to directors, supervisors, president, and vice presidents as a proportion to the net income after tax in the most recent two years

Unit: NT\$ Thousand

| Title | 2022 | | | | 2023 | | | |
|-------------------------------|--------------------|--|---|--|--------------------|--|---|--|
| | Total remuneration | | Ratio of total remuneration to net income (%) | | Total remuneration | | Ratio of total remuneration to net income (%) | |
| | The Company | All companies in the consolidated financial statements | The Company | All companies in the consolidated financial statements | The Company | All companies in the consolidated financial statements | The Company | All companies in the consolidated financial statements |
| Director | 6,403 | 6,403 | 2.16 | 2.16 | 5,351 | 5,351 | 2.45 | 2.45 |
| Supervisor | - | - | - | - | - | - | - | - |
| President and Vice Presidents | 6,412 | 13,163 | 2.17 | 4.45 | 6,234 | 16,870 | 2.85 | 7.72 |
| Total | 12,815 | 19,566 | 4.33 | 6.61 | 11,585 | 22,221 | 5.30 | 10.17 |

2. Policy, standard and combination for payment of remuneration, establishment of procedure of remuneration, and correlation between the business performance and future risk

(1) Policy, standard and combination for payment of remuneration, establishment of procedure of remuneration

A. Directors:

The policy for the remuneration of directors of the Company is specified in the Articles of Incorporation. For the remuneration of all directors, regardless of the business profit or loss, the Company shall pay the remuneration, and the board of directors is authorized to determine the remuneration according to the participation level and contribution value to the operation of the Company, and the remuneration standards adopted in the domestic and foreign peer companies are considered. In addition, when there is a surplus earning after the final account of a fiscal year, less than 2% of the surplus earning shall be appropriated as the remuneration of directors. The remuneration and compensation of directors are reviewed by the remuneration committee and submitted to the board of directors for approval. In addition, the proposal for distribution of remuneration of directors is required to be reported to the shareholders' meeting.

B. President and Vice Presidents:

The remuneration for our company's CEO and Vice President includes salary, bonuses, and employee rewards, determined based on the positions they hold, the responsibilities they assume, and their contributions, while also taking into consideration the industry standards. The policy for employee rewards is explicitly defined in the company's Articles of Incorporation. If the company is profitable, a minimum of 6% of the profits are allocated for employee rewards as incentives, with the amount and distribution method approved by the board of directors upon recommendation from the Remuneration Committee.

C. Managerial staff

Our company's managerial staff remuneration policy is positively correlated with an individual's capabilities, contributions to the company, performance, and the relevance to operational achievements. The standard for remuneration payment is linked to the achievement of employee and departmental objectives or the company's operational performance. Additionally, the policy for employee rewards is explicitly defined in the company's Articles of Incorporation. If the company is profitable, a minimum of 6% of the profits are allocated for employee rewards as incentives, with the amount and distribution method approved by the board of directors upon recommendation from the Remuneration Committee.

(2) Correlation between business performance and future risk

The remunerations paid to the directors, president and vice presidents have considered the future business development and management risk, and the positive relationship with the operation performance is evaluated to achieve a balance between sustainable operation and risk control.

IV. State of implementation of corporate governance

(I) Board Operation Status:

From the most recent year (2023) to the printing date of the annual report, there were 15 board of directors' meetings [A] up to the printing date of this annual report, and the attendance status of the directors is as follows:

| Title | Name | Attendance in person [B] | Attendance by proxy | Attendance rate (%) [B / A] | Remarks |
|----------------------|---|--------------------------|---------------------|-----------------------------|---|
| Chairman | AP Memory Technology Corporation Representative: Wen-Liang Chen | 3 | 0 | 100.00 | Elected on Jan 31, 2024 |
| Director | Chang-Yong Chen | 15 | 0 | 100.00 | - |
| Director | David Da Meng | 15 | 0 | 100.00 | - |
| Director | ITE Tech. Inc. Representative: Hung-Yao Lin | 10 | 1 | 90.91 | Resigned on Jan 2, 2024 |
| Director | ITE Tech. Inc. Representative: Hsiu-Che Lin | 4 | 0 | 100.00 | Appointed on Jan 2, 2024 |
| Director | Top Taiwan IX Venture Capital Co., Ltd. Representative: Pei-Yu Zheng | 4 | 0 | 100.00 | Resigned on May 24, 2023 |
| Director | Wei-Tse Hung | 7 | 1 | 87.50 | Elected on May 24, 2023 Resigned on Jan 30, 2024 |
| Independent Director | Jiang-Long Kuo | 4 | 0 | 100.00 | Resigned on May 24, 2023 |
| Independent Director | Zhi-Feng Jiang | 15 | 0 | 100.00 | - |
| Independent Director | Zu-Ming Bi | 15 | 0 | 100.00 | - |
| Independent Director | Hsieh-Ju Peng | 11 | 0 | 100.00 | Elected on May 24, 2023 |

Additional information:

I. Where the operation of a board meeting is subject to one of the following, the board meeting date, session, proposal content, opinion of all independent directors and Company's handling for the opinions of independent directors shall be described:

(I) Matters specified in Article 14-3 of Securities and Exchange Act:

| Date, session of board meeting | Content of the motions | Matters specified in Articles 14-3 of the Securities and Exchange Act | Dissenting or qualified opinions of independent directors |
|--|--|---|---|
| 24 th meeting of 4 th term Feb 23, 2023 | 1. 2022 parent company only financial statements, consolidated financial statements and business report 2. Issuance of 2022 "Internal Control System Declaration" 3. 2022 fourth quarter distribution of earnings of the | Yes | None. |

| | | | |
|--|--|-----|---|
| | <p>Company</p> <p>4. Set the record date for capital increase registration for the execution of employee stock option during fourth quarter of 2022</p> <p>5. Establishment of the “Regulations for reviewing the pre-approval of non-assurance services provided by the CPA”</p> <p>6. Independence and competency evaluation of CPAs and CPAs appointment fee</p> <p>7. Amendment to “Code of Corporate Governance Practice”</p> <p>8. Amendment to the “Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises”</p> <p>9. Amendment to the “Procedures for Election of Directors”</p> | | |
| <p>26th meeting of 4th term May 11, 2023</p> | <p>1. 2023 first quarter consolidated financial statements of the Company</p> <p>2. 2023 first quarter non-distribution of earnings” of the Company</p> <p>3. Set the record date for capital increase registration for the execution of employee stock option during first quarter of 2023</p> | Yes | None. |
| <p>1st special meeting of 4th term May 19, 2023</p> | <p>1. The company plans to purchase a real estate property</p> | Yes | <p>Independent director Jiang-Long Kuo raised an objection during the discussion of this case, with the objection as follows: "As M3TEK is an IC Design House and not a construction company, the limited cash within M3TEK should be utilized where it is most needed. The company should fully invest in acquiring new product development technologies, hiring outstanding IC design engineers, implementing optimization plans for the company's Design Systems & Operation Systems, and securing the funds needed for M&A plans."</p> <p>The case was voted on by all attending directors, with 6 directors in favor</p> |

| | | | |
|---|--|-----|--|
| | | | and 1 against, and the proposal was passed accordingly. The company has also recorded the independent director's objection in the minutes of the board meeting, in accordance with regulations, and has published significant information as required. |
| 1st meeting of 5 th term Jun 7, 2023 | 1. The company plans to purchase a real estate property | Yes | None. |
| 2nd meeting of 5 th term Aug 10, 2023 | 1. 2023 second quarter consolidated financial statements of the Company 2. 2023 second quarter non-distribution of earnings” of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during second quarter of 2023 4. The appointment of the company's internal audit director | Yes | None. |
| 3rd meeting of 5 th term Sep 14, 2023 | 1. The company's 2022 restricted stock award for non-managerial staff 2. Change of the company's registered address | Yes | None. |
| 4th meeting of 5 th term Nov 9, 2023 | 1. 2023 third quarter consolidated financial statements of the Company 2. 2023 third quarter non-distribution of earnings” of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during third quarter of 2023 4. The company's 2024 audit plan | Yes | None. |
| 6th meeting of 5 th term Dec 21, 2023 | 1. The company's 2024 budget plan | Yes | None. |
| 8th meeting of 5 th term Feb 29, 2024 | 1. 2023 parent company only financial statements, consolidated financial statements and business report 2. 2023 fourth quarter distribution of earnings of the Company 3. Issuance of 2023 “Internal Control System Declaration” 4. Amendment to the “Audit Committee Procedures” 5. Amendment to the “Regulations for Board Meetings” 6. Set the record date for capital increase registration for the execution of employee stock option during fourth quarter of 2023 7. The company reclaimed and canceled restricted stock award. 8. Independence and competency evaluation of CPAs and CPAs appointment fee | Yes | None. |

| | | | |
|--|--|-----|-------|
| 9th meeting of 5 th term Apr 9, 2024 | 1. The change in the company's Chief Financial Officer and Accounting Officer. | Yes | None. |
|--|--|-----|-------|

(II) Any other documented objections or qualified opinions raised by Independent Directors against board resolutions in relation to matters other than those described above: None.

II. For the execution status of recusal of directors due to conflicts of interest, the name of directors, proposal content, reasons of recusal and participation in voting shall be described:

| Date | Name | Content of the motions | Reason of recusal | Voting participation status |
|--------------|---|---|-------------------|-----------------------------|
| Feb 23, 2023 | Chang-Yong Chen | Distribution of remuneration of directors for 2022 | Personal interest | Not participated in voting |
| | David Da Meng | | | |
| | ITE Tech. Inc. Representative: Hung-Yao Lin | | | |
| | Top Taiwan IX Venture Capital Co., Ltd. Representative: Pei-Yu Zheng | | | |
| Feb 23, 2023 | David Da Meng | Distribution of employees' remuneration for 2022 | Personal interest | Not participated in voting |
| Feb 23, 2023 | David Da Meng | Remuneration of CEO for 2023 | Personal interest | Not participated in voting |
| May 24, 2023 | Zhi-Feng Jiang | Appointment of the second term Compensation Committee | Personal interest | Not participated in voting |
| | Zu-Ming Bi | | | |
| | Hsieh-Ju Peng | | | |
| Sep 14, 2023 | David Da Meng | The company's 2023 restricted stock award for CEO | Personal interest | Not participated in voting |
| Feb 29, 2024 | Chang-Yong Chen | Distribution of remuneration of directors for 2023 | Personal interest | Not participated in voting |
| | David Da Meng | | | |
| | ITE Tech. Inc. Representative: Hsiu-Che Lin | | | |
| Feb 29, 2024 | David Da Meng | Distribution of employees' remuneration for 2023 | Personal interest | Not participated in voting |

III. Public listed company shall disclose the information on the evaluation cycle and period, evaluation scope, method and evaluation content of the self-evaluation (or peer evaluation) of the board of directors, and the evaluation execution status shall be described:

| Frequency of evaluation | Period for evaluation | Scope of evaluation | Method of evaluation | Content of evaluation |
|----------------------------------|----------------------------------|---|----------------------------|-----------------------|
| Implement once a year | From Jan 1, 2023 to Dec 31, 2023 | 1.Board of Directors and Individual Board Members 2.Audit Committees 3.Remuneration Committee | Self-evaluation | Note 1 & Note 2 |
| Implement once every three years | From Jan 1, 2023 to Dec 31, 2023 | Board of Directors | External expert evaluation | Note 3 |

Note 1: Board of directors performance evaluation: It includes the aspects of participation level in company's operation, increase of decision making quality of board of directors, composition and structure of the board of directors. Election and continuing education of directors, and

internal control.

Board member performance evaluation: It includes the aspects of understanding of the objectives and missions of the Company, understanding of responsibilities and authorities of the director, level of participation in the operation of the Company, internal relationship management and communication, expertise and continuing education of director, and internal control.

Audit committee performance evaluation: Including the level of involvement in company operations, awareness of the responsibilities of functional committees, improving the decision-making quality of functional committees, the composition and selection of functional committee members, and internal control.

Remuneration committee performance evaluation: Including the level of involvement in company operations, awareness of the responsibilities of functional committees, improving the decision-making quality of functional committees, and the composition and selection of functional committee members.

Note 2: The evaluation results of the board of directors, individual board members, Audit committees and Remuneration committee for 2023 indicated “Excellent”, “Excellent”, “Excellent” and “Excellent” respectively.

Note 3: In August 2023, our company commissioned an external organization, Taiwan Corporate Governance Association, to conduct the Board of Directors' performance evaluation for the fiscal year 2023 (2023.01.01~2023.12.31). Taiwan Corporate Governance Association is an independent and professional institution for the evaluation of board performance, and neither the institution nor its evaluators have any business transactions with our company. The institution appointed four evaluation experts (Executive Committee Member and Convener Mr. Chen-Tu Liu, Executive Committee Member Ms. Yu-Hui Su, Chief Evaluator Ms. Yi-Fang Tsai, and Evaluation Officer Ms. Yi-Ching Sung) to assess eight major aspects including the composition of the Board of Directors, guidance by the Board, authority of the Board, oversight by the Board, communication within the Board, internal control and risk management, self-regulation of the Board, and others. The evaluation was conducted through online open-ended questionnaires and video interviews (with the Chairman of the Board, CEO, Audit Committee Convener, Remuneration Committee Convener, Corporate Governance Officer, and Internal Audit Director) and the evaluation report was submitted on Jan 23, 2024. The company reported the results at the Board meeting on Feb 29, 2024, and sought improvements. The overall evaluation, recommendations, and the company's improvement measures are as follows:

Overall Evaluation :

- Company's Board of Directors operates in an open and enlightened atmosphere. The Chairman values a culture of brainstorming and fully respects the opinions of board members. Through various occasions (including breakfast meetings), the Chairman communicates with directors and builds consensus, thereby enhancing the efficiency of board meetings.
- Board of Directors consists of seven members, including three independent directors, with expertise in the semiconductor industry, electronics, business management, and financial accounting, among other fields. The Board has a diverse set of talents, aligning with the company's operational development needs. The independent directors have a clear understanding of the company's medium and long-term positioning and goals and share considerable consensus with the management team, effectively playing their advisory and supervisory roles.
- In response to changes in the industry environment and the company's development needs, Remuneration Committee focuses on issues related to talent training and retention, providing timely and appropriate advice to the company. It reminds the company to thoroughly examine its compensation systems and response policies, fully exercising the functions of the Remuneration Committee.

Recommendations and the Company's Improvement Measures :

| Unit | Recommendations | Company's Improvement Measures |
|------|---|--|
| 1 | Diversity in directors' expertise and gender is a trend towards good corporate governance development. Currently, all members of the Company's board are male. It is recommended that when appointing new directors, consideration should be given to hiring female directors to enhance the diversity of the board. In addition, it is suggested that your company could further implement an "Orientation Program for New Directors" (for example: providing essential documents, arranging someone to brief on the company overview and industry trends, organizing site visits, and discussions with key management personnel, etc.) to help new directors quickly grasp the company's operational status and facilitate their fulfillment of directorial duties. | The process of selecting female director candidates for our company takes into account the specific needs of the company's industry, professionalism, and corporate governance. We are currently in search of suitable candidates. The timeline for this process will comply with legal requirements, and we aim to achieve this by the term of the seventh Board of Directors (05/2026-05/2029) |
| 2 | It is recommended that the Company consider establishing a "Sustainable Development Committee" under the board level, with the Board of Directors overseeing the coordination of corporate social responsibility, the direction of sustainable development, and the supervision of specific implementation plans. This is to enhance the communication and execution synergy among various units of the Company concerning strategies and actions related to corporate sustainability and social responsibility. | It is planned to establish a "Sustainable Development Committee" during the tenure of the 7th Board of Directors. |
| 3 | The Company has established the "Salary and Compensation Measures for Directors and Managers," which collectively regulate the compensation structure for the Board of Directors, members of functional committees, and managers. However, given the differences in roles, responsibilities, and evaluations between directors and managers, it is recommended that the Company consider the feasibility of separately regulating the performance assessments and compensation systems for directors and managers. | The company will separately establish salary and compensation measures in 2024, based on the differences in responsibilities, performance evaluations, and compensation systems for directors and managers |
| 4 | The Company's website currently discloses a whistleblowing mailbox managed by the audit director. It is recommended that the whistleblowing mailbox set up by the Company should also be accessible by independent directors (or the Audit Committee) simultaneously when receiving reports, to further strengthen the functionality of the whistleblower mechanism. | Considering information security and to prevent the leakage of critical information, the Company plans to establish an independent director's email account within the internal operational environment in 2024, which can simultaneously receive whistleblower emails. |

Note 4: The results of the above internal self-assessment and external expert evaluation were reported at the Board of Directors meeting on Feb 29, 2024.

IV. Goals (such as establishment of Audit Committee, improvement of information transparency etc.) for enhancement of functions of the board of directors and execution status evaluation for the current year and the most recent year:

- (I) To improve the supervisory function and to enhance the management mechanism of the Company, the Audit Committee has been established to replace the responsibility and authority of supervisors, and the “Audit Committee Procedures” has been established.
- (II) The Company has established the “Regulations for Board Meetings” in order to strengthen the functions of the board of directors.
- (III) The company has established " Rules for Performance Evaluation of Board of Directors" ,conducting an internal board performance evaluation annually and an assessment is carried out by an external professional independent organization or a team of external expert scholars at least once every three years.
- (IV) The Company completes all information disclosures accurately and timely according to the regulatory requirements, and also designates dedicated personnel to be responsible for the company information collection and disclosure works. The spokesperson system has been established to ensure the timely disclosure of material information, allowing shareholders and stakeholders to review financial and business related information of the Company.

(II) Audit Committee Implementation Status and Supervisor Participating Board Meeting Status:

1. Audit Committee Implementation Status Information:

From the most recent year (2023) to the printing date of the annual report, there were 11 audit committee meetings [A] held up to the printing date of this Annual Report, and the attendance status of the independent directors is as follows:

| Title | Name | Attendance in Person [B] | Attendance by proxy | Actual attendance rate (%) [B / A] | Remarks |
|---------------------------------|----------------|--------------------------|---------------------|------------------------------------|--------------------------|
| Independent Director (Convener) | Zhi-Feng Jiang | 11 | 0 | 100.00 | - |
| Independent Director | Jiang-Long Kuo | 3 | 0 | 100.00 | Resigned on May 24, 2023 |
| Independent Director | Zu-Ming Bi | 11 | 0 | 100.00 | - |
| Independent Director | Hsieh-Ju Peng | 8 | 0 | 100.00 | Elected on May 24, 2023 |

Additional information:

- I. For Audit Committee that meet any of the following descriptions, the meeting date, session, proposal content, dissenting opinion, reserved opinions or major recommendation item content of independent directors, resolution result of the Audit Committee meeting and the Company’s handling with respect to the opinions of the Audit Committee:

(I) Matters specified in Article 14-5 of the Securities and Exchange Act:

| Date, session of board meeting convention | Content of the motions | Dissenting, qualified opinions or major recommendation content of independent directors | Resolution result of the Audit Committee | Response of the Company to the opinions of the Auditing Committee |
|--|---|---|---|--|
| 16 th Meeting of the 1st Term Feb 23, 2023 | <ol style="list-style-type: none"> 2022 parent company only financial statements, consolidated financial statements and business report Issuance of 2022 "Internal Control System Declaration" 2022 fourth quarter distribution of earnings of the Company Set the record date for capital increase registration for the execution of employee stock option during fourth quarter of 2022 Establishment of the "Regulations for reviewing the pre-approval of non-assurance services provided by the CPA" Independence and competency evaluation of CPAs and CPAs appointment fee Amendment to "Code of Corporate Governance Practice" Amendment to the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" Amendment to the "Procedures for Election of Directors" | None | All attending members approved the proposal. | Not applicable |
| 17 th Meeting of the 1st Term May 11, 2023 | <ol style="list-style-type: none"> 2023 first quarter consolidated financial statements of the Company 2023 first quarter non-distribution of earnings" of the Company Set the record date for capital increase registration for the execution of employee stock option during first quarter of 2023 | None | All attending members approved the proposal. | Not applicable |
| 1st special meeting of 1st term May 19, 2023 | <ol style="list-style-type: none"> The company plans to purchase a real estate property | Independent director Jiang-Long Kuo raised an objection during the discussion of this case, with the objection as follows: "As M3TEK is an IC Design House and not a construction company, the limited cash within M3TEK should be utilized where it is most needed. The company should fully invest in acquiring new product development technologies, hiring outstanding IC design engineers, implementing optimization plans for the company's Design Systems & Operation Systems, and securing the funds needed for M&A plans." | The case was voted on by all attending members, with 2 members in favor and 1 against, and the proposal was passed accordingly. | The company has also recorded the independent director's objection in the minutes of the board meeting, in accordance with regulations, and has published significant information as required. |

| | | | | |
|---|--|------|---|----------------|
| 1st special meeting of 2 nd term May 24, 2023 | 1. Nomination for the convener of the 2 nd term Audit Committee | None | Independent director Zhi-Feng Jiang was nominated by all attending members to serve as the convener and chairman of this committee. | Not applicable |
| 1 st Meeting of the 2 nd Term Jun 7, 2023 | 1. The company plans to purchase a real estate property | None | All attending members approved the proposal. | Not applicable |
| 2 nd Meeting of the 2 nd Term Aug 10, 2023 | 1. 2023 second quarter consolidated financial statements of the Company 2. 2023 second quarter non-distribution of earnings” of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during second quarter of 2023 4. The appointment of the company's internal audit director | None | All attending members approved the proposal. | Not applicable |
| 3 rd Meeting of the 2 nd Term Sep 14, 2023 | 1. The company's 2023 restricted stock award for non-managerial staff 2. Change of the company's registered address | None | All attending members approved the proposal. | Not applicable |
| 4 th Meeting of the 2 nd Term Nov 9, 2023 | 1. 2023 third quarter consolidated financial statements of the Company 2. 2023 third quarter non-distribution of earnings” of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during third quarter of 2023 4. The company's 2024 audit plan | None | All attending members approved the proposal. | Not applicable |
| 5 th Meeting of the 2 nd Term Dec 21, 2023 | 1. The company's 2024 budget plan | None | All attending members approved the proposal. | Not applicable |
| 6 th Meeting of the 2 nd Term Feb 29, 2024 | 1. 2023 parent company only financial statements, consolidated financial statements and business report 2. 2023 fourth quarter distribution of earnings of the Company 3. Issuance of 2023 “Internal Control System Declaration” 4. Amendment to the “Audit Committee Procedures” 5. Amendment to the “Regulations for Board Meetings” 6. Set the record date for capital increase registration for the execution of employee stock option during fourth quarter of 2023 7. The company reclaimed and canceled restricted stock award. 8. Independence and competency evaluation of CPAs and CPAs appointment fee | None | All attending members approved the proposal. | Not applicable |
| 7 th meeting of 2 nd Term Apr 9, 2024 | 1. The change in the company's Chief Financial Officer and Accounting Officer. | None | All attending members approved the proposal. | Not applicable |

(II) Except for the aforementioned matter, other motions not approved by the Audit Committee but had the consent of more than two-thirds of all directors: None.

II. For the execution status of recusal of independent directors due to conflicts of interest, the name of independent directors, proposal content, reasons of recusal and participation in voting shall be described: None.

III. Communication between independent directors and internal audit officer/CPAs (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

(I) The Company convenes Audit Committee meeting periodically and invites CPAs, internal audit officer and relevant managerial officers to attend the meeting.

(II) The CPAs regularly communicates with each independent director at the Audit Committee meetings, covering topics such as audit planning, audit results, and significant legal updates

(III) In addition to providing the audit report and follow-up report to each member of the Audit Committee for review before the end of the following month after completion, the Internal Audit Manager also attends the Audit Committee and Board of Directors meetings to present audit affairs.

(IV) The internal audit officer communicates and discusses the company's internal audit execution status and internal control operation with each independent director through email and meetings, ensuring good communication and open channels. In the event of special circumstances, an immediate report will also be made to the Audit Committee.

(V) For information on the communication between independent directors, the internal audit officer, and the accountant, please refer to our company's website: Investors > Corporate Governance > Functional Committees > Audit Committee.

2. Status of supervisors participating in board meetings

To improve the supervisory function and to enhance the management mechanism of the Company, the Company has established the Audit Committee to replace the responsibility and authority of supervisors since November 6, 2020.

(III) Corporate Governance Operation Status and Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

| Evaluation Item | The operation | | | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|---|---|
| | Yes | No | Summary description | |
| I. Does Company follow the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices? | V | | The Company has established the “Code of Corporate Governance Practice” and has disclosed such principles on the Market Observation Post System (MOPS). | No major difference. |
| II. The Equity Structure and Shareholders Equity of the Company | | | | |
| (I) Has the Company established the internal procedures for handling shareholders’ proposals, doubts, disputes, and litigation matters; and have the procedures implemented accordingly? | V | | (I) The Company has established the spokesperson mechanism to handle issues related to shareholders’ recommendations or disputes. | No major difference. |
| (II) Does the Company know the identities of its major shareholders and the ultimate controller? | V | | (II) The daily shareholders’ affairs of the Company are entrusted to professional shareholder service agency for handling, and the Company has assigned dedicated personnel to handle relevant affairs. In addition, the Company manages the list of major shareholders and ultimate controlling parties. | No major difference. |
| (III) Has the company established and implemented risk management practices and firewalls between the Company and its affiliates? | V | | (III) The assets, finance and accounting of affiliates of the Company operate independently, and internal auditors have been established to perform independent review. All companies having business dealings with the Company comply with the “Internal Control System”, “Supervision and Management of Subsidiaries” and “Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises”, in order to implement risk control and firewall mechanism properly. | No major difference. |

| Evaluation Item | The operation | | | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|--|---|
| | Yes | No | Summary description | |
| (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information? | V | | (IV) The Company has established the “Preventing Insider Trading Management Operational Procedures” and the responsible unit promotes relevant requirements to all officers and employees periodically in order to prevent insiders from trading securities against non-public information. | No major difference. |
| III. The Organization and Function of the Board (I) Has the board of directors established diversity policy, specific management goal and has executed properly? | V | | (I) The diversity policy of the Company is specified in the “Code of Corporate Governance Practice”. Presently, there are four directors and three independent directors. Their fields of expertise are finance, business management and legal respectively. In view of the above, all directors of the Company are equipped with professional industrial experience, and the board of directors is equipped with knowledge, skills and quality necessary for executing its functions and authorities. | No major difference. |
| (II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion? | V | | (II) The Company has established the Remuneration Committee and Audit Committee according to the laws. Presently, the Company has not established other type of functional committees; however, they may be further installed depending upon the needs in the future. | Establishment of functional committees will be further determined depending upon the actual conditions in the future. |
| (III) Has the Company established a set of policies and assessment tools to evaluate the board’s performance? Is performance evaluated regularly at least on an annual basis? In addition, has the result of the performance assessment been | V | | (III) The Company has established the Rules for Performance Evaluation of Board of Directors on September 17, 2020 in order to evaluate the performance of the board of directors periodically. In addition, the performance evaluation result is reported | No major difference. |

| Evaluation Item | The operation | | | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|---|---------------|----|---|---|
| | Yes | No | Summary description | |
| submitted to the board of directors' meeting and used as reference for the remuneration and nomination or reelection of individual director? (IV) Are external auditors' independence assessed on a regular basis? | V | | to the board of directors and is used as reference for the remuneration and nomination for continuous term of office of individual directors. (IV) When appointing the annual CPAs, our company will assess the independence of CPAs (please see Form (2) for the independence assessment items) and obtain a declaration of independence issued by CPAs. Upon assessment, our company's CPAs meets the standards for independence assessment and is deemed suitable to serve as our company's CPAs. Our company submitted to the board and passed the appointment of the CPAs for the year 2024 on February 29, 2024. | No major difference. |
| IV. Has the publicly listed company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convening of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc.)? | V | | In order to implement corporate governance, the Company has a chief corporate governance officer whose primary responsibilities are to supervise and implement corporate governance operations, including: (1) Handle matters related to board of directors meetings and shareholders meetings in compliance with law. (2) Preparation of minutes of the board of directors meetings and shareholders meetings. (3) Assistance in onboarding and continuing education of the directors and supervisors. (4) Provision of information required for performance of duties by the directors and supervisors. (5) Assistance in the directors' and supervisors' compliance of law. (6) Report to the board the results of its review of whether the qualifications of independent directors comply with | No major difference. |

| Evaluation Item | The operation | | | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|--|---|
| | Yes | No | Summary description | |
| | | | applicable laws and regulations at the time of nomination, election, and throughout their tenure. (7) Handle matters pertaining to the change of directors. (8) Other matters described or established in the articles of incorporation or under contract. | |
| V. Has the Company established channels for the communication with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and a section for the stakeholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility? | V | | The Company has established spokesperson and deputy spokesperson as the communication channel with stakeholders. Stakeholders are able to understand the operation status of the Company via the MOPS timely, and may contact the Company via the Company's website, email or telephone. | No major difference. |
| VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting? | V | | The Company entrusts the Shareholders Service Department of Yunta Securities Co., Ltd. for handling relevant affairs. | No major difference. |
| VII. Disclosure of Information (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? (II) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)? | V V | | (I) The Company has established website to disclose relevant information, and the website is: http://www.m3tekic.com (II) Since the public offering of the Company, the Company handles the announcement and report of all information according to the requirements of competent authorities and relevant laws and regulations. Shareholders are able to inquire and obtain various information and material announcements of the Company from the MOPS or the Company's website. The Company also implements the spokesman and its deputy system. | No major difference. No major difference. |

| Evaluation Item | The operation | | | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|---|---|
| | Yes | No | Summary description | |
| (III) Has the Company made public announce the annual financial statements within a period of two months after the end of each fiscal year, and has the Company also made announcement and provided report of the first, second and third quarter financial statements as well as the monthly business operation status before the specified deadlines? | V | | (III) The Company makes public announce and reports the annual financial statements before the statutory time, and the monthly business operation status is also announced timely. | No major difference. |
| VIII. Does the Company has other important information (including but not limited to employees' benefits and rights, employee care, investor relationship, supplier relationship, rights of stakeholders, educational training status of directors and supervisors, implementation of risk management policy and risk measurement standards, customer policy implementation status, purchase of liability insurance for directors and supervisors of the Company etc.) helpful to the understanding of the corporate governance operation status of the Company? | V | | <p>(I) Employees' rights and interests: The Company always values employees as the greatest assets of the Company, and pays special attention to the rights, interests and benefits of employees. All employees enroll in the labor insurance and national health insurance, and all payment items are made according to relevant regulatory requirements. In addition, various employee benefits are also provided, including marriage and funeral subsidies, employee travel allowance, holiday bonus and irregular organization of department gathering events.</p> <p>(II) Employee care: All management regulations of the Company focus on the employees' interests and benefit. In addition, reasonable salaries and benefits are provided.</p> <p>(III) Investor relationship: The Company has established the spokesperson system to handle the external communication of the Company.</p> <p>(IV) Supplier relationship: The Company maintains proper supply chain relationship with all suppliers to achieve overall production cost optimization.</p> <p>(V) Stakeholders' rights: The Company maintains proper</p> | No major difference. |

| Evaluation Item | The operation | | | Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons |
|--|---------------|----|---|---|
| | Yes | No | Summary description | |
| | | | <p>communication channel with stakeholders, and also protects their legal rights and interests. In addition, the Company has established the spokesperson system to handle issues and recommendations proposed by shareholders.</p> <p>(VI) Continuing education status of directors and supervisors: Please refer to Form (1) for the continuing education status of directors and supervisors of the Company.</p> <p>(VII) Implementation of risk management policy and risk measurement criteria: Various risk management and assessments are performed according to relevant internal rules and internal control system established according to the law. In addition, the internal audit unit audits the implementation of the internal control system regularly and irregularly.</p> <p>(VIII) Customer policy execution status: The Company maintains stable relationship with customers, and adopts customer-oriented and flexible policies to create profits for the Company.</p> <p>(IX) Status of liability insurance purchased for the directors and supervisors: The Company has purchased liability insurance for the directors in order to enhance the protection of the rights and interests of shareholders.</p> | |
| IX. Please provide explanation on the improvement status of the corporate governance evaluation announced by Taiwan Stock Exchange (TWSE) in the most recent year, and provide priority enhancement and measures for matters yet to be improved: Not applicable. | | | | |

Form (1) Status of Continuing Education of Directors in 2023

| Title | Name | Organizer | Name of course taken | Hours of training |
|--------------|---|---|--|--------------------------|
| Director | Chang-Yong Chen | Taiwan Corporate Governance Association | The Application of AI, Law, and Auditing | 3 |
| | | Taiwan Corporate Governance Association | The Benefits of the Circular Economy and Opportunities in Sustainable Finance | 3 |
| Director | David Da Meng | Taiwan Corporate Governance Association | Information Security Governance Practices: Analysis of Key Management Issues | 3 |
| | | Taiwan Corporate Governance Association | Business Litigation and Dispute Resolution Practices | 3 |
| | | Taiwan Corporate Governance Association | Promoting Sustainable Development through Risk Management - Practical Guidelines for Risk Management in Listed Companies | 3 |
| Director | ITE Tech. Inc. Representative: Hung-Yao Lin | Taiwan Stock Exchange and Taipei Exchange | Advocacy Meeting on Sustainable Development Action Plans for Listed Companies | 3 |
| | | Securities and Futures Institute | 2023 Anti-Insider Trading Advocacy Meeting | 3 |
| Director | Wei-Tse Hung | Taiwan Corporate Governance Association | Corporate Governance in the United States: Historical Evolution and Latest Developments | 3 |
| | | Digital Governance Association | Analysis of IFRS Sustainability Disclosure Standards S1/S2 - Along with the Development Trends of Sustainability Reporting in Taiwan | 3 |
| | | Taiwan Corporate Governance Association | Directors and Senior Executives of Listed Companies' Understanding of Current Regulatory Supervision | 3 |
| | | Taiwan Corporate Governance Association | Unveiling the Mystery Behind the Forces of Corporate Governance: Operational Practices of Governance Personnel | 3 |

| | | | | |
|----------------------|----------------|---|--|---|
| Independent Director | Zhi-Feng Jiang | The National Federation of CPA Associations of the R.O.C. | How to Implement Anti-Money Laundering | 3 |
| | | The National Federation of CPA Associations of the R.O.C. | Gift Tax Case Analysis | 3 |
| | | The National Federation of CPA Associations of the R.O.C. | Tax Issues Related to the Sale of Equity | 3 |
| | | The National Federation of CPA Associations of the R.O.C. | IFRS 2 Share-based Payment | 3 |
| | | Taiwan Corporate Governance Association | Practices in Performance Evaluation Related to "ESG Sustainability" and "Risk Management" in Enterprises | 3 |
| | | Taiwan Corporate Governance Association | New Types of Cross-Border Cybersecurity Threats and Information Security Governance | 3 |
| | | The National Federation of CPA Associations of the R.O.C. | Money Laundering and Insider Trading Patterns | 3 |
| | | The National Federation of CPA Associations of the R.O.C. | Taiwan's Innovation in Regulations and Review | 3 |
| Independent Director | Zu-Ming Bi | Taiwan Corporate Governance Association | How Directors and Supervisors Can Oversee Corporate Risk Management and Crisis Handling | 3 |
| | | Taiwan Corporate Governance Association | Big Data Analysis and Corporate Fraud Prevention | 3 |
| Independent Director | Hsieh-Ju Peng | Taiwan Corporate Governance Association | Corporate Carbon Rights and Carbon Asset Management under the Global Carbon Trading Mechanism | 3 |
| | | Taiwan Corporate Governance Association | Discussing Taiwanese Business Operations and M&A Strategies considering Global Political and Economic Situations | 3 |

Form (2) CPAs Independence, Professionalism, and Suitability Assessment Form

| Item | Result | |
|---|--------|------|
| 1. The CPAs has no direct or indirect significant financial interests with the company. | ● Yes | ○ No |
| 2. The CPAs has no business relationships with the company that affect independence. | ● Yes | ○ No |
| 3. The CPAs does not have a potential employment relationship with the company during the audit. | ● Yes | ○ No |
| 4. The CPAs has not engaged in any lending or borrowing of money with the company. | ● Yes | ○ No |
| 5. The CPAs has not received any significant gifts or presents from the company or its directors and managers (whose value exceeds the standards of general social etiquette). | ● Yes | ○ No |
| 6. The CPAs has not provided audit services to the company for seven consecutive years. | ● Yes | ○ No |
| 7. The CPAs does not hold shares in the company. | ● Yes | ○ No |
| 8. The CPAs, their spouse, or dependents, or any member of their audit team, have not held any positions as directors, managers, or any roles significantly affecting the audit during the audit period or in the last two years and will not hold such positions for the upcoming audit period. | ● Yes | ○ No |
| 9. The CPAs complies with the Independence Standards as outlined in Professional Ethics Statement for Certified Public Accountants No. 10 and has obtained a "Declaration of Independence" issued by the CPAs. | ● Yes | ○ No |
| 10. None of the following Audit Quality Indicators (AQIs) exhibit any disqualifications or impact on independence: (1) The CPAs possesses sufficient audit experience. (2) The CPAs has received adequate education and training. (3) The firm maintains a sufficient level of experienced human resources. (4) The firm has adequate professional personnel to support the audit team. (5) The CPAs' workload is not overly heavy. (6) The involvement of audit team members in various stages of the audit is appropriate. (7) The EQCR CPAs dedicates enough hours to perform the review. (8) The firm possesses adequate quality control personnel to support the audit team. (9) Fees for non-audit services do not affect independence. (10) The cumulative years of certification do not present an issue of being excessively long. (11) The firm's quality control and audit cases are conducted in accordance with relevant laws and standards. (12) There are no situations where a regulatory authority has issued a letter requiring improvements. (13) The accounting firm possesses innovation capabilities and planning. | ● Yes | ○ No |

(IV) If the Company has established the Remuneration Committee or Nomination Committee, the composition and operations of such committee shall be disclosed:

1. Information of Remuneration Committee Members:

April 23, 2024

| Identity | Name | Criteria | Independence Status | The number of public companies where the person also holds positions in their remuneration committees. |
|---------------------------------|----------------|--|---|--|
| | | Professional Qualifications and Experience | | |
| Independent Director (Convener) | Zu-Ming Bi | <p>Equipped with work experience in commerce, law, finance, accounting, or other necessary for the business of the company.</p> <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Master of Department of Finance, National Sun Yat-sen University • Assistant Vice President of Delta Venture Capital Co., Ltd. <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • Assistant Vice President of Delta Venture Capital Co., Ltd. • Independent Director of Trusval Technology Co., Ltd. • Corporate Director Representative of Kunshan Victory Venture Capital Co., Ltd. • Supervisor of imedtac Co., Ltd. <p>Not under any circumstances of Article 30 of the Company Act.</p> <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • Other listed company board member • Relevant industry experience (electronics industry / venture capital / financial management) | The three members of the Remuneration Committee of the Company have not violated any requirements related to independence specified in the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". | 1 |
| Independent Director | Zhi-Feng Jiang | <p>Equipped with work experience in commerce, law, finance, accounting, or other necessary for the business of the company; equipped with the license of Certified Public Accountant (CPA) of R.O.C.</p> <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Bachelor of Department of Accounting, Tamkang University • Assistant Vice President of Audit Department, Deloitte Taiwan • CPA of Zhi-Jing CPA Firm <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • CPA of Zhi-Jing CPA Firm • Independent Director of Taiwan Chelic Co., Ltd. • Independent Director of Alltop Technology Co., Ltd. <p>Not under any circumstances of Article 30 of the Company Act.</p> <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • Other listed company board member | | 1 |

| Identity | Name | Criteria | Professional Qualifications and Experience | Independence Status | The number of public companies where the person also holds positions in their remuneration committees. |
|----------------------|---------------|---|---|---------------------|--|
| | | | | | |
| | | | <ul style="list-style-type: none"> • Profession (accounting) • Relevant industry experience (financial management / Securities) | | |
| Independent Director | Hsieh-Ju Peng | <p>Equipped with work experience in commerce, law, finance, accounting, or other necessary for the business of the company.</p> <p><u>Main experience (educational background)</u></p> <ul style="list-style-type: none"> • Master of Business Administration, National Chiao Tung University • Executive Vice President of Enflex Corporation <p><u>Current positions:</u></p> <ul style="list-style-type: none"> • Independent Director of Ezconn Corporation • Independent Director of Wafer Works (Shanghai) Co., Ltd. • Director of Icometure Company Limited. <p>Not under any circumstances of Article 30 of the Company Act.</p> <p><u>Expertise:</u></p> <ul style="list-style-type: none"> • Other listed company board member • Relevant industry experience (semiconductor industry /financial management) | | | 1 |

2. Operation Status of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The main responsibilities and authorities are as follows:

- A. Review the Remuneration Committee Charter periodically and propose revision recommendations.
- B. Periodically review the performance evaluation standard, annual and long-term performance goals of the directors and managerial officers, and the policy, system, standard and structure for the remuneration of the Company.
- C. Periodically evaluate the performance goal achievement status of the directors and managerial officers of the Company, and establishes the individual remuneration content and amount based on the evaluation result obtained according to the performance evaluation standard.

