Stock Code:6423

Yield Microelectronics Corporation

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yield Microelectronics Corporation

Opinion

We have audited the financial statements of Yield Microelectronics Corporation (the "Company"), which comprise the Balance Sheets as of December 31, 2023 and 2022, the Statement of Comprehensive Income from January 1 to December 31, 2023 and from January 1 to December 31, 2022, Statement of Change in Equity, Statement of Cash Flows, and Notes to Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as IFRSs) recognized and announced effectiveness by Financial Supervisory Commission (hereinafter referred to as FSC) so as to give a true and fair view of the financial position of the Company as of December 2023 and 2022 and of the financial performance, changes in equity and cash flows of the Company from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We were commissioned to conduct our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matter is which that, in our professional judgment, is most significant to our review of the financial statements of the Company for 2023. Such matter has been considered in the process of examining the financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.

The following is the description of the key audit matter in the financial statements of the Company for 2023:

Recognition of Revenue from Sales

The main sources of operating revenue for the Company are technical service income and royalty income, which amounted to NT$48,082 thousand and NT$139,302 thousand respectively for the fiscal year 2023. For related accounting policies and information on revenue recognition, please refer to Notes 4 and 15 of the financial statements. We have identified a risk of revenue recognition authenticity in specific customers with significant growth in technical service income for the Company this fiscal year. Therefore, this issue has been listed as a key audit matter for this fiscal year. The following audit procedures were performed in response to the aforementioned risk for those customers:

1. Understand the main internal control design of the Company's revenue process and perform related control tests.
2. Sample and examine documents pertaining to oerating revenue and receipt transactions to confirm the actual realization of sales and to detect any discrepancies between the entities involved in sales and those involved in receipts.

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

Management's responsibility is to prepare the financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as maintain necessary internal control related to the preparation of the financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Company to continue as 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.

The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with GAAS 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 in the basis of these financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls 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 internal control effectiveness of the Company.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements (including the relevant notes), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have determined the key audit matter for the audit of the financial statements of the Company for the year ended December 31, 2023 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Tung Lin and Mei-Chen Tsai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English version have not audited by Deloitte & Touche. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Yield Microelectronics Corporation

Balance Sheets

For the Years Ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	Dec. 31, 2023 Amount	%	Dec. 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6 and 20)	$ 294,821	81	$ 334,922	81
1170	Accounts receivable (Notes 4, 7 and 20)	16,486	5	24,304	6
1200	Other receivables (Notes 4, 7 and 20)	4,395	1	58	-
1470	Prepayments and other current assets (Note 11)	2,373	1	1,245	-
11XX	Total current assets	318,075	88	360,529	87
	Non-current assets				
1600	Property, plant and equipment (Notes 4 and 8)	8,082	2	14,118	4
1755	Right-of-use assets (Notes 4 and 9)	207	-	1,671	-
1780	Other intangible assets (Notes 4 and 10)	30,248	8	31,980	8
1920	Refundable deposits (Notes 4 and 20)	4,555	1	4,518	1
1975	Net defined benefit assets (Notes 4 and 13)	1,413	1	1,368	-
15XX	Total non-current assets	44,505	12	53,655	13
1XXX	Total assets	$ 362,580	100	$ 414,184	100

Code	Liabilities and Equity	Dec. 31, 2023 Amount	%	Dec. 31, 2022 Amount	%
	Current liabilities				
2206	Remuneration payable to employees and directors (Note 16)	$ 6,229	2	$ 15,499	4
2230	Current tax liabilities (Notes 4 and 17)	785	-	1,811	-
2280	Lease liabilities - current (Notes 4, 9 and 20)	209	-	1,354	-
2300	Other current liabilities (Notes 12 and 20)	37,313	10	39,266	10
21XX	Total current liabilities	44,536	12	57,930	14
	Non-current liabilities				
2670	Other non-current liabilities (Notes 12 and 20)	4,790	2	7,989	2
2XXX	Total liabilities	49,326	14	65,919	16
	Equity (Note 14)				
3110	Common stock	268,100	74	268,100	65
3310	Legal reserve	10,697	3	3,241	1
3350	Unappropriated earnings	34,457	9	76,924	18
3XXX	Total equity	313,254	86	348,265	84
	Total liabilities and equity	$ 362,580	100	$ 414,184	100