(3) Term of the current committee members: From May 24, 2023 to May 23, 2026. From the most recent year (2023) to the printing date of the annual report, the Remuneration Committee held 5 meetings, and the details of the members' eligibility and attendance are as follows:

| Title | Name | Attendance in person | Attendance by proxy | Actual attendance rate (%) | Remarks |
|----------|----------------|----------------------|---------------------|----------------------------|--|
| Convener | Zu-Ming Bi | 5 | 0 | 100% | - |
| Members | Zhi-Feng Jiang | 5 | 0 | 100% | - |
| Members | Hsieh-Ju Peng | 4 | 0 | 100% | - |
| Members | Jiang-Long Kuo | 1 | 0 | 100% | Convener of the first Remuneration Committee, has already stepped down |

Additional information:

- I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons): None.
- II. If any member object or express qualified opinions to the resolution made by the Remuneration Committee on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.
- III. The discussion topics, resolution results, and explanations on how the company addressed the opinions of the members of the Remuneration Committee for the fiscal years 2023 and 2024 up to the printing date are as follows:

| Date | discussion topics | resolution results | The company's handling of the opinions from the Compensation Committee |
|--------------|--|---|---|
| Feb 23, 2023 | 1. 2022 distribution of remuneration of directors 2. 2022 distribution of employees' remuneration 3. 2023 remuneration of CEO 4. 2023 salary adjustment of managerial officers 5. 2023 subsidy of master's and doctorate degrees for managerial officers 6. Designation of chief corporate governance officer | All members of the committee agreed and approved | Proposed to the board of directors and approved by all attending directors. |
| May 24, 2023 | 1. Proposal for the appointment of members for the second term Remuneration Committee | Zu-Ming Bi was nominated as the convener and chairman of this committee | Proposed to the board of directors and approved by all attending directors. |
| Sep 14, 2023 | 1. The company's 2022 restricted stock award for CEO 2. The company's 2022 restricted stock award for managerial staff | All members of the committee agreed and approved | Proposed to the board of directors and approved by all attending directors. |
| Dec 21, 2023 | There are no resolutions for this session, only report items will be presented. | - | - |
| Feb 29, 2024 | 1. 2023 distribution of remuneration of directors 2. 2023 distribution of employees' remuneration | All members of the committee agreed and approved | Proposed to the board of directors and approved by all attending directors. |

3. Nomination committee member information and operation status: Not applicable.

(V) Deviation of the Company's actual promotion of sustainable development execution status from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reason:

| Implementation Items | Status of implementation | | | Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies |
|--|--------------------------|----|--|---|
| | Yes | No | Summary description | |
| I. Has the Company established the governance structure for promoting sustainable development, and set up a unit that specializes (or is involved) in the promotion of sustainable development, and does the board of directors authorize the senior management to handle such matter, and the supervision status of the board of directors? | | V | The Company has not yet established the governance structure for promoting the sustainable development or a unit that specializes (or is involved) in the promotion of sustainable development. However, employees of the Company are aware of the implementation of the corporate sustainable development in regular business activities during the performance of their job duties. In the future, the Company will assess the need for the establishment of relevant structure or department. | Establishment of functional committees will be further determined depending upon the actual conditions in the future. |
| II. Has the Company implemented the risk assessment of environmental, social, and corporate governance issues related to corporate operation, and has the Company established relevant risk management policies or strategies based on the principle of materiality? | V | | <p>The Company evaluates the risks of environmental, social, and corporate governance issues related to the Company's operations based on the materiality principle. It has established the "Code of Corporate Governance Practice", "Sustainable Development Best Practice Principle" and other related risk management.</p> <p>Operational status:</p> <p>I. Implement corporate governance</p> <p>The Company has established the "Code of Ethical Conduct", "Code of Business Ethics", and "Procedures and Conduct Guidelines for Ethical Business Practices" The "Remuneration Committee" and the "Audit Committee" have also been established to hold regular meetings to assist the board in supervising company operations and management and to comply with corporate</p> | No major difference. |

| | | | | |
|--|--|--|--|--|
| | | | <p>governance requirements pertaining to internal operations and management operations, as well as internal management systems, thus fulfilling the role of corporate social responsibilities in business management.</p> <p>II. Sustainable Environment Development</p> <p>For suppliers: In order to promote sustainable business growth, the Company has formed partnerships with various supply chain manufacturers. It is mandated that its partners adhere to the social responsibilities of the supply chain, including green environmental protection, labor human rights and ethics, health and safety, risk management and ethics, and the prohibition of minerals from conflict zones. And give back to suppliers by infrequently visiting suppliers or meeting with them to discuss product delivery dates and provide quality information.</p> <p>Environmental sustainability: The Company is in the IC design industry and has no factory buildings of its own. Wafer production, packaging, and testing are outsourced to manufacturers that specialize in processing. Due to the nature of the industry, no actual products are manufactured, and thus no raw materials, an abundance of water resources, etc. are used. The energy consumption of office computers and computer room equipment accounts for the majority of the total. However, as a global citizen, the Company recognizes the significance of environmental sustainability. The company will continue to implement and promote energy and water conservation, advocating for colleagues to avoid and reduce the use of</p> | |
|--|--|--|--|--|

| | | | |
|--|--|--|--|
| | | <p>disposable tableware or paper cups, utilize electronic approval systems for paperless operations, minimize paper use and recycle paper, and persist in office waste sorting. At the same time, the company will continue to enhance technological advancements, reduce the use of masks for product revisions, and continuously develop small-volume, high-efficiency, low standby power consumption, and highly integrated energy-saving technology power management IC products. This aims to provide customers or consumers with carbon reduction effects while achieving the corporate sustainability goals of energy conservation and carbon reduction.</p> <p>III. Support of Social Welfare</p> <p>The Company complies with labor-related laws and regulations to provide a safe, equal, and fair workplace for its employees, and is committed to enhancing employee welfare. It organizes annual employee health activities, provides cash birthday gifts, and conducts periodic health screenings. The Company places a high value on its employees' opinions and encourages them through educational training and other activities that are held irregularly. Employees have access to a variety of company information via the internal human resources system platform, letter delivery, etc. Additionally, there is an internal suggestion box for employees to provide feedback. Periodically conduct annual bidirectional performance reviews in order to consistently establish two-way communication with supervisors.</p> <p>IV. Enhance the dissemination of information about</p> | |
|--|--|--|--|

| | | | | |
|---|---|---|---|----------------------|
| | | | <p>the sustainable development of enterprises</p> <p>For investors: the company regularly holds earning conference and shareholders' meetings, and responds to shareholders' concerns at the meetings; the company's website establishes an investor section to disclose the most recent information on shareholders' meetings, dividend distribution, stock prices, revenue, financial reports, etc., to strengthen information disclosure and protect investors' rights and interests. The investor relations (IR) mailbox has also been created for investors to provide feedback.</p> <p>For clients: In addition to keeping in touch via the Company's website and email, customers can also gain insight into M3Tek's environmental and social responsibility information, whereas clients can learn about M3Tek products through product use and experience. In order to maintain a close relationship with clients, the Company's employees increase their mutual understanding through frequent visits to customers and various meetings. This enables the Company to continue to provide customers with innovative, dependable, and high-efficiency products with a high price-performance ratio, and increase client confidence and product competitiveness.</p> | |
| III. Environmental Issues | | | | |
| (I) Has the Company established environmental policies suitable for the Company's industrial characteristics? | | V | M3TEK is a professional IC design company without own factory (fabless). In addition, relevant production procedures of wafer, packaging and testing are outsourced to processing suppliers. | Not applicable |
| (II) Is the Company committed to achieving efficient use of resources, and using | V | | The Company's main product is power management IC. With the products designed and developed by the | No major difference. |

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| renewable materials that produce less impact on the environment? | | | Company's team, we are able to assist customers to achieve the beneficial effects of size reduction, energy saving, reduction of carbon emissions and higher performance for power management. | |
| (III) Has the Company assessed the climate change on the present and future potential risks and opportunities of the corporation, and has the Company adopted relevant responsive actions? | V | | The Company cooperates with the government policy for the promotion of energy saving and carbon reduction, and also organizes energy saving, carbon reduction and plastic reduction promotion courses periodically. The Company also implements the promotion of office waste classification for resource recycling and reduction of use of disposal tableware. All employees participate in the energy saving and carbon reduction actions in practice. | No major difference. |
| (IV) Has the Company statistically analyzed the greenhouse gas emission, water usage and waste total weight over the past years, and does the Company establish policies for reduction of greenhouse gas emissions, reduction of water consumption or other waste management? | | V | The greenhouse gas emissions, water consumption and waste periodic follow-up and management data of the Company in the last two years is as follows: (1) Greenhouse gas: 35,817kg in 2022, 37,277kg in 2023. (2) Water consumption; 308 tons in 2022, 371 tons in 2023. (3) Wastes: The Company has no factory facility wastes. | Our company does not own any factories, and therefore, has not established policies for greenhouse gas reduction or water usage reduction. In 2023, the total carbon emissions and water usage of the company increased compared to 2022, primarily due to the relocation of the Taipei office and the addition of new office floors in the Hsinchu office for operational considerations. However, the average carbon emissions per employee decreased by 3% in 2023. |
| IV. Social Issues (I) Has the Company established related management policies and procedures in accordance with applicable laws and the international human rights conventions? | V | | The Company provides legal rights and interests to employees according to relevant laws and regulations of the Labor Standards Act. | No major difference. |

| | | | |
|--|----------|---|-----------------------------|
| <p>(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?</p> | <p>V</p> | <p>The company annually refers to the market salary survey reports of benchmark companies and overall industry salary data, as well as collects related salary information from the market to establish compensation strategies.</p> <p>In accordance with the Labor Standards Act, our company ensures the rights of employees, including salaries paid monthly. Based on the annual profit situation, the company allocates additional employee rewards.</p> <p>Employee rewards are meant to thank colleagues for their contributions, reward their efforts, and motivate continued diligence, aligning employee interests with shareholder interests to create a win-win situation for the company, shareholders, and employees.</p> <p>According to the company's articles of association and operational results, if the company is profitable, a minimum of 6% of the profit is allocated for employee rewards as an incentive, with the amount and distribution method approved by the board of directors upon recommendation from the Remuneration Committee.</p> <p>Besides legally providing labor insurance, national health insurance, and pension contributions for employees, the company also plans group insurance and overseas travel insurance for business trips to ensure the well-being of employees.</p> | <p>No major difference.</p> |
| <p>(III) Has the Company provided a safe and healthy work environment for employees, and education on occupational safety and health for employees at regular intervals?</p> | <p>V</p> | <p>Providing a safe working environment and caring for employees' physical and mental health is the responsibility of the company. Our work environment passes fire safety inspections and offers annual health check-ups for employees conducted by professional doctors, including personal health examinations and report explanations, along with</p> | <p>No major difference.</p> |

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| | | | health consultations for employees. In addition, the company regularly organizes employee health activities and conducts occupational safety training for employees to enhance their emergency response capabilities, aiming to balance work and healthy living for employees. In the fiscal year 2023, there were no occupational accidents related to earthquakes, fires, floods, or other disasters. | |
| (IV) Has the Company established effective career development training programs for employees? | V | | The Company reviews the employee competence status according to the organization, department and individual needs annually, in order to plan employee competence improvement training and personal training development plan. | No major difference. |
| (V) Has the Company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer or customer protection policies and complaint procedures? | V | | The Company is an IC design company and does not have own brand in end products. The main business is to sell power management chips to customers, and customers then manufacture into products for sale; therefore, marketing and labeling are not relevant issues to the Company. Nevertheless, the Company has established customer complaint management related policies and procedures in order to protect the rights and interests of customers. | No major difference. |
| (VI) Has the Company established supplier management policy, requested suppliers to comply with relevant regulations with regards to the issues of the environmental protection, occupational safety and health or labor rights, and the status of implementation? | V | | Our company's ISO 9001 includes a supplier management policy. Relevant suppliers also comply with the ISO 14001 international certification qualifications. ISO 14001 has existing regulations that adhere to environmental protection, occupational safety and health, and other issues. However, labor rights are not covered by ISO 14001, and it is planned to incorporate them into the promotion and operations of supplier management items in 2024. | Upon review, it has been identified that the ISO14001 standards currently lack components related to labor rights. It is planned to incorporate this aspect into the supplier management policy in 2024. |
| V. Does the Company refer to international reporting standards or guidelines, and prepare sustainability report and reports for disclosing | | V | Presently, the Company has not yet prepared sustainable development report for non-financial information disclosure. Nevertheless, the Company | Relevant report preparation will be further determined depending upon the actual conditions in the |

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|---|--|--|---|---------|
| non-financial information of the Company? Is the report subject to the validation or guarantee by a third-party accreditor? | | | will prepare such report depending upon the needs and according to the regulatory requirements. | future. |
| <p>VI. If the Company has established its own sustainability development principles in accordance with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” please describe any deviation from the principles in the Company’s operations: The Company has established the “Sustainable Development Best Practice Principles” and continuously promotes and implements sustainable development social corporate responsibility. In addition, the relevant information of greenhouse gas emission and water consumption has been disclosed on the corporate website of the Company. The Company will disclose other important information related to sustainable development execution status depending upon the actual condition.</p> | | | | |
| <p>VII. Other important information to understand the execution status of promotion of sustainable development: Presently, the Company has not prepared the sustainable development report; however, the “Sustainable Development Best Practice Principles” has been stipulated, and the Company will continue to promote and implement sustainable development social corporate responsibility.</p> | | | | |

Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

| Item | Execution status |
|---|--|
| <p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p> <p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p> <p>3. Describe the financial impact of extreme weather events and transformative actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</p> <p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>9. Greenhouse gas inventory and assurance status and reduction targets,</p> | <p>Climate change increasingly impacts corporate operations significantly. Our board of directors and management, following our "Sustainable Development Best Practice Principle" oversee and manage climate risks. In the future, we will evaluate climate-related risks and opportunities, how these factors affect our finances, operations and strategy, the financial impacts of extreme climate events and transition actions, and the overall risk management system and scenario analysis including parameters, assumptions, and analytical factors. Subsequently, we will consider whether to establish a transformation plan for managing climate-related risks, use internal carbon pricing as a planning tool, or set climate-related goals. According to the sustainable development roadmap for listed companies, the parent company plans to complete the inventory by 2026 and the verification by 2028. The subsidiary is scheduled to finish the inventory by 2027 and verification by 2029. The company regularly reports progress to the board of directors quarterly, following the schedule. The board of directors also dutifully encourages the company to practice sustainable development regularly.</p> |

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| strategy, and concrete action plan (separately fill out in points (1) and (2) below). | |
|---|--|

(1)Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

A.Greenhouse Gas Inventory Information

| |
|---|
| Greenhouse Gas Inventory InformationDescribe the emission volume (metric tons CO2e), intensity (metric tons CO2e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years. |
| <p>Currently, only self-inventory operations have been carried out, with the following results:</p> <p>(1) Greenhouse gases: 35.817 tons and intensity of 0.0303(metric tons CO2e/NT\$ million) for the year 2022, and 37.277 tons and intensity of 0.0365(metric tons CO2e/NT\$ million)for the year 2023.</p> <p>Our company does not own any manufacturing facilities; therefore, there are no Scope 1 greenhouse gas emissions. The emissions reported above are all Scope 2 greenhouse gas emissions.</p> <p>(2) Water usage: 308 cubic meters for the year 2022, and 371 cubic meters for the year 2023.</p> <p>(3) Waste: The company does not produce any factory waste.</p> |

B.Greenhouse Gas Assurance Information

| |
|---|
| Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion. |
| Assurance operations have not yet commenced. |

(2)Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

| |
|--|
| Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets. |
|--|

In accordance with the sustainable development roadmap for listed companies, the parent company plans to complete the inventory by 2026 and obtain a complete greenhouse gas verification opinion by 2028. The subsidiary aims to complete the inventory by 2027 and obtain a complete greenhouse gas verification opinion by 2029.

The company has disclosed the following information related to greenhouse gas emissions, water usage, and waste tracking for the past two years on the corporate website:

(1) Greenhouse gases: 35,817 kg in 2022, and 37,277 kg in 2023.

Our company does not own any manufacturing facilities; therefore, there are no Scope 1 greenhouse gas emissions. The emissions reported above are all Scope 2 greenhouse gas emissions.

(2) Water usage: 308 cubic meters in 2022, and 371 cubic meters in 2023.

(3) Waste: The company does not produce any factory waste.

| Item | 2022 | 2023 |
|--|--------|--------|
| Water consumption (cubic meters) | 308 | 371 |
| Electricity consumption (kilowatt-hours) | 70,833 | 74,184 |
| Factory waste | 0 | 0 |

| Item | 2022 | 2023 |
|--|--------|--------|
| Greenhouse gas emissions and reduction information | 35,817 | 37,227 |

The company's carbon dioxide emissions mainly originate from electricity and water, with the conservation of these resources being the priority targets for our energy-saving and carbon reduction initiatives. Hence, our greenhouse gas emissions are categorized as indirect emissions, with carbon dioxide emissions from the use of electricity and water being the primary sources of our greenhouse gas emissions. Our energy-saving and carbon reduction plan is primarily focused on conserving electricity and water. According to statistics, the total carbon emissions and water usage of the company in 2023 increased compared to 2022, mainly due to operational considerations leading to the relocation of the Taipei office and the addition of new office floors in the Hsinchu office in 2023. However, due to the increase in manpower in 2023, the average carbon emissions per employee decreased by 3%.

| Item | 2022 | 2023 |
|---|-------|-------|
| Average electricity consumption per person | 1,816 | 1,766 |
| Decrease% | -1% | -3% |
| Average greenhouse gas emissions per person | 918 | 886 |
| Decrease% | -1% | -3% |

The company will continue to implement and promote the conservation of electricity and water, advocating for colleagues to avoid and reduce the use of disposable tableware or paper cups. We will utilize electronic approval systems for paperless operations, reduce paper usage, and enhance paper recycling and reuse, with ongoing office waste sorting. Simultaneously, our company will continue to advance technological improvements, reduce the use of photomasks for product revisions, and other technological enhancements. We are committed to the ongoing development of energy-saving technology power management IC products featuring small volume, high efficiency, low standby power consumption, and high integration. This aims to provide customers or consumers with carbon reduction benefits while achieving the corporate sustainability goals of energy conservation and carbon reduction.

(VI) Ethical Corporate Management Practices, and Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

| Evaluation Item | The operation | | | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|--|---------------|----|--|--|
| | Yes | No | Summary description | |
| I. Establishment of ethical corporate management policies and action plans | | | | |
| (I) Has the company established ethical management policies approved by the board of directors' meeting and stated in its bylaw and publicly available documents addressing its corporate conduct and ethics policy and measures? Are the board of directors and the management committed in fulfilling this commitment? | V | | (I) The Company has established the "Code of Business Ethics" and "Procedures and Conduct Guidelines for Ethical Business Practices", which have also been approved by board of directors. The board of directors and senior management will comply with the laws and execute management rules in order to fulfill its commitment in operational policies. | No major difference. |
| (II) Has the Company established assessment mechanism for unethical conduct risk, performed periodic analysis and assessed operating activities of relatively higher unethical conduct risk in the scope of business, and has established unethical conduct solution accordingly, and at least covering the preventive measures for the conducts described in each subparagraph of Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? | V | | (II) The Company has established the "Code of Business Ethics" and "Procedures and Conduct Guidelines for Ethical Business Practices". Accordingly, before establishing business relationship with others, the Company assesses the legality, ethical management policy and records of any unethical conducts of the counterparty to ensure the business operation method is fair, transparent and without requesting, offering or accepting any bribes. | No major difference. |
| (III) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the | V | | (III) To prevent unethical conducts, the Company has specified operational procedures, guidelines for conducts, disciplinary actions for violations and appeal system in the "Procedures and Conduct | No major difference. |

| Evaluation Item | The operation | | | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|---|---------------|----|---|--|
| | Yes | No | Summary description | |
| above measures reviewed and revised on a regular basis? | | | Guidelines for Ethical Business Practices”. In addition, the Company also reviews and corrects the procedures properly. | |
| II. Implementer of ethical corporate management | | | | |
| (I) Does the Company evaluate the record of the counterparties on business ethics, and explicitly state business integrity as an integral part of the contracts when entering into agreements with counterparties? | V | | (I) The business activities of the Company do not involve any illegal matters or purposes, and suppliers are evaluated periodically. In case where any supplier has the record of unethical conduct, the Company will suspend it or remove it from the qualified supplier list. | No major difference. |
| (II) Does the Company establish a designated body directly under the board of directors for promoting ethical corporate management and periodically reporting to the board of directors (at least once a year) on its execution status? | V | | (II) The human resource unit of the Company is the dedicated unit for the promotion of ethical management, and it also handles the amendment, execution, interpretation, consulting service of “Procedures and Conduct Guidelines for Ethical Business Practices” as well as report registration and filing related operations and supervision. In addition, the human resource unit also reports to the board of directors periodically. | No major difference. |
| (III) Has the Company made policies for the prevention of conflicts of interest, and appropriate channels for complaints, and properly implemented the policies? | V | | (III) The Company has established the “Code of Business Ethics” to prevent conflict of interests. For proposals submitted during the board of directors’ meetings and relevant committee meetings, for any individual or representative having conflict of interest such that the interest of the Company may be damaged, the individual or representative shall be recused. | No major difference. |

| Evaluation Item | The operation | | | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|---|---------------|----|--|--|
| | Yes | No | Summary description | |
| (IV) Has the Company established effective accounting systems and internal control systems for the proper implementation of ethical corporate management? Has the internal audit unit designed relevant audit plans on the basis of the assessment results of integrity risks for the prevention of unethical practices and compliance of related rules and regulations, or engage certified public accountants to conduct audits on unethical practices? | V | | (IV) The Company has established effective internal control system, relevant regulations and accounting system. In addition, the internal auditors perform audit on the compliance status of the aforementioned system and report to the board of directors. | No major difference. |
| (V) Does the Company provide internal and external ethical corporate management training programs on a regular basis? | V | | (V) The Company provides implementation explanation during various meetings irregularly. | No major difference. |
| III. The reporting system of the Company in practice | | | | |
| (I) Does the Company establish a substantive reporting, reward and punishment system and convenient channels for reporting, and appointed designated personnel for handling the targets of reports? | V | | (I) The Company has stipulated the “Procedures and Conduct Guidelines for Ethical Business Practices” and has also established convenient complaint channel in order to assign appropriate receiving unit for adjustments of the complained subject and to protect all employees submitting recommendations or complaints. | No major difference. |
| (II) Does the Company establish standard procedures for responding to reports and complaints, the measures to be taken after the investigation, and related mechanisms for confidentiality? | V | | (II) The Company has specified the investigation and relevant confidentiality mechanisms for complaints received in the “Procedures and Conduct Guidelines for Ethical Business Practices”. | No major difference. |

| Evaluation Item | The operation | | | Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies |
|--|---------------|----|---|--|
| | Yes | No | Summary description | |
| (III) Does the Company take any measures for the protection of the informants from suffering undue treatment? | V | | (III) The Company ensures the confidentiality of the identity of the complainant and complaint content and prevents any improper handling due to the filing of complaint. | No major difference. |
| IV. Enhancement of information disclosure (I) Has the Company disclosed the content of the Ethical Corporate Management Best Practice Principles on its official websites and MOPS, and the result of the implementation? | V | | The Company has disclosed ethical corporate management related information on the Company's website, and also discloses relevant information on MOPS. | No major difference. |
| V. If the Company has established ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: No major difference. | | | | |
| VI. Other important information that is helpful in understanding the corporate ethical management operation of the Company? (Such as, the Company has the corporate ethical management best practice principles amended, etc.): The Company has established the “Code of Business Ethics” and “Procedures and Conduct Guidelines for Ethical Business Practices”, and complies with the relevant regulations of the Company Act and Securities and Exchange Act, in order to use them as the basic principles for the implementation of ethical management. | | | | |

(VII) If the Company has instituted the Ethical Corporate Management Best Practice Principles and related rules and regulations, disclose the means for inquiry

1. Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>
2. The Company's website: <http://www.m3tekic.com>

(VIII) Any other important information that helps to under the pursuit of corporate governance better:

1. To effectively manage internal major information of the Company, the Company has established the "Internal Significant Information Procedures", which is also published on the Company's website for the compliance of all employees in order to prevent violation or occurrence of insider trading.
2. Relevant regulations have been disclosed on the Company's website for investors' inquiry.

(IX) Internal Control System Execution Status and Required Disclosure:

1. Internal Control system Declaration: Please refer to Appendix 1 of this Annual Report.
2. If the internal control policy was reviewed by CPA, the CPA's review report shall be disclosed: None.

(X) Penalties imposed against the Company and its internal personnel for regulatory violation, or penalties imposed by the Company against its employees for violation of internal control policy in the most recent year up till the publication date of this annual report; if the penalty result may have material impact on the shareholders' equity or stock price, it is necessary to describe the penalty content, areas of weakness and improvement status: None.

(XI) Major resolutions made by the Shareholders' Meeting and the Board of Directors during the latest financial year, up till the publication date of this annual report:

1. Important resolution and execution status of shareholders' meetings

| Date | Meeting session | Important resolution | Status of implementation |
|--------------|--------------------------------|---|---|
| May 24, 2023 | Ordinary Shareholders' Meeting | Ratification Items: 1. 2022 Parent company only financial statements, consolidated financial statements and business report of the Company 2. The Company's 2022 earnings distribution proposal | 1 Resolution was passed 2. The resolution was passed, and the chairman was authorized to set the ex-dividend date. The chairman determined Jul 13, 2023, as the ex-dividend date, with the dividends to be fully distributed by Jul 28, 2023. (A cash dividend of 3.00337787 TWD per share was distributed.) |

| | | | |
|--------------|--|---|---|
| | | <p>Discussion Items:</p> <p>1. Amendment to the Articles of Incorporation of the Company</p> <p>2. Amendment to the Procedures for Election of Directors of the Company</p> <p>3. Amendment to the Rules of Procedure for Shareholders Meeting of the Company</p> | <p>1. The resolution was passed, and the registration was approved by the authority on Jun 9, 2023, to be processed according to the revised procedures</p> <p>2. The resolution was passed and was processed according to the revised procedure</p> <p>3. The resolution was passed and was processed according to the revised procedures.</p> |
| | | <p>Election Items:</p> <p>Election of Directors (Including Independent Directors)</p> | <p>List of elected directors: Chang-Yong Chen, David Da Meng, ITE Tech. Inc., Wei-Tse Hung,</p> <p>List of elected independent directors: Zhi-Feng Jiang, Zu-Ming Bi, Hsieh-Ju Peng</p> <p>Registered with the approval of the authority on Jun 9, 2023</p> |
| | | <p>Other motions:</p> <p>Release the Restriction on Directors (Including its Representative) from Participation in Competitive Business</p> | <p>Resolution was passed</p> |
| Jan 31, 2024 | 2024 first Extraordinary Shareholders' Meeting | <p>Discussion Items:</p> <p>Amendment to the Articles of Incorporation of the Company</p> | <p>The resolution was passed, and the registration was approved by the authority on Feb 21, 2024, to be processed according to the revised procedures</p> |
| | | <p>Election Items:</p> <p>Election of Director</p> | <p>List of elected directors: AP Memory Technology Corporation</p> <p>Registered with the approval of the authority on Feb 21, 2024</p> |
| | | <p>Other motions:</p> <p>Release the Restriction on Directors (Including its Representative) from Participation in Competitive Business</p> | <p>Resolution was passed</p> |

2. Important resolutions of the board of directors' meetings

| Date | Term and number of board meeting | Important resolution |
|--------------|---|--|
| Feb 23, 2023 | 4 th term 24 th meeting | <ol style="list-style-type: none"> 1. 2022 parent company only financial statements, consolidated financial statements and business report 2. Issuance of 2022 "Internal Control System Declaration" 3. 2022 fourth quarter distribution of earnings of the Company 4. 2022 distribution of remuneration of directors 5. 2022 distribution of employees' remuneration 6. 2023 remuneration of CEO 7. 2023 salary adjustment of managerial officers 8. 2023 subsidy of master's and doctorate degrees for managerial officers 9. Set the record date for capital increase registration for the execution of employee stock option during fourth quarter of 2022 10. Establishment of the "Regulations for reviewing the pre-approval of non-assurance services provided by the CPA" 11. Independence and competency evaluation of CPAs and CPAs appointment fee 12. Amendment to "Code of Corporate Governance Practice" 13. Amendment to the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" 14. Amendment to the "Procedures for Election of Directors" 15. Amendment to the "Articles of Incorporation" 16. Designation of chief corporate governance officer 17. Election of directors (Including Independent Directors) 18. Date, venue, and agenda for the 2023 annual shareholders' meeting |
| Apr 10, 2023 | 4 th term 25 th meeting | <ol style="list-style-type: none"> 1. Nomination and review candidates for directors and independent directors 2. Release the restriction on directors (Including its Representative) from participation in competitive business 3. Amendment to the "Rules of Procedure for Shareholder Meetings" 4. Additional agenda of 2023 Annual Shareholders' Meeting |
| May 11, 2023 | 4 th term 26 th meeting | <ol style="list-style-type: none"> 1. 2023 first quarter consolidated financial statements of the Company 2. 2023 first quarter non-distribution of earnings" of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during first quarter of 2023 |
| May 19, 2023 | 4 th term 1 st special meeting | <ol style="list-style-type: none"> 1. The company plans to purchase a real estate property |
| May 24, 2023 | 5 th term 1 st special meeting | <ol style="list-style-type: none"> 1. The election of the 5th term Chairman of the Board 2. Proposal for the appointment of members for the second term Remuneration Committee |
| Jun 7, 2023 | 5 th term 1 st meeting | <ol style="list-style-type: none"> 1. The company plans to purchase a real estate property |
| Aug 10, 2023 | 5 th term 2 nd meeting | <ol style="list-style-type: none"> 1. 2023 second quarter consolidated financial statements of the Company 2. 2023 second quarter non-distribution of earnings" of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during second quarter of 2023 4. The appointment of the company's internal audit director 5. Apply for a credit limit from financial institutions |

| Date | Term and number of board meeting | Important resolution |
|--------------|---|--|
| Sep 14, 2023 | 5 th term 3 rd meeting | <ol style="list-style-type: none"> 1. The company's 2022 restricted stock award for CEO 2. The company's 2022 restricted stock award for managerial staff 3. The company's 2022 restricted stock award for non-managerial staff 4. Change of the company's registered address |
| Nov 09, 2023 | 5 th term 4 th meeting | <ol style="list-style-type: none"> 1. 2023 third quarter consolidated financial statements of the Company 2. 2023 third quarter non-distribution of earnings” of the Company 3. Set the record date for capital increase registration for the execution of employee stock option during third quarter of 2023 4. The company's 2024 audit plan 5. Apply for a credit limit from financial institutions |
| Dec 11, 2023 | 5 th term 5 th meeting | <ol style="list-style-type: none"> 1. Amendment to the “Articles of Incorporation” 2. Election of Director 3. The date, location, reasons for convening, and matters related to nominations by shareholders holding more than 1% of shares for the first extraordinary shareholders' meeting of 2024 |
| Dec 21, 2023 | 5 th term 6 th meeting | <ol style="list-style-type: none"> 1. The company's 2024 budget plan |
| Jan 4, 2024 | 5 th term 7 th meeting | <ol style="list-style-type: none"> 1. Nomination and review candidates for directors 2. Release the Restriction on Directors (Including its Representative) from Participation in Competitive Business |
| Jan 31, 2024 | 5 th term 2 nd special meeting | <ol style="list-style-type: none"> 1. Nomination of the Chairman |
| Feb 29, 2024 | 5 th term 8 th meeting | <ol style="list-style-type: none"> 1. 2023 parent company only financial statements, consolidated financial statements and business report 2. 2023 fourth quarter distribution of earnings of the Company 3. Issuance of 2023 “Internal Control System Declaration” 4. Amendment to the “Audit Committee Procedures” 5. Amendment to the “Regulations for Board Meetings” 6. 2023 distribution of remuneration of directors 7. 2023 distribution of employees’ remuneration 8. Set the record date for capital increase registration for the execution of employee stock option during fourth quarter of 2023 9. The company reclaimed and canceled restricted stock award. 10. Independence and competency evaluation of CPAs and CPAs appointment fee 11. Election of Director 12. Date, venue, and agenda for the 2024 annual shareholders’ meeting |
| Apr 9, 2024 | 5 th term 9 th meeting | <ol style="list-style-type: none"> 1. Nomination and review candidates for directors 2. Release the restriction on directors (Including its Representative) from participation in competitive business 3. The change in the company's Chief Financial Officer and Accounting Officer. |

(XII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year and up till the publication date of this annual report, and its main content:

At the Board of Directors meeting on May 19, 2023, regarding the company's plan to purchase real estate, independent director Jiang-Long Kuo raised an objection during the discussion of this case. The objection is as follows: "As M3TEK is an IC Design House and not a construction company, the limited cash within M3TEK should be utilized where it is

most needed. The company should fully invest in acquiring new product development technologies, hiring outstanding IC design engineers, implementing optimization plans for the company's Design Systems & Operation Systems, and securing the funds needed for M&A plans."

The case was voted on by all attending directors, with 6 directors in favor and 1 against, and the proposal was passed accordingly.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, chief corporate governance officer or head of R&D in the most recent year up till the publication date of this annual report:

April 23, 2024

| Title | Name | Date of appointment | Date of resignation or dismissal | Reason for the resignation or dismissal |
|----------------------------------|-----------------|---------------------|----------------------------------|---|
| Chairman | Chang-Yong Chen | Sep 7, 2010 | Jan 31, 2024 | Retirement |
| Audit Manager | Ying-Chen Liao | Aug 19, 2019 | Jun 30, 2023 | Career planning |
| Financial and Accounting Officer | Shu-Hui Huang | Mar 3, 2015 | Apr 9, 2024 | Position adjustment |

V. Information on Independent Auditor's Fee

(I) Information on Independent Auditor's Fee

Unit: NT\$ Thousand

| Name of CPA Firm | Name of CPA | CPA Audit Period | Auditing Public Expense | Non-auditing Public Expense | Total | Remarks |
|------------------|-----------------|----------------------------------|-------------------------|-----------------------------|-------|--|
| Deloitte Taiwan | Ming-Yen Chien | From Jan 1, 2023 to Dec 31, 2023 | 3,250 | 250 | 3,500 | Non-audit fees are related to services such as tax certification |
| | Cheng-Chun Chiu | | | | | |

(II) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year, and disclosure for the change in audit fee, and the reason for the change: None.

(III) Reduction of audit fees by more than 10% compared to the previous year, and disclosure for the amount and percentage reduced, and the reason for the reduction: None.

VI. Replacement of CPA's Information: None.

VII. The Auditing Firm or Its Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/Her Name, Position and Employment Period Shall Be Disclosed: None.

VIII. Transfer or pledge of shares owned by directors, supervisors, managerial officers, shareholders with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the printing date of the annual report:

(I) Transfer or pledge of shares owned by directors, supervisors, managerial officers and shareholders with a stake of more than 10 percent:

| Title | Name | 2023 | | For the fiscal year ending March 31. | |
|--|--|------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| | | Increase (decrease) in Shares Held | Increase (decrease) in Shares Pledged | Increase (decrease) in Shares Held | Increase (decrease) in Shares Pledged |
| Chairman | AP Memory Technology Corporation (Note 1) | Not applicable | Not applicable | - | - |
| | Representative: Wen-Liang Chen | Not applicable | Not applicable | - | - |
| Director and shareholders with a stake of more than 10 percent | Chang-Yong Chen | (4,140,000) | - | - | - |
| Director and CEO | David Da Meng | 140,000 | - | - | - |
| Director | ITE Tech. Inc. | (519,000) | - | (410,000) | - |
| | Representative: Hung-Yao Lin (Note 2) | - | - | Not applicable | Not applicable |
| | Representative: Hsiu-Che Lin (Note 2) | Not applicable | Not applicable | - | - |
| Director | Top Taiwan IX Venture Capital Co., Ltd. (Note 3) | - | - | Not applicable | Not applicable |
| | Representative: Pei-Yu Zheng | - | - | Not applicable | Not applicable |
| Director | Wei-Tse Hung (Note 5) | 15,000 | - | Not applicable | Not applicable |
| Independent Director | Jiang-Long Kuo (Note 3) | - | - | Not applicable | Not applicable |
| Independent Director | Zhi-Feng Jiang | - | - | - | - |
| Independent Director | Zu-Ming Bi | - | - | - | - |
| Independent Director | Hsieh-Ju Peng (Note 4) | - | - | - | - |
| Vice President | Xiao-Yu Xi | 150,000 | - | - | - |
| Special Assistant of CEO | Hsiao-Mei Wu | - | - | - | - |
| Director, AE | Yang Bo | 120,000 | - | - | - |
| Associate Vice President, Sales | Ren-Sheng Chuang | (371,000) | - | (24,000) | - |
| Director, FAE | Chih-Chien Lu | (92,000) | - | 60,000 | - |
| Director, Sales | Chien-Ming Hsieh (Note 6) | (146,000) | - | Not applicable | Not applicable |
| Associate Vice President, PP&TE | Ping-Ming Peng | (268,000) | - | (77,000) | - |
| Director, QA&PE | Tsung-Chin Wu | (116,000) | - | (18,000) | - |
| Director, R&D | Yen-Ning Lu (Note 7) | - | - | Not applicable | Not applicable |
| Director, Sales | Yao-Ming Hu | Not applicable | Not applicable | - | - |
| Director, Finance | Shu-Hui Huang | (133,592) | - | - | - |

Note 1 : Assumes office after being elected at the extraordinary shareholders' meeting on Jan 31, 2024.

Note 2 : ITE Tech. Inc. appointed Hsiu-Che Lin as its representative on Jan 2, 2024.

Note 3 : Resigned following the annual shareholders' meeting on May 24, 2023, where a complete re-election took place.

Note 4 : Appointed after the annual shareholders' meeting on May 24, 2023.

Note 5 : Appointed after the annual shareholders' meeting on May 24, 2023; resigned on Jan 30, 2024.

Note 6 : Resigned on Sep 30, 2023.

Note 7 : Resigned on Nov 24, 2023.

(II) Information on transfer of equity from a director, supervisor, managerial officer and shareholder with shareholding percentage exceeding 10 percent to a related party:

| Name | Reason for transfer | Date of transaction | Counterparty | Relationship between the counterparty and the Company, Directors, managers and shareholders with a 10% stake or more | Number of shares | Transaction price |
|-----------------|-----------------------|---------------------|----------------------------------|--|------------------|-------------------|
| Chang-Yong Chen | Strategic Cooperation | Nov 13, 2023 | AP Memory Technology Corporation | Chairman | 4,000,000 | NT\$125 per share |

(III) Information on pledge of equity created by a director, supervisor, manager and major shareholder with shareholding percentage exceeding 10 percent for a related party: None.

IX. Information on top ten shareholders for related parties or spouse, relative relationship within second degree of kinship among themselves:

Mar 26, 2024; Unit: shares

| Name | Personal Shareholding | | Holding of shares by spouse, underage children | | Total shares held under the name of others | | Company name or individual name and relationship of related parties or spouse or kinship within the second degree among the top 10 major shareholders | | Remark |
|---|-----------------------|---------------------------|--|---------------------------|--|---------------------------|---|----------------|--------|
| | Shares | Ratio of shareholding (%) | Shares | Ratio of shareholding (%) | Shares | Ratio of shareholding (%) | Title (or name) | Relation | |
| Chang-Yong Chen | 4,266,666 | 10.01 | - | - | - | - | M3 Technology Inc. | Director | - |
| AP Memory Technology Corporation | 4,000,000 | 9.39 | - | - | - | - | M3 Technology Inc. | Representative | - |
| AP Memory Technology Corporation Representative: Wen-Liang Chen | - | - | - | - | - | - | | | |
| M3 Technology Inc. | 1,276,000 | 2.99 | - | - | - | - | AP Memory Technology Corporation | Representative | - |
| M3 Technology Inc. Representative: AP Memory Technology Corporation | 4,000,000 | 9.39 | - | - | - | - | | | |
| Fang-Yen Chang | 1,100,949 | 2.58 | 190,000 | 0.45 | - | - | - | - | - |
| ITE Tech. Inc. | 1,084,000 | 2.54 | - | - | - | - | M3 Technology Inc. | Director | - |
| ITE Tech. Inc. Representative: Chun-Yang Hu | - | - | - | - | - | - | | | |

| Name | Personal Shareholding | | Holding of shares by spouse, underage children | | Total shares held under the name of others | | Company name or individual name and relationship of related parties or spouse or kinship within the second degree among the top 10 major shareholders | | Remark |
|--|-----------------------|---------------------------|--|---------------------------|--|---------------------------|---|----------|--------|
| | Shares | Ratio of shareholding (%) | Shares | Ratio of shareholding (%) | Shares | Ratio of shareholding (%) | Title (or name) | Relation | |
| Jaryuan Investment Co. Ltd | 1,005,000 | 2.36 | - | - | - | - | | | |
| Jaryuan Investment Co. Ltd Representative: Su-Chiu Wu | - | - | - | - | - | - | - | - | - |
| Top Taiwan IX Venture Capital Co., Ltd. | 890,096 | 2.09 | - | - | - | - | | | |
| Top Taiwan IX Venture Capital Co., Ltd. Representative: Te-Cheng Chiu | - | - | - | - | - | - | - | - | - |
| Grandeur Peak Emerging Markets Opportunites Fund | 715,000 | 1.68 | - | - | - | - | - | - | - |
| Grandeur Peak Global Opportunites Fund | 640,000 | 1.50 | - | - | - | - | - | - | - |
| Grandeur Peak International Opportunites Fund | 596,000 | 1.40 | - | - | - | - | - | - | - |

X. Number of shares held by the Company, the Company's directors, supervisors, managerial officers and the number of shares invested in a single company which are held by the entities directly or indirectly controlled by the Company, and calculating the consolidated shareholding percentage of the above categories:

December 31, 2023; Unit: thousand shares

| Reinvestment Business (Note 3) | Investment by the Company | | Investment by directors, supervisors, managers and direct or indirect controlled business | | Combined Investment | |
|-------------------------------------|---------------------------|---------------------------|---|---------------------------|---------------------|---------------------------|
| | Shares | Ratio of shareholding (%) | Shares | Ratio of shareholding (%) | Shares | Ratio of shareholding (%) |
| Blink Electronic Co., Ltd. | 1,500 | 100% | - | - | 1,500 | 100% |
| M3 Technology (Dallas) Inc. | (註 1) | 100% | - | - | (註 1) | 100% |
| Xi'An M3 Semiconductor Corporation. | (註 2) | 100% | - | - | (註 2) | 100% |

Note 1: Capital investment has not yet been transferred up to the end of December 31, 2023.

Note 2: It is not a company limited by shares; therefore, there is no information on shares.

Note 3: The Company adopts the investment accounted for under the equity method.

Four. Fundraising Status

I. Capital and Shares

(I) Source of Equity

1. Status of equity change of the Company up to the date of April 23, 2024

Unit: NT\$; shares

| Year Month | Price of Issuance (NT\$) | Approved Share Capital | | Paid-in Capital | | Remarks | | |
|-------------------|--------------------------------|------------------------|-------------|-----------------|-------------|---|---|------------|
| | | Shares | Amount | Shares | Amount | Share capital Source | Those who use assets other than cash to offset the share price | Others |
| September 2010 | 10 | 1,400,000 | 14,000,000 | 1,400,000 | 14,000,000 | Company registration share capital of NT\$14,000,000 | — | Note 1 |
| March 2011 | 10 | 3,525,363 | 35,253,630 | 3,525,363 | 35,253,630 | Capital increase by cash of NT\$21,253,630 | — | Note 2 |
| August 2011 | 10 | 6,000,000 | 60,000,000 | 6,000,000 | 60,000,000 | Capital increase by cash of NT\$24,746,370 | — | Note 3 |
| July 2012 | 10 | 10,000,000 | 100,000,000 | 10,000,000 | 100,000,000 | Capital increase by cash of NT\$40,000,000 | — | Note 4 |
| April 2014 | 18 | 30,000,000 | 300,000,000 | 12,250,000 | 122,500,000 | Capital increase by cash of NT\$22,500,000 | — | Note 5 |
| July 2014 | 17 | 30,000,000 | 300,000,000 | 27,900,000 | 279,000,000 | Cash Capital increase by cash of NT\$156,500,000 | — | Note 6 |
| October 2018 | 12 | 40,000,000 | 400,000,000 | 32,483,333 | 324,833,330 | Capital increase by cash of NT\$45,833,330 | — | Note 7 |
| January 2019 | 12 | 40,000,000 | 400,000,000 | 33,729,133 | 337,291,330 | Capital increase by cash of NT\$12,458,000 | — | Note 8 |
| May 2019 | 18 | 40,000,000 | 400,000,000 | 36,729,133 | 367,291,330 | Capital increase by cash of NT\$30,000,000 | — | Note 9 |
| January 2020 | - | 60,000,000 | 600,000,000 | 36,729,133 | 367,291,330 | Increase of approved share capital | — | Note 10 |
| May 2022 | 10 | 60,000,000 | 600,000,000 | 40,384,133 | 403,841,330 | Capital increase by cash of NT\$36,550,000 | — | Note 11 |
| November 2022 | 10 | 60,000,000 | 600,000,000 | 40,788,133 | 407,881,330 | Capital increase employee stock option of NT\$4,040,000 | — | Note 12 |
| March 2023 | 10 | 60,000,000 | 600,000,000 | 41,216,133 | 412,161,330 | Capital increase employee stock option of NT\$4,280,000 | — | Note 13 |
| June 2023 | 10 | 60,000,000 | 600,000,000 | 41,329,133 | 413,291,330 | Capital increase employee stock option of NT\$1,130,000 | — | Note 14 |
| August 2023 | 10 | 60,000,000 | 600,000,000 | 41,836,133 | 418,361,330 | Capital increase employee stock option of NT\$5,070,000 | — | Note 15 |
| November 2023 | 10 | 60,000,000 | 600,000,000 | 42,539,133 | 425,391,330 | Capital increase employee stock option of NT\$210,000 Capital increase restricted stock reward NT\$6,820,000 | — | Note 16 |

| | | | | | | | | |
|---------------|----|------------|-------------|------------|-------------|--|---|------------|
| March 2024 | 10 | 60,000,000 | 600,000,000 | 42,488,133 | 424,881,330 | Capital increase employee stock option of NT\$30,000 Capital decrease restricted stock reward NT\$540,000 | — | Note 17 |
|---------------|----|------------|-------------|------------|-------------|--|---|------------|

Note 1: Approved by Taipei City Government on Sep 7, 2010 in document number 09887530010

Note 2: Approved by Taipei City Government on Mar 3, 2011 in document number 10081529100

Note 3: Approved by Taipei City Government on Aug 26, 2011 in document number 10087009000

Note 4: Approved by Taipei City Government on Jul 19, 2012 in document number 10185754200

Note 5: Approved by Taipei City Government on Apr 8, 2014 in document number 10382736300

Note 6: Approved by Taipei City Government on Jul 11, 2014 in document number 10385851300

Note 7: Approved by Taipei City Government on Oct 5, 2018 in document number 10754096510

Note 8: Approved by Taipei City Government on Jan 22, 2019 in document number 10845829400

Note 9: Approved by Taipei City Government on May 9, 2019 in document number 10849527000

Note 10: Approved by Taipei City Government on Jan 8, 2020 in document number 10945055000

Note 11: Approved by Taipei City Government on May 24, 2022 in document number 11149399800

Note 12: Approved by Taipei City Government on Nov 8, 2022 in document number 11154713100

Note 13: Approved by Taipei City Government on Mar 21, 2023 in document number 11246782810

Note 14: Approved by Taipei City Government on Jun 9, 2023 in document number 11249608510

Note 15: Approved by Taipei City Government on Aug 29, 2023 in document number 11252273800

Note 16: Approved by Taipei City Government on Nov 23, 2023 in document number 11255077900

Note 17: Approved by Taipei City Government on Mar 14, 2024 in document number 11347130010

2. Type of shares issued

March 26, 2024; Unit: shares

| Share type | Approved Share Capital | | | Remarks |
|--------------|------------------------|----------------|------------|-----------------------|
| | Outstanding share | Unissued share | Total | |
| Common share | 42,620,133 | 17,379,867 | 60,000,000 | Stocks listed on TWSE |

Note: The total amount of employee stock option been exercised from January to March in 2024 were 132,000 shares and haven't been registered yet. Therefore, as of March 26, 2024, the outstanding shares of the Company were 42,620,133 shares.