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

Yield Microelectronics Corporation

Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

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

		2023		2022	
Code		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 15)	$ 187,384	100	$ 229,420	100
5000	Operating cost (Note 16)	1,568	1	1,720	1
5900	Gross profit	185,816	99	227,700	99
	Operating expenses (Note 16)				
6100	Selling and marketing	12,056	7	11,538	5
6200	General and administrative	30,576	16	29,486	13
6300	Research and development	108,127	58	107,830	47
6000	Total operating expenses	150,759	81	148,854	65
6900	Income from operations	35,057	18	78,846	34
	Non-operating income and expenses (Notes 4 and 16)				
7100	Interest income	3,190	2	1,539	1
7010	Other income	1	-	10	-
7020	Other gains and losses	70	-	1,082	-
7050	Finance costs	(51)	-	(106)	-
7000	Total non-operating income and expenses	3,210	2	2,525	1
7900	Net income before tax	38,267	20	81,371	35
7950	Tax expense (Notes 4 and 17)	6,250	3	8,407	4
8200	Net income	32,017	17	72,964	31
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plan (Notes 4 and 13)	(3)	-	1,597	1
8500	Total comprehensive income	$ 32,014	17	$ 74,561	32
	Earnings per share (Note 18)				
9750	Basic earnings per share	$ 1.19		$ 2.72	
9850	Diluted earnings per share	$ 1.19		$ 2.71	

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

Yield Microelectronics Corporation

Statement of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars, unless specified otherwise)

Code		Capital Stock - Common Stock: Number of shares (thousand shares)	Capital Stock - Common Stock: Amount	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Total equity
A1	Balance, Jan. 1, 2022	26,810	$ 268,100	$ -	$ 32,414	$ 300,514
	2021 distribution of earnings					
B1	Legal reserve	-	-	3,241	(3,241)	-
B5	The company's cash dividends for shareholders - NT$1 per share	-	-	-	(26,810)	(26,810)
D1	Net income, 2022	-	-	-	72,964	72,964
D3	Other comprehensive income (loss), net of income tax, 2022	-	-	-	1,597	1,597
D5	Total comprehensive income, 2022	-	-	-	74,561	74,561
Z1	Balance, Dec. 31, 2022	26,810	268,100	3,241	76,924	348,265
	2022 distribution of earnings					
B1	Legal reserve	-	-	7,456	(7,456)	-
B5	The company's cash dividends for shareholders - NT$2.5 per share	-	-	-	(67,025)	(67,025)
D1	Net income, 2023	-	-	-	32,017	32,017
D3	Other comprehensive income (loss), net of income tax, 2023	-	-	-	(3)	(3)
D5	Total comprehensive income, 2023	-	-	-	32,014	32,014
Z1	Balance, Dec. 31, 2023	26,810	$ 268,100	$ 10,697	$ 34,457	$ 313,254

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

Yield Microelectronics Corporation

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flow from operating activities		
A10000	Income before tax	$ 38,267	$ 81,371
A20010	Adjustments for		
A20100	Depreciation expense	12,421	12,887
A20200	Amortization expense	16,953	14,731
A20900	Finance costs	51	106
A21200	Interest income	(3,190)	(1,539)
A24100	Net loss on foreign exchange	2,623	30
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	7,480	(4,562)
A31180	Other receivables	(4,337)	(58)
A31240	Prepayments and other current assets	(1,128)	1,598
A32230	Other current liabilities	(7,234)	10,396
A32240	Net defined benefit liabilities	(48)	(163)
A33000	Net cash generated from operations	61,858	114,797
A33100	Interest received	3,190	1,539
A33300	Interest paid	(51)	(106)
A33500	Income tax paid	(7,276)	(7,420)
AAAA	Net cash inflow from operating activities	57,721	108,810
	Cash flows from investing activities		
B02700	Purchase of property, plant and equipment	(1,912)	(2,516)
B03700	Increase in refundable deposits	(37)	(3,084)
B03800	Decrease in refundable deposits	-	5
B04500	Acquisition of intangible assets	(22,567)	(12,480)
BBBB	Net cash used in investing activities	(24,516)	(18,075)
	Cash flows from financing activities		
C04020	Repayment of the principal portion of lease liabilities	(5,530)	(5,330)
C04500	Cash dividends distributed	(67,025)	(26,810)
CCCC	Net cash used in financing activities	(72,555)	(32,140)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(751)	(1,404)
EEEE	Net increase (decrease) in cash and cash equivalents	(40,101)	57,191
E00100	Cash and cash equivalents, beginning of year	334,922	277,731
E00200	Cash and cash equivalents, end of year	$ 294,821	$ 334,922

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

Yield Microelectronics Corporation

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

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

1. General

Yield Microelectronics Corporation (hereinafter referred to as the “Company”) was established on September 4, 2001, with approval from the Ministry of Economic Affairs. The Company primarily engages in the design, research and development, manufacturing, wholesale and retail, international trade, and intellectual property rights of electronic products.

Since October 23, 2014, the Company has been approved by the Taipei Exchange to trade on its Emerging Stock Market.

This financial report is presented in New Taiwan Dollars, which is the functional currency of the Company.

2. The Authorization of Financial Statements

This financial report was approved by the Board of Directors on February 27, 2024.