3. Shelf registration system related information: Not applicable.

(II) Shareholder Structure

March 26, 2024; Unit: shares; %

| Shareholder Structure | Government institution | Financial institution | Other corporation | Individual | Foreign institutions and foreigners | Total |
|------------------------|------------------------|-----------------------|-------------------|------------|-------------------------------------|------------|
| Quantity | | | | | | |
| Number of shareholders | - | 5 | 79 | 11,452 | 51 | 11,587 |
| Number of shares held | - | 460,000 | 9,117,450 | 27,808,482 | 5,234,201 | 42,620,133 |
| Shares Ratio | - | 1.08 | 21.39 | 65.25 | 12.28 | 100.00 |

(III) Equity ownership diffusion status

March 26, 2024; Unit: shares; %

| Shareholding rating | Number of shareholders | Number of shares held | Shares ratio |
|---------------------|------------------------|-----------------------|--------------|
| 1 ~ 999 | 4,490 | 369,743 | 0.87 |
| 1,000 ~ 5,000 | 6,360 | 10,574,983 | 24.81 |
| 5,001 ~ 10,000 | 407 | 3,218,164 | 7.55 |
| 10,001 ~ 15,000 | 109 | 1,418,100 | 3.33 |
| 15,001 ~ 20,000 | 56 | 1,022,791 | 2.40 |
| 20,001 ~ 30,000 | 56 | 1,414,697 | 3.32 |
| 30,001 ~ 40,000 | 28 | 998,000 | 2.34 |
| 40,001 ~ 50,000 | 10 | 460,000 | 1.08 |
| 50,001 ~ 100,000 | 41 | 3,074,944 | 7.21 |
| 100,001 ~ 200,000 | 12 | 1,681,000 | 3.94 |
| 200,001 ~ 400,000 | 5 | 1,366,000 | 3.21 |
| 400,001 ~ 600,000 | 4 | 2,044,000 | 4.80 |
| 600,001 ~ 800,000 | 2 | 1,355,000 | 3.18 |
| 800,001 ~ 1,000,000 | 1 | 890,096 | 2.09 |
| 1,000,001 and above | 6 | 12,732,615 | 29.87 |
| Total | 11,587 | 42,620,133 | 100.00 |

The diffusion of preferred shares : The Company has not issued any preferred shares.

(IV) List of Major Shareholders

Name, shareholding quantity and percentage of shareholders with shareholding percentage reaching above 5 percent or shareholders of top 10 shareholding percentage.

March 26, 2024; Unit: shares

| Share | Number of shares held | Shares Ratio |
|--|-----------------------|--------------|
| Name of major shareholders | | |
| Chang-Yong Chen | 4,266,666 | 10.01% |
| AP Memory Technology Corporation | 4,000,000 | 9.39% |
| M3 Technology Inc. | 1,276,000 | 2.99% |
| Fang-Yen Chang | 1,100,949 | 2.58% |
| ITE Tech. Inc. | 1,084,000 | 2.54% |
| Jaryuan Investment Co. Ltd | 1,005,000 | 2.36% |
| Top Taiwan IX Venture Capital Co., Ltd. | 890,096 | 2.09% |
| Grandeur Peak Emerging Markets Opportunites Fund | 715,000 | 1.68% |
| Grandeur Peak Global Opportunites Fund | 640,000 | 1.50% |
| Grandeur Peak International Opportunites Fund | 596,000 | 1.40% |

(V) Market price, net worth, earnings, dividends per share and relevant information for the last two years

Unit: NT\$ Thousand; thousand shares

| Item | Year | 2022 | 2023 |
|-------------------------------------|--------------------------------------|---|--------|
| Market Price per Share | Highest | 229.50 | 201.00 |
| | Lowest | 81.60 | 91.10 |
| | Average | 129.77 | 146.93 |
| Net value per share | Before distribution | 32.49 | 34.30 |
| | After distribution | 29.37 | 31.18 |
| Earnings per share (EPS) | Weighted average number of shares | 39,075 | 40,323 |
| | Earnings per share (Note 1) | 7.58 | 5.42 |
| Dividend per share | Cash dividends | 3.05 | 3.05 |
| | Stock Dividends | Stock Dividends Appropriated from Retained Earnings | - |
| | | Stock Dividends Appropriated from Capital Reserve | - |
| | Accumulated Unappropriated Dividends | | - |
| Return on Investment (ROI) Analysis | P/E Ratio | 17.12 | 27.11 |
| | Price-Dividend Ratio | 42.55 | 48.17 |
| | Cash Dividend Yield (%) | 2.35% | 2.08% |

Note 1: It refers to the basic earnings per share.

Note 2: The P/E ratio equals the average closing price per share in the current year divided by the earnings per share.

Note 3: The price-dividend ratio equals average closing price per share in the current year divided by the cash dividend per share.

Note 4: Cash dividend yield equals cash dividend per share divided by the average closing price per share in the current year.

(VI) Company Dividend Policy and Implementation Status

1. Dividend policy specified in the Articles of Incorporation:

The dividend policy of the Company shall cooperate with the present and future development plans, and the factors of domestic industry competition status, investment environment and fund demand are considered. Accordingly, under the premise of compliance with the Company Act, this article or any additional authority or restrictive rules of shares, the amount of dividends issued may not less than 15 percent of the distributable earnings of the current year, and the distribution may be in the form of share dividends or cash dividends, however, that the distribution in cash shall not be less than 10 percent of the total dividends.

The Company authorizes the board of directors to distribute all or a portion of the distributable dividends and bonuses in the form of cash issuance based on the resolution of the board of directors' meeting attending by more than two-thirds of directors and the consents of a majority of attending directors and to report to the shareholders' meeting. When distribute by issuing new shares, the distribution shall be submitted to the shareholders' meeting for resolution.

2. Distribution of dividends proposed for resolution in the present shareholders' meeting:

As resolved on in the board of directors' meeting dated February 29, 2024, common share cash dividends at the amount of \$125,697,006 (NT\$3.05 per share) is distributed with the earnings of 2023.

3. Explanation on expected major changes in the dividend policy: None.

(VII) Impact of the distribution of bonus shares proposed in the present shareholders' meeting on the business performance of the Company and earning per share: None.

(VIII) Employee Remuneration and Directors' and Supervisors' Remuneration:

1. The percentage or scope of remuneration for employees, directors and supervisors as stipulated in the Company's Articles of Incorporation:

When the Company has a profit after the final account of a fiscal year, it shall appropriate not less than 6% of the profit as remuneration of employees and no more than 2% of the profit as the remuneration of directors. However, when the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first.

The remuneration of employees may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of controlling or affiliates satisfying certain criteria, and the board of directors is authorized to specify certain criteria.

2. The estimated basis for calculation of employees', directors' and supervisors' remuneration, the share calculation basis for the distribution of employees' remuneration in the form shares and the accounting handling for any discrepancy between the actual distribution amount and the estimated value:

The remuneration of employees and directors of the Company are estimated and recognized based on the percentages specified in the Articles of Incorporation of the Company for each year. If the amount in the annual consolidated financial statements still has any changes after the date it is approved and published, it is regarded as changes on accounting estimates and will be adjusted to the next year.

3. Remuneration distribution status approved by the board of directors meeting:

(1) Employees' remuneration and remuneration of directors and supervisors distributed in cash or shares. If there is difference in the expense annual estimation amount, the difference amount, reason and handling status shall be disclosed.

According to the resolution of the board of directors' meeting on February 29,

2024, the distribution amount of the remuneration of employees and directors are NT\$17,563,325 and NT\$2,927,220 respectively, and the total amount is NT\$20,490,545. Accordingly, there is no difference from the total expense annual estimation amount.

- (2) Employees' remuneration distributed in share and the ratio over the entity financial report net profit in the current period and the employees' remuneration total amount: None.

4. Actual distribution status of employees', directors' and supervisors' remunerations in the last year (including the distributed number of shares, amount and share price), and any discrepancy with the employees', directors' and supervisors' remuneration recognized, and shall describe the difference amount, reason and handling status: None.

(IX) Company Repurchase of Own Shares:

April 23, 2024

| Treasury stocks: Batch Order | The 1st (Batch) |
|--|--------------------------------------|
| Purpose of repurchase | Transferring shares to employees |
| Timeframe of repurchase | October 12, 2022 to December 9, 2022 |
| Price range | NT \$80 to NT\$ 125 |
| Class, quantity of shares repurchased | 1,276,000 common shares |
| Value of shares repurchased | NT \$ 134,835,434 |
| Quantity of repurchased shares as a percentage of total shares to be repurchased (%) | 85.07% |
| Shares sold/transferred | 0 share |
| Accumulated number of company shares held | 1,276,000 shares |
| Accumulated number of company shares held (%) | 3.09% |

II. Issuance of corporate bonds: None.

III. Issuance of preferred shares: None.

IV. Issuance of global depository receipts: None.

V. Issuance of employee stock options:

- (I) Handling status of employee stock options of the Company not yet matured up to the printing date of the annual report and effect on shareholders' equity

| Type of employee stock options | First time of employee stock options in 2020 | Second time of employee stock options in 2020 |
|--|--|---|
| Declaration effective date and total number of units | Not applicable 1,000 units | Not applicable 2,000 units |
| Date of Issuance | March 19, 2020 | March 19, 2020 |
| Duration | 6 years | 10 years |
| Number of issued units | 1,000 units | 1,798 units |
| Number of units available for issuance | - | - |
| Ratio of subscribable shares to total issued shares | 2.35% | 4.23% |
| Subscription period | From March 19, 2022 to March 18, 2026 | From March 19, 2022 to March 18, 2030 |
| Exercise method | Delivery of newly issued shares | Delivery of newly issued shares |

| Type of employee stock options | First time of employee stock options in 2020 | Second time of employee stock options in 2020 |
|---|---|--|
| Period and ratio (%) of subscription restriction | Maximum exercisable subscription ratio for stock options of two full years after maturity is 100%. | Stock options maximum exercisable ratio: Two full years after maturity: 50% Three full years after maturity: 75% Four full years after maturity: 100% |
| Number of shares obtained after exercise of subscription | 612,000 shares | 996,000 shares |
| Amount of the shares subscribed | NT\$ 6,120,000 | NT\$ 17,143,500 |
| Number of shares not yet subscribed | 388 units | 770 units (Note) |
| Subscription price per share of the unsubscribed shares | NT\$10 | NT\$16.70 |
| Ratio of the number of unsubscribed shares to the number of issued and outstanding shares (%) | 0.91% | 1.81% |
| Effect on shareholders' equity | Ratio of the number of unsubscribed shares to the number of issued and outstanding shares is 0.91%, such that its dilution effect on the equity is limited. | Ratio of the number of unsubscribed shares to the number of issued and outstanding shares is 1.81%, such that its dilution effect on the equity is limited. |

Note: Excluding the 32 units for resignation and canceled.

- (II) Names and subscription status of managerial officers who have obtained employee stock options and of employees who rank among the top ten in terms of the number of shares to which they have subscription through employee stock warrants acquired, cumulative to the printing date of annual report

| Title | Name | Number of subscription shares received | Ratio of the number of subscription share received to the number of issued and outstanding shares (%) | Exercised | | | | Not yet exercised | | | |
|---------------------|---------------------------------------|--|---|-----------------------------|---------------------------|---------------------|---|-----------------------------|---------------------------|---------------------|---|
| | | | | Number of shares subscribed | Subscription price (NT\$) | Subscription amount | Ratio of the number of subscribed shares to the number of issued and outstanding shares (%) | Number of shares subscribed | Subscription price (NT\$) | Subscription amount | Ratio of the number of subscribed shares to the number of issued and outstanding shares (%) |
| Managerial Officers | CEO and R&D Head of Taiwan M3TEK | David Da Meng | 1,524 | 587 | 10、16.70 | 7,418 | 1.38% | 937 | 10、16.70 | 13,048 | 2.20 |
| | Vice President and R&D Head of Xi' An | Xiao-Yu Xi | | | | | | | | | |
| | Director, AE | Bo Yang | | | | | | | | | |
| | Associate Vice President, Sales | Ren-Sheng Chuan g | | | | | | | | | |
| | Director, Sales | Chien-Ming Hsieh (note) | | | | | | | | | |
| | Director, FAE | Chih-Chien Lu | | | | | | | | | |
| | Associate Vice President, PP&TE | Ping-Ming Peng | | | | | | | | | |
| | Director, QA&PE | Tsung-Chin Wu | | | | | | | | | |
| | Director, Finance | Shu-Hui Huang | | | | | | | | | |
| Employees | Manager | No Lou | 562 | 455 | 10、16.70 | 6,817 | 1.07 | 107 | 16.70 | 1787 | 0.25 |
| | Senior Engineer | Ta-Li Sun | | | | | | | | | |
| | Senior Engineer | Sheng-Ming Hu | | | | | | | | | |
| | Senior Engineer | Li Chao | | | | | | | | | |
| | Sales Engineer | Wen-Chao Hisa | | | | | | | | | |
| | Manager | Chi-Ming Chung | | | | | | | | | |
| | Manager | Yin-Lai | | | | | | | | | |
| | Deputy Manager | Sheng-An Cheng | | | | | | | | | |
| | Manager | Chia-Hui Tsao | | | | | | | | | |
| | Deputy Manager | Te-Kun Peng | | | | | | | | | |

note : Chien-Ming Hsieh has resigned since Sep 30, 2023.

(III) Private placement of employee stock options status: None.

VI. Restricted employee shares status:

(I) Where the restricted employee shares not yet satisfied the required criteria, the status up to the printing date of the annual report and the impacts on the shareholders' rights and benefits shall be disclosed

April 23, 2024

| | |
|--|--|
| Type of new restricted employee shares | The 1st (Batch) restricted employee shares |
| Effective registration date and total number of shares | August 8, 2022, 800,000 shares |
| Date of Issuance | November 1, 2023 |
| Number of restricted employee shares issued | 682,000 shares |
| Number of restricted employee shares available for issuance | 118,000 shares |
| Issue price | Issue price is NT\$0 |
| Restricted employee shares issued as a percentage of total number of shares issued | 1.60% |
| Vesting Conditions for Restricted Employee Shares | <ol style="list-style-type: none"> 1. After an employee is assigned with the restricted employee shares, he/she is required to satisfy the following criteria for the vesting of such shares: (a) employment continues to be valid during each vesting period; (b) no violation against any contracts signed with the Company and work rules of the Company during each vesting period; (c) performance evaluation of the employee of previous year before the vesting date shall be above Class B. 2. The highest percentage of the vested shares for each year shall be: 34% for one full year after issuance, 33% for two full years after issuance, and 33% for three full years after issuance. |
| Restricted Rights of New Restricted Employee Shares | <ol style="list-style-type: none"> 1. During the vesting period, the employee shall not sell, pledge, transfer, offer as gift to others, dispose via any other methods on the restricted employee shares. 2. In addition to the aforementioned restrictions, for an employee assigned with the restricted employee shares, his/her other rights before satisfying the vesting conditions, including but not limited to: the right to receive dividends, bonuses and capital surplus, the right to subscribe to cash capital increase, etc., are the same as those for the common shares of the Company issued, and relevant operation methods shall be handled according to the trust/custody contract. 3. For the dividends, bonuses and capital surplus received by an employee not qualifying the vesting conditions, it shall be handled according to the following method: <ol style="list-style-type: none"> (1) The dividends, bonuses and capital surplus distributed and collected shall be returned in case of the condition described in Subparagraph 1, Subparagraph 2 and Subparagraph 4 of Paragraph 4. (2) The dividends, bonuses and capital surplus distributed and collected by an employee subject to the condition described in Subparagraph 3 of Paragraph 4 shall be calculated in proportion to the actual number of months of employment one year before each vesting date. (3) Return of dividends is not required for the condition described in Subparagraph 5 of Paragraph 4. |

| | |
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| | <p>4. Before an employee satisfies the vesting conditions, the attendance, proposal, speech, voting rights of shareholders' meeting and other relevant shareholder equity matters of the Company shall be exercised by the commissioned trust/custody institution.</p> <p>5. In case where the Company executes cash capital reduction, capital reduction with compensation of loss, such that the capital is reduced during the vesting period, the restricted employee shares shall also be nullified in proportion to the capital reduction. In case of cash capital reduction such that cash is returned, it shall be submitted for trust/custody, and shall only be distributed to the employees after vesting conditions are satisfied. If the vesting conditions are not satisfied, the Company will recover such cash.</p> |
| Restricted Employee Share Custody Status | <p>After the issuance of restricted employee shares, such shares shall be submitted for trust/custody immediately, and before the vesting conditions are satisfied, employees shall not request the trustee to return the restricted employee shares based on any excuse or method.</p> |
| Handling method for employees failing to satisfy vesting conditions after new share assignment or subscription | <p>1. When an employee fails to qualify the vesting conditions specified in Paragraph (3) of this article, the Company will redeem and nullify the shares of the employee without any compensation.</p> <p>2. Voluntary resignation, layoff, discharge: For restricted employee shares not yet vested, the vesting conditions are deemed to not been satisfied starting on the effective day of resignation, and the Company will redeem and nullify the shares of such employee without compensation.</p> <p>3. Leave without pay: The rights and obligations for the restricted employee shares not yet vested are not affected. However, the actual number of shares for vesting in each year, in addition to the vesting conditions specified in Paragraph (3) of this article, shall be calculated proportionally according to the actual number of employment one year before each vesting date of such employee. If the employee is under the state of leave without pay on the vesting day, it shall be deemed to have not yet satisfied the vesting conditions, and the Company will redeem and nullify the shares of such employee without compensation.</p> <p>4. Retirement: For restricted employee shares not yet vested, Company will redeem the part of the shares that have been assigned previously but not yet vested of such employee without compensation.</p> <p>5. For an employee cannot continue to perform job duties due to general death or disability, disease or death caused by occupational accident: (1) For an employee cannot continue to perform job duties due to disability or illness caused by occupational accident, the employee may vest the full amount of the restricted employee shares not yet vested upon his/her resignation. (2) For an employee subject to death caused by occupational accident or general death, the employee may vest the full amount of the restricted employee shares not yet vested. The heir shall complete necessary statutory procedures and provide relevant supporting documents in order to apply for the receipt of the vested shares or equity of previous disposition.</p> <p>6. Transfer of job duty/position: (1) When an employee is transferred to a subsidiary, affiliate or other company, the restricted employee shares not yet vested shall be handled according to the method of "voluntary resignation" described in Subparagraph 2 of this paragraph. (2) For an employee assigned by the Company to transfer to a subsidiary,</p> |

| | |
|--|---|
| | <p>affiliate or other company, the restricted employee shares not yet vested are not affected by the job transfer; however, it is still under the restriction of vesting conditions specified in Paragraph (3) of this article. In addition, the employee is still required to be under the employment for providing service at the Company's subsidiary, affiliate or other company; otherwise, it shall be deemed to have not satisfied the vesting conditions, and the Company will redeem and nullify such shares without compensation. For the personal performance evaluation of such employee, the Chairman and President of the Company will review the performance evaluation provided by the subsidiary, affiliate or other company of the job transfer in order to determine whether he/she has satisfied the vesting conditions.</p> <p>7. For an employee submitting a written statement to the Company to voluntarily surrender the new restricted employee shares, the Company will redeem and nullify such shares without compensation.</p> <p>8. After an employee is assigned with the restricted employee shares, in case of any violation against contracts signed with the Company or work rules of the Company, the Company will redeem and nullify such shares without compensation.</p> <p>9. When an employee terminates or cancels the agency authorization of the Company for the restricted employee share trust/custody account (please refer to Subparagraph 1 of Paragraph 5 and Paragraph 7 of this article), the Company will redeem and nullify the part of the new restricted employee shares not yet vested without compensation.</p> |
| Number of restricted employee shares redeemed or repurchased | 54,000 shares |
| Number of released restricted employee shares | 0 share |
| Number of unreleased restricted employee shares | 628,000 shares |
| Unreleased restricted employee shares as a percentage of total number of shares Issued (%) | 1.47% |
| Effect on shareholders' equity | It is calculated according to the number of outstanding shares of the Company during issuance and the vesting period specified, and it has limited effect on the earnings per share dilution of the Company, therefore, there is no major effect on the shareholders' equity. |

(II) The name of employees and status of receipt of managerial officers and top ten employees receiving restricted employees shares accumulated up to the printing date of the annual report :

| Job Title | Name | Number of new restricted employee shares granted | Ratio of the number of new restricted employee shares granted to the total number of issued shares | Vested Restricted Shares | | | | Unvested Restricted Shares | | | |
|---------------------|---------------------------------------|--|--|--------------------------|-------------|----------------------|--|----------------------------|-------------|----------------------|--|
| | | | | Number of vested shares | Issue price | Total purchase price | Ratio of the number of vested restricted shares to the total number of issued shares | Number of vested shares | Issue price | Total purchase price | Ratio of the number of unvested restricted shares to the total number of issued shares |
| Managerial officers | CEO and R&D Head of Taiwan M3TEK | David Da Meng | 603,000 | - | - | - | - | 549,000 | - | - | 1.29 |
| | Director, FAE | Chih-Chien Lu | | | | | | | | | |
| | Director, Finance | Shu-Hui Huang | | | | | | | | | |
| | Director, QA&PE | Tsung-Chin Wu | | | | | | | | | |
| | Vice President and R&D Head of Xi' An | Xiao-Yu Xi | | | | | | | | | |
| | Associate Vice President, Sales | Ren-Sheng Chuang | | | | | | | | | |
| | Associate Vice President, PP&TE | Ping-Ming Peng | | | | | | | | | |
| | Director, AE | Bo Yang | | | | | | | | | |
| | Director, R&D | Yen-Ning Lu (Note) | | | | | | | | | |
| | Special Assistant of CEO | Special Assistant of CEO | | | | | | | | | |
| | Manager | Yi-Ju Cheng | | | | | | | | | |
| Employees | Deputy Manager | Yang Yang | 79,000 | - | - | - | - | 79,000 | - | - | 0.19 |
| | Manager | No Lou | | | | | | | | | |
| | Deputy Manager | Yao-Ling Yeh | | | | | | | | | |
| | Deputy Manager | Wan-Ching Chen | | | | | | | | | |
| | Manager | Shao-Yu Lee | | | | | | | | | |
| | Deputy Manager | Hsin-Yen Lee | | | | | | | | | |

Note : Yen-Ning Lu has resigned since Nov 24, 2023.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Financing plans and implementation status: None.

Five. Overview of Operations

I. Business Activities

(I) Business Scope

1. Main content of business operated by the Company

| Business Item code | Business Item |
|--------------------|---|
| CC01080 | Electronics Components Manufacturing. |
| F119010 | Wholesale of Electronic Materials. |
| F219010 | Retail Sale of Electronic Materials. |
| F401010 | International Trade. |
| F601010 | Intellectual Property Rights. |
| I301010 | Information Software Services. |
| I501010 | Product Designing. |
| JA02010 | Electric Appliance and Electronic Products Repair. |
| ZZ99999 | All business items that are not prohibited or restricted by law, except those that are subject to special approval. |

The Company is mainly in the business of analog and mixed-signal integrated circuit design, testing, production, marketing and sales.

2. Sales revenue percentage of main products

Unit: NT\$ Thousand, %

| Item \ Year | 2022 | | 2023 | |
|------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | Operating revenue | Operating revenue percentage (%) | Operating revenue | Operating revenue percentage (%) |
| Communication products | 976,012 | 82.73 | 816,118 | 79.81 |
| Consumer products | 203,797 | 17.27 | 206,446 | 20.19 |
| Total | 1,179,809 | 100.00 | 1,022,564 | 100.00 |

3. Present products and service items of the Company:

A. DC-DC Converter

DC-DC switch mode power converter can be classified into buck, boost and buck-boost converters according to the potential difference between input and output voltage. Buck converter is to provide step-down conversion of high efficiency, high flexibility, wide range and high load capability. Most of the buck converters can switch the circuit based on the duty cycle in order to generate stable average output voltage, followed by using external IC filter for filtering and change waveform. Buck converter of high switch frequency can be equipped with a smaller filter; however, the loss generated due to the switch is relatively higher. Pulse Skipping Mode (PSM) can be utilized to reduce the switch frequency of the buck converter when the load is low, such that it is able to increase the efficiency under light load, and this is extremely important for applications requiring energy-saving during standby time. Boost converter is the only choice for converting input voltage into a higher output voltage. With its internal transistor MOSFET, inductor is charged to achieve the step-up output effect. When MOSFET is turned off, the load rectifier is used to achieve discharge of the inductor. During the conversion process of charging and discharging of inductor, the voltage direction of the inductor is flipped, such that the voltage is increased to be higher than the input voltage progressively. The load current upper

limit of the boost converter is determined by the load current of MOSFET and the step-up ratio of the boost converter. The rated voltage of MOSFET then determines its output voltage upper limit. Some boost converter are integrated with rectifier and MOSFET in order to provide the synchronous rectification function. When the input voltage varies among highs and lows, it is necessary to use Buck-Boost converter as a solution for the power source. Its internal uses four sets of MOSFET switches to automatically switch to the buck mode or boost mode according to the difference between the input voltage and the output voltage. Such characteristic allows Buck-Boost to be very suitable to the application of battery power supply. Accordingly, when the battery is fully charged to be under the high voltage state, it can be used all the way to the low voltage state with all power being consumed. In addition, it is able to provide constant output voltage as much as possible when there is still power left in the battery provided for use. The rated voltage of MOSFET determines the input and output voltage upper limits of the Buck-Boost converter. The DC/DC power management chip is equipped with the characteristics of high efficient conversion, compact size and quick response. During the voltage step-up/down conversion, wide voltage application range of 0.9V~42V is available for selection, and large current of 1A~10A along with the switch frequency of 180KHz~2.5MHz can be provided. Through PSM/PWM automatic switch and the built-in SS/OVP/OCP/OTP in conjunction with the patented loop circuit technology of Fast PWM COT, the effects of high frequency switch and fast dynamic response can be achieved for chips or IC. The Company is also developing a series of power management IC with a digital control interface. Through the dynamic setting adjustment of the IC, it has a dynamic voltage setting function that can accommodate applications with low power consumption. The IC interface allows for flexible output voltage selection. The same method can also be used to control the peak current limit value, PWM switching control mode, soft start, automatic discharge, low reference voltage, over-temperature protection, and over-current protection, providing users with advanced power management plans.

B. Battery Management IC

Battery management IC is able to provide correct charging current and voltage to batteries used for applications. Battery management IC is able to measure the charging current and voltage of battery, and it also controls the transistor MOSFET to allow the charging current to satisfy demands of different battery charging stages: pre-charging - constant current charging - constant voltage charging and cut off current. The 1~3 cells of battery management IC of the Company is able to provide a battery management IC of adjustable input and charging current. With the built-in current reverse protection, short circuit protection, thermal calibration and over-temperature protection function, it is able to achieve high efficiency and high integration of application products, such that it is suitable to a wide range of product applications. Due to environmental sustainability and ESG development concerns, the Company has created a line of supercapacitor chargers that can be used in place of lithium batteries to complement the characteristics of supercapacitors. Professional recycling services are necessary for two main reasons as a result of the environmental problems caused by lithium batteries: one is to mitigate the negative effects on the environment. Although lithium batteries are less toxic than lead-acid batteries, improper disposal can still result in environmental contamination. In contrast, excessive metal extraction will also pose environmental risks. If metal can be recovered through recycling efforts, environmental sustainability will be enhanced. In the current industrial chain, recycling and reusing lithium batteries is challenging, and their reuse rates are significantly lower than those of supercapacitors. High peak

power batteries, USB power supply equipment, industrial PDAs, portable instruments, monitoring equipment, power meters, electrical meters, and driving recorders are just some of the many applications that make use of the first integrated circuit (IC) designed by the Company specifically for supercapacitor charging and discharging power management. Additionally, it can be used in lieu of lithium batteries as a backup system for instantaneous high power and energy storage and discharge, thereby eliminating the need for dangerous and environmentally hazardous lithium batteries.

C. Load Switch

Load switch chip with built-in output transistor MOSFET and output driver use for power switch on/off. In comparison to traditional discrete, the size of the system is significantly reduced, such that it is suitable to portable equipment products requiring space saving. It is also equipped with the characteristics of low voltage work, low on-resistance and low current consumption, and it is also equipped with various additional functions. The load switch chip of the Company is able to perform current protection setting via external programming, and it is also equipped with the soft start sequence along with the built-in current/short circuit/over-temperature activation protection and voltage protection mechanisms, thus achieving the characteristics of low impedance, high voltage and large current. A load switch can achieve more efficient power management, including sequential control, power saving, and other purposes. It also features current leakage reduction during standby mode, suppression of power-on surge, prevention of power reversal, and regulation of rapid discharge during power-off. The company's load switch has many potential uses in electronics for the home, office, and car.

D. Low Iq and Low-dropout Linear regulator (LDO)

The output voltage is regulated via the control of the conduction of linear regulator in order to provide precise and noise-free output voltage, and make quick response to the load change. Accordingly, the main advantage of LDO is its simplicity and low cost and noise, and its quick response ability. Since linear regulation method is adopted, the power obtained by multiplying the voltage difference between input and output with the load average current becomes the power consumed on the LDO regulator. Accordingly, if there is an excessive difference between the input and output voltages, and if it has relatively higher load current, it will cause excessive consumption. High power consumption means that LDO requires larger packaging to provide heat dissipation, and for such situation, step-down converter is often selected and used for replacement. Appropriate LDO selection requires the consideration of its input and output voltage range, current load capability and package heat dissipation ability. The Company's LDO is equipped with the characteristics of low noise, low standby power consumption, low voltage different output, high stability and nose resistance, multiple sets of voltage version planning and ultra-small packaging size.

4. New products (services) planned for development

The new product development items are required to cooperate with the key development direction of the Company, and balance among the scale of investment, market risk and expected return must be obtained. For the currently existing intellectual property rights, we aim to achieve the goal of increase of performance, reduction of cost and expansion of specification to develop new products continuously. For common part of DC-DC application, we have started to head toward more advanced techniques and processes in order to reduce production cost, thereby maintaining product price competitiveness. In addition, for large current products above 5A, we will cooperate with

the packaging factories closely and release the packaging technology of low thermal resistance, thus expanding the application scope of the networking communication market. For foreseeable high growth market, the core products for of the Company include:

- A. Datacom 5G and WiFi-x
- B. USB Type C-PD and IoT
- C. SSD and Mining Chiacoin
- D. Power IC IP process and packaging products

(II) Industry Overview

1. Industry Current Status and Development

Demand for power management IC will rise as the need for better power management in industrial and electric vehicle applications rises. In addition, researchers and designers strive to make electronic device that are portable, small, efficient, and long-lasting. Manufacturers are increasingly favoring power management IC, and this growth trend is being fueled by the path, a new generation of electronic products that will increase the demand for power management and performance requirements.

Growth in mainstream markets is slowing down, with future growth depending on new applications and technological extensions. Personal information products have become the foundation for 5G/WiFi applications, while diverse AI smart domains will stimulate the integration of communication applications in the development of the network communication industry. Wifi 6E/7, AI Internet of Things and wearable devices, data centers, and computer peripherals with high-speed transmission interfaces will drive a high-quality user experience. Furthermore, to provide more stable and higher performance, the usage of power management ICs per unit product increases with the enhancement of high-performance computing cores and transmission rates. Advanced new-process processors require ultra-low noise power ICs to match and achieve superior system performance.

The World Semiconductor Trade Statistics (WSTS) organization estimates that the analog IC market will decline by approximately 8.9% in 2023 compared to 2022, with the market size reaching about \$81.051 billion. However, WSTS forecasts that the analog IC market will grow by 3.7% to \$84.056 billion in 2024.

| Fall 2023 | Amounts in US\$M | | | Year on Year Growth in % | | |
|--------------------------------|------------------|---------|---------|--------------------------|-------|------|
| | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| Americas | 141,136 | 132,536 | 162,154 | 16.2 | -6.1 | 22.3 |
| Europe | 53,853 | 57,048 | 59,480 | 12.8 | 5.9 | 4.3 |
| Japan | 48,158 | 47,209 | 49,275 | 10.2 | -2.0 | 4.4 |
| Asia Pacific | 330,937 | 283,333 | 317,455 | -3.5 | -14.4 | 12.0 |
| Total World - \$M | 574,084 | 520,126 | 588,364 | 3.3 | -9.4 | 13.1 |
| Discrete Semiconductors | 33,993 | 35,951 | 37,459 | 12.0 | 5.8 | 4.2 |
| Optoelectronics | 43,908 | 42,583 | 43,324 | 1.2 | -3.0 | 1.7 |
| Sensors | 21,782 | 19,417 | 20,127 | 13.7 | -10.9 | 3.7 |
| Integrated Circuits | 474,402 | 422,174 | 487,454 | 2.5 | -11.0 | 15.5 |
| Analog | 88,983 | 81,051 | 84,056 | 20.1 | -8.9 | 3.7 |
| Micro | 79,073 | 76,579 | 81,937 | -1.4 | -3.2 | 7.0 |
| Logic | 176,578 | 174,944 | 191,693 | 14.0 | -0.9 | 9.6 |
| Memory | 129,767 | 89,601 | 129,768 | -15.6 | -31.0 | 44.8 |
| Total Products - \$M | 574,084 | 520,126 | 588,364 | 3.3 | -9.4 | 13.1 |

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

Source: WSTS

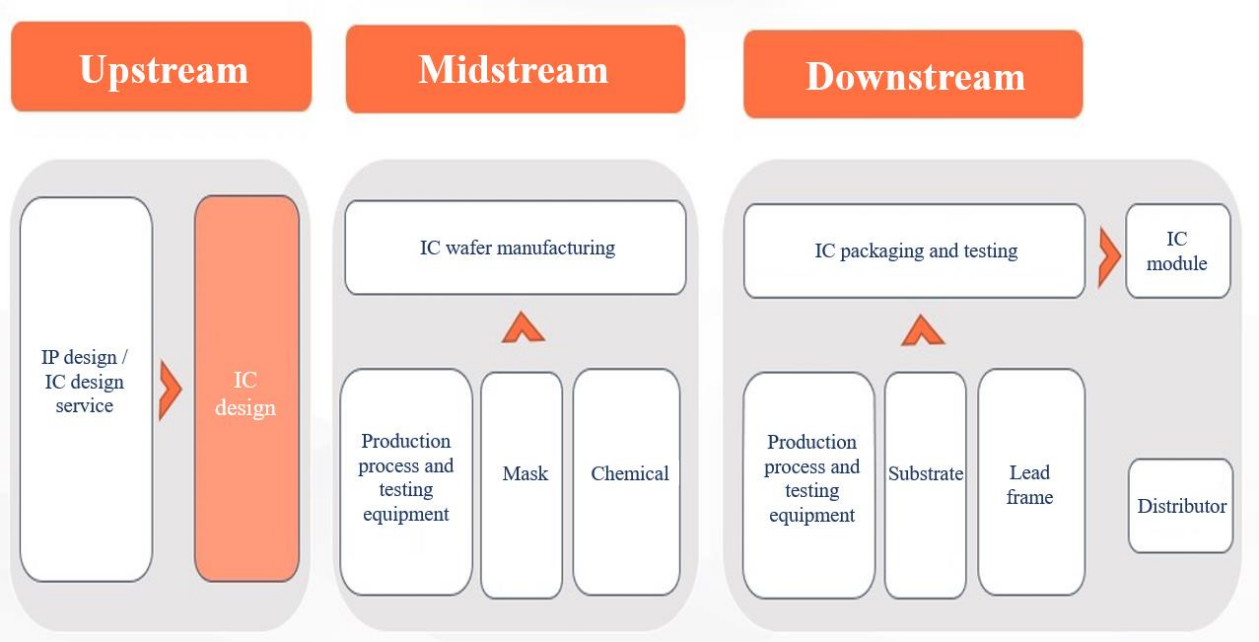
Managing the power application performance of electronic devices will become increasingly important in the future as downstream markets like 5G communications, new energy vehicles, and the Internet of Things continue to develop, driving the demand for power management IC.

2. Correlation among upstream, midstream and downstream in the industry

The Company is an IC design company for high performance analog and mixed-signal semiconductors, and is also a fabless IC design company. Accordingly, the Company is at the very upstream section of the industry, and the downstream supply chain industries include foundry, IC process, packaging and professional testing.

The ICs of the Company are mainly entrusted to foundries for manufacturing, and after the test of the ICs manufactured, ICs are then transported to the packaging factory for packaging, following which the ICs are further transported to the testing factory to perform IC function tests to output finished products. The total IC manufacturing process mainly includes the sequence of IC circuit design, mask making, wafer manufacturing, IC packaging and IC testing. Such professional manufacturing process is jointly achieved by domestic and foreign manufacturers as long-term cooperating partners of the Company.

The IC industry in Taiwan is different from the foreign giant manufacturers completing all processes of design, manufacturing, packaging and testing by one single company. For the IC industry in Taiwan, each production stage involves professional business operator and the vertical professional work allocation is clear, each business operator has its expertise in order to achieve the maximum supply chain effect. In other words, the IC industry in Taiwan is built on a comprehensive work allocation and cooperating system. Accordingly, such structure is able to compete with the integrated device manufacturers (IDM) that have entered the semiconductor field earlier. The correlation among the upstream, midstream and downstream of the IC industry in Taiwan is illustrated in the following:



3. Various development trends of products

Products will mainly head toward the development trend of compact size, high performance, low standby power consumption and high integration. As the diversity of the portable products in the market increases, the end customers' demands for compact,

lightweight, long standby time and high function integration will increase. Accordingly, the power management IC playing an important role in the electric products will need to be able to reduce the overall area of occupancy and improve overall machine efficiency for customers. In addition, the standby power consumption needs to be reduced in order to prolong the battery lifetime or to qualify tougher energy-saving standards and requirements. Furthermore, energy-saving technology has become an important topic nowadays, and power management also plays a key role in energy-saving technology. Accordingly, in addition to the pursuit of high efficiency, smart switching management mode is another major trend for energy saving.

For future products developed by the Company, both the component quantity and circuit board use area will be reduced while achieving the effects of reduction of the system power consumption and stable output quality, in order to satisfy the development trend of current products in the market. Furthermore, to satisfy the demands for various different specifications, the Company will engage in collaboration with customer's design team in order to jointly develop products of low cost, high performance and high integration. Moreover, the Company is equipped with the design capability satisfying the customer demands and also collaborates with system integrator to define product specification jointly. Accordingly, the Company is able to provide most optimal IC for specific market and to become the mainstream market trend.

4. Product competition status

The R&D team of the Company is equipped with extensive experience and has applied and acquired numerous international patent certificates domestically and overseas along with successful experience in DC-DC power and multi-function highly integrated IC. Through effective control of product development, process design and manufacturing cost, the Company develops products demanded by the market and customers, and also provides products of high cost-performance ratio via cost optimization. Accordingly, the Company's products have been selected and used by international giant manufacturers and customers for their diverse and highly integrated system solutions.

The Company's sales team has established solid relationship with the customer groups of networking communication ODM, branded business operators and telecommunication operators. Accordingly, the Company is able to understand the market demands swiftly before the full implementation of 5G era. For the telecommunication era with the rapid development of network and increase of transmission speed, such increasing demand is expected to become the driving force for significant sales growth in the future. For other fields, such as SSD and Type-C, the Company has also provided numerous new designs, and the Company has collaborated with domestic and foreign main chip manufacturers to develop a series of power management ICs, in order to satisfy the market demand and to provide comprehensive solutions to customers with advanced technology. Through the joint development with main chip manufacturers, introduction of highly integrated power management and power protection ICs, the Company is able to develop competitive products satisfying customer demands, in order to increase the added value of customers' products. In addition, with the complementary functions of the product lines, customers' demands for power analog related ICs can be satisfied all at once, thus saving purchase resource of customers and strengthening the customer relationship while expanding to other relevant application product aspects.

As the business scale of the Company expands, the production capacity demand also increases. Accordingly, the Company maintains long-term solid cooperation relationship with all vertical integration business operators and also expands future long-term joint development business opportunities based on the strategic partners. To maintain the production advantages and systematic operation of the Company, the Company has also

implemented the e-commerce ERP system in order to control the product manufacturing progress. In addition, to satisfy the international quality standard, the Company has also obtained the ISO9001 international quality management system certification.

(III) Technology and Research and Development Overview

1. Technology level and research development for business operation

The power management ICs of the Company, presently, are mainly applied to consumer electronic products, and it is a large scale market with fine categorization of applications, which is also an extremely competitive market. The Company is able to exploit its advantages and expertise in order to develop suitable products, and this is also the key to the Company's success in this market.

The key factors to the development of power management IC include product definition, circuit and board design, foundry and packaging.

To achieve proper product definition, system engineers must have comprehensive understanding of the market application in order to make the right decision with respect to function, indicator and cost, and may also be able to propose prospective recommendations based on the prediction of future short-term development trend. With regard to the circuit and board design of power ICs, R&D engineers must satisfy certain specific requirements such that they need to be familiar with all common analog circuits and digital logic designs and must also understand the impacts of different parasitic element on the circuit, in order to foresee and prevent possible abnormalities under extreme conditions. An outstanding power IC engineer must have in-depth understanding of the power device, technical process and packaging. Especially, for the design and testing of products of high voltage or large current, it is necessary to make comprehensive determination based on the integration of circuit, board, power device and IC peripheral components, in order to find the problem. Nevertheless, all of such knowledge and skills require long period of learning and experience accumulation. All system engineers and design team core members of the Company have more than 20 years of working experience in U.S. mainstream power chip suppliers, such that they have extensive knowledge and experience in the main application fields of consumer electronic power ICs and products. With regard to the two aspects of foundry and packaging of the business operation, the Company, presently, collaborates with the mainstream foundries in Asia, in order to guarantee the product reliability and to satisfy the product capacity demand.

The competitiveness of power management IC is mainly realized in the aspects of function definition, performance indicator, production cost and product size. For the terminal market and new emerging applications, the Company will rigorously manage the product definition in order to achieve product differentiation and specific performance, thus allowing the Company's products to become the priority choice of customers while elevating the barrier for being replaced by others or duplicated by competitors. For the terminal market, the Company will continue to implement technology innovation, design optimization and process upgrade in order to improve the performance indicator, to reduce production cost and to reduce product size, thus enhancing the competitiveness of the Company's products continuously.

2. Research and development budget invested in most recent year and up to the printing date of annual report

| Unit: NT\$ thousand | | |
|-----------------------------------|---------|---------|
| Item/Year | 2022 | 2023 |
| Research and development expenses | 106,659 | 117,865 |

3. Technology or product successfully developed in the most recent year and up to the printing date of annual report

| Year | Technology or product successfully developed |
|------|---|
| 2017 | MT2902, 16V/3A under voltage lockout protection emergency power supply. MT3222, dual channel 6V/2.5A constant frequency COT control mode buck converter. MT5035, 5V/6A synchronous boost converter. |
| 2018 | MT7110, 6V/200mA ultra-low static current (1uA) linear low dropout regulator (LDO). MT3127, 6V/10A constant frequency COT control buck converter. MT3571, 18V/3A peak current control mode buck converter. MTM001, 6V/2A QFN3x3 integrated inductor buck converter. |
| 2019 | MT7231/7232, 28V/4A fully integrated one-way/two-way load switch for Type-C port application. MT3901, 36V/4A dual channel buck converter with adjustable output current limit. MT3905, 30V/4.5A band of buck converter with 100% duty cycle. MT7235, 28V/3A fully integrated ideal diode. MT7692, 5V/4A load switch. MT7538, integrated system LDO Type-C port protection chip. MT7255, 28V/3A band load switch with adjustable current limit. MT3623, 28V/3A constant frequency COT control buck converter. MT3506, 24V/6A constant frequency COT control buck converter. MT7113, 6V/3A ultra-low input voltage linear low dropout regulator (LDO). MT5070, 5V/1A low static current synchronous boost converter. |
| 2020 | MT5081, M3TEK exclusive constant off time 18V/10A band synchronous boost converter with short-circuit protection, US patent granted. MT5629, M3TEK constant off time 20V/5A 4- switch synchronous buck-boost converter. US patent granted. MT7107, 6V/250mA fast dynamic response linear dropout regulator (LDO) |
| 2021 | Announced super capacitor power manager for use in backup power source application. Released synchronous buck IC with 24V high voltage 2A/3A and supporting 100% high duty cycle. Released two-way 36V 3A synchronous buck converter, equipped with four-way constant current limit output. Released synchronizes buck converter with high voltage 24V input, supporting 4A output current, and integrated in small package SOT23-8. Released highly integrated current synchronizes buck converter with high voltage 24V input, supporting 5A output and equipped with external adjustable current limit. Released high performance buck converter with high voltage 28V input, supporting 6A output current and 100% duty cycle for network communication and computer peripheral applications. Released synchronous low voltage buck converter with switching frequency of 1.2MHZ and supporting 7A continuous current output, that can be integrated in small package QFN2mm*3mm. Announced highly integrated high voltage synchronous boost converter, supporting switching current reaching 18A, and integrated in small package QFN3mm*4mm. |
| 2022 | Announced Advanced process low-voltage high-frequency 2.5MHz switching step-down converter. Announced high-frequency switching step-down converter integrated in DFN1.5*1.5 small package. Announced high-precision charge and discharge with built-in balancing supercapacitor power management IC. Announced 18V high-voltage 1.5MHz high-frequency switching step-down converter integrated in SOT563 small package. Announced high-frequency 2.5MHz switching step-down converter integrated in SOT563 ultra small package. Announced 28V high-voltage, overcurrent and overvoltage protection, adjustable current limit load switch integrated in DFN2*2 package. |

| Year | Technology or product successfully developed |
|------|---|
| | <p>Announced wide range voltage input, overvoltage and overcurrent protection, reverse voltage protection power transistor controller load switch.</p> <p>Announced supercapacitor power management IC that supports high voltage single cell/double cell high-precision charging and discharging and built-in balancing.</p> <p>Announced synchronous step-down converter with a high voltage of 26V/5A, 200KHZ/500KHZ and a current limit that can be adjusted.</p> <p>Announced 18V high-voltage, high-current load switch with an external reverse power transistor controller.</p> <p>Announced a single-input, dual-output, low-voltage 2A, high-frequency 2.5MHz, and small size step-down converter.</p> <p>Announced 28V high-voltage integrated in DFN2*2 small package.</p> |
| 2023 | <p>Released buck converter supporting 3A output current and integrated in DFN1.5*1.0 5L small package.</p> <p>Released buck converter supporting low voltage and high current 5A, integrated in QFN3X3_16.</p> <p>Released buck converter supporting low voltage and high current 6A, integrated in QFN3X3_12.</p> <p>Announced highly integrated buck-boost converter with 28V/6A, 500KHZ, integrated in QFN5X5-28.</p> <p>Announced highly integrated buck-boost converter with 28V/6A, 200KHZ, integrated in QFN5X5-28.</p> <p>Announced synchronous buck converter with low voltage, 6A/2.2MHz and fast dynamic response.</p> <p>Announced buck-boost controller with wide range voltage of 28V/6A.</p> <p>Announced LDO supporting DDRII~IV with current of 3A</p> <p>Announced 21V high-voltage, 6A-current and overvoltage protection load switch with bidirectional current switch.</p> <p>Announced synchronous buck converter with low voltage, 1.2MHz output current of 6A/10A and fast dynamic response.</p> <p>Announced synchronous buck converter with 28V/8A and adjustable frequency of 200K~1.2MHZ.</p> <p>Announced synchronous buck converter with 18V/8A/700KHZ, highly integrated in QFN3*3_16.</p> |

(IV) Long/Short-Term Business Development Plan

1. Short-term planning

The main direction of short-term plan of the Company is to understand customer application demands, to develop products satisfying customer and market trends and to establish core product line. The Company will properly utilize accumulated technologies to develop new products swiftly, and to provide high quality and cost competitive products. Short-term business development plan is as follows:

- (1) Strengthen cooperation with key customers of the Company, provide competitive products and complete technical services, in order to increase market share. With regard to the supplier selection of customers, the Company will continue to enhance the continuous cooperation and mutual reliance. In addition, the Company will visit customers to discuss and understand customer demands, and will provide products satisfying customer demands. Engineers complete technical services timely and provide assistance to products demanded by customers in order to achieve mass production according to the schedule.
- (2) Enhance marketing and sales management. Implement corresponding product education and training for marketing and sales personnel, and provide industry and market information, allowing sales personnel to link the Company's products to the customer demands properly.

- (3) Properly allocate the semiconductor professional resources in Taiwan and China, in order to provide customization service and to satisfy customer demands, thereby achieving the customer service-oriented business model.
- (4) Collaborate with distributors to develop new customers and new market application opportunities, regularly review the contributions of distributors, focus on supporting distributors with customer development capabilities, and provide them with a larger customer base to achieve positive business growth.
- (5) Maintain proper and close cooperation relationship with foundries and packaging and testing factories, enabling rapid response to market changes, ensuring the acquisition of capacity and price support according to customer needs, and meeting customer requirements for product delivery times.
- (6) In response to the risks posed by global changes (such as trade wars, border conflicts, etc.), we actively cooperate with clients' demands for mass production of products in regions such as Southeast Asia, providing suitable trading and logistics arrangements.

2. Long-term plan

The long-term plan of the Company mainly focuses on the product line continuity and integrity, strengthening of process development capability, improvement of product quality and optimization of production cost, and the enhancement of product core competitiveness, such that the Company's products can be widely applied to all electronic products.

- (1) Closely monitor technology development trend and market application demands, and cooperate with the Company's own research and development capability, in order to provide comprehensive product series and expand product completeness continuously, thus satisfying customers' demands for diverse products.
- (2) Continue to invest resources in technology development, accumulate product research technical database and patents, and discuss future product specification requirements with customers, in order to cope with the industrial development; in addition, develop high added-value products, thereby improving the market position of the Company and achieving optimized product sales combination.
- (3) Continue to strengthen cooperation with main IC platform, such that through the new platform cooperative development, the competence of R&D personnel on new applications can be improved, and the future industrial development for power management IC specification requirements can be understood, thus achieving early planning of technical designs for new product applications. Furthermore, through the main IC platform cooperation model, the brand awareness of the Company can be enhanced. Accordingly, through the platform promotion, products can be sold to greater number of customers, and greater cooperation opportunities can be sought.
- (4) Continuously develop sales channels in Taiwan and mainland China, integrate the resources and sales networks of overseas distributors, and expand new customer bases in Europe, America, Japan, Korea, Southeast Asia, and India, thereby creating more business opportunities in various regions.
- (5) Continuously deepen the long-term cooperative relationships with wafer fabs and packaging and testing factories, establishing strategic partnerships. When market demand is high, we can secure sufficient production capacity support; when supply exceeds demand, we can obtain price support and maintain a certain volume of orders to sustain the strategic cooperative relationship between both parties. Moreover, continue to collaborate with wafer fabs on the joint development of special processes and reduction of production costs, and to develop high-quality and competitive products.

II. Market, Production and Sales

(I) Market analysis

1. Main product (service) sales (supply) region

Unit: NT\$ thousand, %

| Item \ Year | | 2022 | | 2023 | |
|----------------|----------|--------------|--------|--------------|--------|
| | | Sales volume | % | Sales volume | % |
| Domestic sales | | 840,123 | 71.21 | 697,768 | 68.24 |
| Export sales | Asia | 261,235 | 22.14 | 250,950 | 24.54 |
| | Europe | 78,102 | 6.62 | 73,780 | 7.22 |
| | Others | 349 | 0.03 | 66 | 0.00 |
| | Subtotal | 339,686 | 28.79 | 324,796 | 31.76 |
| Total | | 1,179,809 | 100.00 | 1,022,564 | 100.00 |

2. Market share percentage

According to IEK statistics of the Industrial Technology Research Institute, the Taiwan IC design industry production value in 2021 and 2022 were NT\$1,214.7 billion and NT\$1,232.0 billion respectively. For 2023, the estimated value is NT\$1,073.5billion, and analog IC accounts for approximately 9.3%. Based on the financial performance of the Company's 2021~2023 consolidated net income of NT\$1.055 billion, NT\$1.18 billion and NT\$1.023 billion, the market share of the Company for the correspondingly year is 1.00%, 1.10% and 1.02% respectively. Despite that the current overall analog IC design market share of the Company is small, the market share of the Company continues to increase year after year under the stable revenue growth of the Company because the promotion of new generation of Wi-Fi standard (Wi-Fi 6). In 2023, due to major customers adjusting their inventories and weaker market demand, our company's operating income slightly decreased by 13.33% compared to the same period last year, and the market share slightly declined to 1.02%.

3. Market future supply and demand status and growth

The main product of the Company is power management IC, and its product application can be divided into two main categories: communication products, and consumer products. The communication products mainly include Wi-Fi 6 router, home gateway, cable modem, FTTx, USB Type-C products. The consumer products include SSD, smart home appliance and other consumer 3C products. 2023 product application ratio: communication products of approximately 79.81%; consumer products of approximately 20.19%. The following provide information on the scale and future trend analysis of the power management IC market, Wi-Fi device market, SSD market and USB Type-C market:

A. Networking communication market

As Western governments become more decisive in promoting internet infrastructure policies, and with the world's most populous market, India, also following suit, plus the ongoing confrontational stance between the US and China, it will benefit Taiwanese manufacturers in continuing to expand their market share in network communications. Driven by 5G FWA (Fixed Wireless Access), 10G PON, and Wi-Fi 7, the network communications market is expected to continue heating up this year, with optimistic growth prospects. As a result of the epidemic, there has been a surge in demand for new network communication upgrades to support the ever-increasing bandwidth needs of remote

work and education, networking security, data centers, etc. Despite the fact that inflationary pressures are affecting the consumer market, the impact on the Company is minimal, as its customers are mostly telecom providers and enterprises. The overall market is anticipated to continue rising.

A country's digital capabilities develop in step with its Internet penetration rate. The United States government under President Joe Biden has set aside US\$65 billion (approximately NT\$1.8 trillion) to roll out a long-term strategy for the popularization and upgrade of broadband networks. The expansion of the physical infrastructure of broadband connections, such as the laying of optical fiber and other networks to create a fast and cost-effective network environment, may cost as much as US\$42.45 billion. With the minimum network transmission speed at 100Mbps, active investments from telecommunications, cable television, and related sectors will be boosted. Furthermore, the European Union's vision for digital transformation mandates that home network speeds in Europe reach 100Mbps by 2025 and 1Gbps by 2030. This has led to an increased demand for fiber optics in European countries, with the deployment of 10G PON, including the United Kingdom, Germany, Spain, and France, continuously promoting the upgrade of fiber optic networks and investment in 5G.

According to the 2023 MIC forecasts that Taiwan's networking market will continue to expand and prosper as a result of de-sinicization and G-speed generation business opportunities. With the launch of new generations of NG PON ONU, 5G FWA CPE, Wi-Fi 7 routers, and other equipment, networking companies will have new business opportunities.

The surge in demand for high-speed broadband, the rapid proliferation of semiconductor networks, along with proactive measures from governments and regulatory agencies, have also led telecom operators to actively upgrade the fiber market, which are key factors driving the global 10G PON market demand. In 2022, the global Passive Optical Network (PON) market value was approximately 12.27 billion USD, with an expected healthy growth rate of over 14.5% from 2023 to 2030. In terms of the European market, the European Union's "2030 Digital Transformation Vision" aims to increase home network speeds to 1Gbps by 2030. The current primary broadband technology used in Europe, Digital Subscriber Line (DSL), is unlikely to achieve this target; hence, many governments and local operators have proposed fiber deployment plans. According to data from the EU, the current fiber penetration rate in the EU is still below 50%. If calculated based on 350 million EU households, the business opportunities for fiber PON still reach nearly 200 million units.

Additionally, the Indian market, which accounts for about 20% of the global population, has less than 3% of the world's fixed network connections, representing significant growth potential. Especially with India's largest telecom, Reliance Jio, actively deploying fiber optics, the annual demand for PON is estimated at about 5-6 million units from 2021 to 2023. Plans are in place to triple this demand post-2024, which will help boost the network communications market.

According to the latest statistics from the international telecom equipment giant Ericsson, approximately 121 telecom companies globally are providing FWA services through 5G, driving rapid worldwide growth of FWA data services. Ericsson estimates that FWA will grow from 130 million global connections in 2023 to 330 million connections by 2029, accounting for 18% of fixed broadband connections, with 85% originating from 5G FWA, approximately 280 million. The projected shipment volume for the next 24 quarters is expected to far exceed the current production capacity of all Taiwanese manufacturers, representing a significant future business opportunity.

Currently, the fixed broadband penetration rate in India is only 3%. Despite the government and telecom operators' active efforts to continuously build fiber optic networks, the pace of construction is still slow. In contrast, mobile networks are being deployed more rapidly, with lower labor and equipment costs. Indian mobile telecom operators are aggressively entering the home broadband market through 5G networks, with 5G FWA being the key product for operators to penetrate households. FWA will also change the overall traffic distribution, accounting for a significant portion of the total network data traffic. Major Indian telecom operators launched 5G FWA in the first year of 5G commercialization, considering it the most important revenue opportunity. By 2029, it is estimated that there will be 860 million 5G users in India, with a penetration rate of 68%.

In the third quarter of 2023, the shipment volume of Taiwan's 5G FWA CPE was about 1.46 million units, with a quarterly growth of 8.1% and an annual growth of 13.8%; the quarterly revenue was approximately USD \$226.3 million, with an annual growth of 15.2%. As for the average selling price (ASP) of the complete units, it was about USD \$155.

The launch of Wi-Fi 7 technology will be a significant driving factor for the future of the network communications industry, especially since Wi-Fi 7 will increase product prices. Initially, prices may be higher due to R&D costs and innovation, but as the technology matures and market competition increases, the penetration and market share are very promising. The development prospects of Wi-Fi 7 are promising, with an estimated increase in the value of semiconductors, components, and end products reaching 770 billion NTD in the next five years.

According to the 2021 data of Wi-Fi Alliance, the average person will own over 6 Wi-Fi devices, of which 2.3 will be in use at any given time. Each individual will acquire an additional 0.60 devices per year, which is three times the number of mobile phones. Statistics show that 63% of all mobile phone traffic is shared via Wi-Fi, and that number is only expected to grow. In the next five years, the Wi-Fi 7 market, which includes semiconductors, related components, and terminal output, will flourish to the tune of a total of NT\$770 billion. In the meantime, the Wi-Fi 7 wireless network of the second generation will provide users with faster speeds and reduced latency. Many companies in networking companies have already started deploying Wi-Fi 7 product design and development. Wi-Fi 7 is scheduled for release in 2024, according to the Wi-Fi Alliance. The market for Wi-Fi 7 products is expected to boom once the technology has been finalized. Wi-Fi 7's annual penetration rate will rise after the technical specifications gradually become complete and terminal equipment costs become more reasonable.

B. Consumer electronics market:

In 2021, the global market for solid-state drives (SSDs) was worth US\$37.6 billion. By 2027, the market is anticipated to be worth between US\$95.51 billion to US\$100 billion, representing a compound annual growth rate of 15.60% over the forecast period. According to data provided by TrendForce, in 2022, 92% of notebook computers were already equipped with SSD, and this percentage will continue to rise.

SSD, a NAND flash storage device, retains its data without the need for power, in contrast to dynamic random access memory (DRAM). SSD are rapidly replacing traditional hard disk drives (HDDs) in the personal computer (PC) application sector. The growing popularity of high-end cloud computing, as well as the need for document backup and information archiving, has contributed to the SSD market's rapid growth. SSD also offers PCIe and NVMe interfaces with increased frequency and enhanced performance, which contributes to the expansion of SSD. Furthermore, e-commerce

platforms are being integrated on a large scale in order to provide high-reliability services, thereby increasing website reliability. Government and corporate entities are also constructing large-scale servers, and the demand for SSD is increasing.

According to market research, the growth of next-generation SSD is anticipated to accelerate. Specifically, the proliferation of smart phones and tablet PC will contribute to an increase in SSD shipments. Future SSD will have enhanced specifications. SSD will be more compact and consume less power, and they will have larger capacities and faster reading and writing speeds. In particular, SSD's durability and security will be enhanced, reducing user anxiety about data storage risk and allowing for a much broader range of SSD's potential uses.

In terms of application procedures, consumers and enterprises have an ever-increasing demand for greater storage capacity. This will drive the future trend of SSD capacity development. Larger and quicker storage solutions are in demand because of the rise of cloud computing applications, digital image processing, and the Internet of Things (IoT). Large-capacity SSD are expected to become more extensively used as SSD capacity continues to rise. The technological development of a new type of flash memory (such as 3D NAND) and the adoption of smaller M.2 and U.2 specifications for the SSD interface, resulting in a reduction in SSD size and volume. The new exterior design facilitates integration into multiple devices and applications.

With the characteristics of our product specifications, we offer products with a higher output current in order to meet the application demand for larger SSD capacities. To accommodate space-restricted designs and product designs with good heat dissipation, the packaging size is reduced, and product reliability will be made available to customers in order to continue introducing higher-end product applications.

According to market studies, estimated SSD shipments will increase rapidly over the next few years. Because of rising demand for SSD to meet high-speed storage and high-performance needs, manufacturers are constantly improving the specification evolution of SSD while simultaneously increasing the drives' production volume and lowering prices. According to market forecasts, the growth rate of SSD shipments will increase steadily from 2023 to 2030. The compound annual growth rate (CAGR) for SSD shipments between 2023 and 2030 is anticipated to be close to 12%, according to research institutions. By the year 2030, more than 800 million SSD will have been shipped.

C. USB Type-C application market:

According to a report published by Market Research Future in September 2020, the global market for USB devices will grow by more than 13.9% per year from its 2018 value of US\$19 billion (NT\$558.6 billion). It is anticipated to reach \$46.08 billion (approximately 1.3524 trillion New Taiwan dollars) by 2025.

Omdia, a research firm, recently published a report titled "2021 USB Type-C Report," in which the company predicted that by 2020, 80% of laptops and 50% of smartphones would have USB Type-C support. The adoption rates of these two devices are predicted to keep rising. The incorporation of these core devices into the USB Type C interface will increase demand for USB Type C peripheral devices, as well as the need for new applications such as docking stations and car charging products.

The USB Type-C 4.0 specification is moving toward faster transmission rates (40Gbit/s) and increased charging capacity (200W). Additionally, it supports DisplayPort 1.4, Thunderbolt 4, HDMI 2.1, etc., to facilitate the connection of a variety of devices. As a result of the increasing popularity of smart phones and the application trends of USB Type-C, the majority of smart phones now feature it as the standard support interface. Users are able to charge their devices, transmit data, and connect to external

devices with greater ease. More computer peripherals will eventually support USB Type C. As a result of laptops and screen display products, design firms anticipate that charging and data transmission mechanisms will be compact, aesthetically pleasing, and equipped with USB Type C. This will subsequently increase the demand for accessories such as Docking Station. Furthermore, there is a growing trend toward “smart cars,” and USB Type C will play an important role in many automotive applications, such as charging, audio/video, and other uses for a variety of user mobile devices. The market will continue to expand with USB Type C application trends, which will serve to expand the use of USB Type-C in various fields.

The European Parliament has approved a new rule that will introduce a single charging port for mobile phones in October 2022. By the year 2024, all mobile electronics sold in EU member states will be required to feature a USB Type-C jack. About 500 million mobile device charging devices per year in the European Union will uniformly use the USB Type C interface in order to achieve consumer convenience, money saving, and environmental protection. It is anticipated that if all EU member states adopt the USB Type C charging interface, other countries will be encouraged to follow suit. The European Union estimates that if all handheld and portable electronic devices were uniformly designed with the USB Type C charging interface, consumers could save up to about 250 million euros and up to 1.2 tons of electronic waste produced in the region annually. Adoption of this proposal will contribute positively to the application fields and volume of USB Type C over time.

The market for USB Type-C devices is expected to expand rapidly over the next few years. Institutional forecasts indicate that the revenue generated by the USB Type-C market will increase at a compound annual growth rate of 17.2% over the next five years. By 2025, the worldwide demand for USB Type-C devices is expected to reach US\$10.34 billion. The range of potential applications is extensive, ranging from the current main consumer electronics products, such as computers, smart phones, and so on, to the use of self-driving cars and industrial equipment. Further growth is anticipated.

4. Favorable, unfavorable factors for competition niche and development outlook and countermeasures

(1) Competitive niche

A. Outstanding research and development technical capability

The core research and development team of the Company has more than 20 years of working experience in large IC international enterprises for the field of analog power management IC in Silicon Valley, USA. Since the establishment of the Company in September 2010, all power management IC products are self-designed and developed by the Company. The Company focuses on providing competitive products of high performance, high quality and fast dynamic response to customers, such that the Company is able to take a leading position in the competitive industry.

B. Customer oriented, long-term cooperation relationship with customers

The sales engineer technical team of the Company provides complete sales and technical services to customers. Starting from the stage of customer product development, our team is able to provide comprehensive product consultation, quotation, engineering support, delivery, quality and after-sale services. We assist customers to reduce the product development schedule and maintain excellent cooperation, in order to establish a long-term cooperation relationship

with customers.

C. Close and excellent cooperation relationship with upstream and downstream foundries

In view of the severe competition in the technology industry market nowadays, under the environment of continuous technology advancement, the Company is able to utilize the advantages of semiconductor professional work allocation in Taiwan and China, and has established long-term cooperation and strategy partnership with foundries, packaging and testing factories, in order to ensure that the production capacity, quality, delivery flexibility and price of products are able to satisfy customer demands, thus promoting the supply and maintaining the long-term competitiveness of the Company.

D. Fast and convenient cooperation model with end customers

In view of the end users' demand for turn-key solution from suppliers in order to achieve the advantages of accelerating their product certification and shortening the development cycle. The Company will continue to cooperate with upstream IC main chip suppliers, and participate in the product development cycle stages in order to provide appropriate products of the Company. Accordingly, through early development participation, the Company is able to achieve competitive advantages of fast and convenient implementation at the system integration customer end.

(2) Favorable, unfavorable factors for development outlook and countermeasures

A. Favorable factors

(A) Power management IC industry with promising long-term outlook

Power management ICs have been widely used in the products of computers, communication and consumer electronics, referring to the 3C industry of the technology sector. With fast advancement of new technologies, new market and product development continues to be driven by new technologies, and emerging technologies also evolve in the market, such as Wi-Fi 6, the sixth generation of Wi-Fi, in the communication industry, is currently the new generation of Wi-Fi standard, which is also known as 802.11ax. In addition, the 5G (fifth generation of mobile communication technology), cloud storage products and USB Type-C introduction, have also driven rapid development of 3C peripheral products, and the demand for power management IC becomes more diverse, which also drives the power management IC market demand.

(B) High analog IC entrance barrier, and tough product quality requirements

Electronic products are required to satisfy the criteria of high efficiency, stable voltage and noise suppression capabilities, and customers' demand for product quality is also high. Analog power management IC is responsible for the power conversion and system stability of electronic products, and is required to provide protective measures in case of abnormality, such that terminal products are able to operate safely and stably under the requirements of high performance. The core management team of the Company is equipped with extensive experience in analog IC industry related design, research and

development, sale, technical support, manufacturing and quality control. All main customers of the Company are leading enterprises in the industry, we have cooperated with customers for several years. By providing quality and competitive products and excellent services, we have established strategy cooperation relationship with customers, thus setting up high entrance barrier for new competitors in the industry.

B. Unfavorable factors

(A) Product life cycle shortened due to market product specification change

Wi-Fi wireless network technology allows computers (notebook computers and desktop computers), mobile devices (smart phones and wearable devices) and other equipment (printers and cameras) to connect to the internet. As the technology advances, the wireless network connection demands faster speed and data transmission of greater function. To cope with the advancement of wireless network technology of high specification, the product specification of power management IC must also advance to satisfy demands.

In addition, the Company's products are also used in the Type-C and SSD end markets, belonging to applications of relatively shorter life cycle. Accordingly, the Company must continue to develop or improve products to satisfy new demands of customers. If the Company invests in the research and development personnel, equipment and masks in any improper direction, it is likely to result in waste of research and development budget, such that the contribution to the return of business and profit can be affected.

Countermeasures:

The R&D team will continue to develop products with differentiation and high function specification, and will also head toward advanced process continuously in order to increase production capacity and reduce cost, thus strengthening the product competitiveness. In addition, the Company also enhances personnel training and improves manpower quality in order to increase the overall research and development capability, to develop high end products and to shorten the product launch schedule. During the planning of new products, the Company primarily considers the wide use of application fields, and the chip architecture design reserves the flexibility for packaging, external circuit and control of firmware. Accordingly, the Company is able to provide complete application system design solution according to the market demand change, thus reducing the resource investment for new IC development. In addition, the Company also enhances personnel education and training and increases the manpower quality in order to improve the overall research and development capability and to shorten the schedule from the product development to market launch.

(B) Risk of competition in the same industry

The Company is a power management IC design company and focuses on the development, design and sales of products. The Company's products are mainly applied to communication products and consumer products. After

reviewing the semiconductor industry information and IC design company related information, most of the main competitors in the industry of the same applications are well-known international giant enterprises. In comparison to these well-known international giant enterprises, the scale of the Company is relatively small, such that the Company faces price competition with these international giants.

Countermeasures:

The Company's products have obtained certifications from the main chip manufacturers, and product specification and quality have received great recognition from the end customers, and strategic partnership has been established with customers. Accordingly, the Company understands the demands of end customers and product development trend, such that customized products of the Company are able to satisfy the demands of end users. The R&D team will continue to develop products with differentiation and high function specification, and will also head toward advanced process continuously, in order to increase production capacity and reduce cost, thus strengthening the product competitiveness.

(C) Intellectual property right related risks

With regard to the competition among the business operators in the same IC design industry, in addition to the price competition, patent right lawsuit is also a common method adopted in the industry. Through patent right lawsuits, competitor is able to reduce the competitiveness of counterparties. However, lawsuit period is typically long, cost is high and loss of customers may also occur. Consequently, the growth and business operation of companies involved may be affected.

Countermeasures:

With regard to the patent planning strategy, the Company focuses on the patent application and acquisition of patent rights for core technologies, in order to protect the intellectual property rights and research and development outcomes of the Company. All patents of the Company can be applied to the product design and production, and solutions can be provided to customers, in order to achieve greater performance for key applications. To protect the patents of core technologies, the Company also applies patents for other various similar applications with respect to the key technologies, in order to protect the core patents of the Company.

(D) Risk of trade secret disclosure

Security of the research and development is one of the most important aspects for an IC design company. If any trade secret or research and development outcome is stolen by others, it can cause certain impact on the business operation and profit of the Company.

Countermeasures:

The Company stores core technologies researched and developed in the R&D exclusive server, exclusive network and connection are implemented for control such that server can be connected via local area network only. In addition through the program of terminal services, account password verification is required to open the work interface. In addition, the network line is not connected to conventional internet network and the function of USB access is disabled to prohibit any access method via USB to obtain any data. When the R&D team uploads the research and development outcomes for file archives, President or Information Department Head is required to open the FTP in order to perform one-way only transmission, and it is closed immediately after use.

(E) Insufficient analog IC design talents

Analog IC design talents cannot be cultivated easily, and design engineers are required to be equipped with extensive knowledge on semiconductor physical properties, wafer manufacturing process and electronic design. As digital network economy expands rapidly, outstanding R&D personnel are also seeking relatively higher investment return, such that most of the R&D talents tend to choose their career development in digital IC field. Accordingly, senior analog IC design engineers are sought by all business operators in the industry. In addition, as the market product changes rapidly, the number of IC talents from universities and graduate schools each year is limited; therefore, the talent demand is higher than the supply in the market.

Countermeasures:

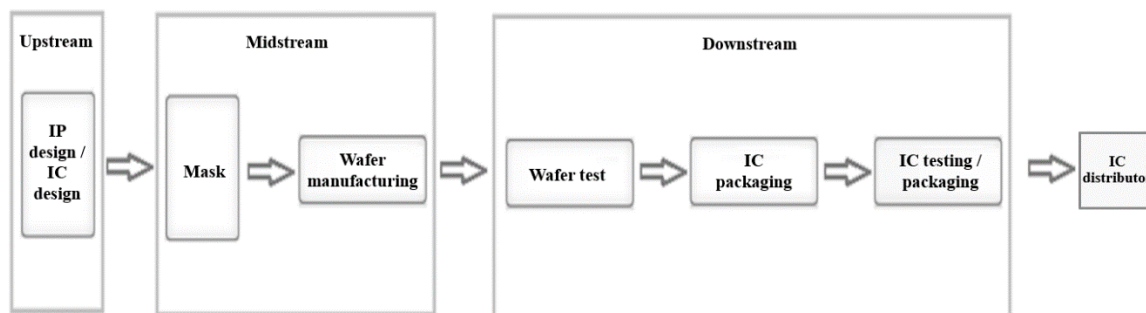
The Company promotes the humanized management system, and provides comfortable working environment, smooth promotion channel and excellent benefits. In addition, the Company also provides bonuses and employee stock options to share business profit of the Company with employees, in order to establish the business philosophy of talent-oriented approach, outcome sharing and sustainable operation. Furthermore, the Company also provides complete education and training to employees in order to cultivate diverse talents, and establishes comprehensive communication channel. Moreover, the Company continues to optimize employee welfare system in order to enhance employees' recognition and cohesion toward the Company, thus reducing the turnover rate of employees.

(II) Key purpose and manufacturing process of main products

1. Key purpose of main products

| Product name | Main purpose or function |
|---------------------|--|
| Power management IC | Power Management Integrated Circuits (ICs) refer to ICs that handle the electrical energy conversion, distribution, testing and other electrical energy management in electronic equipment and system. |

2. Main product manufacturing process



(III) Main raw material supply status

| Main raw material | Supply status |
|-------------------|---------------|
| 8" wafer | Normal |

(IV) Name of customers accounted for more than 10% of total purchase (sales) amount of the company in either of the two most recent fiscal years, the percentage of total procurement, and an explanation of the reason for change in these figures:

1. Name of customers accounted for more than 10% of total purchase amount of the company in either of the two most recent fiscal years, the percentage of total procurement, and an explanation of the reason for change in these figures:

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|---------------------|---------|--|-------------------------------|---------------------|---------|--|-------------------------------|
| | Name | Amount | Percentage accounted for to annual net purchases (%) | Relationship with the Company | Name | Amount | Percentage accounted for to annual net purchases (%) | Relationship with the Company |
| 1 | Company A | 308,947 | 52.50 | None. | Company A | 243,298 | 48.28 | None. |
| 2 | Company B | 118,782 | 20.18 | None. | Company B | 110,272 | 21.88 | None. |
| — | Others | 160,759 | 27.32 | None. | Others | 150,316 | 29.84 | None. |
| — | Net purchase amount | 588,488 | 100.00 | - | Net purchase amount | 503,886 | 100.00 | - |

Reason of increase/decrease change: There has been no major change in the key suppliers of the Company in the most recent two years.

2. Name of customers accounted for more than 10% of total sales amount of the company in either of the two most recent fiscal years, the percentage of total procurement, and an explanation of the reason for change in these figures:

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|------------------|-----------|--|---------------------------|------------------|-----------|--|---------------------------|
| | Name | Amount | Percentage accounted for to annual net sales (%) | Relation with the Company | Name | Amount | Percentage accounted for to annual net sales (%) | Relation with the Company |
| 1 | Company C | 422,728 | 35.83 | None. | Company C | 469,542 | 45.92 | None. |
| — | Others | 757,081 | 64.17 | None. | Others | 553,022 | 54.08 | None. |
| — | Net sales amount | 1,179,809 | 100.00 | - | Net sales amount | 1,022,564 | 100.00 | - |

Reason of increase/decrease change: There has been no major change in the customers of the Company in the most recent two years.

(V) Production quantity for the most recent two years

Unit: thousand units; NT\$ thousand

| Year | 2022 | | | 2023 | | |
|---------------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| Production volume & value | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Main Products | | | | | | |
| Power management IC | Note | 378,737 | 539,233 | Note | 391,108 | 524,707 |
| Total | | 378,737 | 539,233 | | 391,108 | 524,707 |

Note: The Company's products are outsourced for processing and production, such that the production capacity cannot be calculated.

Reason of change: The business practices order-driven inventory. There has been no major change in production quantity in the most recent two years.

(VI) Sales quantity table for the most recent two years:

Unit: thousand units; NT\$ thousand

| Year | 2022 | | | | 2023 | | | |
|----------------------|----------------|---------|---------|---------|----------------|---------|---------|---------|
| Sales Volume & Value | Domestic sales | | Export | | Domestic sales | | Export | |
| Main Products | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Power management IC | 269,274 | 840,123 | 123,332 | 339,686 | 229,356 | 697,768 | 153,442 | 324,796 |
| Total | 269,274 | 840,123 | 123,332 | 339,686 | 229,356 | 697,768 | 153,442 | 324,796 |

Reason of change: The main reason of change refers to the weaker market demand, such that the sales volume decreased.

III. Working staff

Number of employees, average service year, average age and educational level distribution ratio in the last two years and up to the printing date of annual report

Unit: Person; %

| Year | | 2022 | 2023 | Up to the date of March 31, 2024 |
|---|--------------------|------|------|----------------------------------|
| Item | | | | |
| Number of employees (people) | Direct employees | - | - | - |
| | Indirect employees | 69 | 77 | 78 |
| | Total | 69 | 77 | 78 |
| Average age (years old) | | 40 | 40 | 40 |
| Average service year (year) | | 6.1 | 5.9 | 6.1 |
| Education background distribution ratio (%) | Doctoral degree | 4.4 | 5.2 | 3.9 |
| | Master's degree | 23.2 | 27.3 | 26.9 |
| | College | 71.0 | 66.2 | 67.9 |
| | High school | 1.4 | 1.3 | 1.3 |
| | below high school | - | - | - |

IV. Environmental protection expenditure information

Any losses suffered by the Company in the most recent year and up to the annual report publication date due to environmental pollution (including compensation and violations of environmental protection laws and regulations found in environmental protection audit results, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

V. Labor management relations

- (I) Company's employee welfare measures, continued education, training, retirement system and implementation, and labor management agreement and various employee benefit protection measures status

(1) Employee welfare measures

The employee welfare of the Company includes insure of labor and health insurances as well as appropriation of pension for employees according to the laws, the Company also reviews and updates relevant laws and regulations. Employees are entitled to holiday bonuses, birthday party, group insurance, birthday money, health examination, gathering and event subsidies. The Company values employees as important assets, and has specified in the employee remuneration in the Articles of Incorporation, in order to link the remuneration of employees to the operation performance of the Company, thus creating the maximum benefits for shareholders and employees, and attracting and retaining outstanding talents.

(2) Continuing education, training and implementation status

The Company provides internal and external training courses according to the job function needs.

(3) Pension system and implementation status

The company assists each employee in setting aside 6% of their monthly insured salary into their individual pension account each month, as required by the Labor Pension Act (New Labor Pension System). Also, each month, a portion of the total salary of foreign employees is set aside for the retirement reserve, and is then turned over to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited into a special account at the Bank of Taiwan in the name of the committee, as required by the Labor Standards Act.

(4) Labor management agreement and various employee benefit protection measures

The Company handles matters according to the labor law and relevant regulations, and establishes employment contract, work rules and various management regulations. Since the establishment of the Company, the labor management relation is harmony, and there has been no occurrence of major labor management dispute and loss.

(5) Employee benefit protection measures

The Company has established management regulations specifying the rights and obligations of employees and benefits, in order to protect the rights and interests of employees.

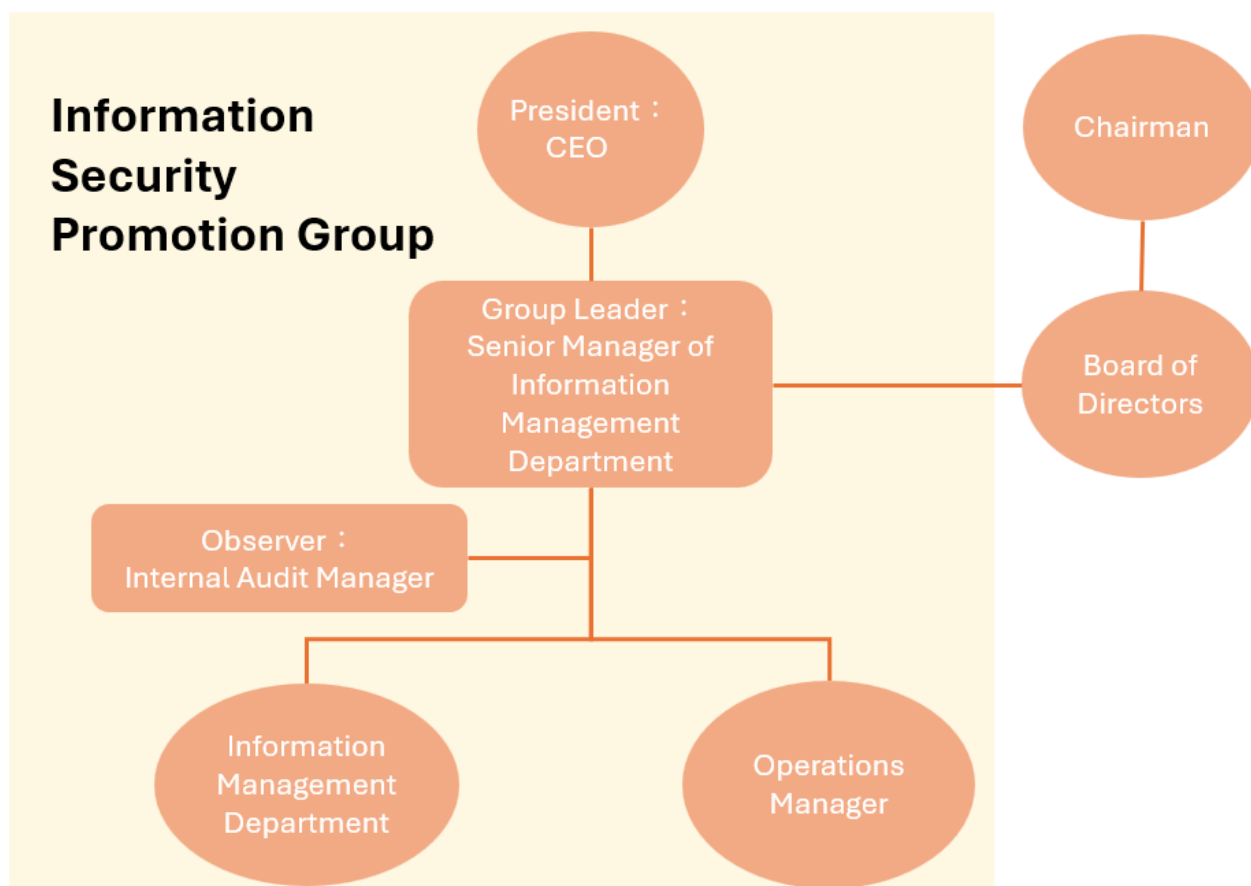
- (II) Any losses suffered by the Company in the most recent year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. Information security management

(I) Information and Communication Security Risk Management Framework

In 2023, our company established the "Information Security Promotion Team" responsible for executing information operation security planning, building and maintaining the information security management system, coordinating the formulation, execution, risk management, and compliance audit of information security and protection policies. The corporate Information Security Committee is chaired by CEO, with the Senior Manager of the Information Management Department serving as the team leader, and the company's operations executive as a member; additionally, the "Information Management Department" is specifically responsible for the planning and audit of company information security and physical security, and also leads the operation of this committee.

The Corporate Information Security Committee conducts annual management review meetings to audit the results of information security risk analyses and the corresponding protective measures and strategies adopted by our company. This ensures the continued applicability, appropriateness, and effectiveness of the information security management system. The team leader reports to the Board of Directors annually on the effectiveness of information security management and the direction of information security strategies, with regular reviews and adjustments.



(II) Information and Communication Security Policy

Our company's information security policy covers both the company and its subsidiaries domestically and abroad, focusing on:

- 1.Strengthening personnel's awareness of information security. Employees should participate in information and communication security-related education and training to enhance the company-wide awareness of information security.
- 2.Protecting the security of the company's business services by preventing unauthorized modifications to ensure their accuracy and completeness.
- 3.Establishing a business continuity plan for the company to ensure the sustained operation of our business services.
- 4.Ensuring that the execution of the company's various business services complies with relevant laws and regulations.

With the goal of virus prevention, hacking prevention, and leakage prevention as the three main pillars of information security protection, we establish firewalls, intrusion detection systems, antivirus systems, and many internal control systems. This enhances the company's ability to defend against external attacks and ensure the protection of internal confidential information.

(III) Specific Management Plans

- 1.Enhance information security protection capabilities: Regularly conduct vulnerability analysis and penetration testing of the information security system, and reinforce and repair as necessary to reduce information security risks. Establish a disaster recovery plan and regularly conduct drills for the plan.
- 2.Improve network, endpoint, and application security: Segment network zones to reduce overall exposure risk, evaluate endpoint detection and protection mechanisms, and enforce multi-factor authentication protection.
- 3.Dedicated responsibility: The company has a dedicated IT department and personnel and has established an Information Security Promotion Team to promote the review of information security operations.
- 4.Education and training: Conduct irregular information security education and training for all employees, as well as information security scanning and social engineering phishing email tests, to enhance information security awareness. Ensure the operation of information security is implemented at all levels of management and across all departments.
- 5.Epidemic control: In response to (preventing) the resurgence of the epidemic, strengthen antivirus and information security protection measures for working from home (WFH), advocate against the use of public computers and networks for work, and fulfill the responsibility of protecting company information.

(VI) Resources Invested in Information and Communication Security Management

- 1.Dedicated Personnel: The company has a dedicated corporate organization, the "Information Management Department," responsible for the planning of information security, technology implementation, and related audits, to maintain and continuously strengthen information security.
- 2.Education and Training: All new employees complete information security education and training courses before their start date; annually, four social engineering phishing email tests and two vulnerability scans and remediations are conducted.
- 3.Information Security Announcements: Over twenty information security announcements

are made annually, conveying important regulations and precautions for information security protection.

(V) Significant Information and Communication Security Incidents

In the fiscal year 2023, our company did not experience any significant information security incidents. Also, in 2023, we joined the Taiwan Computer Emergency Response Team (TWCERT) Information Security Alliance, actively participating in and sharing information security intelligence.

As new attack methods continually evolve and defense systems face systemic risks due to time lags, past defense successes do not guarantee future security. Enterprises must keep pace with the ever-changing and growing threats to information security. Information security is an ongoing task that requires constant improvement. Our company will uphold the corporate culture of "Integrity, Innovation, Cooperation, Service Quality," diligently fulfill our management responsibilities for information security, reduce operational risks for the company, and return the greatest investment value and benefits to our shareholders.

(IV) For most recent year and up to the printing date of the annual report, the loss due to major cyber security events, possible impacts and countermeasures. If it cannot be reasonably estimated, explanation of facts for such failure of reasonable estimation shall be described:

The Company has established the information security daily log analysis warning system, and information security personnel are able to monitor network abnormal conditions and eliminate such abnormalities at any time. In addition, a complete monitoring and crisis handling mechanism has been established. In case of occurrence of major information security event, the information security personnel of the Company are able to execute recovery plan according to the "Emergency Response and System Recovery Plan Operation Procedure". In addition, the backup recovery drill of the Company is performed once annually, and the data recovery speed is accelerated, such that its impact on the Company is limited.