3. Application of New and Revised International Financial Reporting Standards

(1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as “IFRSs”) approved and issued by the Financial Supervisory Commission (hereinafter referred to as “FSC”) to be effective.

The application of the revised IFRSs approved and issued by the FSC will not result in significant changes to the Company’s accounting policies.

(2) FSC-approved IFRSs applicable in 2024 (presumably in the Taiwan calendar, which corresponds to 2023 in the Gregorian calendar)

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

Note 1: Unless otherwise stated, the new/revised/amended standards or interpretations are effective for annual reporting periods beginning after their respective dates.

Note 2: Sellers-lessees should apply the amendment to IFRS 16 retrospectively to sale and leaseback transactions entered into after the initial application date of IFRS 16.

Note 3: Exemptions from some disclosure requirements are allowed upon the first application of the amendment.

As of the date this financial report was authorized for issue, the Company assessed that the amendments to the aforementioned standards and interpretations will not have a significant impact on the financial position and performance of the Company.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

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

Note 1: Unless otherwise stated, the newly issued/amended/revised standards or interpretations become effective for annual reporting periods beginning after their respective dates.

Note 2: This amendment applies to annual reporting periods starting on or after January 1, 2025. Upon initial application of this amendment, it will impact the recognition of amounts in retained earnings as of the date of application. In cases where the Company presents its financials in a currency different from its functional currency, the adjustment will also reflect on foreign operation exchange differences under equity at the date of initial application.

As of the date this financial report was authorized for issue, the Company continues to assess the impact of these standard and interpretation amendments on the financial position and performance, with the related impacts to be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

This financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and issued by the FSC.

(2) Basis of Preparation

Except for financial instruments measured at fair value and net defined benefit assets measured as the present value of defined benefit obligations less the fair value of plan assets, this financial report is prepared on a historical cost basis.

Fair value measurements are categorized into Level 1 to Level 3 based on the observability and significance of the inputs used.

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. Cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date; and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

(4) Foreign Currencies

When preparing financial statements, transactions in currencies other than the functional currency of the Company (foreign currencies) are recorded at the exchange rate on the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

(5) Property, Plant and Equipment

Property, plant, and equipment are recognized by cost, and then measured by cost less accumulated depreciation and accumulated impairment.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

(6) Intangible Assets

1. Separately Acquired

   Intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their useful lives. The Company reviews the estimated useful lives, residual values, and amortization method at least at each financial year-end, deferring the effects of changes in accounting estimates.

2. Internally Generated - Research and Development Expenditure

   Research expenditures are recognized as expenses when incurred.

3. Derecognition

   When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss for the year.

(7) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

At each balance sheet date, the Company assesses whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When impairment losses are reversed in subsequent periods, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized in prior years (net of amortization or depreciation). The reversal of impairment loss is recognized in profit or loss.

(8) Financial Instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement Types

The financial assets held by the Company are categorized into financial assets measured at fair value through profit or loss and financial assets measured at amortized cost.

A. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include those mandatorily measured at fair value through profit or loss and those designated at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, and any gains or losses arising from remeasurement (including any dividends or interest generated by these financial assets) are recognized in profit or loss.

B. Financial assets at amortized cost

The Company’s investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and
b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, and refundable deposits measured at amortized cost) are measured at the amortized cost using the effective interest method, net of any impairment losses, after initial recognition. Any foreign exchange gains or losses are recognized in profit or loss.

Interest income is calculated by multiplying the total carrying amount of the financial asset by the effective interest rate.

Cash equivalents include deposits with high liquidity, readily convertible to known amounts of cash, and subject to insignificant risk of changes in value, all within three months from the acquisition date, used to meet short-term cash commitments.

(2) Impairment of Financial Assets

The Company assesses the impairment of financial assets measured at amortized cost (including accounts receivable) for expected credit losses at each balance sheet date.

Accounts receivable are impaired for expected credit losses over their lifetime.

Expected credit losses are measured as the weighted average of credit losses with the probability of default as the weighting factor. Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Impairment losses on all financial assets are recognized through a contra account to reduce the carrying amount.

(3) Derecognition of Financial Assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets are derecognized in their entirety at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss.

2. Equity Instruments

The equity instruments issued by the Company are recognized at the amount of proceeds received, net of direct issuing costs.

The repurchase of the Company's own equity instruments is recognized and deducted under equity. Purchases, sales, issuances, or cancellations of the Company's own equity instruments are not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent Measurement

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

(2) Derecognition of Financial Liabilities

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(9) Income Recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

Contracts with a period of transferring goods or services and receiving consideration within one year do not adjust the transaction price for any significant financing component.

1. Income from Technical Services

   Revenue is recognized when the Company fulfills its performance obligations as per the agreement for the provision of technical services.