VII. Important Contracts

Information on the contracting parties, main content, restrictive clauses and contract start/end date of supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and other important contracts sufficient to affect the rights and interest of shareholders that are still valid up to the printing date of the annual report and expired in the most recent year

| Contract type | Contract party | Contract start/end date | Main content | Restrictive clause |
|----------------|------------------------------------|--|--|--------------------|
| Loan contract | Taishin International Bank | September 1, 2023/ August 31, 2024 | Loan amount of short-term borrowings, domestic/foreign letter of credits | None. |
| Loan contract | CTBC Bank | December 1, 2023/ November 30, 2024 | Loan amount of short-term borrowings, domestic/foreign letter of credits | None. |
| Lease contract | Mega International Commercial Bank | August 4, 2023/ August 3, 2024 | Loan amount of short-term borrowings, domestic/foreign letter of credits | None. |
| Lease contract | Bao Zhong Ting Yi-Min Senior | October 1, 2023/ September 30, 2025 | Zhubei office lease contract | None. |

| Contract type | Contract party | Contract start/end date | Main content | Restrictive clause |
|-------------------------------|------------------------|---------------------------------------|----------------------|--------------------|
| | High School Consortium | | | |
| Assembly and testing contract | Company B | November 1, 2023/ October 31, 2026 | Assembly and testing | None. |

Six. Financial Information

I. Condensed Balance Sheet & Comprehensive Income Statement for the Last 5 Years

(I) Condensed Balance Sheet and Statement of Comprehensive Income

1. Condensed Balance Sheet - IFRS (Consolidated)

Unit: NT\$ Thousand

Unit: NT\$ Thousand

| <div> <div>Year</div> <div>Item</div> </div> | | Financial information for the most recent 5 years (Note) | | | | |
|---|---------------------|---|---------|-----------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 316,667 | 506,956 | 956,058 | 1,430,900 | 1,403,679 |
| Property, plant, and equipment | | 19,054 | 19,301 | 35,364 | 36,249 | 157,842 |
| Intangible asset | | 3,035 | 5,020 | 7,323 | 11,049 | 9,221 |
| Other assets | | 18,113 | 11,292 | 35,446 | 34,873 | 20,947 |
| Total Assets | | 356,869 | 542,569 | 1,034,191 | 1,513,071 | 1,591,689 |
| Current liability | Before distribution | 68,927 | 116,905 | 348,812 | 243,529 | 204,465 |
| | After distribution | 68,927 | 135,270 | 459,000 | 365,346 | 330,162 |
| Non-current liabilities | | 3,579 | 2,439 | 2,097 | - | 4,111 |
| Total liabilities | Before distribution | 72,506 | 119,344 | 350,909 | 243,529 | 208,576 |
| | After distribution | 72,506 | 137,709 | 461,097 | 365,346 | 334,273 |
| Equity attributable to owners of the parent company | | 284,363 | 423,225 | 683,282 | 1,269,542 | 1,383,113 |
| Share capital | | 367,291 | 367,291 | 367,291 | 412,161 | 424,881 |
| Capital surplus | | 163,209 | 1,820 | 4,144 | 494,954 | 565,381 |
| Retained earnings (Losses to be covered) | Before distribution | (247,089) | 53,093 | 310,678 | 496,509 | 593,167 |
| | After distribution | (247,089) | 34,728 | 200,490 | 374,692 | 467,470 |
| Other equities | | 952 | 1,021 | 1,169 | 753 | (65,481) |
| Treasury shares | | - | - | - | (134,835) | (134,835) |
| Non-controlling interests | | - | - | - | - | - |
| Total Equity | Before distribution | 284,363 | 423,225 | 683,282 | 1,269,542 | 1,383,113 |
| | After distribution | 284,363 | 404,860 | 573,094 | 1,147,725 | 1,257,416 |

Note: The aforementioned financial data of each year has been audited and certified by CPA.

2. Condensed Statement of Comprehensive Income - IFRS (Consolidated)

Unit: NT\$ thousand

| Item \ Year | Financial information for the most recent 5 years (Note) | | | | |
|--|---|----------|-----------|-----------|-----------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 400,631 | 635,552 | 1,054,785 | 1,179,809 | 1,022,564 |
| Gross profit | 142,420 | 280,153 | 529,130 | 568,569 | 471,190 |
| Operating profit(loss) | 37,898 | 163,369 | 349,439 | 353,703 | 263,403 |
| Non-operating revenue(expense) | (5,182) | (17,351) | (2,626) | 19,911 | 8,829 |
| Net income (loss) before tax | 32,716 | 146,018 | 346,813 | 373,614 | 272,232 |
| Net income of continuing business units | 40,153 | 136,973 | 275,950 | 296,019 | 218,476 |
| Loss on discontinued operation | - | - | - | - | - |
| Net income for the period (loss) | 40,153 | 136,973 | 275,950 | 296,019 | 218,476 |
| Other comprehensive income (loss) for the current period (net after tax) | (1,168) | 69 | 148 | (416) | (289) |
| Total comprehensive income in the current period | 38,985 | 137,042 | 276,098 | 295,603 | 218,187 |
| Net income (loss) attributed to shareholders of the parent | 40,153 | 136,973 | 275,950 | 296,019 | 218,476 |
| Net income (loss) attributable to uncontrolled equity | - | - | - | - | - |
| Total comprehensive income and loss attributable to the owners of the parent company | 38,985 | 137,042 | 276,098 | 295,603 | 218,187 |
| Total comprehensive income and loss attributable to non-controlling interests | - | - | - | - | - |
| Earnings per share (loss) | 1.13 | 3.73 | 7.51 | 7.58 | 5.42 |

Note: The aforementioned financial data of each year has been audited and certified by CPA.

3. Condensed Balance Sheet - IFRS (Parent company only)

Unit: NT\$ Thousand

| Item \ Year | | Financial information for the most recent 5 years (Note) | | | | |
|---|---------------------|--|---------|-----------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 314,852 | 503,199 | 951,178 | 1,423,224 | 1,389,224 |
| Property, plant, and equipment | | 17,804 | 17,209 | 33,791 | 32,975 | 155,104 |
| Intangible asset | | 3,035 | 5,020 | 7,323 | 10,990 | 9,177 |
| Other assets | | 15,817 | 10,346 | 33,096 | 40,385 | 32,065 |
| Total Assets | | 351,508 | 535,774 | 1,025,388 | 1,507,574 | 1,585,570 |
| Current liability | Before distribution | 60,296 | 105,083 | 329,812 | 238,032 | 200,448 |
| | After distribution | 60,296 | 123,448 | 440,000 | 359,849 | 326,145 |
| Non-current liabilities | | 6,849 | 7,466 | 12,294 | - | 2,009 |
| Total liabilities | Before distribution | 67,145 | 112,549 | 342,106 | 238,032 | 202,457 |
| | After distribution | 67,145 | 130,914 | 452,294 | 359,849 | 328,154 |
| Equity attributable to owners of the parent company | | 284,363 | 423,225 | 683,282 | 1,269,542 | 1,383,113 |
| Share capital | | 367,291 | 367,291 | 367,291 | 412,161 | 424,881 |
| Capital surplus | | 163,209 | 1,820 | 4,144 | 494,954 | 565,381 |
| Retained earnings (Losses to be covered) | Before distribution | (247,089) | 53,093 | 310,678 | 496,509 | 593,167 |
| | After distribution | (247,089) | 34,728 | 200,490 | 374,692 | 467,470 |
| Other equities | | 952 | 1,021 | 1,169 | 753 | (65,481) |
| Treasury shares | | - | - | - | (134,835) | (134,835) |
| Non-controlling interests | | - | - | - | - | - |
| Total Equity | Before distribution | 284,363 | 423,225 | 683,282 | 1,269,542 | 1,383,113 |
| | After distribution | 284,363 | 404,860 | 573,094 | 1,147,725 | 1,257,416 |

Note: The aforementioned financial data of each year has been audited and certified by CPA.

4. Condensed Statement of Comprehensive Income - IFRS (Parent company only)

Unit: NT\$ Thousand

| Item \ Year | Financial information for the most recent 5 years (Note) | | | | |
|--|---|----------|-----------|-----------|-----------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 395,154 | 635,552 | 1,054,785 | 1,179,809 | 1,022,564 |
| Gross profit | 136,943 | 280,538 | 529,774 | 569,066 | 474,517 |
| Operating profit(loss) | 1,497 | 166,772 | 356,553 | 342,621 | 260,138 |
| Non-operating revenue(expense) | 31,189 | (20,748) | (9,740) | 30,993 | 12,094 |
| Net income (loss) before tax | 32,686 | 146,024 | 346,813 | 373,641 | 272,232 |
| Net income of continuing business units | 40,153 | 136,973 | 275,950 | 296,019 | 218,476 |
| Loss on discontinued operation | - | - | - | - | - |
| Net income for the period (loss) | 40,153 | 136,973 | 275,950 | 296,019 | 218,476 |
| Other comprehensive income (loss) for the current period (net after tax) | (1,168) | 69 | 148 | (416) | (289) |
| Total comprehensive income in the current period | 38,985 | 137,042 | 276,098 | 295,603 | 218,187 |
| Net income (loss) attributed to shareholders of the parent | 40,153 | 136,973 | 275,950 | 296,019 | 218,476 |
| Net income (loss) attributable to uncontrolled equity | - | - | - | - | - |
| Total comprehensive income and loss attributable to the owners of the parent company | 38,985 | 137,042 | 276,098 | 295,603 | 218,187 |
| Total comprehensive income and loss attributable to non-controlling interests | - | - | - | - | - |
| Earnings per share (loss) | 1.13 | 3.73 | 7.51 | 7.58 | 5.42 |

Note: The aforementioned financial data of each year has been audited and certified by CPA.

(II) Names of auditors and audit opinions for the most recent five years

| Year | CPA Firm | Name of CPA | Audit Opinions |
|------|-----------------|------------------------------------|---------------------|
| 2019 | Deloitte Taiwan | Ming-Yen Chien, Cheng-Chun Chiu | Unqualified opinion |
| 2020 | Deloitte Taiwan | Ming-Yen Chien, Cheng-Chun Chiu | Unqualified opinion |
| 2021 | Deloitte Taiwan | Ming-Yen Chien, Cheng-Chun Chiu | Unqualified opinion |
| 2022 | Deloitte Taiwan | Ming-Yen Chien, Cheng-Chun Chiu | Unqualified opinion |
| 2023 | Deloitte Taiwan | Ming-Yen Chien, Cheng-Chun Chiu | Unqualified opinion |

II. Financial Analysis in the Most Recent 5 Years

(I) Financial Analysis - Consolidated financial information according to IFRS

| Analysis items | | Financial analyses for the most recent five years (Note 1) | | | | |
|-----------------------|---|--|----------|----------|----------|----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure % | Liabilities to assets ratio | 20.32 | 22.00 | 33.93 | 16.10 | 13.10 |
| | Ratio of long-term capital to property, plant and equipment | 1,511.19 | 2,205.40 | 1,938.07 | 3,502.28 | 878.87 |
| Solvency % | Current ratio | 459.42 | 433.65 | 274.09 | 587.57 | 686.51 |
| | Quick ratio | 360.73 | 361.55 | 219.94 | 507.19 | 596.06 |
| | Interest coverage ratio | 55.89 | 188.20 | 925.83 | 1,210.11 | 3,280.90 |
| Operating ability | Receivable turnover rate (times) | 6.79 | 5.83 | 6.39 | 6.41 | 5.85 |
| | Days to collect accounts receivable | 54 | 63 | 58 | 57 | 63 |
| | Inventory turnover rate (times) | 4.77 | 4.90 | 4.10 | 3.29 | 2.94 |
| | Payable turnover rate (times) | 9.12 | 7.71 | 7.79 | 9.21 | 9.97 |
| | Average days to sell inventory | 77 | 75 | 90 | 111 | 125 |
| | Property, plant, and equipment turnover rate (times) | 22.68 | 33.14 | 38.59 | 32.95 | 10.54 |
| | Total asset turnover rate (times) | 1.31 | 1.41 | 1.34 | 0.93 | 0.66 |

| Analysis items \ Year | | Financial analyses for the most recent five years (Note 1) | | | | |
|-----------------------|--|--|----------|--------|--------|--------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Profitability | Return on assets (%) | 13.33 | 30.60 | 35.04 | 23.26 | 14.08 |
| | Return on equity (%) | 17.15 | 38.72 | 49.88 | 30.32 | 16.47 |
| | Income before tax to paid-in capital ratio (%) | 8.91 | 39.76 | 94.42 | 90.65 | 64.07 |
| | Net profit rate (%) | 10.02 | 21.55 | 26.16 | 25.09 | 21.37 |
| | Earnings per share (NT\$) | 1.13 | 3.73 | 7.51 | 7.58 | 5.42 |
| Cash flow | Cash flow ratio (%) | 34.35 | 110.21 | 88.59 | 122.57 | 135.13 |
| | Cash flow adequacy ratio (%) | (Note 2) | (Note 2) | 167.66 | 170.91 | 50.87 |
| | Cash reinvestment ratio (%) | 6.51 | 24.75 | 36.32 | 13.29 | 9.83 |
| Leverage | Operating leverage | 1.50 | 1.14 | 1.07 | 1.10 | 1.16 |
| | Financial leverage | 1.02 | 1.00 | 1.00 | 1.00 | 1.00 |

Please explain the reasons for the variations of financial ratios in the last 2 years: (if the change increase/decrease is less than 20%, analysis may be exempted):

1. The decrease of ratio of long-term capital to property, plant and equipment: Due to purchasing office in 2023, led to an increase in property, plant and equipment.
2. The increase of interest coverage ratio: There was no need for loan in 2023, leading to a decrease in interest expenses.
3. The decrease of Property, plant, and equipment turnover rate (times): Due to purchasing office in 2023, led to an increase in property, plant and equipment.
4. The decrease of total asset turnover rate(times): Due to decrease in net revenue in 2023.
5. The decrease of return on assets: Due to decrease in net profit in 2023.
6. The decrease of return on equity: Due to decrease in net profit in 2023.
7. The decrease of income before tax to paid-in capital ratio: This is primarily due to a decrease in income before tax resulting from reduced net revenue in 2023.
8. The decrease of earnings per share: Due to decrease in net profit in 2023.
9. The decrease of Cash flow adequacy ratio: Due to an increase in capital expenditure resulting from the purchase office in 2023.

Note 1: The aforementioned financial data of each year has been audited and certified by CPA.

Note 2: Since the financial information with the application of IFRS not less than 5 years, there were not previous figures available for calculation. Accordingly, this is not applicable.

Note 3: The calculation equations for the aforementioned financial ratios with the application of IFRS are summarized in the following:

1. Financial structure:

(1) Liabilities to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant & equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment.

2. Solvency:

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest coverage ratio = income before tax and interest expense / interest expense in the current period.

3. Operating ability:

(1) Receivable turnover rate(including accounts receivable and notes receivable due to businesses) = net sales / average balance of receivable (including accounts receivable and notes receivable due to businesses) for

- each period.
- (2) Days to collect accounts receivable = $365 / \text{receivable turnover rate}$.
 - (3) Inventory turnover rate = $\text{cost of goods sold} / \text{average inventory}$.
 - (4) Payable turnover rate (including accounts payable and notes payable due to businesses) = $\text{cost of goods sold} / \text{average balance of payables (including accounts payable and notes payable due to businesses) for each period}$.
 - (5) Average days to sell inventory = $365 / \text{inventory turnover rate}$.
 - (6) Property, plant and equipment turnover rate = $\text{Net sales} / \text{Average net worth of property, plant and equipment}$.
 - (7) Total assets turnover rate = $\text{Net sales} / \text{Average total assets}$.
4. Profitability:
- (1) Return on assets = $[\text{net income(loss) after-tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$.
 - (2) Return on equity = $\text{Net income (loss) after tax} / \text{Average total equity}$.
 - (3) Net profit rate = $\text{Net income(loss)after-tax} / \text{net sales}$.
 - (4) Earning per share = $(\text{Profit or loss attributable to owners of the Company} - \text{Preference dividends}) / \text{weighted average number of shares outstanding}$.
5. Cash flow:
- (1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$.
 - (2) Cash flow adequacy ratio = $(\text{net cash flow from operating activities within five years} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five years})$.
 - (3) Cash flow reinvestment ratio = $(\text{Cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross property, plant and equipment} + \text{Long-term investments} + \text{Other non-current assets} + \text{Working capital})$.
6. Balance:
- (1) Operating leverage = $(\text{Net operating revenue} - \text{Variable operating costs and expenses}) / \text{Income from operations}$.
 - (2) Financial leverage = $\text{Income from operations} / (\text{income from operations} - \text{Interest expense})$.

(II) Financial Analysis - Parent company only financial information according to IFRS

| Analysis items | | Year | Financial Analysis for the Last Five Years | | | | |
|-----------------------|---|------|--|----------|----------|----------|----------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure % | Liabilities to assets ratio | | 19.10 | 21.01 | 33.36 | 15.79 | 12.77 |
| | Ratio of long-term capital to property, plant and equipment | | 1,635.65 | 2,502.71 | 2,058.47 | 3,850.01 | 893.03 |
| Solvency % | Current ratio | | 522.18 | 478.86 | 288.40 | 597.91 | 693.06 |
| | Quick ratio | | 401.94 | 390.54 | 231.26 | 515.87 | 601.36 |
| | Interest coverage ratio | | 62.10 | 197.53 | 980.70 | 1,395.18 | 4,950.67 |
| Management capacity | Receivable turnover rate (times) | | 6.42 | 5.83 | 6.39 | 6.41 | 5.85 |
| | Days to collect accounts receivable | | 57 | 63 | 58 | 57 | 63 |
| | Inventory turnover rate (times) | | 4.77 | 4.90 | 4.10 | 3.28 | 2.92 |
| | Payable turnover rate (times) | | 9.12 | 7.70 | 7.78 | 9.20 | 9.91 |
| | Average days to sell inventory | | 77 | 75 | 90 | 112 | 125 |
| | Property, plant and equipment turnover rate (times) | | 23.77 | 36.30 | 41.36 | 35.34 | 10.87 |
| | Total asset turnover ratio (times) | | 1.24 | 1.43 | 1.35 | 0.93 | 0.66 |
| Profitability | Return on assets (%) | | 12.73 | 31.01 | 35.39 | 23.39 | 14.13 |
| | Return on equity (%) | | 17.15 | 38.72 | 49.88 | 30.32 | 16.47 |
| | Net profit before tax to paid-in capital ratio (%) | | 8.90 | 39.76 | 94.42 | 90.65 | 64.07 |
| | Net profit rate (%) | | 10.16 | 21.55 | 26.16 | 25.09 | 21.37 |
| | Earnings per share (NT\$) | | 1.13 | 3.73 | 7.51 | 7.58 | 5.42 |
| Cash flow | Cash flow ratio (%) | | 43.79 | 115.05 | 95.28 | 122.24 | 133.57 |
| | Fund flow adequacy ratio (%) | | (Note 2) | (Note 2) | 168.71 | 170.41 | 50.26 |
| | Cash reinvestment ratio (%) | | 7.26 | 22.91 | 36.73 | 12.82 | 9.4 |
| Leverage | Operating leverage | | 39.33 | 1.13 | 1.06 | 1.10 | 1.15 |
| | Financial leverage | | 1.56 | 1.00 | 1.00 | 1.00 | 1.00 |

Please explain the reasons for the variations of financial ratios in the last 2 years: (if the change increase/decrease is less than 20%, analysis may be exempted):

1. The decrease of ratio of long-term capital to property, plant and equipment: Due to purchasing office in 2023, led to an increase in property, plant and equipment.
2. The increase of interest coverage ratio: There was no need for loan in 2023, leading to a decrease in interest expenses.
3. The decrease of Property, plant, and equipment turnover rate (times): Due to purchasing office in 2023, led to an increase in property, plant and equipment.
4. The decrease of total asset turnover rate(times): Due to decrease in net revenue in 2023.
5. The decrease of return on assets: Due to decrease in net profit in 2023.
6. The decrease of return on equity: Due to decrease in net profit in 2023.
7. The decrease of income before tax to paid-in capital ratio: This is primarily due to a decrease in income before tax resulting from reduced net revenue in 2023.
8. The decrease of earnings per share: Due to decrease in net profit in 2023.
9. The decrease of Cash flow adequacy ratio: Due to an increase in capital expenditure resulting from the purchase office in 2023.
10. Cash reinvestment ratio: Due to an increase in gross property, plant and equipment resulting from the purchase office in 2023.

Note 1: The aforementioned financial data of each year has been audited and certified by CPA.

Note 2: Since the financial information with the application of IFRS not less than 5 years, there were not previous figures available for calculation. Accordingly, this is not applicable.

Note 3: The calculation equations for the aforementioned financial ratios with the application of IFRS are summarized in the following:

1. Financial structure:

(1) Liabilities to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant & equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment.

2. Solvency:

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

3. Management capacity:

(1) Receivable turnover rate (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.

(2) Days to collect accounts receivable = 365 / receivable turnover rate.

(3) Inventory turnover rate = cost of goods sold / average inventory value.

(4) Payable turnover rate (including accounts payable and bills payable due to businesses) = cost of goods sold / average balance of accounts payable (including accounts payable and bills payable due to businesses) for each period.

(5) Average days to sell inventory = 365 / inventory turnover rate.

(6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment.

(7) Total assets turnover rate = Net sales / Average total assets.

4. Profitability:

(1) Return on assets = [after-tax profit and loss + interest expense \times (1 - tax rate)] / average total assets.

(2) Return on equity = Earnings (loss) after tax / Average total equity.

(3) Net profit rate = after-tax profit and loss / net sales.

(4) Earning per share= (Profit or loss attributable to owners of the Company - Preference dividends)/weighted average number of shares outstanding.

5. Cash flow:

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = (net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years.

(3) Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends)/ (Gross property, plant and equipment + Long-term investments + Other non-current assets + Working capital).

6. Leverage:

(1) Operating leverage = (Net sales - Variable cost) / Income from operations.

(2) Financial leverage = Income from operations / (income from operations - Interest expense).

- III. Audit Committee's Report for the Most Recent Year's Financial Report: Please refer to Appendix 2 of this Annual Report.
- IV. Financial Report for the Most Recent Year Audited by Independent Auditors: Please refer to Appendix 3 of this Annual Report.
- V. The Company's Parent Company Only Financial Report for the Most Recent Year Audited by Independent Auditors: Please refer to Appendix 4 of this Annual Report.
- VI. Any financial distress experienced by the company or its affiliates and impacts on the company's financial status in the most recent fiscal year and up to the printing date of annual report: None.

Seven. Financial Status and Financial Performance Analysis & Risk Matters

I. Financial Status:

Financial Status Comparison and Analysis Table

Unit: NT\$ thousand, %

| Item \ Year | 2022 | 2023 | Variation | |
|--|-----------|-----------|-----------|------------|
| | | | Amount | % |
| Current assets | 1,430,900 | 1,403,679 | (27,221) | (1.90) |
| Property, plant, and equipment | 36,249 | 157,842 | 121,593 | 335.44 |
| Intangible asset | 11,049 | 9,221 | (1,828) | (16.54) |
| Other assets | 34,873 | 20,947 | (13,926) | (39.93) |
| Total Assets | 1,513,071 | 1,591,689 | 78,618 | 5.20 |
| Current liability | 243,529 | 204,465 | (39,064) | (16.04) |
| Non-current liabilities | - | 4,111 | 4,111 | 100.00 |
| Total liabilities | 243,529 | 208,576 | (34,953) | (14.35) |
| Share capital | 412,161 | 424,881 | 12,720 | 3.09 |
| Capital surplus | 494,954 | 565,381 | 70,427 | 14.23 |
| Legal reserve | 32,904 | 62,506 | 29,602 | 89.96 |
| Unappropriated earnings | 463,605 | 530,661 | 67,056 | 14.46 |
| Other equities | 753 | (65,481) | (66,234) | (8,796.02) |
| Treasure shares | (134,835) | (134,835) | - | - |
| Non-controlling interests | - | - | - | - |
| Total Equity | 1,269,542 | 1,383,113 | 113,571 | 8.95 |
| <p>For increase/decrease ratio change exceeding 20% and above and amount of change reaching NT\$10 million, the analysis and explanation of the main reasons are summarized in the following:</p> <p>The increase of property, plant, and equipment: It was mainly due to purchasing office in 2023.</p> <p>The decrease of other assets: Due to reclassifying refundable deposit to inventory.</p> <p>The increase of legal reserve: It was mainly due to the provision of 10% after-tax net profit listed as legal reserve by law in 2023.</p> <p>The decrease of other equities: Due to issuing restricted stock award in 2023.</p> | | | | |

II. Financial Performance

(I) Operation result analysis for the most recent two years

Financial performance comparison analysis table

Unit: NT\$ thousand, %

| Item \ Year | 2022 | 2023 | Variation | |
|--|-----------|-----------|-----------|---------|
| | | | Amount | % |
| Net revenue | 1,179,809 | 1,022,564 | (157,245) | (13.33) |
| Operating cost | 611,240 | 551,374 | (59,866) | (9.79) |
| Gross profit | 568,569 | 471,190 | (97,379) | (17.13) |
| Operating expenses | 214,866 | 207,787 | (7,079) | (3.29) |
| Operating profit | 353,703 | 263,403 | (90,300) | (25.53) |
| Non-operating income and expense | 19,911 | 8,829 | (11,082) | (55.66) |
| Net income before tax | 373,614 | 272,232 | (101,382) | (27.14) |
| Income tax profit (expense) | (77,595) | (53,756) | 23,839 | 30.72 |
| Net income for the period | 296,019 | 218,476 | (77,543) | (26.20) |
| Other comprehensive income | (416) | (289) | 127 | 30.53 |
| Total comprehensive income | 295,603 | 218,187 | (77,416) | (26.19) |
| Net income attributable to the owners of the parent company | 296,019 | 218,476 | (77,543) | (26.20) |
| Net income attributable to non-controlling interests | - | - | - | - |
| Total comprehensive income and loss attributable to the owners of the parent company | 295,603 | 218,187 | (77,416) | (26.19) |
| Total comprehensive income and loss attributable to non-controlling interests | - | - | - | - |
| For increase/decrease ratio change exceeding 20% and amount of change reaching NT\$10 million, the analysis and explanation of the main reasons are summarized in the following: | | | | |
| The decrease of operating profit: Due to decrease of net revenue in 2023. | | | | |
| The decrease of non-operating income and expense: It was mainly due to the depreciation of the U.S. dollar and the decrease in foreign exchange gain. | | | | |
| The decrease of Net income before tax, Income tax profit (expense), Net income for the period and Total comprehensive income: Due to decrease of net revenue in 2023. | | | | |

(II) Expected sales quantity and basis thereof, and the possible impact on the future financial business of the Company and responsive plan:

The sales volume is reasonably calculated based on the annual sales target of the Company, market demand condition and development trend, customer business overview and the current orders received by the Company along with the consideration of the production capacity scale of the Company. Accordingly, it is predicted that the business of the Company will be a stable growth trend, such that it will bring positive benefits to the financial and business status of the Company.

III. Cash Flow

(I) Analysis of cash flow change for the most recent year (2023)

Unit: NT\$ thousand

| | 2022 | 2023 | Increase (Decrease) Change | |
|---|----------|-----------|----------------------------|------------|
| | | | Amount | % |
| Net cash inflow (outflow) from operating activities | 298,500 | 276,295 | (22,205) | (7.44) |
| Net cash inflow (outflow) from investing activities | (49,871) | (970,712) | (920,841) | (1,846.45) |
| Net cash inflow (outflow) from financing activities | 216,674 | (115,262) | (331,936) | (153.20) |
| Analysis of cash flow change of most recent year: | | | | |
| decrease of net cash inflow from operating activities: Due to a decrease in pre-tax net profit compared to the previous year. | | | | |
| Increase of net cash outflow from investing activities: Due to the purchase of an office and the placement of funds in fixed deposits in 2023 | | | | |
| Increase of net cash inflow from financing activities: Because no cash capital increase was carried out in 2023 | | | | |

(II) Improvement plan for insufficient liquidity: The Company is not subject to any insufficient liquidity.

(III) Cash liquidity analysis for the next year (2024)

Unit: NT\$ thousand

| Cash balance at the beginning of the year (1) | Expected annual net cash flow from operating activities (2) | Expected annual net cash flow from investing activities (3) | Expected annual net cash flow from financing activities (4) | Cash surplus (deficit) amount (1)+(2)+(3)+(4) | Remedy for cash deficit | |
|---|---|---|---|---|-------------------------|---------------------------|
| | | | | | Investment plan | Financial management plan |
| 226,392 | 213,929 | (69,171) | (57,373) | 313,777 | — | — |
| (1) Analysis of cash liquidity change for the next year: | | | | | | |
| Net cash inflow from operating activities: Anticipated accounts receivables in cash in 2024. | | | | | | |
| Net cash outflow from investing activities: Anticipated developing new products and payment of equipment in 2024. | | | | | | |
| Net cash outflow from financing activities: Anticipated payment of annual cash dividends for 2023. | | | | | | |
| (2) Analysis on remedy for estimated cash shortage and liquidity: None. | | | | | | |

IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company: None.

V. Policy on investment in other companies for the most recent year, main reason for profits or losses, improvement plans and investment plans for the next year:

(I) Investment policy of the Company:

The investment policy of the Company is based on the consideration of the sustainable operation and business growth. In addition, the Company has established the “Procedures for Acquisition and Disposal of Assets” according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” specified by the competent authority in order to refer as a basis for the Company’s investments in other enterprises.

(II) Investment profit or main reason for profits or losses, and improvement plans for the most recent year:

Unit: NT\$ thousand

| Item | Profit (loss) recognized in 2023 | Main reason for profit or loss and improvement plan | Improvement plan |
|-------------------------------------|----------------------------------|--|------------------|
| Investee | | | |
| Blink Electronic Co., Ltd. | 4,021 | It mainly refers to the recognition of the investment profit (loss) of Xi'An M3 Semiconductor Corporation. | - |
| M3 Technology (Dallas), Inc. | (517) | It mainly provides research and market information to the Company, and it is not an operating unit providing service to the external. | - |
| Xi'An M3 Semiconductor Corporation. | 5,726 | It mainly provides research and development service to the Company, and it is not an operating unit providing service to the external. | - |

(III) Investment plan for the next year: None.

VI. Risk analysis in the most recent year and up to the printing date of the annual report

(I) Impact of interest rate, exchange rate fluctuation and inflation condition on the profit/loss of the company and future countermeasures

The ratio of interest expense and exchange gain (loss) to the net revenue of the Company for the last two years is as follows:

Unit: NT\$ thousand

| Item | Year | 2022 | | 2023 | |
|------------------------------|------|--------|-----------------------------------|---------|-----------------------------------|
| | | Amount | Ratio with respect to net revenue | Amount | Ratio with respect to net revenue |
| Interest expense | | 309 | 0.03% | 83 | 0.01% |
| Foreign exchange gain (loss) | | 15,792 | 1.34% | (3,009) | (0.29%) |

1. Impact of interest rate fluctuation on the profit/loss of the Company and future countermeasures

The 2022 and 2023 interest expenses of the Company accounted for 0.03% and 0.01% of the total operating revenue respectively, which mainly referred to the interest expenses incurred due to the bank financing on the working fund for short-term material supply and preparation. As the Company's business scale and profitability increases, the own fund is sufficient such that the reliance on the bank loan is relatively low. In addition, the Company continues to maintain excellent relationship with banks, in case of any short-term fund demands in the future, the Company can obtain preferred interest rate with banks through negotiation. Furthermore, the Company also timely assesses interest rate risk due to interest-bearing liabilities to reduce possible interest rate risk of all liabilities.

2. Impact of exchange rate fluctuation on the other profit/loss of the Company and future countermeasures

The 2022 and 2023 foreign exchange gain (loss) of the Company were NT\$15,792 thousand and (3,009) thousand respectively, accounted for 1.34% and (0.29%) of the net

revenue of that year respectively, such that the impact on the profit and loss of the Company was limited. The purchase and sales transactions of the Company mainly use the currency of USD. Accordingly, the accounts receivable and payable can be offset with each other, achieving the effect of partial natural hedging. In addition, the Company also actively reviews information and future trend of foreign exchange market to provide reference basis for business and purchase quotations. Furthermore, the Company also carefully screens the timing for settlement to achieve the effect of exchange reduction. In recent years, as the exchange of USD to NTD continues to be volatile, the Company has adjusted the exchange timing accordingly in order to perform exchange during offset between accounts receivable and payable in USD. Moreover, the Company also reviews the bank exchange rate in order to choose the settlement timing advantageously, thus reducing the risk of foreign currency exchange risk.

3. Impact of inflation on the other profit/loss of the Company and future countermeasures

The Company is not subject to any material impact of inflation on the profit or loss of the Company. In addition, the Company monitors the market price fluctuation at all time and maintains excellent interaction and relationship with suppliers and customers, in order to prevent adverse impact of inflation on the profit or loss of the Company.

(II) Policies on engaging in high risk and high leverage investments, loaning funds to others, endorsement and guarantee and derivative transactions, main reason for profit and loss and future countermeasures

1. Policies on engaging in high risk and high leverage investments, main reason for profit and loss and future countermeasures

The Company does not engage in any high risk or high leverage investments.

2. Policies on engaging in loaning of funds to others, main reason for profit and loss and future countermeasures

The Company has established the “Procedures for Lending and Handling of Funds”, which has been approved by the shareholders’ meeting. Presently, the Company is not engaging in any loaning of funds to others. However, if loaning of funds to others occurs due to business needs in the future, the Company will comply with relevant laws and regulations to handle such matter.

3. Policies on engaging in making of endorsements/guarantees to others, main reason for profit and loss and future countermeasures

The Company has established the “Procedures for Endorsement and Guarantee”, which has also been approved by the shareholders’ meeting. Presently, the Company is not engaging in any making of endorsements/guarantees to others. However, if making of endorsements/guarantees to others occurs due to business needs in the future, the Company will comply with relevant laws and regulations to handle such matter.

4. Policies on engaging in derivative trading, main reason for profit and loss and future countermeasures

The Company has established the “Procedures for Acquisition and Disposal of Assets” to regulate derivative trading operations, which has also been approved by the shareholders’ meeting. Presently, the Company is not engaging in any derivative trading. However, if derivative trading occurs due to business needs in the future, the Company will comply with relevant laws and regulations to handle such matter.

(III) Future research and development plans, anticipated investments in research and development expenses

The company focuses on the research and development of high performance power management IC, and will continue to be guided by market demand and leverage its agility and flexibility to develop competitive, differentiated products. We continue to focus on high-growth emerging applications, such as the new generation of WiFi-7 modems, 5G/IoT terminals, SSDs, the new generation of Type-C/PD ports, etc., and develop forward-looking core products to capitalize on market opportunities.

The performance of power management IC depends on the circuit and board design level, and it is also closely related to the techniques and processes adopted. As a fabless IC design company, M3TEK is able to choose the most competitive wafer foundry based on its diverse process requirements. Furthermore, the Company will continue to broaden its collaboration with foundries in the future development of high-voltage devices in an effort to increase its competitiveness.

Over the years, the Company's R&D expense represented a certain proportion of its revenue. In 2022 and 2023 the proportion of R&D expenses reached 9.04% and 11.53%, respectively. With the planning and implementation of forward-looking technology in the future, as well as the Company's overall R&D blueprints, the R&D budget will gradually increase, and experienced high-end R&D personnel will be recruited to develop forward-looking core technology and achieve R&D momentum and sustainable management objectives.

(IV) Impacts of changes in domestic/foreign important policies and laws on the financial business of the company and countermeasures:

For the most recent year and up to the printing date of the annual report, the Company was not affected due to changes in domestic/foreign important policies and laws. The Company's operation complies with relevant domestic and foreign laws and regulations. In addition, the Company also consults opinions of professionals of CPAs and attorneys, and collects information in order to provide reference to the management for decision making and to adopt appropriate countermeasures.

(V) Impacts of changes in technology (including cyber security risk) and industry on the financial business of the Company and countermeasures

For the most recent year and up to the printing date of the annual report, changes of technology, information security risk and industry have no major impacts to the Company. The management of the Company also monitors market change and technology trend change at all time. In addition, impacts on the operation of the Company are also assessed to continuously improve research and development capability and product competitiveness. In addition, the Company also continues to invest in new product research and development, and adopts rigorous control on the product development schedule along with establishment of relevant response plans in order to maintain the conservative and stable financial structure and the capital movement flexibility, thus coping with any future changes.

The Company has established information security policies of the "Computer System Safety Management Policy" and "Emergency Response and System Recovery Plan Operation Procedure", and dedicated information department supervisor is responsible for ensuring and supervising the compliance with relevant policies and rules. In addition, the information security policy of the Company is reviewed continuously in order to improve the information security architecture and management. Furthermore, the Company also provides the latest information security case examples or education irregularly to ensure that all employees are equipped with the awareness and bearing responsibilities for information security. Moreover, all employees are required to comply with relevant

information security management rules of the Company, thus ensuring the confidentiality, integrity and availability of business information of the Company.

(VI) Impacts of change in corporate image on the corporate crisis management and countermeasures

For the most recent year and up to the printing date of the annual report, change of corporate image has no major impacts on the financial business of the Company. The management of the Company complies with the internal control system and various regulatory requirements, and upholds the business principle of integrity and professionalism, along with the implementation of corporate governance requirements in order to strengthen the corporate image of the Company.

(VII) Expected benefits, possible risks, and countermeasures for mergers and acquisitions

For the most recent year and up to the printing date of the annual report, the Company is not subject to any merger and acquisition. If there is any merger or acquisition plan in the future due to business needs, it will be handled according to relevant rules established by the Company as well as relevant laws and regulations.

(VIII) Expected benefits and possible risks of factory expansions as well as the countermeasures

The Company is a professional power management IC design company, and production process is entrusted to foundries for manufacturing. Accordingly, for the most recent year and up to the printing date of the annual report, the Company has no plan for the factory expansions.

(IX) Risks faced due to concentrated purchase or sales and countermeasures

1. Risks faced due to concentrated purchase and countermeasures

The Company is a fabless IC design company, and entrust all production works to professional foundries. Presently, for the semiconductor industry, it has become a professional work allocation system for design, foundry, cutting and packaging/testing. During the product development stage, the Company cooperate with foundry and packaging/testing operators. In addition, the selection of vendors also requires the comprehensive consideration of the factors of process technology, quality yield rate, production capacity supply, delivery and geographical factor. Due to the characteristics of the industry, the purchase of the Company concentrates at foundries. Accordingly, when the production capacity of foundries is insufficient or price is increased, it can cause risk on the supply of the Company.

The raw material purchase policy of the Company is made based on the comprehensive assessment of the factors of supplier's quality, price, delivery and process technology. The sales department also provides the supply-demand status of the customer, new product implementation status and customer order information. In addition, the current inventory is inspected and the safety stock is considered in order to timely adjust the production plan. Furthermore, the Company has established stable relationship with suppliers. Since the business scale of the Company is relatively small, overly distributed suppliers may affect the Company's bargaining power in obtaining stable production capacity and price negotiation. Nevertheless, different foundries are selected according to their process technologies and different product circuit layouts. The concentrated procurement on foundries is the IC design industrial characteristic. The largest foundry supplier of the Company is the global well-known semiconductor foundry with business locations distributed in various parts of the world and continuing to expand its scale with active capital investment while achieving international standards for its products, technologies and quality. In addition, the Company has established stable cooperation with suppliers for a long period of time, and there has been no supply shortage or delay

of shipment up to the present day. Moreover, the Company has more than two cooperating foundries, and the Company also maintains good relationship with them in order to ensure the stability of supply source. Accordingly, in case where the production capacity of a supplier is insufficient, the Company still has other foundries capable of coordinating the production capacity, thus reasonably preventing the risk of impact of production capacity interruption on the operation of the Company.

2. Risks faced due to concentrated sales and countermeasures

The Company is a fabless IC design company and focuses on the product development, introduction and promotion. Based on the consideration of effective use of resources, capital utilization and inventory management efficiency, except that for some customers engages in direct sales, all other customers purchase the Company's product through the distributors. This is also the sales model commonly adopted in the IC design industry. If the Company is subject to concentrated sales to some distributors, then the change of suppliers of such distributors may cause operational risk to the Company.

The ratios of sales amount of the top three main customers to the revenue in 2022 were 35.83%, 9.11% and 7.46% respectively. The ratios of sales amount of the top three main customers to the revenue in 2023 were 45.92%, 8.73% and 6.95% respectively. In addition, most of the sales partners are IC component distributors having long-term relationship with the Company. The main cooperating end customers of the Company are domestic and foreign giant business operators, and the Company is committed to the establishment of long-term stable relationship with key customers. In addition, the Company also continues to develop new customers and expands greater customer resources in order to distribute revenue sources. Furthermore, products designed by the Company requires long period of time for certification and testing in order to obtain the qualification of qualified supplier from the main chip manufacturers. Accordingly, with such certification, the popularity of the Company's products is also increased, such that the end customers' demand for purchase of the Company's products is significantly increased. In the future, the Company will expand the application of different product lines, and will develop cooperation relationship with numerous distributors in order to reduce the concentration of sales. In case where the Company terminates the cooperation relationship with an distributor, the Company will sales directly to customers depending upon the situation, or will select other distributor as replacement, thus reducing the risk of concentrated sales.

(X) Impacts, risks and countermeasures of directors, supervisors or major shareholders with shareholding percentage exceeding 10% large equity transfer to the Company

Due to Director Chang-Yong Chen reaching retirement age and the desire to introduce strategic partners, 4,000,000 shares were transferred to AP Memory Technology Corporation on November 13, 2023. The company hopes that this collaboration will provide opportunities to expand into new markets and contribute to long-term development..

(XI) Impacts, risks and countermeasures of change in management rights to the Company

For the most recent year and up to the printing date of the annual report, the Company is not subject to any change of management right.

(XII) Litigation or non-litigation events

1. Any affirmative ruling or any pending major litigation, non-contentious case or administrative dispute event, and the result thereof may have major impacts on the shareholders' equity or stock price; the relevant dispute facts, subject matter amount, litigation starting date, main parties involving in the litigation and the handling status up to the printing date of annual report of the Company: None.

2. Directors, supervisors, President, substantial responsible person, major shareholders with shareholding percentage exceeding 10% of the Company and affiliates receiving any affirmative ruling or being involved any pending major litigation, non-contentious case or administrative dispute event, and the result thereof may have major impacts on the shareholders' rights or stock price; the relevant dispute facts, subject matter amount, litigation starting date, main parties involving in the litigation and the handling status up to the printing date of annual report: None.

(XIII) Other significant risks and countermeasure: None.

VII. Other material issues: None.

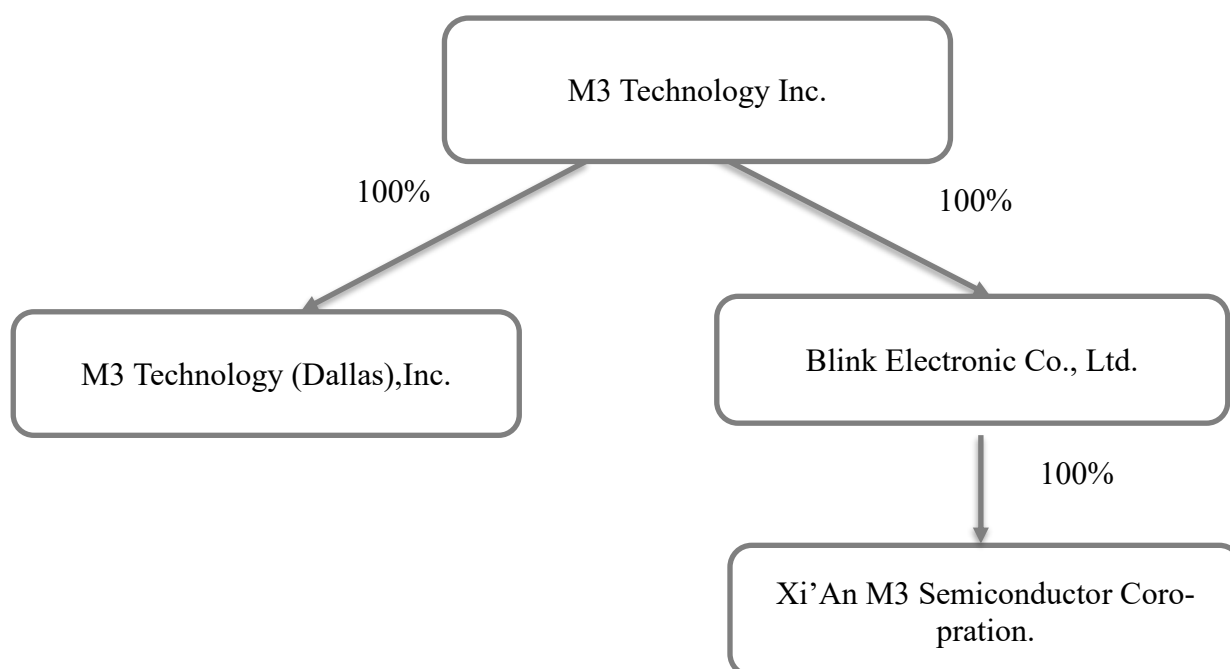
Eight. Special Record Items

I. Affiliated Enterprises

(I) Affiliated enterprise consolidated business report

1. Affiliated enterprise organizational chart

December 31, 2023



2. Basic information of each affiliates

December 31, 2023

| Enterprise name | Date of establishment | Address | Paid-in Capital | Main business or production items |
|------------------------------------|-----------------------|--|--------------------|--|
| Blink Electronic Co., Ltd. | August 5, 2010 | Level 2, Lotemau Centre, Vaea Street, Apia, Samoa. | USD 1,500 thousand | Holding company |
| M3 Technology (Dallas), Inc. | November 17, 2016 | 7008 Elmridge Dr. Dallas, TX 75240 | Note 1 | Product research, design and development |
| Xi'An M3 Semiconductor Corporation | January 21, 2011 | Room 501, 5F, Xinxigang Building, No. 3, Gaoxin 3rd Rd., Gaoxin Dist., Xian City | USD 990 thousand | Product research, design and development |

Note 1: Capital investment has not yet been transferred up to the end of December 31, 2022.

3. Information of shareholders in common, presumed to have a relationship of control and subordination: None.

4. Businesses covered by the business operated by the overall affiliated enterprises

The main business items of the overall affiliated enterprises of the Company include product research, design and development.

5. Information of directors, supervisors and presidents of affiliated enterprises

December 31, 2023; Unit: thousand shares

| Enterprise name | Title | Name or representative | Number of shares held | |
|--------------------------------------|---------------------|------------------------|-----------------------|--------------|
| | | | Shares | Shares Ratio |
| Blink Electronic Co., Ltd. | Director | Chang-Yong Chen | - | 0% |
| M3 Technology (Dallas), Inc. | Director | David Da Meng | Note 1 | 0% |
| | Director | Xiao-Yu Xi | | 0% |
| Xi' An M3 Semiconductor Corporation. | Chairman | Chang-Yong Chen | Note 2 | 0% |
| | Vice Chairman | David Da Meng | | 0% |
| | Director, President | Xiao-Yu Xi | | 0% |
| | Supervisor | Pin-Peng Li | | 0% |

Note 1: Capital investment has not yet been transferred up to the end of December 31, 2023.

Note 2: It is not a company limited by shares; therefore, there is no information on shares.

6. Affiliate operation status overview:

December 31, 2023; NT\$ Thousand, Unless Stated Otherwise

| Enterprise name | Capital | Total assets | Total liabilities | Net value | net revenue | Operating profit (loss) | Net income and loss (after tax) | Earnings per share (NTD) (after tax) |
|--------------------------------------|---------|--------------|-------------------|-----------|-------------|-------------------------|---------------------------------|--------------------------------------|
| Blink Electronic Co., Ltd. | 44,018 | 14,968 | 3,947 | 11,021 | - | (1,705) | 4,021 | Not applicable |
| M3 Technology (Dallas), Inc. | Note 1 | 5,695 | 1,903 | 3,792 | 25,611 | (468) | (517) | Not applicable |
| Xi' An M3 Semiconductor Corporation. | 29,082 | 22,930 | 7,961 | 14,969 | 70,753 | 4,556 | 5,726 | Not applicable |

Note 1: Capital investment has not yet been transferred up to the end of December 31, 2023.

(II) Consolidated Financial Statements of Affiliates:

In 2023 (from January 1 to December 31, 2023), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

(III) Affiliation Report: Not applicable.

II. Information on private placement of securities for the most recent year and up to the printing date of the annual report: None.

III. Company stock holding or disposition status by a subsidiary in the most recent year and as of the publication date of this annual report: None.

IV. Other matters requiring supplementary information: None.

V. For the most recent year and up to the printing date of the annual report, occurrence of events having material impact on shareholders equity and interests or securities prices according to Sub-paragraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act shall be described: None.

Appendix 1

Declaration of Internal Control System

M3 Technology Inc.

Declaration of Internal Control System

Date: February 29, 2024

The Company has conducted self-assessment of its internal control system in 2023 and hereby declares as follows:

- I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers, and that such a system has already been established by the Company. Its purpose is to reasonably ensure the effect and efficiency of operations (including profitability, performance and security of assets), the reliability, timeliness, transparency, and compliance with relevant legal rules.
- II. The internal control system has its inherent limitations, and regardless of how perfect the design is, the effectiveness of the internal control system can only provide reasonable assurance to the achievement of the aforementioned three objectives. In addition, due to the change of the environment and circumstances, the effectiveness of the internal control system may be changed. Nevertheless, the internal control system of the Company features a self-monitoring mechanism, can any shortcomings be corrected immediately once they are identified.
- III. The Company judges the effectiveness of the internal control system's design and enforcement in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of environment; 2. risk evaluation; 3. control of operation; 4. information and communication; 5. supervision. Each of the elements in turn contains certain audit items. For more information on the items, please refer to the "the Regulations".
- IV. The Company has adopted the aforementioned internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned inspection, the Company believes that it has reasonably guaranteed the achievement of the aforementioned goals of internal control (including the monitoring over the subsidiaries) as of December 31, 2023, including the effectiveness and efficiency of operations, reliability, timeliness and transparency of financial reporting and compliance with relevant legal rules, and that the design and implementation of the internal control system is effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be made public. If there is any fraud, concealment and unlawful practice discovered in the contents of the aforementioned information, the Company shall be liable for legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement of declaration has been approved by the Board of Directors on February 29, 2024, with 7 attending directors in common consent, and none of the attending directors held any objections.

M3 Technology Inc.

Chairman of the Board: AP Memory Technology Corporation

Representative: Wen-Liang Chen

CEO: David Da Meng

Appendix 2

Audit Committee Review Report

M3 Technology Inc.
Audit Committee Review Report

The Board of Directors has prepared the 2023 financial statements (including parent company only and consolidated financial statements), and the business report, and earning distribution proposal have been prepared and submitted by the Board of Directors. The financial statements (including parent company only and consolidated financial statements) have been audited by CPA Ming-Yen Chien and CPA Cheng-Chun Chiu of Deloitte Taiwan, and an audit report has been issued. The aforementioned reports and statements prepared by the Board of Directors have been reviewed completely and determined to be correct and accurate by the Audit Committee. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report for review.

To:

M3 Technology Inc.

2024 Annual Shareholders Meeting

Audit Committee Convener: Zhi-Feng Jiang

February 29, 2024

Appendix 3

2023 Consolidated Financial Statements and Independent Auditors' Report

M3 Technology Inc. and Subsidiaries

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of M3 Technology Inc. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, M3 Technology Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

M3 TECHNOLOGY INC.

By

AP Memory Technology Corporation
Representative: Wen-Liang Chen
Chairman

February 29, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
M3 Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of M3 Technology Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

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

Basis for Opinion

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

Key Audit Matter

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

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

Recognition of revenue from the specific customer

The revenue from specific customer which engaged in the distribution and agency of electronic components amounted to NT\$469,542 thousand in 2023; such amount which accounted for 46% of sales revenue is a significant amount of the Group's consolidated financial statements. Therefore, recognition of revenue from the specific customer was deemed to be a key audit matter.

For the accounting policy on recognition of revenue from the specific customer, refer to Note 4 (1).

The audit procedures for the abovementioned key audit matter were as follows:

1. We understood the design and tested the effectiveness of the internal controls with respect to recognition of revenue from specific customer.
2. We sent out confirmation request to specific customer; we requested confirmation of the total amount of revenue for the year.
3. We selected samples of sales to specific customer and validated the details against the supporting documents, including sales orders, delivery documents and cash received from customer to verify the occurrence of sales transactions.
4. We validated selected samples of sales returns and collection of trade receivables after the year-end against the data as of December 31, 2023.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Ming-Yen Chien and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 29, 2024

Notice to Readers

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

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

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| ASSETS | 2023 | | 2022 | |
|---|---------------------|-------------|---------------------|-------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash (Notes 4 and 6) | \$ 226,392 | 14 | \$ 1,036,230 | 69 |
| Financial assets at amortized cost - current (Notes 4, 7 and 26) | 827,091 | 52 | 13,863 | 1 |
| Notes receivable (Notes 4, 8 and 17) | 995 | - | 641 | - |
| Trade receivables (Notes 4, 8, 17 and 25) | 163,670 | 10 | 184,383 | 12 |
| Other receivables (Note 4) | 583 | - | 35 | - |
| Inventories (Notes 4, 5 and 9) | 180,988 | 12 | 194,324 | 13 |
| Prepayments | 3,960 | - | 1,424 | - |
| Total current assets | <u>1,403,679</u> | <u>88</u> | <u>1,430,900</u> | <u>95</u> |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment (Notes 4 and 11) | 157,842 | 10 | 36,249 | 2 |
| Right-of-use assets (Notes 4 and 12) | 7,970 | - | 2,861 | - |
| Intangible assets (Notes 4 and 13) | 9,221 | 1 | 11,049 | 1 |
| Deferred tax assets (Notes 4 and 19) | 11,839 | 1 | 7,130 | - |
| Prepayments for equipment | 619 | - | 167 | - |
| Refundable deposits | 519 | - | 24,715 | 2 |
| Total non-current assets | <u>188,010</u> | <u>12</u> | <u>82,171</u> | <u>5</u> |
| TOTAL | <u>\$ 1,591,689</u> | <u>100</u> | <u>\$ 1,513,071</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities - current (Notes 4 and 17) | \$ 652 | - | \$ 609 | - |
| Notes payable | 5 | - | - | - |
| Accounts payable | 55,851 | 4 | 54,763 | 4 |
| Other payables (Note 14) | 112,228 | 7 | 128,533 | 8 |
| Current tax liabilities (Notes 4 and 19) | 19,994 | 1 | 44,867 | 3 |
| Provisions - current (Note 4) | 10,996 | 1 | 11,157 | 1 |
| Lease liabilities - current (Notes 4 and 12) | 3,614 | - | 2,565 | - |
| Other current liabilities | 1,125 | - | 1,035 | - |
| Total current liabilities | <u>204,465</u> | <u>13</u> | <u>243,529</u> | <u>16</u> |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities - non-current (Notes 4 and 12) | <u>4,111</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total non-current liabilities | <u>4,111</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>208,576</u> | <u>13</u> | <u>243,529</u> | <u>16</u> |
| EQUITY (Notes 4, 16 and 21) | | | | |
| Share capital | | | | |
| Ordinary share | 425,421 | 27 | 412,161 | 27 |
| Share capital awaiting retirement | (540) | - | - | - |
| Total share capital | <u>424,881</u> | <u>27</u> | <u>412,161</u> | <u>27</u> |
| Capital surplus | <u>565,381</u> | <u>35</u> | <u>494,954</u> | <u>33</u> |
| Retained earnings | | | | |
| Legal reserve | 62,506 | 4 | 32,904 | 2 |
| Unappropriated earnings | 530,661 | 33 | 463,605 | 31 |
| Total retained earnings | <u>593,167</u> | <u>37</u> | <u>496,509</u> | <u>33</u> |
| Other equity | | | | |
| Exchange differences on translation of foreign financial statements | 464 | - | 753 | - |
| Unearned compensation | (65,945) | (4) | - | - |
| Total other equity | <u>(65,481)</u> | <u>(4)</u> | <u>753</u> | <u>-</u> |
| Treasury shares | <u>(134,835)</u> | <u>(8)</u> | <u>(134,835)</u> | <u>(9)</u> |
| Total equity | <u>1,383,113</u> | <u>87</u> | <u>1,269,542</u> | <u>84</u> |
| TOTAL | <u>\$ 1,591,689</u> | <u>100</u> | <u>\$ 1,513,071</u> | <u>100</u> |

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

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2023 | | 2022 | |
|---|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 17 and 25) | | | | |
| Sales revenue | \$ 1,023,972 | 100 | \$ 1,184,416 | 101 |
| Sales returns and discounts | (1,437) | - | (7,691) | (1) |
| Sales revenue, net | 1,022,535 | 100 | 1,176,725 | 100 |
| Other operating revenue | 29 | - | 3,084 | - |
| Total operating revenue, net | 1,022,564 | 100 | 1,179,809 | 100 |
| OPERATING COSTS (Notes 4, 5, 9 and 18) | 551,374 | 54 | 611,240 | 52 |
| GROSS PROFIT | 471,190 | 46 | 568,569 | 48 |
| OPERATING EXPENSES (Notes 4 and 18) | | | | |
| Selling and marketing expenses | 44,263 | 4 | 57,891 | 5 |
| General and administrative expenses | 45,659 | 5 | 50,316 | 4 |
| Research and development expenses | 117,865 | 12 | 106,659 | 9 |
| Total operating expenses | 207,787 | 21 | 214,866 | 18 |
| PROFIT FROM OPERATIONS | 263,403 | 25 | 353,703 | 30 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 11,224 | 1 | 1,372 | - |
| Other income | 543 | - | 2,121 | - |
| Gains on disposals of property, plant and equipment | - | - | 465 | - |
| Other gains and losses | 154 | - | 470 | - |
| Financial costs | (83) | - | (309) | - |
| Foreign exchange gains, net (Notes 4 and 18) | - | - | 15,792 | 2 |
| Foreign exchange losses, net (Notes 4 and 18) | (3,009) | - | - | - |
| Total non-operating income and expenses | 8,829 | 1 | 19,911 | 2 |
| PROFIT BEFORE INCOME TAX | 272,232 | 26 | 373,614 | 32 |
| INCOME TAX EXPENSE (Notes 4 and 19) | (53,756) | (5) | (77,595) | (7) |
| NET PROFIT FOR THE YEAR | 218,476 | 21 | 296,019 | 25 |

(Continued)

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

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

| | <u>2023</u> | | <u>2022</u> | |
|---|-------------------|-----------|-------------------|-----------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ <u>(289)</u> | <u>-</u> | \$ <u>(416)</u> | <u>-</u> |
| Other comprehensive income for the year | <u>(289)</u> | <u>-</u> | <u>(416)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | \$ <u>218,187</u> | <u>21</u> | \$ <u>295,603</u> | <u>25</u> |
| EARNINGS PER SHARE (Note 20) | | | | |
| Basic | \$ <u>5.42</u> | | \$ <u>7.58</u> | |
| Diluted | \$ <u>5.19</u> | | \$ <u>7.01</u> | |

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

(Concluded)

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| | Ordinary Shares (Notes 4 ,16 and 21) | | | | Capital Surplus (Notes 4, 16 and 21) | Retained Earnings (Note 16) | | | Other Equity (Notes 4 ,16 and 21) | | | Treasury Shares (Notes 4 and 16) | Total Equity |
|--|---------------------------------------|------------|---|------------|---|-----------------------------|----------------------------|------------|--|--------------------------|-------------|---|--------------|
| | Number of Shares (In Thousands) | Amount | Share capital awaiting retirement | Total | | Legal Reserve | Unappropriated Earnings | Total | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unearned Compensation | Total | | |
| BALANCE AT JANUARY 1, 2022 | 36,729 | \$ 367,291 | \$ - | \$ 367,291 | \$ 4,144 | \$ 5,309 | \$ 305,369 | \$ 310,678 | \$ 1,169 | \$ - | \$ 1,169 | \$ - | \$ 683,282 |
| Appropriation of the 2021 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 27,595 | (27,595) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (110,188) | (110,188) | - | - | - | - | (110,188) |
| Employee compensation cost for employee share options | - | - | - | - | 821 | - | - | - | - | - | - | - | 821 |
| Employee compensation cost for issuance of ordinary shares options | - | - | - | - | 260 | - | - | - | - | - | - | - | 260 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | - | 296,019 | 296,019 | - | - | - | - | 296,019 |
| Other comprehensive income for the year ended December 31, 2022 | - | - | - | - | - | - | - | - | (416) | - | (416) | - | (416) |
| Total comprehensive income for the year ended December 31, 2022 | - | - | - | - | - | - | 296,019 | 296,019 | (416) | - | (416) | - | 295,603 |
| Issuance of ordinary shares for cash | 3,655 | 36,550 | - | 36,550 | 486,459 | - | - | - | - | - | - | - | 523,009 |
| Issuance of ordinary shares under employee share options | 832 | 8,320 | - | 8,320 | 3,270 | - | - | - | - | - | - | - | 11,590 |
| Buy-back of ordinary shares | - | - | - | - | - | - | - | - | - | - | - | (134,835) | (134,835) |
| BALANCE AT DECEMBER 31, 2022 | 41,216 | 412,161 | - | 412,161 | 494,954 | 32,904 | 463,605 | 496,509 | 753 | - | 753 | (134,835) | 1,269,542 |
| Appropriation of the 2022 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 29,602 | (29,602) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (121,818) | (121,818) | - | - | - | - | (121,818) |
| Employee compensation cost for employee share options | - | - | - | - | 202 | - | - | - | - | - | - | - | 202 |
| Net profit for the year ended December 31, 2023 | - | - | - | - | - | - | 218,476 | 218,476 | - | - | - | - | 218,476 |
| Other comprehensive income for the year ended December 31, 2023 | - | - | - | - | - | - | - | - | (289) | - | (289) | - | (289) |
| Total comprehensive income for the year ended December 31, 2023 | - | - | - | - | - | - | 218,476 | 218,476 | (289) | - | (289) | - | 218,187 |
| Issuance of ordinary shares under employee share options | 644 | 6,440 | - | 6,440 | 3,029 | - | - | - | - | - | - | - | 9,469 |
| Issuance of employee restricted shares and recognition of compensation cost | 682 | 6,820 | - | 6,820 | 72,974 | - | - | - | - | (72,263) | (72,263) | - | 7,531 |
| Cancellation of employee restricted shares | - | - | (540) | (540) | (5,778) | - | - | - | - | 6,318 | 6,318 | - | - |
| BALANCE AT DECEMBER 31, 2023 | 42,542 | \$ 425,421 | \$ (540) | \$ 424,881 | \$ 565,381 | \$ 62,506 | \$ 530,661 | \$ 593,167 | \$ 464 | \$ (65,945) | \$ (65,481) | \$ (134,835) | \$ 1,383,113 |

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

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2023 | 2022 |
|--|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 272,232 | \$ 373,614 |
| Adjustments for | | |
| Depreciation expense | 30,453 | 26,541 |
| Amortization expense | 11,494 | 10,171 |
| Financial costs | 83 | 309 |
| Interest income | (11,224) | (1,372) |
| Compensation cost of employee share options | 202 | 1,081 |
| Compensation cost of employee restricted shares | 7,531 | - |
| Gain on disposal of property, plan and equipment | - | (465) |
| Write-down of inventories | 21,530 | 18,422 |
| Unrealized loss on foreign currency exchange | 8,519 | 1,494 |
| Reversal of provisions | (161) | (470) |
| Changes in operating assets and liabilities | | |
| Notes receivable | (354) | 4,933 |
| Trade receivables | 16,999 | (8,099) |
| Inventories | 15,572 | (35,179) |
| Prepayments | (2,302) | 5,072 |
| Contract liabilities | 43 | (471) |
| Notes payable | 5 | - |
| Accounts payable | 2,321 | (23,096) |
| Other payables | (23,993) | 29,693 |
| Other current liabilities | 90 | 240 |
| Net cash generated from operations | 349,040 | 402,418 |
| Interest received | 10,676 | 1,347 |
| Interest paid | (83) | (370) |
| Income tax paid | (83,338) | (104,895) |
| Net cash generated from operating activities | <u>276,295</u> | <u>298,500</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at amortized cost | (1,360,800) | - |
| Proceeds from disposal of financial assets at amortized cost | 541,400 | - |
| Acquisition of property, plant and equipment | (141,327) | (41,400) |
| Proceeds from disposal of property, plant and equipment | - | 465 |
| Decrease in refundable deposits | 126 | 50 |
| Acquisition of intangible assets | (9,492) | (8,819) |
| Increase in prepayments for equipment | (619) | (167) |
| Net cash used in investing activities | <u>(970,712)</u> | <u>(49,871)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term loans | - | 18,967 |
| Decrease in short-term loans | - | (88,048) |

(Continued)

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2023 | 2022 |
|---|-------------------|--------------------|
| Repayment of the principal portion of lease liabilities | \$ (2,913) | \$ (3,821) |
| Cash dividend paid | (121,818) | (110,188) |
| Proceeds from issuing shares | - | 523,009 |
| Exercise of employee share options | 9,469 | 11,590 |
| Payments for buy-back of ordinary shares | <u>-</u> | <u>(134,835)</u> |
| Net cash (used in) generated from financing activities | <u>(115,262)</u> | <u>216,674</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH | <u>(159)</u> | <u>(451)</u> |
| NET (DECREASE) INCREASE IN CASH | (809,838) | 464,852 |
| CASH AT THE BEGINNING OF THE YEAR | <u>1,036,230</u> | <u>571,378</u> |
| CASH AT THE END OF THE YEAR | <u>\$ 226,392</u> | <u>\$1,036,230</u> |
| The accompanying notes are an integral part of the consolidated financial statements. | | (Concluded) |

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

M3 Technology Inc. (hereinafter referred to as the “Company”) was incorporated in September 2010, upon approval of the Ministry of Economic Affairs. The Company mainly engages in the design, development and sale of power management ICs and provides related application services.

Upon approval of Taipei Exchange (TPEX) in November 2020, the Company started trading on Emerging Stock Board of TPEX. The company’s application for listing on the Taiwan Stock Exchange was approved by the Taiwan Stock Exchange Review Committee in December 2021, and the date of agreement for listing submitted to the Financial Supervisory Commission for recordation in January 2022. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since May 12, 2022.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 29, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 10 and Tables 3 and 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the financial statements of the Company and its foreign operations (including subsidiaries in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation

method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into financial assets at amortized cost.

Financial assets at amortized cost

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

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

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

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

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a

significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Group considers internal or external information which shows that the debtor is unlikely to pay its creditors as indication that a financial asset is in default (without taking into account any collateral held by the Group).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are estimated liabilities to settle the present obligation, which are estimated as probably compensation according to the judgement of the Group's management and other known facts and recognized as non-operating income and expense during the period of sale of the relevant products.

1. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of power management integrated circuit products. Sales of products are recognized as revenue at the time the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Advance receipts from the sale of the goods are recognized as contract liabilities until the goods have been delivered to the customer.

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

m. Leases

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

For a contract that contains lease and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheet.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

o. Share-based payment arrangements

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

When restricted shares for employees are issued, other equity - unearned compensation is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - restricted shares for employees.

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred

tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation and Uncertainty

Write-down of Inventory

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

6. CASH

| | December 31 | |
|---------------------------------------|--------------------|--------------------|
| | 2023 | 2022 |
| Cash on hand | \$ 149 | \$ 119 |
| Checking accounts and demand deposits | <u>226,243</u> | <u>1,036,111</u> |
| | <u>\$ 226,392</u> | <u>\$1,036,230</u> |

Interest rate ranges for demand deposits on the balance sheet date were as follows:

| | December 31 | |
|-----------------|--------------------|--------------|
| | 2023 | 2022 |
| Demand deposits | 0.005%-1.45% | 0.005%-0.95% |

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

| | December 31 | |
|--|--------------------|------------------|
| | 2023 | 2022 |
| Time deposits with original maturities of more than 3 months | \$ 813,230 | \$ - |
| Restricted time deposit | <u>13,861</u> | <u>13,863</u> |
| | <u>\$ 827,091</u> | <u>\$ 13,863</u> |

The ranges of interest rates for time deposits were approximately 1.25%-5.50% and 0.48%-2.80% per annum as of December 31, 2023 and 2022, respectively.

Please refer to Note 26 for information relating to pledged assets.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | December 31 | |
|--------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | <u>\$ 995</u> | <u>\$ 641</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | <u>\$ 163,670</u> | <u>\$ 184,383</u> |

The average credit period of sales of goods was 30-60 days, and no interest was charged on trade receivables.

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the customer, the customer's current financial position, economic conditions of the industry in which the customer operates and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2023

| | Not Past Due | 1-90 Days Past Due | 91-180 Days Past Due | 181-365 Days Past Due | More than 365 Days Past Due | Total |
|---|------------------|--------------------|----------------------|-----------------------|-----------------------------|------------------|
| Gross carrying amount | \$159,605 | \$ 4,065 | \$ - | \$ - | \$ - | \$163,670 |
| Allowance for impairment loss (lifetime ECLs) | - | - | - | - | - | - |
| Amortized cost | <u>\$159,605</u> | <u>\$ 4,065</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$163,670</u> |

December 31, 2022

| | Not Past Due | 1-90 Days Past Due | 91-180 Days Past Due | 181-365 Days Past Due | More than 365 Days Past Due | Total |
|---|------------------|--------------------|----------------------|-----------------------|-----------------------------|------------------|
| Gross carrying amount | \$176,088 | \$ 8,295 | \$ - | \$ - | \$ - | \$184,383 |
| Allowance for impairment loss (lifetime ECLs) | - | - | - | - | - | - |
| Amortized cost | <u>\$176,088</u> | <u>\$ 8,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$184,383</u> |

The Group did not recognize allowance for impairment loss because the Group estimated that the recoverable amount was equal to the original account amount.

9. INVENTORIES

| | <u>December 31</u> | |
|------------------|--------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| Raw materials | \$ 78,988 | \$ 75,437 |
| Work-in-progress | 52,561 | 65,885 |
| Finished goods | <u>49,439</u> | <u>53,002</u> |
| | <u>\$ 180,988</u> | <u>\$ 194,324</u> |

The cost of inventories sold for the years ended December 31, 2023 and 2022 were \$551,374 thousand and \$611,240 thousand, respectively. The cost of goods sold included inventory write-downs of \$21,530 thousand and \$18,422 thousand for the years ended December 31, 2023 and 2022, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

| Investor | Investee | Nature of Activities | <u>Proportion of Ownership (%)</u> | |
|-------------|---|--|------------------------------------|-------------|
| | | | <u>December 31</u> | |
| | | | <u>2023</u> | <u>2022</u> |
| The Company | M3 Technology (Dallas), Inc. ("M3 Dallas") | Product research, design and development | 100% | 100% |
| The Company | Blink Electronic Co., Ltd. ("Blink") | Holding company | 100% | 100% |
| Blink | Xi'An M3 Semiconductor Corporation ("Xi'An M3") | Product research, design and development | 100% | 100% |

M3 Dallas was established in November 2016 in the United States. As of December 31, 2023, the Company has not injected capital into M3 Dallas.

11. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery and Equipment | Office Equipment | Leasehold Improvement | Test Equipment | Other Equipment | Total |
|---|------------------|------------------|-------------------------|------------------|-----------------------|-------------------|-----------------|-------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ - | \$ 24,749 | \$ 3,647 | \$ 3,427 | \$ 106,324 | \$ 1,846 | \$ 139,993 |
| Additions | - | - | 1,684 | 575 | 2,067 | 19,158 | - | 23,484 |
| Disposals | - | - | (108) | (140) | - | - | (458) | (706) |
| Reclassification | - | - | 4,233 | - | - | (4,233) | - | - |
| Effect of foreign currency exchange differences | - | - | 64 | 31 | (6) | - | 1 | 90 |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,622</u> | <u>\$ 4,113</u> | <u>\$ 5,488</u> | <u>\$ 121,249</u> | <u>\$ 1,389</u> | <u>\$ 162,861</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ - | \$ 9,231 | \$ 2,104 | \$ 2,591 | \$ 89,510 | \$ 1,193 | \$ 104,629 |
| Depreciation expense | - | - | 4,597 | 522 | 836 | 16,126 | 537 | 22,618 |
| Disposals | - | - | (108) | (140) | - | - | (458) | (706) |
| Reclassification | - | - | 3,102 | - | - | (3,102) | - | - |
| Effect of foreign currency exchange differences | - | - | 46 | 25 | (1) | - | 1 | 71 |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,868</u> | <u>\$ 2,511</u> | <u>\$ 3,426</u> | <u>\$ 102,534</u> | <u>\$ 1,273</u> | <u>\$ 126,612</u> |
| Carrying amount at December 31, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,754</u> | <u>\$ 1,602</u> | <u>\$ 2,062</u> | <u>\$ 18,715</u> | <u>\$ 116</u> | <u>\$ 36,249</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ - | \$ - | \$ 30,622 | \$ 4,113 | \$ 5,488 | \$ 121,249 | \$ 1,389 | \$ 162,861 |
| Additions | 96,231 | 22,077 | 1,378 | 5,446 | 551 | 23,459 | - | 149,142 |
| Disposals | - | - | (104) | (193) | (872) | - | (5) | (1,174) |
| Effect of foreign currency exchange differences | - | - | (105) | (47) | (35) | - | (1) | (188) |
| Balance at December 31, 2023 | <u>\$ 96,231</u> | <u>\$ 22,077</u> | <u>\$ 31,791</u> | <u>\$ 9,319</u> | <u>\$ 5,132</u> | <u>\$ 144,708</u> | <u>\$ 1,383</u> | <u>\$ 310,641</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ - | \$ - | \$ 16,868 | \$ 2,511 | \$ 3,426 | \$ 102,534 | \$ 1,273 | \$ 126,612 |
| Depreciation expense | - | 339 | 4,524 | 694 | 1,123 | 20,700 | 116 | 27,496 |
| Disposals | - | - | (104) | (193) | (872) | - | (5) | (1,174) |
| Effect of foreign currency exchange differences | - | - | (81) | (37) | (16) | - | (1) | (135) |
| Balance at December 31, 2023 | <u>\$ -</u> | <u>\$ 339</u> | <u>\$ 21,207</u> | <u>\$ 2,975</u> | <u>\$ 3,661</u> | <u>\$ 123,234</u> | <u>\$ 1,383</u> | <u>\$ 152,799</u> |
| Carrying amount at December 31, 2023 | <u>\$ 96,231</u> | <u>\$ 21,738</u> | <u>\$ 10,584</u> | <u>\$ 6,344</u> | <u>\$ 1,471</u> | <u>\$ 21,474</u> | <u>\$ -</u> | <u>\$ 157,842</u> |

For the needs of the operation and future business development and planning, the Company's board of directors resolved to acquire real estate for use as an office at a total cost of 113,000 thousand on June 7, 2023, and the registration of transfer of ownership was completed on June 26, 2023.

No impairment loss was recognized for the year ended December 31, 2023 and 2022 after assessment performed.

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

| | |
|-------------------------|----------------|
| Buildings | 10 to 34 years |
| Machinery and equipment | 2 to 5 years |
| Office equipment | 3 to 5 years |
| Leasehold improvement | 3 years |
| Test equipment | 2 years |
| Other equipment | 2 to 5 years |

12. LEASE AGREEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---------------------------------------|-----------------|
| | 2023 | 2022 |
| Carrying amount | | |
| Buildings | <u>\$ 7,970</u> | <u>\$ 2,861</u> |
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Additions to the right-of-use assets | <u>\$ 8,124</u> | <u>\$ 721</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | <u>\$ 2,957</u> | <u>\$ 3,923</u> |

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

b. Lease liabilities

| | December 31 | |
|-----------------|--------------------|-----------------|
| | 2023 | 2022 |
| Carrying amount | | |
| Current | <u>\$ 3,614</u> | <u>\$ 2,565</u> |
| Non-current | <u>\$ 4,111</u> | <u>\$ -</u> |

Discount rate for lease liabilities was as follows:

| | December 31 | |
|-----------|--------------------|-------------|
| | 2023 | 2022 |
| Buildings | 2.17%-2.40% | 2.17% |

c. Other lease information

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2023 | 2022 |
| Expense relating to short-term leases and low-value asset leases | <u>\$ 1,692</u> | <u>\$ 387</u> |
| Total cash outflow for leases | <u>\$ 4,677</u> | <u>\$ 4,296</u> |

The Group's leases of certain buildings qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

| | Computer Software | Specific Technology | Patents | Total |
|--------------------------------------|----------------------|------------------------|-----------------|------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 10,328 | \$ 1,000 | \$ 6,152 | \$ 17,480 |
| Additions | 7,882 | - | 1,036 | 8,918 |
| Reclassification | <u>4,979</u> | <u>-</u> | <u>-</u> | <u>4,979</u> |
| Balance at December 31, 2022 | <u>\$ 23,189</u> | <u>\$ 1,000</u> | <u>\$ 7,188</u> | <u>\$ 31,377</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2022 | \$ 6,875 | \$ 417 | \$ 2,865 | \$ 10,157 |
| Amortization expense | <u>8,147</u> | <u>500</u> | <u>1,524</u> | <u>10,171</u> |
| Balance at December 31, 2022 | <u>\$ 15,022</u> | <u>\$ 917</u> | <u>\$ 4,389</u> | <u>\$ 20,328</u> |
| Carrying amount at December 31, 2022 | <u>\$ 8,167</u> | <u>\$ 83</u> | <u>\$ 2,799</u> | <u>\$ 11,049</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2023 | \$ 23,189 | \$ 1,000 | \$ 7,188 | \$ 31,377 |
| Additions | <u>8,480</u> | <u>-</u> | <u>1,186</u> | <u>9,666</u> |
| Balance at December 31, 2023 | <u>\$ 31,669</u> | <u>\$ 1,000</u> | <u>\$ 8,374</u> | <u>\$ 41,043</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2023 | \$ 15,022 | \$ 917 | \$ 4,389 | \$ 20,328 |
| Amortization expense | <u>9,858</u> | <u>83</u> | <u>1,553</u> | <u>11,494</u> |
| Balance at December 31, 2023 | <u>\$ 24,880</u> | <u>\$ 1,000</u> | <u>\$ 5,942</u> | <u>\$ 31,822</u> |
| Carrying amount at December 31, 2023 | <u>\$ 6,789</u> | <u>\$ -</u> | <u>\$ 2,432</u> | <u>\$ 9,221</u> |

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

| | |
|---------------------|---------|
| Computer software | 3 years |
| Patents | 5 years |
| Specific technology | 2 years |

An analysis of Amortization by function:

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Selling and marketing expenses | \$ 37 | \$ 5 |
| General and administrative expenses | 679 | 351 |
| Research and development expenses | <u>10,778</u> | <u>9,815</u> |
| | <u>\$ 11,494</u> | <u>\$ 10,171</u> |

14. OTHER LIABILITIES

| | December 31 | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Other payables | | |
| Payable for compensation of employees | \$ 73,316 | \$ 97,529 |
| Payable for salaries | 12,866 | 11,571 |
| Payable for purchases of equipment | 9,922 | 2,228 |
| Payable for remuneration of directors | 2,927 | 4,501 |
| Payable for pension | 2,736 | 2,743 |
| Payable for professional expenses | 2,026 | 2,192 |
| Payable for labor and national health insurances | 2,051 | 1,911 |
| Payable for business tax | 990 | 321 |
| Others | <u>5,394</u> | <u>5,537</u> |
| | <u>\$ 112,228</u> | <u>\$ 128,533</u> |

15. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of Group's subsidiaries in China are members of a state-managed retirement benefit plans operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

16. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|--------------------|-------------|
| | 2023 | 2022 |
| Number of shares authorized (in thousands) | 60,000 | 60,000 |
| Shares authorized | \$ 600,000 | \$ 600,000 |
| Number of shares issued and fully paid (in thousands) | 42,542 | 41,216 |
| Shares issued | \$ 425,421 | \$ 412,161 |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and a right to dividends.

The Company's board of directors resolved cash capital increase for underwriting initial public offerings by issue 3,655 thousand ordinary shares with a par value of \$10 on February 22, 2022. According to the provisions of the Company Act, 548 thousand shares (15% of total new shares issued) were reserved for employees' subscription and 3,107 thousand shares for pre-initial public offering placement via competitive auction (80%) and public subscription (20%). The average price of the competitive auction was NT\$146.23 per share, the price of public subscription and employee' subscription were NT\$139 per share determined on April 27, 2022. The total amount for subscription deducted the underwriting expense of initial public offering was \$523,009 thousand. The above issuance of shares for cash capital increase was approved by the Taiwan Stock Exchange under letter No. 1111800803 on March 9, 2022. The capital increase base date was May 11, 2022, and the procedure for amendment registration had been completed on May 24, 2022.

For the years ended December 31, 2023 and 2022, the Company issued 644 thousand and 832 thousand new shares respectively due to the employee share options exercised.

The Company's board of directors resolved to issue 682 thousand employee restricted shares within the quota approved by the FSC on September 14, 2023. The Company recalled and canceled 54 thousand employee restricted shares in 2023 due to employee resignations before the vesting date. As of the balance sheet date, the registration has not been processed, the share capital awaiting retirement was \$540 thousand.

Please refer to Note 21 for information relating to employee share options and employee restricted shares.

b. Capital surplus

| | December 31 | |
|---|--------------------|-------------|
| | 2023 | 2022 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) | | |
| Issuance of ordinary shares | \$ 486,459 | \$ 486,459 |
| Exercised employee share options | 9,132 | 4,897 |
| Issuance of ordinary shares for cash capital increase reserved for employee share options | 260 | 260 |

(Continued)

| | December 31 | |
|---------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Not used for any purpose</u> | | |
| Employee share options | \$ 2,334 | \$ 3,338 |
| Employee restricted shares | <u>67,196</u> | <u>-</u> |
| | <u>\$ 565,381</u> | <u>\$ 494,954</u> |

(Concluded)

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

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on May 26, 2022, and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses may be made at the end of each quarter, where the Company made a profit in a quarter, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. The board of directors is authorized to adopt a special resolution (more than two-thirds of the directors of the board are present, and more than half of the directors present agree) to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting, distribution of earnings by the issuance of shares should be approved by the shareholders in their meetings. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 18-c.

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

The appropriations of earnings for 2022 and 2021 were as follows:

| | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---------------------------------|--|--|
| Legal reserve | <u>\$ 29,602</u> | <u>\$ 27,595</u> |
| Cash dividends | <u>\$ 121,818</u> | <u>\$ 110,188</u> |
| Cash dividends per share (NT\$) | \$ 3.05 | \$ 3.0 |

The above appropriations for cash dividends were resolved by the Company's board of directors on February 23, 2023 and February 22, 2022, respectively; the other proposed appropriations were resolved by the shareholders in their meetings on May 24, 2023 and May 26, 2022, respectively.

The dividends per share in 2022 and 2021 were adjusted to NT\$3.00337787 and NT\$2.72848247 due to the employee share options exercised and the issuance of ordinary shares for cash capital increase, respectively.

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on February 29, 2024, were as follows:

| | For the Year Ended December 31 2023 |
|---------------------------------|--|
| Legal reserve | <u>\$ 21,848</u> |
| Cash dividends | <u>\$125,697</u> |
| Cash dividends per share (NT\$) | <u>\$ 3.05</u> |

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 24, 2024.

d. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

| | For the Year Ended December 31 2023 | 2022 |
|--|--|---------------|
| Balance at January 1 | \$ 753 | \$ 1,169 |
| Recognized for the year | | |
| Exchange differences on the translation of the financial statements of foreign operations | (289) | (416) |
| Balance at December 31 | <u>\$ 464</u> | <u>\$ 753</u> |

2) Unearned compensation (For the year ended December 31, 2022: None)

Please refer to Note 21 for information relating to employee restricted shares approved by the shareholder's meeting.

| | For the Year Ended December 31 2023 |
|--|--|
| Balance at January 1 | \$ - |
| Issuance of shares | (79,794) |
| Share-based payment expenses recognized | 7,531 |
| Cancellation of employee restricted shares | <u>6,318</u> |
| Balance at December 31 | <u>\$ (65,945)</u> |

e. Treasury shares

**Shares
Transferred to
Employees
(In Thousands
of Shares)**

Number of shares at December 31, 2023 and 2022 1,276

For the purpose of transferring shares to employees, the Company's board of directors approved a share buyback program on October 11, 2022, the Company bought back 1,276 thousand shares by \$134,835 thousand between October 12, 2022 to December 9, 2022.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares before transferring.

17. REVENUE

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | \$ 1,022,535 | \$ 1,176,725 |
| Other operating revenue | <u>29</u> | <u>3,084</u> |
| | <u>\$ 1,022,564</u> | <u>\$ 1,179,809</u> |

Contract balance

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|--------------------------------------|------------------------------|------------------------------|------------------------|
| Notes and trade receivables (Note 8) | <u>\$ 164,665</u> | <u>\$ 185,024</u> | <u>\$ 183,040</u> |
| Contract liabilities | | | |
| Sale of goods | <u>\$ 652</u> | <u>\$ 609</u> | <u>\$ 1,080</u> |

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2023 | 2022 |
| <u>From the contract liabilities at the beginning of the year</u> | | |
| Sale of goods | <u>\$ 609</u> | <u>\$ 1,080</u> |

18. NET PROFIT

a. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| Property, plant and equipment | \$ 27,496 | \$ 22,618 |
| Right-of-use assets | 2,957 | 3,923 |
| Intangible assets | <u>11,494</u> | <u>10,171</u> |
| | <u>\$ 41,947</u> | <u>\$ 36,712</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 5,822 | \$ 6,222 |
| Operating expenses | <u>24,631</u> | <u>20,319</u> |
| | <u>\$ 30,453</u> | <u>\$ 26,541</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 11,494</u> | <u>\$ 10,171</u> |

b. Employee benefit expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Post-employment benefits (Note 15) | | |
| Defined contribution plans | \$ 6,419 | \$ 5,650 |
| Share-based payments | | |
| Equity settled | 7,733 | 1,081 |
| Salary and bonus expense | <u>140,728</u> | <u>172,190</u> |
| | <u>\$ 154,880</u> | <u>\$ 178,921</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 19,208 | \$ 23,247 |
| Operating expenses | <u>135,672</u> | <u>155,674</u> |
| | <u>\$ 154,880</u> | <u>\$ 178,921</u> |

Refer to Note 13 for information relating to the line items in which any amortization of intangible assets is included.

c. Compensation of employees and remuneration of directors

The shareholders held their regular meeting on May 24, 2023, and resolved the amendments to the Company's Articles of Incorporation (the "Articles"). According to the Articles, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 6% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. When the Company has accumulated losses, the losses should be offset first.

According to the Articles before the amendments, the Company accrues compensation of employees and remuneration of directors at the rates of 16%-22% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. When the Company has accumulated losses, the losses should be offset first.

The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 29, 2024 and February 23, 2023, respectively, are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| Compensation of employees | 6% | 16% |
| Remuneration of directors | 1% | 1% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| Compensation of employees | \$ 17,563 | \$ 72,022 |
| Remuneration of directors | 2,927 | 4,501 |

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

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

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

d. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Foreign exchange gains | \$ 22,194 | \$ 39,760 |
| Foreign exchange losses | <u>(25,203)</u> | <u>(23,968)</u> |
| Net (losses) gains | <u>\$ (3,009)</u> | <u>\$ 15,792</u> |

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | \$ 58,455 | \$ 74,975 |
| Income tax on unappropriated earnings | - | 5,335 |
| Adjustments for prior year | <u>10</u> | <u>43</u> |
| | <u>58,465</u> | <u>80,353</u> |
| Deferred tax | | |
| In respect of the current year | <u>(4,709)</u> | <u>(2,758)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 53,756</u> | <u>\$ 77,595</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Profit before tax | <u>\$ 272,232</u> | <u>\$ 373,614</u> |
| Income tax expense calculated at the statutory rate | \$ 55,770 | \$ 78,093 |
| Exempted income in determining taxable income | (1,323) | (3,370) |
| Income tax on unappropriated earnings | - | 5,335 |
| Unrecognized deductible temporary differences | (701) | (2,506) |
| Adjustments for prior years' tax | <u>10</u> | <u>43</u> |
| Income tax expense recognized in profit or loss | <u>\$ 53,756</u> | <u>\$ 77,595</u> |

b. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 19,994</u> | <u>\$ 44,867</u> |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|----------------------------|----------------------------|---|----------------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Write-downs of inventory | \$ 4,623 | \$ 3,869 | \$ 8,492 |
| Payables for annual leave | 69 | 12 | 81 |
| Unrealized exchange loss | 207 | 860 | 1,067 |
| Provisions | <u>2,231</u> | <u>(32)</u> | <u>2,199</u> |
| | <u>\$ 7,130</u> | <u>\$ 4,709</u> | <u>\$ 11,839</u> |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|----------------------------|----------------------------|---|----------------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Write-downs of inventory | \$ 1,569 | \$ 3,054 | \$ 4,623 |
| Payables for annual leave | 55 | 14 | 69 |
| Unrealized exchange loss | 423 | (216) | 207 |
| Provisions | <u>2,325</u> | <u>(94)</u> | <u>2,231</u> |
| | <u>\$ 4,372</u> | <u>\$ 2,758</u> | <u>\$ 7,130</u> |

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|----------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Deductible temporary differences | <u>\$ 10,405</u> | <u>\$ 13,909</u> |

- e. Income tax assessment

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|----------------|
| | 2023 | 2022 |
| Basic earnings per share | <u>\$ 5.42</u> | <u>\$ 7.58</u> |
| Diluted earnings per share | <u>\$ 5.19</u> | <u>\$ 7.01</u> |

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

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Earnings used in the computation of basic and diluted earnings per share | <u>\$ 218,476</u> | <u>\$ 296,019</u> |

Number of Ordinary Shares

| | Unit: In Thousands of Shares | |
|--|---------------------------------------|---------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 40,323 | 39,075 |
| Effects of potentially dilutive ordinary shares: | | |
| Employee share options | 1,395 | 2,368 |
| Employee restricted shares | 172 | - |
| Compensation of employees | <u>175</u> | <u>805</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>42,065</u> | <u>42,248</u> |

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

21. SHARE-BASED PAYMENT AGREEMENTS

a. Employee share option plan

In order to retain and reward employees and improve employees' morale. The Company's board of directors resolved to issue 1,000 units of the first type of option and 2,000 units of the second type of option according to the different nature of rewards and remunerations on February 20, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. Employees of the company or its subsidiaries who meet certain conditions would be included. The options granted are valid for 6 and 10 years, respectively, and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price of \$10 and \$18, respectively. For any subsequent changes in the Company's capital, the exercise price is adjusted according to subscription rules. The Company has granted 2,798 units of first type and second type of option in March 2020.

Information relating to issued employee share options was as follows:

| Employee Share Options | 2023 | | 2022 | |
|----------------------------------|---|---|---|---|
| | Units of Options (Each Equal to Thousand Shares) | Weighted-average Exercise Price Per Share (NT\$) | Units of Options (Each Equal to Thousand Shares) | Weighted-average Exercise Price Per Share (NT\$) |
| Balance, beginning of year | 1,958 | \$ 15.00 | 2,798 | \$ 15.14 |
| Options forfeited | (24) | 17.28 | (8) | 18.00 |
| Options exercised | <u>(644)</u> | 14.70 | <u>(832)</u> | 13.93 |
| Balance, end of year | <u>1,290</u> | 14.68 | <u>1,958</u> | 15.00 |
| Options exercisable, end of year | <u>862</u> | 13.68 | <u>1,063</u> | 13.07 |

The weighted-average share prices on the exercise date of the share options for the years ended December 31, 2023 and 2022 were \$154.50 and \$121.67.

Information on outstanding options was as follows:

| Issue Date | December 31 | | | |
|------------------------------|------------------------------------|---|------------------------------------|---|
| | 2023 | | 2022 | |
| | Exercise Price Per Share (NT\$) | Weighted Average Remaining Contractual Life (Years) | Exercise Price Per Share (NT\$) | Weighted Average Remaining Contractual Life (Years) |
| March 19, 2020 (Type First) | \$10 | 2.17 | \$10 | 3.17 |
| March 19, 2020 (Type Second) | \$16.7 | 6.17 | \$17.3 | 7.17 |

Compensation cost recognized were \$202 thousand and \$821 thousand for the years ended December 31, 2023 and 2022, respectively.

b. Issuance of ordinary shares for cash capital increase reserved for employee share options

The issuance of ordinary shares for cash capital increase had been reserved 15% of total new shares issued for employees' subscription in May 2022. The Company measure the fair value of the service based on the fair value of equity instruments given on the grant date. The Company recognized \$260 thousand of compensation cost in 2022.

Options were priced using Black-Scholes pricing model, and the inputs to the model were as follows:

| | |
|---|-------------|
| Measurement date equity value per share | NT\$134.77 |
| Exercise price per share | NT\$139 |
| Expected volatility | 40.83% |
| Expected life | 0.019 years |
| Expected dividend yield | 0% |
| Risk-free interest rate | 0.4138% |
| Fair value of options | NT\$1.43 |

c. Employee restricted share

In the shareholders' meeting on May 26, 2022, the shareholders approved a restricted share plan for issuing no more than 800 thousand shares to employees without charge. The plan has been approved by the FSC on August 8, 2022. The shares may be issued at once or in installments within two years from the effective date depending on actual needs. The Company's board of directors resolved to issue 682 thousand employee restricted shares on September 14, 2023. The capital increase base date was November 1, 2023.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- 1) The employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.
- 2) The attendance, proposal, speech, voting rights of shareholders' meeting and other relevant shareholder equity matters of the Company shall be exercised by the commissioned trust/custody institution.
- 3) When the Company executes cash capital reduction, capital reduction to offset the accumulated deficit, which is not required by law, the restricted employee shares shall also be nullified in proportion to the capital reduction.

If an employee fails to meet the vesting conditions, the Company will recall and cancel the employee's restricted shares.

Information of the employee restricted shares were as follow:

| | 2023 |
|-----------------------------------|-------------------------|
| Employee restricted shares | Number of Shares |
| Balance, beginning of year | - |
| Shares issued | 682 |
| Shares cancelled | <u>(54)</u> |
| Balance, end of year | <u><u>628</u></u> |

Information of the employee restricted shares granted by the Company for the years ended December 31, 2023 was as follows:

| Grant Date | Fair Value Per Share - Grant Date (NT\$) | Shares Granted (In Thousands of Shares) | Vesting Period |
|-------------------|---|--|-----------------------|
| November 1, 2023 | \$ 117 | 682 | 1 year-3 years |

The vesting conditions of employee restricted shares are that after an employee is granted employee restricted shares, and remains employed after one, two, and three years from the base date of the capital increase and their performance meets the requirements of the parent Company. The maximum percentage of shares that may vest each year shall be 34%, 33%, and 33% respectively.

Compensation cost recognized was \$7,531 thousand for the years ended December 31, 2023.

22. CASH FLOW INFORMATION

a. Non-cash transactions

The Group paid for the acquisition of property, plant and equipment and intangible assets for the years ended December 31, 2023 and 2022 are as follows:

| | For the Years Ended December 31 | |
|--|--|------------------|
| | 2023 | 2022 |
| Additions of property, plant and equipment | \$ 149,142 | \$ 23,484 |
| Additions of intangible assets | 9,666 | 8,918 |
| Changes in other payable | <u>(7,989)</u> | <u>17,817</u> |
| Cash paid | <u>\$ 150,819</u> | <u>\$ 50,219</u> |

b. Changes in liabilities arising from financing activities

For the years ended December 31, 2023

| | Non-cash Changes | | | | | | |
|-------------------|-------------------------|-------------------|-------------------|---|-----------------|--------------------------------|--------------------------|
| | January 1, 2023 | Cash Flows | New Leases | Amortization of Interest Expense | Disposal | Change in Exchange Rate | December 31, 2023 |
| Lease liabilities | <u>\$ 2,565</u> | <u>(\$ 2,985)</u> | <u>\$ 8,124</u> | <u>\$ 72</u> | <u>\$ -</u> | <u>(\$ 51)</u> | <u>\$ 7,725</u> |

For the years ended December 31, 2022

| | Non-cash Changes | | | | | | |
|-------------------|-------------------------|-------------------|-------------------|---|-----------------|--------------------------------|--------------------------|
| | January 1, 2022 | Cash Flows | New Leases | Amortization of Interest Expense | Disposal | Change in Exchange Rate | December 31, 2022 |
| Short-term loans | \$ 67,671 | (\$69,081) | \$ - | \$ - | \$ - | \$ 1,410 | \$ - |
| Lease liabilities | <u>5,773</u> | <u>(3,909)</u> | <u>721</u> | <u>88</u> | <u>(150)</u> | <u>42</u> | <u>2,565</u> |
| | <u>\$ 73,444</u> | <u>(\$72,990)</u> | <u>\$ 721</u> | <u>\$ 88</u> | <u>(\$ 150)</u> | <u>\$ 1,452</u> | <u>\$ 2,565</u> |

23. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity (comprising issued share capital, capital surplus, retained earnings and other equity) and loans.

The Group is not subject to any externally imposed capital requirements.

Management regularly reviews the Group's capital structure and considers the costs and risks of different capital structures. In general, the Group has a prudent risk management strategy.

24. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

| | December 31 | |
|--|--------------|--------------|
| | 2023 | 2022 |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$ 1,219,250 | \$ 1,259,867 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (Note 2) | 73,198 | 64,720 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, debt investments, notes receivable, trade receivables, other receivables (excluding tax receivable) and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable, accounts payable and other payables.

b. Financial risk management objectives and policies

The Group's major financial instruments include debt investments, notes receivable, trade receivables, other receivables, refundable deposits, loans, notes payable, accounts payable, other payables, and lease liabilities. The Group's financial risk management objectives are to manage the market risk, credit risk and liquidity risk with respect to the Group's operations. To lower the financial risks, the Group seeks to identify, evaluate, and avoid market uncertainty, to minimize the potential unfavorable impact on the Group due to market volatility.

1) Market risks

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

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

a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the period are set out in Note 27.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the year for a 1% change in foreign currency rates. A positive number

below indicates a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

| | Impact of USD | |
|-----------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Profit or loss* | \$ 2,949 | \$ 1,615 |

* This was mainly attributable to the exposure on outstanding U.S. dollar-denominated deposits, financial assets at amortized cost, trade receivables, accounts payable and other payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

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

| | December 31 | |
|-------------------------------|--------------------|--------------------|
| | 2023 | 2022 |
| Fair value interest rate risk | | |
| Financial assets | <u>\$ 827,091</u> | <u>\$ 13,863</u> |
| Financial liabilities | <u>\$ 7,725</u> | <u>\$ 2,565</u> |
| Cash flow interest rate risk | | |
| Financial assets | <u>\$ 222,254</u> | <u>\$1,034,311</u> |

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the year was outstanding for the whole year. A fluctuation of 0.25% was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$556 thousand and \$2,586 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge an obligation, comes from the carrying amounts of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group's credit risk is mainly concentrated in the Group's biggest customer. As of December 31, 2023 and 2022, the percentage of total trade receivables from the aforementioned customer were

66% and 47%, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

| | On Demand or Less Than 3 Months | 3 Months to 1 Year | 1 to 2 Years | 2 to 3 Years |
|---|--|-------------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | \$ 141,543 | \$ 26,541 | \$ - | \$ - |
| Lease liabilities | <u>825</u> | <u>2,922</u> | <u>2,625</u> | <u>1,597</u> |
| | <u>\$ 142,368</u> | <u>\$ 29,463</u> | <u>\$ 2,625</u> | <u>\$ 1,597</u> |

December 31, 2022

| | On Demand or Less Than 3 Months | 3 Months to 1 Year | 1 to 2 Years | 2 to 3 Years |
|---|--|-------------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | \$ 183,296 | \$ - | \$ - | \$ - |
| Lease liabilities | <u>420</u> | <u>2,172</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 183,716</u> | <u>\$ 2,172</u> | <u>\$ -</u> | <u>\$ -</u> |

b) Financing facilities

The Group's usage of bank financing facilities on the balance sheet date were as follows:

| | December 31 | |
|---------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Bank financing facilities | | |
| Amount used | \$ - | \$ - |
| Amount unused | <u>160,000</u> | <u>110,000</u> |
| | <u>\$ 160,000</u> | <u>\$ 110,000</u> |

25. RELATED-PARTY TRANSACTIONS

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

a. Related party name and category

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|---------------------------|-------------------------------|
| ITE Tech. Inc. (ITE) | The Company's director |

b. Operating revenue (For the Year Ended December 31, 2023: None)

| <u>Line Item</u> | <u>Related Party Category/Name</u> | <u>For the Year Ended December 31 2022</u> |
|-------------------------|------------------------------------|--|
| Other operating revenue | The Company's director | <u>\$ 3,084</u> |

There is no material difference between the transaction conditions of related parties above and ordinary transactions.

c. Receivables from related parties (December 31, 2023: None)

| <u>Line Item</u> | <u>Related Party Category/Name</u> | <u>December 31 2022</u> |
|-------------------|------------------------------------|-------------------------|
| Trade receivables | The Company's director | <u>\$ 3,238</u> |

d. Remuneration of key management personnel

| | <u>For the Year Ended December 31</u> | |
|------------------------------|---------------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Short-term employee benefits | \$ 49,468 | \$ 56,466 |
| Post-employment benefits | 1,806 | 1,474 |
| Share-based payments | <u>6,533</u> | <u>457</u> |
| | <u>\$ 57,807</u> | <u>\$ 58,397</u> |

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as guarantee for executing the purchasing contract with supplier and tariff guarantee for imported raw material:

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Pledged deposits (classified as financial assets at amortized cost) | <u>\$ 13,861</u> | <u>\$ 13,863</u> |

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

| In Thousands of New Taiwan Dollar and Foreign Currency | | | | |
|--|---------------------|------------------|------------------------|----------------------|
| <u>December 31, 2023</u> | | | | |
| | Foreign Currency | Exchange Rate | Functional Currency | New Taiwan Dollar |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ 11,679 | 30.705 (USD:NTD) | \$358,604 | \$358,604 |
| Non-monetary items | | | | |
| Investments accounted for using the equity method | | | | |
| USD | 482 | 30.705 (USD:NTD) | 14,813 | 14,813 |
| RMB | 3,460 | 0.1409 (RMB:USD) | 487 | 14,969 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | 2,076 | 30.705 (USD:NTD) | 63,747 | 63,747 |
| <u>December 31, 2022</u> | | | | |
| | Foreign Currency | Exchange Rate | Functional Currency | New Taiwan Dollar |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ 7,092 | 30.71 (USD:NTD) | \$217,786 | \$217,786 |
| Non-monetary items | | | | |
| Investments accounted for using the equity method | | | | |
| USD | 242 | 30.71 (USD:NTD) | 7,429 | 7,429 |
| RMB | 2,156 | 0.1435 (RMB:USD) | 309 | 9,503 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | 1,833 | 30.71 (USD:NTD) | 56,293 | 56,293 |

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

| | For the Year Ended December 31 | | | |
|------------------|--------------------------------|-------------------------------------|-------------------|-------------------------------------|
| | 2023 | | 2022 | |
| Foreign Currency | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 31.1773 (USD:NTD) | (\$ 2,835) | 29.8489 (USD:NTD) | \$ 15,729 |
| USD | 7.0966 (USD:RMB) | (174) | 6.7504 (USD:RMB) | 63 |
| | | <u>(\$ 3,009)</u> | | <u>\$ 15,792</u> |

28. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries) (None)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 1)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Other : The business relationship between the parent and the subsidiaries and significant transactions between them (Table 2)
- 11) Information on investees (Table 3)

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (None)
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (None)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (Table 2)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

29. SEGMENT INFORMATION

a. Segment information

Information reported to the chief operating decision maker is for the purposes of resource allocation and assessment of segment performance. Under IFRS 8 “Operating Segments”, if the operating revenue of an operating segment accounts for up to 90% of the Group’s total revenue, the Group is considered as having only one reportable segment.

b. Revenue from major products and services

The Group mainly engages in the design, development and sale of power managements ICs and related application services.

c. Geographical information

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

| | <u>Revenues from external customers</u> | | <u>Non-current Assets</u> | |
|--------|---|---------------------|---------------------------|------------------|
| | <u>For the Year Ended December 31</u> | | <u>December 31</u> | |
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Taiwan | \$ 697,768 | \$ 840,123 | \$ 169,694 | \$ 69,791 |
| Asia | 250,950 | 261,235 | 6,477 | 5,250 |
| Europe | 73,780 | 78,102 | - | - |
| Others | <u>66</u> | <u>349</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,022,564</u> | <u>\$ 1,179,809</u> | <u>\$ 176,171</u> | <u>\$ 75,041</u> |

Non-current assets exclude deferred tax assets.

d. Information on major customers

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

| | For the Year Ended December 31 | | | |
|------------|--------------------------------|-----------|-------------------|-----------|
| | 2023 | | 2022 | |
| | Amount | % | Amount | % |
| Customer A | <u>\$ 469,542</u> | <u>46</u> | <u>\$ 422,728</u> | <u>36</u> |

TABLE 1

M3 TECHNOLOGY INC. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

| Buyer | Property | Event Date (Note 1) | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|--------------------|--|------------------------|-----------------------|----------------|---|--------------|---|--------------|------------------|--------|---|-----------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| M3 Technology Inc. | Land: Parcel No. 49, 4th Subsection, Xihu Section, Neihu Dist., Taipei City. (Scope of ownership 297/10000) Building: 9F., No. 36, Aly. 38, Ln. 358, Ruiguang Rd., Neihu Dist., Taipei City along with 5 ramp-style flat parking spaces on B2~B3. | 2023.6.7 | \$113,000 | \$113,000 | FORMOSA PROSONIC INDUSTRIES BERHAD | None | - | - | - | \$ - | Referenced market price and real estate appraisal report. (Note2) | To be used as an office. | None |

Note 1: The Company’s board of directors resolved to acquire real estate for use as an office on June 7, 2023, and the registration of transfer of ownership was completed on June 26, 2023.

Note 2: The appraisal value was 118,597 thousand by Pinyou Real Estate Appraisal Firm.

TABLE 2

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| No. (Note 1) | Company Name | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|-----------------|--------------------|------------------------------------|--------------------------|------------------------------|--------------------|---|---|
| | | | | Financial Statement Accounts | Amount (Note 4) | Payment Terms (Note 5) | % of Total Sales or Assets (Note 3) |
| 0 | M3 Technology Inc. | Xi'an M3 Semiconductor Corporation | 1 | Other payables | \$ 5,966 | - | 0.37% |
| 0 | M3 Technology Inc. | Xi'an M3 Semiconductor Corporation | 1 | Contracted research expense | 71,661 | There is no significant difference from those to third parties | 7.00% |
| 0 | M3 Technology Inc. | M3 Technology (Dallas), Inc. | 1 | Contracted research expense | 25,586 | There is no significant difference from those to third parties | 2.50% |
| 0 | M3 Technology Inc. | M3 Technology (Dallas), Inc. | 1 | Other payables | 1,697 | - | 0.11% |
| 0 | M3 Technology Inc. | M3 Technology (Dallas), Inc. | 1 | Other receivables | 29 | - | - |

Note 1: The Company and subsidiaries listed on the table are coded according to the following rules:

- a. The Company is coded “0”.
- b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: The three types of relationships are as follows:

- No. 1 - The parent company to the subsidiary.
- No. 2 - The subsidiary to the parent company.
- No. 3 - The subsidiary to the subsidiary

Note 3: For the calculation of percentage, percentage for balance sheet items is calculated by dividing the year-end balance with consolidated assets. Percentage for income items is calculated by dividing the accumulated sum with total operating income for the year.

Note 4: The transactions have been eliminated upon consolidation.

Note 5: The terms of the transaction are based on mutual agreements.

TABLE 3

M3 TECHNOLOGY INC. AND SUBSIDIARIES

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount (Note 1) | | As of December 31, 2023 | | | Net (Loss) Income of the Investee (Notes 2 and 3) | Share of (Loss) Profit (Notes 2 and 3) | Note |
|--------------------|------------------------------|----------|---|--|---------------------------------------|-------------------------|--------------------------------|--------------------------------|--|--|------------|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares | Percentage of Ownership (%) | Carrying Amount (Note 3) | | | |
| M3 Technology Inc. | Blink Electronic Co., Ltd. | Samoa | Holding company | \$ 44,018 (US\$ 1,500 thousand) | \$ 44,018 (US\$ 1,500 thousand) | 1,500,000 | 100 | \$ 11,021 | \$ 4,021 (US\$ 129 thousand) | \$ 4,021 (US\$ 129 thousand) | Subsidiary |
| | M3 Technology (Dallas), Inc. | U.S.A. | Product research, design and development | - | - | Note5 | 100 | 3,792 | (517) (US\$ (17) thousand) | (517) (US\$ (17) thousand) | Subsidiary |

Note 1: Translation was based on the exchange rate at the time of investment acquisition.

Note 2: Translation was based on the average exchange rate of USD during the investment period.

Note 3: The numbers were calculated based on financial statements audited by the parent company’s ROC-based CPA for the same fiscal year.

Note 4: The balances have been eliminated upon consolidation.

Note 5: As of December 31, 2023, no capital has been invested therein.

Note 6: Please refer to Table 4 for information on investments in mainland China.

TABLE 4

M3 TECHNOLOGY INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Note 1) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (Note 1) | Net Income (Loss) of the Investee (Notes 2 and 4) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 2 and 4) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 |
|------------------------------------|--|-------------------------------------|--|--|---------------------|--------|---|--|--|--|--|--|
| | | | | | Outward | Inward | | | | | | |
| Xi’An M3 Semiconductor Corporation | Product research, design and development | \$ 29,082 (US\$ 990 thousand) | Set up new companies in the third region by investing, and then invest in companies in mainland China. | \$ 29,082 (US\$ 990 thousand) | \$ - | \$ - | \$ 29,082 (US\$ 990 thousand) | \$ 5,726 (RMB 1,304 thousand) | 100 | \$ 5,726 (RMB 1,304 thousand) | \$ 14,969 | \$ - |

| Accumulated Outward Remittance for Investments from Taiwan to Mainland China as of December 31, 2023 (Note 1) | Investment Amounts Authorized by the Investment Commission, MOEA (Note 1) | Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA (Note 3) |
|--|--|---|
| \$29,082 (US\$990 thousand) | \$29,082 (US\$990 thousand) | \$829,867 |

- Note 1: Translation was based on the exchange rate at the time of investment acquisition.
- Note 2: Translation was based on the average exchange rate during the investment period.
- Note 3: The calculation was based on 60% of the Company’s net value at December 31, 2023.
- Note 4: The numbers were calculated based on financial statements audited by the parent company’s ROC-based CPA for the same fiscal year.
- Note 5: The balances have been eliminated upon consolidation.

TABLE 5

M3 TECHNOLOGY INC.

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

| Name of Major Shareholder | Shares | |
|----------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Chang-Yong Cheng | 4,266,666 | 10.02% |
| AP Memory Technology Corporation | 4,000,000 | 9.40% |

- Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Appendix 4

2023 Parent Company Only Financial Statements and Independent Auditors' Report

M3 Technology Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
M3 Technology Inc.

Opinion

We have audited the accompanying parent company only financial statements of M3 Technology Inc. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the “parent company only financial statements”).

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public 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 Matter

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

Key audit matter of the Company's financial statements for the year ended December 31, 2023 is stated as follows:

Recognition of revenue from the specific customer

The revenue from specific customer which engaged in the distribution and agency of electronic components amounted to NT\$469,542 thousand in 2023; such amount which accounted for 46% of sales revenue is a significant amount of the Company's financial statements. Therefore, recognition of revenue from the specific customer was deemed to be a key audit matter.

For the accounting policy on recognition of revenue from the specific customer, refer to Note 4 (1).

The audit procedures for the abovementioned key audit matter were as follows:

1. We understood the design and tested the effectiveness of the internal controls with respect to recognition of revenue from specific customer.
2. We sent out confirmation request to specific customer; we requested confirmation of the total amount of revenue for the year.
3. We selected samples of sales to specific customer and validated the details against the supporting documents, including sales orders, delivery documents and cash received from customer to verify the occurrence of sales transactions.
4. We validated selected samples of sales returns and collection of trade receivables after the year-end against the data as of December 31, 2023.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Ming-Yen Chien and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 29, 2024

Notice to Readers

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

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

M3 TECHNOLOGY INC.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

| ASSETS | 2023 | | 2022 | |
|---|--------------|------|--------------|------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash (Notes 4 and 6) | \$ 213,049 | 14 | \$ 1,028,986 | 68 |
| Financial assets at amortized cost - current (Notes 4, 7 and 26) | 827,091 | 52 | 13,863 | 1 |
| Notes receivable (Notes 4, 8 and 17) | 995 | - | 641 | - |
| Trade receivables (Notes 4, 8, 17 and 25) | 163,670 | 10 | 184,383 | 12 |
| Other receivables (Notes 4 and 25) | 612 | - | 52 | - |
| Inventories (Notes 4, 5 and 9) | 180,988 | 12 | 194,324 | 13 |
| Prepayments | 2,819 | - | 975 | - |
| Total current assets | 1,389,224 | 88 | 1,423,224 | 94 |
| NON-CURRENT ASSETS | | | | |
| Investments accounted for using the equity method (Notes 4 and 10) | 14,813 | 1 | 7,429 | 1 |
| Property, plant and equipment (Notes 4 and 11) | 155,104 | 10 | 32,975 | 2 |
| Right-of-use assets (Notes 4 and 12) | 4,514 | - | 1,153 | - |
| Intangible assets (Notes 4 and 13) | 9,177 | - | 10,990 | 1 |
| Deferred tax assets (Notes 4 and 19) | 11,839 | 1 | 7,130 | - |
| Prepayments for equipment | 619 | - | 167 | - |
| Refundable deposits | 280 | - | 24,506 | 2 |
| Total non-current assets | 196,346 | 12 | 84,350 | 6 |
| TOTAL | \$ 1,585,570 | 100 | \$ 1,507,574 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities - current (Notes 4 and 17) | \$ 652 | - | \$ 609 | - |
| Notes payable | 5 | - | - | - |
| Accounts payable | 55,851 | 4 | 54,763 | 4 |
| Other payables (Notes 14 and 25) | 109,573 | 7 | 124,676 | 8 |
| Current tax liabilities (Notes 4 and 19) | 19,994 | 1 | 44,867 | 3 |
| Provisions - current (Note 4) | 10,996 | 1 | 11,157 | 1 |
| Lease liabilities - current (Notes 4 and 12) | 2,623 | - | 1,217 | - |
| Other current liabilities | 754 | - | 743 | - |
| Total current liabilities | 200,448 | 13 | 238,032 | 16 |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities - non-current (Notes 4 and 12) | 2,009 | - | - | - |
| Total non-current liabilities | 2,009 | - | - | - |
| Total liabilities | 202,457 | 13 | 238,032 | 16 |
| EQUITY (Notes 4, 16 and 21) | | | | |
| Share capital | | | | |
| Ordinary share | 425,421 | 27 | 412,161 | 27 |
| Share capital awaiting retirement | (540) | - | - | - |
| Total share capital | 424,881 | 27 | 412,161 | 27 |
| Capital surplus | 565,381 | 36 | 494,954 | 33 |
| Retained earnings | | | | |
| Legal reserve | 62,506 | 4 | 32,904 | 2 |
| Unappropriated earnings | 530,661 | 33 | 463,605 | 31 |
| Total retained earnings | 593,167 | 37 | 496,509 | 33 |
| Other equity | | | | |
| Exchange differences on translation of foreign financial statements | 464 | - | 753 | - |
| Unearned compensation | (65,945) | (4) | - | - |
| Total other equity | (65,481) | (4) | 753 | - |
| Treasury shares | (134,835) | (9) | (134,835) | (9) |
| Total equity | 1,383,113 | 87 | 1,269,542 | 84 |
| TOTAL | \$ 1,585,570 | 100 | \$ 1,507,574 | 100 |

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

M3 TECHNOLOGY INC.

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

| | 2023 | | 2022 | |
|---|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 17 and 25) | | | | |
| Sales revenue | \$ 1,023,972 | 100 | \$ 1,184,416 | 101 |
| Sales returns and discounts | (1,437) | - | (7,691) | (1) |
| Sales revenue, net | 1,022,535 | 100 | 1,176,725 | 100 |
| Other operating revenue | 29 | - | 3,084 | - |
| Total operating revenue, net | 1,022,564 | 100 | 1,179,809 | 100 |
| OPERATING COSTS (Notes 4, 5, 9 and 18) | 548,047 | 54 | 610,743 | 52 |
| GROSS PROFIT | 474,517 | 46 | 569,066 | 48 |
| OPERATING EXPENSES (Notes 4, 18 and 25) | | | | |
| Selling and marketing expenses | 29,930 | 3 | 47,916 | 4 |
| General and administrative expenses | 39,688 | 4 | 44,839 | 4 |
| Research and development expenses | 144,761 | 14 | 133,690 | 11 |
| Total operating expenses | 214,379 | 21 | 226,445 | 19 |
| PROFIT FROM OPERATIONS | 260,138 | 25 | 342,621 | 29 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Share of profit (loss) of subsidiaries (Notes 4 and 10) | 3,504 | - | 12,528 | 1 |
| Interest income | 11,210 | 1 | 1,359 | - |
| Other income | 109 | - | 710 | - |
| Gains on disposals of property, plant and equipment | - | - | 465 | - |
| Other gains and losses | 161 | - | 470 | - |
| Financial costs | (55) | - | (268) | - |
| Foreign exchange gains, net (Notes 4 and 18) | - | - | 15,729 | 2 |
| Foreign exchange loss, net (Notes 4 and 18) | (2,835) | - | - | - |
| Total non-operating income and expenses | 12,094 | 1 | 30,993 | 3 |
| PROFIT BEFORE INCOME TAX | 272,232 | 26 | 373,614 | 32 |
| INCOME TAX EXPENSE (Notes 4 and 19) | (53,756) | (5) | (77,595) | (7) |
| NET PROFIT FOR THE YEAR | 218,476 | 21 | 296,019 | 25 |

(Continued)

M3 TECHNOLOGY INC.

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

| | 2023 | | 2022 | |
|---|------------|----|------------|----|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | \$ (289) | - | \$ (416) | - |
| Other comprehensive income for the year | (289) | - | (416) | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | \$ 218,187 | 21 | \$ 295,603 | 25 |
| EARNINGS PER SHARE (Note 20) | | | | |
| Basic | \$ 5.42 | | \$ 7.58 | |
| Diluted | \$ 5.19 | | \$ 7.01 | |

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

(Concluded)

M3 TECHNOLOGY INC.

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

| | Ordinary Shares (Notes 4 ,16 and 21) | | | | Capital Surplus (Notes 4, 16 and 21) | Retained Earnings (Note 16) | | | Other Equity (Notes 4 ,16 and 21) | | | Treasury Shares (Notes 4 and 16) | Total Equity |
|---|---------------------------------------|------------|---|------------|---|-----------------------------|----------------------------|------------|--|--------------------------|-------------|---|--------------|
| | Number of Shares (In Thousands) | Amount | Share capital awaiting retirement | Total | | Legal Reserve | Unappropriated Earnings | Total | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unearned Compensation | Total | | |
| BALANCE AT JANUARY 1, 2022 | 36,729 | \$ 367,291 | \$ - | \$ 367,291 | \$ 4,144 | \$ 5,309 | \$ 305,369 | \$ 310,678 | \$ 1,169 | \$ - | \$ 1,169 | \$ - | \$ 683,282 |
| Appropriation of the 2021 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 27,595 | (27,595) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (110,188) | (110,188) | - | - | - | - | (110,188) |
| Employee compensation cost for employee share options | - | - | - | - | 821 | - | - | - | - | - | - | - | 821 |
| Employee compensation cost for issuance of ordinary shares options | - | - | - | - | 260 | - | - | - | - | - | - | - | 260 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | - | 296,019 | 296,019 | - | - | - | - | 296,019 |
| Other comprehensive income for the year ended December 31, 2022 | - | - | - | - | - | - | - | - | (416) | - | (416) | - | (416) |
| Total comprehensive income for the year ended December 31, 2022 | - | - | - | - | - | - | 296,019 | 296,019 | (416) | - | (416) | - | 295,603 |
| Issuance of ordinary shares for cash | 3,655 | 36,550 | - | 36,550 | 486,459 | - | - | - | - | - | - | - | 523,009 |
| Issuance of ordinary shares under employee share options | 832 | 8,320 | - | 8,320 | 3,270 | - | - | - | - | - | - | - | 11,590 |
| Buy-back of ordinary shares | - | - | - | - | - | - | - | - | - | - | - | (134,835) | (134,835) |
| BALANCE AT DECEMBER 31, 2022 | 41,216 | 412,161 | - | 412,161 | 494,954 | 32,904 | 463,605 | 496,509 | 753 | - | 753 | (134,835) | 1,269,542 |
| Appropriation of the 2022 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 29,602 | (29,602) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (121,818) | (121,818) | - | - | - | - | (121,818) |
| Employee compensation cost for employee share options | - | - | - | - | 202 | - | - | - | - | - | - | - | 202 |
| Net profit for the year ended December 31, 2023 | - | - | - | - | - | - | 218,476 | 218,476 | - | - | - | - | 218,476 |
| Other comprehensive income for the year ended December 31, 2023 | - | - | - | - | - | - | - | - | (289) | - | (289) | - | (289) |
| Total comprehensive income for the year ended December 31, 2023 | - | - | - | - | - | - | 218,476 | 218,476 | (289) | - | (289) | - | 218,187 |
| Issuance of ordinary shares under employee share options | 644 | 6,440 | - | 6,440 | 3,029 | - | - | - | - | - | - | - | 9,469 |
| Issuance of employee restricted shares and recognition of compensation cost | 682 | 6,820 | - | 6,820 | 72,974 | - | - | - | - | (72,263) | (72,263) | - | 7,531 |
| Cancellation of employee restricted shares | - | - | (540) | (540) | (5,778) | - | - | - | - | 6,318 | 6,318 | - | - |
| BALANCE AT DECEMBER 31, 2023 | 42,542 | \$ 425,421 | \$ (540) | \$ 424,881 | \$ 565,381 | \$ 62,506 | \$ 530,661 | \$ 593,167 | \$ 464 | \$ (65,945) | \$ (65,481) | \$ (134,835) | \$ 1,383,113 |

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

M3 TECHNOLOGY INC.

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

| | 2023 | 2022 |
|--|-------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 272,232 | \$ 373,614 |
| Adjustments for | | |
| Depreciation expense | 27,774 | 23,797 |
| Amortization expense | 11,479 | 10,156 |
| Financial costs | 55 | 268 |
| Interest income | (11,210) | (1,359) |
| Compensation cost of employee share options | 106 | 789 |
| Compensation cost of employee restricted shares | 5,192 | - |
| Share of (profit) loss of subsidiaries | (3,504) | (12,528) |
| Gain on disposal of property, plan and equipment | - | (465) |
| Write-down of inventories | 21,530 | 18,422 |
| Unrealized loss on foreign currency exchange | 8,405 | 1,517 |
| Reversal of provisions | (161) | (470) |
| Changes in operating assets and liabilities | | |
| Notes receivable | (354) | 4,933 |
| Trade receivables | 16,999 | (8,099) |
| Other receivables | (15) | (15) |
| Inventories | 15,572 | (35,179) |
| Prepayments | (1,610) | 4,932 |
| Contract liabilities | 43 | (471) |
| Notes payable | 5 | - |
| Accounts payable | 2,321 | (23,096) |
| Other payables | (24,408) | 38,067 |
| Other current liabilities | 11 | 48 |
| Net cash generated from operations | 340,462 | 394,861 |
| Interest received | 10,662 | 1,334 |
| Interest paid | (55) | (329) |
| Income tax paid | (83,338) | (104,895) |
| Net cash generated from operating activities | 267,731 | 290,971 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at amortized cost | (1,360,800) | - |
| Proceeds from disposal of financial assets at amortized cost | 541,400 | - |
| Acquisition of property, plant and equipment | (140,143) | (38,435) |
| Proceeds from disposal of property, plant and equipment | - | 465 |
| Decrease in refundable deposits | 226 | - |
| Acquisition of intangible assets | (9,492) | (8,745) |
| Increase in prepayments for equipment | (619) | (167) |
| Net cash used in investing activities | (969,428) | (46,882) |

(Continued)

M3 TECHNOLOGY INC.

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

| | 2023 | 2022 |
|--|-------------------|--------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term loans | \$ - | \$ 18,967 |
| Decrease in short-term loans | - | (88,048) |
| Repayment of the principal portion of lease liabilities | (1,891) | (2,531) |
| Cash dividend paid | (121,818) | (110,188) |
| Proceeds from issuing shares | - | 523,009 |
| Exercise of employee share options | 9,469 | 11,590 |
| Payments for buy-back of ordinary shares | <u>-</u> | <u>(134,835)</u> |
| Net cash (used in) generated from financing activities | <u>(114,240)</u> | <u>217,964</u> |
| NET (DECREASE) INCREASE IN CASH | (815,937) | 462,053 |
| CASH AT THE BEGINNING OF THE YEAR | <u>1,028,986</u> | <u>566,933</u> |
| CASH AT THE END OF THE YEAR | <u>\$ 213,049</u> | <u>\$1,028,986</u> |
| The accompanying notes are an integral part of the financial statements. | | (Concluded) |

M3 TECHNOLOGY INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. GENERAL INFORMATION

M3 Technology Inc. (hereinafter referred to as the “Company”) was incorporated in September 2010, upon approval of the Ministry of Economic Affairs. The Company mainly engages in the design, development and sale of power management ICs and provides related application services.

Upon approval of Taipei Exchange (TPEX) in November 2020, the Company started trading on Emerging Stock Board of TPEX. The company’s application for listing on the Taiwan Stock Exchange was approved by the Taiwan Stock Exchange Review Committee in December 2021, and the date of agreement for listing submitted to the Financial Supervisory Commission for recordation in January 2022. The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since May 12, 2022.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 29, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of abovementioned standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis.

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the parent only financial statements, the financial statements of the Company and its foreign operations (including subsidiaries in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investments in subsidiaries

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

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

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

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into financial assets at amortized cost.

Financial assets at amortized cost

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company considers internal or external information which shows that the debtor is unlikely to pay its creditors as indication that a financial asset is in default (without taking into account any collateral held by the Company).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are estimated liabilities to settle the present obligation, which are estimated as probably compensation according to the judgement of the Company's management and other known facts and recognized as non-operating income and expense during the period of sale of the relevant products.

l. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of power management integrated circuit products. Sales of products are recognized as revenue at the time the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Advance receipts from the sale of the goods are recognized as contract liabilities until the goods have been delivered to the customer.

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

m. Leases

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

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for low-value asset leases accounted for applying a recognition exemption and

short-term leases where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheet.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

o. Share-based payment arrangements

1) Equity-settled share-based payment arrangements granted to employees

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

When restricted shares for employees are issued, other equity - unearned compensation is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options or capital surplus - restricted shares for employees.

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under employee share options or restricted shares for employees are treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options or capital surplus - restricted shares for employees.

p. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the tax laws in the ROC.

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation and Uncertainty

Write-down of Inventory

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

6. CASH

| | December 31 | |
|---------------------------------------|-------------------|--------------------|
| | 2023 | 2022 |
| Cash on hand | \$ 106 | \$ 75 |
| Checking accounts and demand deposits | <u>212,943</u> | <u>1,028,911</u> |
| | <u>\$ 213,049</u> | <u>\$1,028,986</u> |

Interest rate ranges for demand deposits on the balance sheet date were as follows:

| | December 31 | |
|-----------------|--------------|--------------|
| | 2023 | 2022 |
| Demand deposits | 0.005%-1.45% | 0.005%-0.95% |

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

| | December 31 | |
|--|-------------------|------------------|
| | 2023 | 2022 |
| Time deposits with original maturities of more than 3 months | \$ 813,230 | \$ - |
| Restricted time deposit | <u>13,861</u> | <u>13,863</u> |
| | <u>\$ 827,091</u> | <u>\$ 13,863</u> |

The ranges of interest rates for time deposits were approximately 1.25%-5.50% and 0.48%-2.80% per annum as of December 31, 2023 and 2022, respectively.

Please refer to Note 26 for information relating to pledged assets.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | December 31 | |
|--------------------------|--------------------|-------------|
| | 2023 | 2022 |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 995 | \$ 641 |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 163,670 | \$ 184,383 |

The average credit period of sales of goods was 30-60 days, and no interest was charged on trade receivables.

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the customer, the customer's current financial position, economic conditions of the industry in which the customer operates and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2023

| | Not Past Due | 1-90 Days Past Due | 91-180 Days Past Due | 181-365 Days Past Due | More than 365 Days Past Due | Total |
|---|---------------------|---------------------------|-----------------------------|------------------------------|------------------------------------|------------------|
| Gross carrying amount | \$159,605 | \$ 4,065 | \$ - | \$ - | \$ - | \$163,670 |
| Allowance for impairment loss (lifetime ECLs) | - | - | - | - | - | - |
| Amortized cost | <u>\$159,605</u> | <u>\$ 4,065</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$163,670</u> |

December 31, 2022

| | Not Past Due | 1-90 Days Past Due | 91-180 Days Past Due | 181-365 Days Past Due | More than 365 Days Past Due | Total |
|---|------------------|-----------------------|----------------------------|-----------------------------|-----------------------------------|------------------|
| Gross carrying amount | \$176,088 | \$ 8,295 | \$ - | \$ - | \$ - | \$184,383 |
| Allowance for impairment loss (lifetime ECLs) | - | - | - | - | - | - |
| Amortized cost | <u>\$176,088</u> | <u>\$ 8,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$184,383</u> |

The Company did not recognize allowance for impairment loss because the Company estimated that the recoverable amount was equal to the original account amount.

9. INVENTORIES

| | December 31 | |
|------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Raw materials | \$ 78,988 | \$ 75,437 |
| Work-in-progress | 52,561 | 65,885 |
| Finished goods | <u>49,439</u> | <u>53,002</u> |
| | <u>\$ 180,988</u> | <u>\$ 194,324</u> |

The cost of inventories sold for the years ended December 31, 2023 and 2022 were \$548,047 thousand and \$610,743 thousand, respectively. The cost of goods sold included inventory write-downs of \$21,530 thousand and \$18,422 thousand for the years ended December 31, 2023 and 2022, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in subsidiaries

| | December 31 | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| M3 Technology (Dallas), Inc. (hereinafter referred to as “M3 Dallas”) | \$ 3,792 | \$ 1,874 |
| Blink Electronic Co., Ltd. (hereinafter referred to as “Blink”) | <u>11,021</u> | <u>5,555</u> |
| | <u>\$ 14,813</u> | <u>\$ 7,429</u> |

| | Proportion of Ownership and Voting Rights | |
|---------------------------|--|------------------------------|
| Name of Subsidiary | December 31, 2023 | December 31, 2022 |
| M3 Dallas | 100% | 100% |
| Blink | 100% | 100% |

Refer to Tables 2 and 3 for the details of the subsidiaries directly and indirectly held by the Company.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 was based on the subsidiaries’ financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery and Equipment | Office Equipment | Leasehold Improvement | Test Equipment | Other Equipment | Total |
|--------------------------------------|------------------|------------------|-------------------------|------------------|-----------------------|-------------------|-----------------|-------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ - | \$ 24,749 | \$ 1,543 | \$ 3,427 | \$ 102,091 | \$ 1,810 | \$ 133,620 |
| Additions | - | - | 1,218 | - | 143 | 19,158 | - | 20,519 |
| Disposals | - | - | (108) | - | - | - | (449) | (557) |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,859</u> | <u>\$ 1,543</u> | <u>\$ 3,570</u> | <u>\$ 121,249</u> | <u>\$ 1,361</u> | <u>\$ 153,582</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ - | \$ 9,231 | \$ 441 | \$ 2,591 | \$ 86,408 | \$ 1,158 | \$ 99,829 |
| Depreciation expense | - | - | 3,931 | 249 | 492 | 16,126 | 537 | 21,335 |
| Disposals | - | - | (108) | - | - | - | (449) | (557) |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,054</u> | <u>\$ 690</u> | <u>\$ 3,083</u> | <u>\$ 102,534</u> | <u>\$ 1,246</u> | <u>\$ 120,607</u> |
| Carrying amount at December 31, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,805</u> | <u>\$ 853</u> | <u>\$ 487</u> | <u>\$ 18,715</u> | <u>\$ 115</u> | <u>\$ 32,975</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ - | \$ - | \$ 25,859 | \$ 1,543 | \$ 3,570 | \$ 121,249 | \$ 1,361 | \$ 153,582 |
| Additions | 96,231 | 22,077 | 193 | 5,446 | 552 | 23,459 | - | 147,958 |
| Disposals | - | - | (104) | (162) | (872) | - | - | (1,138) |
| Balance at December 31, 2023 | <u>\$ 96,231</u> | <u>\$ 22,077</u> | <u>\$ 25,948</u> | <u>\$ 6,827</u> | <u>\$ 3,250</u> | <u>\$ 144,708</u> | <u>\$ 1,361</u> | <u>\$ 300,402</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ - | \$ - | \$ 13,054 | \$ 690 | \$ 3,083 | \$ 102,534 | \$ 1,246 | \$ 120,607 |
| Depreciation expense | - | 339 | 3,777 | 412 | 486 | 20,700 | 115 | 25,829 |
| Disposals | - | - | (104) | (162) | (872) | - | - | (1,138) |
| Balance at December 31, 2023 | <u>\$ -</u> | <u>\$ 339</u> | <u>\$ 16,727</u> | <u>\$ 940</u> | <u>\$ 2,697</u> | <u>\$ 123,234</u> | <u>\$ 1,361</u> | <u>\$ 145,298</u> |
| Carrying amount at December 31, 2023 | <u>\$ 96,231</u> | <u>\$ 21,738</u> | <u>\$ 9,221</u> | <u>\$ 5,887</u> | <u>\$ 553</u> | <u>\$ 21,474</u> | <u>\$ -</u> | <u>\$ 155,104</u> |

For the needs of the operation and future business development and planning, the Company's board of directors resolved to acquire real estate for use as an office at a total cost of 113,000 thousand on June 7, 2023, and the registration of transfer of ownership was completed on June 26, 2023.

No impairment loss was recognized for the year ended December 31, 2023 and 2022 after assessment performed.

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

| | |
|-------------------------|----------------|
| Buildings | 10 to 34 years |
| Machinery and equipment | 2 to 5 years |
| Office equipment | 3 to 5 years |
| Leasehold improvement | 3 years |
| Test equipment | 2 years |
| Other equipment | 2 years |

12. LEASE AGREEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|-----------------|--------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| Carrying amount | | |
| Buildings | <u>\$ 4,514</u> | <u>\$ 1,153</u> |

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2023 | 2022 |
| Additions to the right-of-use assets | \$ <u>5,306</u> | \$ <u>521</u> |
| Depreciation charge for right-of-use assets | | |
| Buildings | \$ <u>1,945</u> | \$ <u>2,462</u> |

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

b. Lease liabilities

| | December 31 | |
|-----------------|--------------------|-----------------|
| | 2023 | 2022 |
| Carrying amount | | |
| Current | \$ <u>2,623</u> | \$ <u>1,217</u> |
| Non-current | \$ <u>2,009</u> | \$ <u>-</u> |

Discount rate for lease liabilities was as follows:

| | December 31 | |
|-----------|--------------------|-------------|
| | 2023 | 2022 |
| Buildings | 2.40% | 2.17% |

c. Other lease information

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2023 | 2022 |
| Expense relating to short-term leases and low-value asset leases | \$ <u>940</u> | \$ <u>103</u> |
| Total cash outflow for leases | \$ <u>2,875</u> | \$ <u>2,682</u> |

The Company's leases of certain buildings qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

| | Computer Software | Specific Technology | Patents | Total |
|------------------------------|------------------------------|--------------------------------|-----------------|------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 10,328 | \$ 1,000 | \$ 6,152 | \$ 17,480 |
| Additions | 7,882 | - | 962 | 8,844 |
| Reclassification | <u>4,979</u> | <u>-</u> | <u>-</u> | <u>4,979</u> |
| Balance at December 31, 2022 | \$ <u>23,189</u> | \$ <u>1,000</u> | \$ <u>7,114</u> | \$ <u>31,303</u> |

(Continued)

| | Computer Software | Specific Technology | Patents | Total |
|--------------------------------------|------------------------------|--------------------------------|-----------------|------------------|
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2022 | \$ 6,875 | \$ 417 | \$ 2,865 | \$ 10,157 |
| Amortization expense | <u>8,147</u> | <u>500</u> | <u>1,509</u> | <u>10,156</u> |
| Balance at December 31, 2022 | <u>\$ 15,022</u> | <u>\$ 917</u> | <u>\$ 4,374</u> | <u>\$ 20,313</u> |
| Carrying amount at December 31, 2022 | <u>\$ 8,167</u> | <u>\$ 83</u> | <u>\$ 2,740</u> | <u>\$ 10,990</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2023 | \$ 23,189 | \$ 1,000 | \$ 7,114 | \$ 31,303 |
| Additions | <u>8,480</u> | <u>-</u> | <u>1,186</u> | <u>9,666</u> |
| Balance at December 31, 2023 | <u>\$ 31,669</u> | <u>\$ 1,000</u> | <u>\$ 8,300</u> | <u>\$ 40,969</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2023 | \$ 15,022 | \$ 917 | \$ 4,374 | \$ 20,313 |
| Amortization expense | <u>9,858</u> | <u>83</u> | <u>1,538</u> | <u>11,479</u> |
| Balance at December 31, 2023 | <u>\$ 24,880</u> | <u>\$ 1,000</u> | <u>\$ 5,912</u> | <u>\$ 31,792</u> |
| Carrying amount at December 31, 2023 | <u>\$ 6,789</u> | <u>\$ -</u> | <u>\$ 2,388</u> | <u>\$ 9,177</u> |

(Concluded)

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

| | |
|---------------------|---------|
| Computer software | 3 years |
| Patents | 5 years |
| Specific technology | 2 years |

An analysis of Amortization by function:

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Selling and marketing expenses | \$ 37 | \$ 5 |
| General and administrative expenses | 679 | 351 |
| Research and development expenses | <u>10,763</u> | <u>9,800</u> |
| | <u>\$ 11,479</u> | <u>\$ 10,156</u> |

14. OTHER LIABILITIES

| | December 31 | |
|--|-------------------|-------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Other payables | | |
| Payable for compensation of employees | \$ 73,316 | \$ 97,529 |
| Payable for purchases of equipment | 9,922 | 2,228 |
| Payable for salaries | 7,527 | 7,603 |
| Payable for remuneration of directors | 2,927 | 4,501 |
| Payable for professional expenses | 2,024 | 2,187 |
| Payable for labor and national health insurances and pension | 1,397 | 1,264 |
| Payable for business tax | 990 | 321 |
| Others | <u>11,470</u> | <u>9,043</u> |
| | <u>\$ 109,573</u> | <u>\$ 124,676</u> |

15. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

16. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|-------------------|-------------------|
| | 2023 | 2022 |
| Number of shares authorized (in thousands) | <u>60,000</u> | <u>60,000</u> |
| Shares authorized | <u>\$ 600,000</u> | <u>\$ 600,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>42,542</u> | <u>41,216</u> |
| Shares issued | <u>\$ 425,421</u> | <u>\$ 412,161</u> |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and a right to dividends.

The Company's board of directors resolved cash capital increase for underwriting initial public offerings by issue 3,655 thousand ordinary shares with a par value of \$10 on February 22, 2022. According to the provisions of the Company Act, 548 thousand shares (15% of total new shares issued) were reserved for employees' subscription and 3,107 thousand shares for pre-initial public offering placement via competitive auction (80%) and public subscription (20%). The average price of the competitive auction was NT\$146.23 per share, the price of public subscription and employee' subscription were NT\$139 per share determined on April 27, 2022. The total amount for subscription deducted the underwriting expense of initial public offering was \$523,009 thousand. The above issuance of shares for cash capital increase was approved by the Taiwan Stock Exchange under letter No. 1111800803 on March 9, 2022. The capital increase base date was May 11, 2022, and the procedure for amendment registration had been completed on May 24, 2022.

For the years ended December 31, 2023 and 2022, the Company issued 644 thousand and 832 thousand new shares respectively due to the employee share options exercised.

The Company's board of directors resolved to issue 682 thousand employee restricted shares within the quota approved by the FSC on September 14, 2023. The Company recalled and canceled 54 thousand employee restricted shares in 2023 due to employee resignations before the vesting date. As of the balance sheet date, the registration has not been processed, the share capital awaiting retirement was \$540 thousand.

Please refer to Note 21 for information relating to employee share options and employee restricted shares.

b. Capital surplus

| | December 31 | |
|---|--------------------|-------------------|
| | 2023 | 2022 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) | | |
| Issuance of ordinary shares | \$ 486,459 | \$ 486,459 |
| Exercised employee share options | 9,132 | 4,897 |
| Issuance of ordinary shares for cash capital increase reserved for employee share options | 260 | 260 |
| <u>Not used for any purpose</u> | | |
| Employee share options | 2,334 | 3,338 |
| Employee restricted shares | <u>67,196</u> | <u>-</u> |
| | <u>\$ 565,381</u> | <u>\$ 494,954</u> |

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

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on May 26, 2022, and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses may be made at the end of each quarter, where the Company made a profit in a quarter, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the Company's paid-in capital. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. The board of directors is authorized to adopt a special resolution (more than two-thirds of the directors of the board are present, and more than half of the directors present agree) to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting, distribution of earnings by the issuance of shares should be approved by the shareholders in their meetings. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 18-c.

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

The appropriations of earnings for 2022 and 2021 were as follows:

| | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---------------------------------|--|--|
| Legal reserve | <u>\$ 29,602</u> | <u>\$ 27,595</u> |
| Cash dividends | <u>\$ 121,818</u> | <u>\$ 110,188</u> |
| Cash dividends per share (NT\$) | \$ 3.05 | \$ 3.0 |

The above appropriations for cash dividends were resolved by the Company's board of directors on February 23, 2023 and February 22, 2022, respectively; the other proposed appropriations were resolved by the shareholders in their meetings on May 24, 2023 and May 26, 2022, respectively.

The dividends per share in 2022 and 2021 were adjusted to NT\$3.00337787 and NT\$2.72848247 due to the employee share options exercised and the issuance of ordinary shares for cash capital increase, respectively.

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on February 29, 2024, were as follows:

| | For the Year Ended December 31 2023 |
|---------------------------------|--|
| Legal reserve | <u>\$ 21,848</u> |
| Cash dividends | <u>\$ 125,697</u> |
| Cash dividends per share (NT\$) | \$ 3.05 |

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 24, 2024.

d. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

| | For the Year Ended December 31 2023 | 2022 |
|--|--|---------------|
| Balance at January 1 | \$ 753 | \$ 1,169 |
| Recognized for the year | | |
| Exchange differences on the translation of the financial statements of foreign operations | (289) | (416) |
| Balance at December 31 | <u>\$ 464</u> | <u>\$ 753</u> |

2) Unearned compensation (For the year ended December 31, 2022: None)

Please refer to Note 21 for information relating to employee restricted shares approved by the shareholder's meeting.

| | For the Year Ended December 31 2023 |
|--|--|
| Balance at January 1 | \$ - |
| Issuance of shares | (79,794) |
| Share-based payment expenses recognized | 7,531 |
| Cancellation of employee restricted shares | <u>6,318</u> |
| Balance at December 31 | <u>\$ (65,945)</u> |

e. Treasury shares

| | Shares Transferred to Employees (In Thousands of Shares) |
|--|---|
| Number of shares at December 31, 2023 and 2022 | <u>1,276</u> |

For the purpose of transferring shares to employees, the Company's board of directors approved a share buyback program on October 11, 2022, the Company bought back 1,276 thousand shares by \$134,835 thousand between October 12, 2022 to December 9, 2022.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares before transferring.

17. REVENUE

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|------------------------------|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | \$ 1,022,535 | \$ 1,176,725 |
| Other operating revenue | <u>29</u> | <u>3,084</u> |
| | <u>\$ 1,022,564</u> | <u>\$ 1,179,809</u> |
| <u>Contract balance</u> | | |
| | December 31, 2023 | December 31, 2022 |
| Notes and trade receivables (Note 8) | <u>\$ 164,665</u> | <u>\$ 185,024</u> |
| Contract liabilities | | January 1, 2022 |
| Sale of goods | <u>\$ 652</u> | <u>\$ 609</u> |
| | | <u>\$ 1,080</u> |

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

| | <u>For the Year Ended December 31</u> | |
|--|--|-----------------|
| | 2023 | 2022 |
| <u>From the contract liabilities at the beginning of the year</u> | | |
| Sale of goods | \$ <u>609</u> | \$ <u>1,080</u> |

18. NET PROFIT

a. Depreciation and amortization

| | <u>For the Year Ended December 31</u> | |
|---|--|------------------|
| | 2023 | 2022 |
| Property, plant and equipment | \$ 25,829 | \$ 21,335 |
| Right-of-use assets | 1,945 | 2,462 |
| Intangible assets | <u>11,479</u> | <u>10,156</u> |
| | <u>\$ 39,253</u> | <u>\$ 33,953</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 5,810 | \$ 6,221 |
| Operating expenses | <u>21,964</u> | <u>17,576</u> |
| | <u>\$ 27,774</u> | <u>\$ 23,797</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 11,479</u> | <u>\$ 10,156</u> |

b. Employee benefit expense

| | <u>For the Year Ended December 31</u> | |
|--|--|-------------------|
| | 2023 | 2022 |
| Post-employment benefits (Note 15) | | |
| Defined contribution plans | \$ 2,400 | \$ 2,354 |
| Share-based payments | | |
| Equity settled | 5,298 | 789 |
| Salary and bonus expense | <u>63,188</u> | <u>128,695</u> |
| | <u>\$ 70,886</u> | <u>\$ 131,838</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 16,028 | \$ 22,751 |
| Operating expenses | <u>54,858</u> | <u>109,087</u> |
| | <u>\$ 70,886</u> | <u>\$ 131,838</u> |

Refer to Note 13 for information relating to the line items in which any amortization of intangible assets is included.

c. Compensation of employees and remuneration of directors

The shareholders held their regular meeting on May 24, 2023, and resolved the amendments to the Company's Articles of Incorporation (the "Articles"). According to the Articles, the Company accrues compensation of employees and remuneration of directors at the rates of no less than 6% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. When the Company has accumulated losses, the losses should be offset first.

According to the Articles before the amendments, the Company accrues compensation of employees and remuneration of directors at the rates of 16%-22% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. When the Company has accumulated losses, the losses should be offset first.

The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 29, 2024 and February 23, 2023, respectively, are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| Compensation of employees | 6% | 16% |
| Remuneration of directors | 1% | 1% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| Compensation of employees | \$ 17,563 | \$ 72,022 |
| Remuneration of directors | 2,927 | 4,501 |

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

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

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

d. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Foreign exchange gains | \$ 20,936 | \$ 38,355 |
| Foreign exchange losses | <u>(23,771)</u> | <u>(22,626)</u> |
| Net (losses) gains | <u>\$ (2,835)</u> | <u>\$ 15,729</u> |

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | \$ 58,455 | \$ 74,975 |
| Income tax on unappropriated earnings | - | 5,335 |
| Adjustments for prior year | <u>10</u> | <u>43</u> |
| | <u>58,465</u> | <u>80,353</u> |
| Deferred tax | | |
| In respect of the current year | <u>(4,709)</u> | <u>(2,758)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 53,756</u> | <u>\$ 77,595</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Profit before tax | <u>\$ 272,232</u> | <u>\$ 373,614</u> |
| Income tax expense calculated at the statutory rate | \$ 54,447 | \$ 74,723 |
| Income tax on unappropriated earnings | - | 5,335 |
| Unrecognized deductible temporary differences | (701) | (2,506) |
| Adjustments for prior years' tax | <u>10</u> | <u>43</u> |
| Income tax expense recognized in profit or loss | <u>\$ 53,756</u> | <u>\$ 77,595</u> |

b. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 19,994</u> | <u>\$ 44,867</u> |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|----------------------------|----------------------------|---|----------------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Write-downs of inventory | \$ 4,623 | \$ 3,869 | \$ 8,492 |
| Payables for annual leave | 69 | 12 | 81 |
| Unrealized exchange loss | 207 | 860 | 1,067 |
| Provisions | <u>2,231</u> | <u>(32)</u> | <u>2,199</u> |
| | <u>\$ 7,130</u> | <u>\$ 4,709</u> | <u>\$ 11,839</u> |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|----------------------------|----------------------------|---|----------------------------|
| <u>Deferred tax assets</u> | | | |
| Temporary differences | | | |
| Write-downs of inventory | \$ 1,569 | \$ 3,054 | \$ 4,623 |
| Payables for annual leave | 55 | 14 | 69 |
| Unrealized exchange loss | 423 | (216) | 207 |
| Provisions | <u>2,325</u> | <u>(94)</u> | <u>2,231</u> |
| | <u>\$ 4,372</u> | <u>\$ 2,758</u> | <u>\$ 7,130</u> |

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheets

| | December 31 | |
|----------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Deductible temporary differences | <u>\$ 10,405</u> | <u>\$ 13,909</u> |

- e. Income tax assessment

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|----------------|
| | 2023 | 2022 |
| Basic earnings per share | <u>\$ 5.42</u> | <u>\$ 7.58</u> |
| Diluted earnings per share | <u>\$ 5.19</u> | <u>\$ 7.01</u> |

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

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Earnings used in the computation of basic and diluted earnings per share | <u>\$ 218,476</u> | <u>\$ 296,019</u> |

Number of Ordinary Shares

| | Unit: In Thousands of Shares | |
|--|---------------------------------------|---------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 40,323 | 39,075 |
| Effects of potentially dilutive ordinary shares: | | |
| Employee share options | 1,395 | 2,368 |
| Employee restricted shares | 172 | - |
| Compensation of employees | <u>175</u> | <u>805</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>42,065</u> | <u>42,248</u> |

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

21. SHARE-BASED PAYMENT AGREEMENTS

a. Employee share option plan

In order to retain and reward employees and improve employees' morale. The Company's board of directors resolved to issue 1,000 units of the first type of option and 2,000 units of the second type of option according to the different nature of rewards and remunerations on February 20, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. Employees of the company or its subsidiaries who meet certain conditions would be included. The options granted are valid for 6 and 10 years, respectively, and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price of \$10 and \$18, respectively. For any subsequent changes in the Company's capital, the exercise price is adjusted according to subscription rules. The Company has granted 2,798 units of first type and second type of option in March 2020.

Information relating to issued employee share options was as follows:

| | 2023 | | 2022 | |
|----------------------------------|---|--|---|--|
| | Units of Options (Each Equal to Thousand Shares) | Weighted-average Exercise Price Per Share (NT\$) | Units of Options (Each Equal to Thousand Shares) | Weighted-average Exercise Price Per Share (NT\$) |
| Employee Share Options | | | | |
| Balance, beginning of year | 1,958 | \$ 15.00 | 2,798 | \$ 15.14 |
| Options forfeited | (24) | 17.28 | (8) | 18.00 |
| Options exercised | <u>(644)</u> | 14.70 | <u>(832)</u> | 13.93 |
| Balance, end of year | <u>1,290</u> | 14.68 | <u>1,958</u> | 15.00 |
| Options exercisable, end of year | <u>862</u> | 13.68 | <u>1,063</u> | 13.07 |

The weighted-average share prices on the exercise date of the share options for the years ended December 31, 2023 and 2022 were \$154.50 and \$121.67.

Information on outstanding options was as follows:

| | December 31 | | | |
|------------------------------|---------------------------------|---|---------------------------------|---|
| | 2023 | | 2022 | |
| | Exercise Price Per Share (NT\$) | Weighted Average Remaining Contractual Life (Years) | Exercise Price Per Share (NT\$) | Weighted Average Remaining Contractual Life (Years) |
| Issue Date | | | | |
| March 19, 2020 (Type First) | \$10 | 2.17 | \$10 | 3.17 |
| March 19, 2020 (Type Second) | \$16.7 | 6.17 | \$17.3 | 7.17 |

Compensation cost recognized were \$106 thousand and \$549 thousand for the years ended December 31, 2023 and 2022, respectively.

b. Issuance of ordinary shares for cash capital increase reserved for employee share options

The issuance of ordinary shares for cash capital increase had been reserved 15% of total new shares issued for employees' subscription in May 2022. The Company measure the fair value of the service based on the fair value of equity instruments given on the grant date. The Company recognized \$240 thousand of compensation cost in 2022.

Options were priced using Black-Scholes pricing model, and the inputs to the model were as follows:

| | |
|---|-------------|
| Measurement date equity value per share | NT\$134.77 |
| Exercise price per share | NT\$139 |
| Expected volatility | 40.83% |
| Expected life | 0.019 years |
| Expected dividend yield | 0% |
| Risk-free interest rate | 0.4138% |
| Fair value of options | NT\$1.43 |

c. Employee restricted share

In the shareholders' meeting on May 26, 2022, the shareholders approved a restricted share plan for issuing no more than 800 thousand shares to employees without charge. The plan has been approved by the FSC on August 8, 2022. The shares may be issued at once or in installments within two years from the effective date depending on actual needs. The Company's board of directors resolved to issue 682 thousand employee restricted shares on September 14, 2023. The capital increase base date was November 1, 2023.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- 1) The employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.
- 2) The attendance, proposal, speech, voting rights of shareholders' meeting and other relevant shareholder equity matters of the Company shall be exercised by the commissioned trust/custody institution.
- 3) When the Company executes cash capital reduction, capital reduction to offset the accumulated deficit, which is not required by law, the restricted employee shares shall also be nullified in proportion to the capital reduction.

If an employee fails to meet the vesting conditions, the Company will recall and cancel the employee's restricted shares.

Information of the employee restricted shares were as follow:

| | 2023 |
|-----------------------------------|-------------------------|
| Employee restricted shares | Number of Shares |
| Balance, beginning of year | - |
| Shares issued | 682 |
| Shares cancelled | <u>(54)</u> |
| Balance, end of year | <u><u>628</u></u> |

Information of the employee restricted shares granted by the Company for the years ended December 31, 2023 was as follows:

| Grant Date | Fair Value Per Share - Grant Date (NT\$) | Shares Granted (In Thousands of Shares) | Vesting Period |
|-------------------|---|--|-----------------------|
| November 1, 2023 | \$ 117 | 682 | 1 year-3 years |

The vesting conditions of employee restricted shares are that after an employee is granted employee restricted shares, and remains employed after one, two, and three years from the base date of the capital increase and their performance meets the requirements of the parent Company. The maximum percentage of shares that may vest each year shall be 34%, 33%, and 33% respectively.

Compensation cost recognized was \$5,192 thousand for the years ended December 31, 2023.

22. CASH FLOW INFORMATION

a. Non-cash transactions

The Company paid for the acquisition of property, plant and equipment and intangible assets for the years ended December 31, 2023 and 2022 are as follows:

| | For the Years Ended December 31 | |
|--|--|------------------|
| | 2023 | 2022 |
| Additions of property, plant and equipment | \$ 147,958 | \$ 20,519 |
| Additions of intangible assets | 9,666 | 8,844 |
| Changes in other payable | <u>(7,989)</u> | <u>17,817</u> |
| Cash paid | <u>\$ 149,635</u> | <u>\$ 47,180</u> |

b. Changes in liabilities arising from financing activities

For the years ended December 31, 2023

| | Non-cash Changes | | | | | | |
|-------------------|-------------------------|--------------------|-------------------|---|-----------------|--------------------------------|--------------------------|
| | January 1, 2023 | Cash Flows | New Leases | Amortization of Interest Expense | Disposal | Change in Exchange Rate | December 31, 2023 |
| Lease liabilities | <u>\$ 1,217</u> | <u>(\$ 1,935)</u> | <u>\$ 5,306</u> | <u>\$ 44</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,632</u> |

For the years ended December 31, 2022

| | Non-cash Changes | | | | | | |
|-------------------|-------------------------|-------------------|-------------------|---|-----------------|--------------------------------|--------------------------|
| | January 1, 2022 | Cash Flows | New Leases | Amortization of Interest Expense | Disposal | Change in Exchange Rate | December 31, 2022 |
| Short-term loans | \$ 67,671 | (\$69,081) | \$ - | \$ - | \$ - | \$ 1,410 | \$ - |
| Lease liabilities | <u>3,227</u> | <u>(2,579)</u> | <u>521</u> | <u>48</u> | <u>-</u> | <u>-</u> | <u>1,217</u> |
| | <u>\$ 70,898</u> | <u>(\$71,660)</u> | <u>\$ 521</u> | <u>\$ 48</u> | <u>\$ -</u> | <u>\$ 1,410</u> | <u>\$ 1,217</u> |

23. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity (comprising issued share capital, capital surplus, retained earnings and other equity) and loans.

The Company is not subject to any externally imposed capital requirements.

Management regularly reviews the Company's capital structure and considers the costs and risks of different capital structures. In general, the Company has a prudent risk management strategy.

24. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

| | December 31 | |
|--|--------------|--------------|
| | 2023 | 2022 |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$ 1,205,697 | \$ 1,252,431 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (Note 2) | 79,272 | 68,221 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash, debt investments, notes receivable, trade receivables, other receivables (excluding tax receivable) and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable, accounts payable and other payables.

b. Financial risk management objectives and policies

The Company's major financial instruments include debt investments, notes receivable, trade receivables, other receivables, refundable deposits, loans, notes payable, accounts payable, other payables, and lease liabilities. The Company's financial risk management objectives are to manage the market risk, credit risk and liquidity risk with respect to the Company's operations. To lower the financial risks, the Company seeks to identify, evaluate, and avoid market uncertainty, to minimize the potential unfavorable impact on the Company due to market volatility.

1) Market risks

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

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company had foreign currency denominated sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 27.

Sensitivity analysis

The Company is mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the New Taiwan dollar

strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

| | Impact of USD | |
|-----------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Profit or loss* | \$ 2,949 | \$ 1,615 |

* This was mainly attributable to the exposure on outstanding U.S. dollar-denominated deposits, financial assets at amortized cost, trade receivables, accounts payable and other payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate.

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

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Fair value interest rate risk | | |
| Financial assets | \$ 827,091 | \$ 13,863 |
| Financial liabilities | \$ 4,632 | \$ 1,217 |
| Cash flow interest rate risk | | |
| Financial assets | \$ 212,934 | \$1,028,836 |

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the year was outstanding for the whole year. A fluctuation of 0.25% was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 0.25% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$532 thousand and \$2,572 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge an obligation, comes from the carrying amounts of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company's credit risk is mainly concentrated in the Company's biggest customer. As of December 31, 2023 and 2022, the percentage of total trade receivables from the aforementioned customer were 66% and 47%, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

| | On Demand or Less Than 3 Months | 3 Months to 1 Year | 1 to 2 Years | 2 to 3 Years |
|---|--|-------------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | \$ 141,245 | \$ 24,184 | \$ - | \$ - |
| Lease liabilities | <u>675</u> | <u>2,025</u> | <u>2,025</u> | <u>-</u> |
| | <u>\$ 141,920</u> | <u>\$ 26,209</u> | <u>\$ 2,025</u> | <u>\$ -</u> |

December 31, 2022

| | On Demand or Less Than 3 Months | 3 Months to 1 Year | 1 to 2 Years | 2 to 3 Years |
|---|--|-------------------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing liabilities | \$ 179,439 | \$ - | \$ - | \$ - |
| Lease liabilities | <u>420</u> | <u>806</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 179,859</u> | <u>\$ 806</u> | <u>\$ -</u> | <u>\$ -</u> |

b) Financing facilities

The Company's usage of bank financing facilities on the balance sheet date were as follows:

| | December 31 | |
|---------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Bank financing facilities | | |
| Amount used | \$ - | \$ - |
| Amount unused | <u>160,000</u> | <u>110,000</u> |
| | <u>\$ 160,000</u> | <u>\$ 110,000</u> |

25. RELATED-PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of significant transactions between the Company and other related parties are disclosed below.

a. Related party name and category

| Related Party Name | Related Party Category |
|--|------------------------|
| M3 Technology (Dallas), Inc. (M3 Dallas) | Subsidiary |
| Blink Electronic Co., Ltd. (Blink) | Subsidiary |
| Xi'An M3 Semiconductor Corporation (Xi'An M3) | Sub-subsidiary |
| ITE Tech. Inc. (ITE) | The Company's director |

b. Operating revenue (For the Year Ended December 31, 2023: None)

| Line Item | Related Party Category/Name | For the Year Ended December 31 2022 |
|-------------------------|-----------------------------|--|
| Other operating revenue | The Company's director | \$ 3,084 |

There is no material difference between the transaction conditions of related parties above and ordinary transactions.

c. Receivables from related parties (December 31, 2023: None)

| Line Item | Related Party Category/Name | December 31 2022 |
|-------------------|-----------------------------|---------------------|
| Trade receivables | The Company's director | \$ 3,238 |

d. Other receivables

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|-----------------------------|--------------|--------------|
| | | 2023 | 2022 |
| Other receivables | Sub-subsidiary | | |
| | Xi'An M3 | \$ - | \$ 17 |
| | Subsidiary | | |
| | M3 Dallas | 29 | - |
| | | <u>\$ 29</u> | <u>\$ 17</u> |

e. Other payables to related parties

| Line Item | Related Party Category/Name | December 31 | |
|----------------|-----------------------------|-----------------|-----------------|
| | | 2023 | 2022 |
| Other payables | Sub-subsidiary | | |
| | Xi'An M3 | \$ 5,966 | \$ 3,345 |
| | Subsidiary | | |
| | M3 Dallas | <u>1,697</u> | <u>1,517</u> |
| | | <u>\$ 7,663</u> | <u>\$ 4,862</u> |

f. Other transactions with related parties

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|-----------------------------|-----------------------------|--------------------------------|------------------|
| | | 2023 | 2022 |
| Contracted research expense | Sub-subsidiary | | |
| | Xi'An M3 | \$ 71,661 | \$ 55,132 |
| | Subsidiary | | |
| | M3 Dallas | <u>25,586</u> | <u>11,955</u> |
| | | <u>\$ 97,247</u> | <u>\$ 67,087</u> |

g. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|------------------|
| | 2023 | 2022 |
| Short-term employee benefits | \$ 26,362 | \$ 43,236 |
| Post-employment benefits | 746 | 850 |
| Share-based payments | <u>4,891</u> | <u>400</u> |
| | <u>\$ 31,999</u> | <u>\$ 44,486</u> |

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as guarantee for executing the purchasing contract with supplier and tariff guarantee for imported raw material:

| | December 31 | |
|---|------------------|------------------|
| | 2023 | 2022 |
| Pledged deposits (classified as financial assets at amortized cost) | <u>\$ 13,861</u> | <u>\$ 13,863</u> |

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

In Thousands of New Taiwan Dollar and Foreign Currency

December 31, 2023

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 11,679 | 30.705 (USD:NTD) | \$ 358,604 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| USD | 482 | 30.705 (USD:NTD) | 14,813 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 2,076 | 30.705 (USD:NTD) | 63,747 |

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 7,092 | 30.71 (USD:NTD) | \$ 217,786 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| USD | 242 | 30.71 (USD:NTD) | 7,429 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 1,833 | 30.71 (USD:NTD) | 56,293 |

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

| For the Year Ended December 31 | | | | |
|---------------------------------------|----------------------|--|----------------------|--|
| | 2023 | | 2022 | |
| Foreign Currency | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| USD | 31.1773 (USD:NTD) | \$ (2,835) | 29.8489 (USD:NTD) | \$ 15,729 |

28. SEPARATELY DISCLOSED ITEMS

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

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries) (None)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 1)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Information on investees (Table 2)

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 3)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (None)
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (None)

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (Note 25)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)

TABLE 1

M3 TECHNOLOGY INC.

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)**

| Buyer | Property | Event Date (Note 1) | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|--------------------|--|------------------------|-----------------------|----------------|---|--------------|---|--------------|------------------|--------|---|-----------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| M3 Technology Inc. | Land: Parcel No. 49, 4th Subsection, Xihu Section, Neihu Dist., Taipei City. (Scope of ownership 297/10000) Building: 9F., No. 36, Aly. 38, Ln. 358, Ruiguang Rd., Neihu Dist., Taipei City along with 5 ramp-style flat parking spaces on B2~B3. | 2023.6.7 | \$113,000 | \$113,000 | FORMOSA PROSONIC INDUSTRIES BERHAD | None | - | - | - | \$ - | Referenced market price and real estate appraisal report. (Note2) | To be used as an office. | None |

Note 1: The Company’s board of directors resolved to acquire real estate for use as an office on June 7, 2023, and the registration of transfer of ownership was completed on June 26, 2023.

Note 2: The appraisal value was 118,597 thousand by Pinyou Real Estate Appraisal Firm.

TABLE 2

M3 TECHNOLOGY INC.

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount (Note 1) | | As of December 31, 2023 | | | Net (Loss) Income of the Investee (Notes 2 and 3) | Share of (Loss) Profit (Notes 2 and 3) | Note |
|--------------------|------------------------------|----------|---|--|---------------------------------------|-------------------------|--------------------------------|--------------------------------|--|--|------------|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares | Percentage of Ownership (%) | Carrying Amount (Note 3) | | | |
| M3 Technology Inc. | Blink Electronic Co., Ltd. | Samoa | Holding company | \$ 44,018 (US\$ 1,500 thousand) | \$ 44,018 (US\$ 1,500 thousand) | 1,500,000 | 100 | \$ 11,021 | \$ 4,021 (US\$ 129 thousand) | \$ 4,021 (US\$ 129 thousand) | Subsidiary |
| | M3 Technology (Dallas), Inc. | U.S.A. | Product research, design and development | - | - | Note4 | 100 | 3,792 | (517) (US\$ (17) thousand) | (517) (US\$ (17) thousand) | Subsidiary |

Note 1: Translation was based on the exchange rate at the time of investment acquisition.

Note 2: Translation was based on the average exchange rate of USD during the investment period.

Note 3: The numbers were calculated based on financial statements audited by the parent company’s ROC-based CPA for the same fiscal year.

Note 4: As of December 31, 2023, no capital has been invested therein.

Note 5: Please refer to Table 3 for information on investments in mainland China.

TABLE 3

M3 TECHNOLOGY INC.

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

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Note 1) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (Note 1) | Net Income (Loss) of the Investee (Notes 2 and 4) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes 2 and 4) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 |
|------------------------------------|--|----------------------------------|--|--|---------------------|--------|---|--|--|--|--|--|
| | | | | | Outward | Inward | | | | | | |
| Xi’An M3 Semiconductor Corporation | Product research, design and development | \$ 29,082 (US\$ 990 thousand) | Set up new companies in the third region by investing, and then invest in companies in mainland China. | \$ 29,082 (US\$ 990 thousand) | \$ - | \$ - | \$ 29,082 (US\$ 990 thousand) | \$ 5,726 (RMB 1,304 thousand) | 100 | \$ 5,726 (RMB 1,304 thousand) | \$ 14,969 | \$ - |

| Accumulated Outward Remittance for Investments from Taiwan to Mainland China as of December 31, 2023 (Note 1) | Investment Amounts Authorized by the Investment Commission, MOEA (Note 1) | Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA (Note 3) |
|--|--|---|
| \$29,082 (US\$990 thousand) | \$29,082 (US\$990 thousand) | \$829,867 |

Note 1: Translation was based on the exchange rate at the time of investment acquisition.

Note 2: Translation was based on the average exchange rate during the investment period.

Note 3: The calculation was based on 60% of the Company’s net value at December 31, 2023.

Note 4: The numbers were calculated based on financial statements audited by the parent company’s ROC-based CPA for the same fiscal year.

TABLE 4

M3 TECHNOLOGY INC.

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

| Name of Major Shareholder | Shares | |
|--|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Chang-Yong Cheng AP Memory Technology Corporation | 4,266,666 | 10.02% |
| | 4,000,000 | 9.40% |

- Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

M3 TECHNOLOGY INC.

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STATEMENT 1**M3 TECHNOLOGY INC.****STATEMENT OF CASH****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Item | Description | Amount |
|---------------------------|-----------------------------------|-------------------|
| Cash on hand | | \$ 106 |
| Check account | | 9 |
| Demand deposits | | 195,504 |
| Foreign currency deposits | Including US\$568 thousand (Note) | <u>17,430</u> |
| Total | | <u>\$ 213,049</u> |

Note: US\$1=NT\$30.705

M3 TECHNOLOGY INC.**STATEMENT OF NOTES RECEIVABLE AND TRADE RECEIVABLES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|--|-------------------|
| Notes receivable from non-related parties | |
| Client B | \$ 989 |
| Others (Note) | <u>6</u> |
| | <u>\$ 995</u> |
| Trade receivables from non-related parties | |
| Client A | \$ 108,820 |
| Client C | 9,114 |
| Client D | 8,804 |
| Others (Note) | <u>36,932</u> |
| | <u>\$ 163,670</u> |

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

M3 TECHNOLOGY INC.**STATEMENT OF INVENTORIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

| Item | Amount | |
|---|-------------------|--------------------------------|
| | Cost | Market price (Note) |
| Raw materials | \$ 111,418 | \$ 110,702 |
| Work in progress | 55,719 | 82,488 |
| Finished goods | <u>56,309</u> | <u>102,563</u> |
| | 223,446 | <u>\$ 295,753</u> |
| Less: Allowance for inventory write-downs | <u>(42,458)</u> | |
| Total | <u>\$ 180,988</u> | |

Note: Market price is measured at replacement cost or net realizable value.

M3 TECHNOLOGY INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Investees | Balance, January 1, 2023 | | Increase (Decrease) | | Capital Surplus (Note 1) | Share of Profit (Loss) of Subsidiaries | Exchange Differences on Translation of the Financial Statements of Foreign Operation | Balance, December 31, 2023 | | Ownership (%) | Net Assets Value | Collateral |
|--|--------------------------|-----------------|---------------------|-------------|--------------------------------|--|--|----------------------------|------------------|------------------|---------------------|------------|
| | Shares | Amount | Shares | Amount | | | | Shares | Amount | | | |
| Investments accounted for using the equity method | | | | | | | | | | | | |
| Blink Electronic Co., Ltd. | 1,500,000 | \$ 5,555 | - | \$ - | \$ 1,705 | \$ 4,021 | \$ (260) | 1,500,000 | \$ 11,021 | 100 | \$ 11,021 | Nil |
| M3 Technology (Dallas), Inc. | - | <u>1,874</u> | - | <u>-</u> | <u>2,464</u> | <u>(517)</u> | <u>(29)</u> | - | <u>3,792</u> | 100 | <u>3,792</u> | Nil |
| | | <u>\$ 7,429</u> | | <u>\$ -</u> | <u>\$ 4,169</u> | <u>\$ 3,504</u> | <u>\$ (289)</u> | | <u>\$ 14,813</u> | | <u>\$ 14,813</u> | |

Note: The capital surplus generated by granting stock options, employee restricted shares and employee remuneration to employees of subsidiaries.

M3 TECHNOLOGY INC.**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|------------------|
| Accounts payable to non-related parties | |
| Vendor A | \$ 30,476 |
| Vendor B | 13,815 |
| Others (Note) | <u>11,560</u> |
| | <u>\$ 55,851</u> |

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

M3 TECHNOLOGY INC.**STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|-------------------------------------|-------------------|
| Raw materials used | |
| Balance, beginning of year | \$ 84,067 |
| Raw material purchased | 314,896 |
| Sample used | (1,314) |
| Others | (782) |
| Balance, end of year | <u>(111,418)</u> |
| | 285,449 |
| Manufacturing expenses | 34,783 |
| Work in progress, beginning of year | 67,961 |
| Work in progress purchased | 332 |
| Subcontracting costs | 188,658 |
| Sample used | (1,469) |
| Others | (58) |
| Work in progress, end of year | <u>(55,719)</u> |
| Cost of finished goods | 519,937 |
| Finished goods, beginning of year | 65,410 |
| Sample used | (1,522) |
| Others | (580) |
| Finished goods, end of year | <u>(56,309)</u> |
| Costs of goods sold | 526,936 |
| Inventory write-downs | 21,530 |
| Others | <u>(419)</u> |
| Total | <u>\$ 548,047</u> |

M3 TECHNOLOGY INC.**STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|-----------------------------------|------------------|
| Payroll expense | \$ 13,497 |
| Depreciation expense | 5,810 |
| Shipping expense | 4,849 |
| Import and export related expense | 2,399 |
| Consumables | 2,104 |
| Others (Note) | <u>6,124</u> |
| Total | <u>\$ 34,783</u> |

Note: The amount of each item included in others does not exceed 5% of the account balance.

M3 TECHNOLOGY INC.**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|--------------------|------------------|
| Payroll expense | \$ 13,861 |
| Commission expense | 6,007 |
| Insurance expense | 3,009 |
| Others (Note) | <u>7,053</u> |
| Total | <u>\$ 29,930</u> |

Note: The amount of each item included in others does not exceed 5% of the account balance.

M3 TECHNOLOGY INC.**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---------------------------|------------------|
| Payroll expense | \$ 19,497 |
| Professional service fees | 7,402 |
| Remuneration of directors | 2,927 |
| Others (Note) | <u>9,862</u> |
| Total | <u>\$ 39,688</u> |

Note: The amount of each item included in others does not exceed 5% of the account balance.

M3 TECHNOLOGY INC.**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|-----------------------------|------------------|
| Contracted research expense | \$ 97,247 |
| Depreciation expense | 21,064 |
| Amortization expense | 10,763 |
| Payroll expense | 8,904 |
| Others (Note) | <u>6,783</u> |
| Total | <u>\$144,761</u> |

Note: The amount of each item included in others does not exceed 5% of the account balance.

M3 TECHNOLOGY INC.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

| | 2023 | | | 2022 | | |
|----------------------------|------------------------------------|--|------------------|------------------------------------|--|-------------------|
| | Classified as Operating Cost | Classified as Operating Expenses | Total | Classified as Operating Cost | Classified as Operating Expenses | Total |
| Labor cost | | | | | | |
| Salary and bonus | \$ 13,497 | \$ 42,262 | \$ 55,759 | \$ 20,502 | \$ 95,986 | \$ 116,488 |
| Labor and health insurance | 1,237 | 3,555 | 4,792 | 1,152 | 3,450 | 4,602 |
| Pension | 644 | 1,756 | 2,400 | 609 | 1,745 | 2,354 |
| Director's remuneration | - | 5,284 | 5,284 | - | 6,403 | 6,403 |
| Others | <u>650</u> | <u>2,001</u> | <u>2,651</u> | <u>488</u> | <u>1,503</u> | <u>1,991</u> |
| | <u>\$ 16,028</u> | <u>\$ 54,858</u> | <u>\$ 70,886</u> | <u>\$ 22,751</u> | <u>\$ 109,087</u> | <u>\$ 131,838</u> |
| Depreciation | <u>\$ 5,810</u> | <u>\$ 21,964</u> | <u>\$ 27,774</u> | <u>\$ 6,221</u> | <u>\$ 17,576</u> | <u>\$ 23,797</u> |
| Amortization | <u>\$ -</u> | <u>\$ 11,479</u> | <u>\$ 11,479</u> | <u>\$ -</u> | <u>\$ 10,156</u> | <u>\$ 10,156</u> |

Note:

- For the current year and the previous year, the Company's average number of employee were 47 for both years. There were 6 non-employee directors for both years.
- The Companies which has been listed on the TWSE or TPEX shall disclose the following information:
 - The average of labor cost of the current year is \$1,600 thousand ("Labor cost of the current year - Directors' remuneration" / "Number of employees of the current year - Non-employee directors").
The average of labor cost of the previous year was \$3,059 thousand ("Labor cost of the previous year - Directors' remuneration" / "Number of employees of the previous year - Non-employee directors").
 - The average of employee salary and bonus of the current year is \$1,360 thousand (Employee salary and bonus of the current year / "Number of employees of the current year - Non-employee directors")
The average of employee salary and bonus of the previous year was \$2,841 thousand (Employee salary and bonus of the previous year / "Number of employees of the previous year - Non-employee directors").
 - Change in average of employee salary and bonus is (52%) ("The average of employee salary and bonus of the current year - The average of employee salary and bonus of the previous year" / "The average of employee salary and bonus of the previous year").
 - No remuneration for supervisors as the supervisors were replaced by members of the Audit Committee this year.
 - The performance assessment and salary / remuneration of board directors, members of the Audit Committee and managers are usually carried out/ distributed based on the industry's standards as well as individual performance, the Company's operating performance and future risks.

M3 Technology Inc.

**Chairman of the Board:
AP Memory Technology Corporation
Representative: Wen-Liang Chen**