2. Income from Royalties

   Income from intellectual property that can continue to operate without renewal or technical support is recognized as royalty income. Royalties are determined based on production volume, sales amount, or other measurement bases when the customer uses the intellectual property in foundry production, and income is recognized according to the terms of the agreement.

(10) Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

The Company as Lessee

Right-of-use assets and lease liabilities are recognized at the inception date of the lease, except for leases of low-value subject assets to which a recognition exemption applies and short-term leases where lease payments are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are initially measured at cost (including the initial measurement of lease liabilities, lease payments made before the lease commencement date less any lease incentives received, initial direct costs, and estimated costs for dismantling and restoring the asset), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for re-measurement of lease liabilities. Right-of-use assets are presented separately on the balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the lease term.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments). If the lease’s implicit interest rate is readily determinable, it is used to discount lease payments. Alternatively, if the implicit interest rate is not readily determinable, the lessee’s incremental borrowing rate is applied.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is recognized over the lease term. If lease modifications lead to changes in future lease payments, the Company re-measures the lease liability and makes a corresponding adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset diminishes to zero, any remaining re-measurement amount is recognized in profit or loss. Lease liabilities are presented separately on the balance sheet.

(11) Employee Benefits

1. Short-term employee benefits

The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

Defined benefit pension plans are recognized as expenses over the period of service of the employees.

The defined benefit cost of the defined benefit pension plan, including service costs, net interest, and remeasurements, is calculated using the projected unit credit method. Service costs and the net interest on net defined benefit assets are recognized as employee benefit expense when incurred. Remeasurements, which include actuarial gains and losses and the return on plan assets excluding interest, are recognized in other comprehensive income at the time they occur and are included in retained earnings, with no subsequent reclassification to profit or loss.

Net defined benefit liabilities (assets) represent the shortfall (excess) of the defined benefit pension plan. Net defined benefit assets must not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(12) Income Tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current Income Tax

Income tax on unappropriated earnings, calculated according to the Income Tax Act of the Republic of China, is recognized in the year the shareholders' meeting resolves it.

Adjustments to income tax payable for prior years are included in the income tax of the current year.

2. Deferred Income Tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

Deferred income tax payable are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when it is probable that there will be taxable income available to offset the temporary differences and loss carryforwards.

The carrying amount of Deferred income tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred income tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred income tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and Deferred Income Taxes

Current and deferred income taxes are recognized in profit or loss, except for the current and deferred income taxes related to items recognized in other comprehensive income or directly in equity, which are recognized in other comprehensive income or directly in equity respectively.

5. <u>Critical Accounting Judgments and Key Sources of Estimation and Uncertainty</u>

When adopting accounting policies, management must make judgments, estimates, and assumptions about information that is not readily available from other sources, based on historical experience and other relevant factors. Actual results may differ from these estimates.

Management will continuously review these estimates and underlying assumptions. If adjustments to the estimates only affect the current year, they are recognized in the current year; if adjustments to accounting estimates affect both the current year and future years, they are recognized in both the current year and future years.

6. Cash and cash equivalents

	Dec. 31, 2023	Dec. 31, 2022
Cash on hand	$ 33	$ 65
Demand deposits	54,388	101,257
Cash equivalents		
Time deposits with the original maturity dates of less than 3 months	240,400	233,600
	$294,821	$334,922

The interest rates for bank deposits as of the balance sheet date range as follows:

	Dec. 31, 2023	Dec. 31, 2022
Bank deposits	0%~1.45%	0%~1.05%

7. Accounts Receivable and Other Receivables

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable measured at amortized cost		
Total carrying amount	$ 16,486	$ 24,304
Less: allowance for loss	-	-
	$ 16,486	$ 24,304
Other receivables		
Tax refunds receivable	$ 4,395	$ 58

The Company has an average credit period of 30 to 60 days for service income and does not charge interest on accounts receivable. To mitigate credit risk, the Company has established credit and accounts receivable management policies to ensure that appropriate actions are taken for the recovery of overdue receivables. Furthermore, on the balance sheet date, the Company reviews the recoverable amount of each receivable to ensure that an appropriate allowance for impairment losses has been made for irrecoverable amounts. Accordingly, the Company’s management believes that the Company’s credit risk has been significantly reduced.

The Company recognizes an allowance for impairment losses on accounts receivable based on the expected credit losses over the lifetime of the receivables. The lifetime expected credit losses are calculated using a provision matrix that considers the customer's past default history, current financial condition, the economic conditions of the industry, and also takes into account the industry outlook. Since the Company's historical experience of credit losses shows that the loss patterns across different customer groups are not significantly different, the provision matrix does not further differentiate between customer groups and is based solely on the days past due for determining the expected credit loss rates.

If there is evidence that the counterparty is in severe financial difficulty and the Company cannot reasonably expect to recover the amount, the Company writes off the related receivable directly, but continues with the collection efforts, and amounts recovered subsequently are recognized in profit or loss.

The Company measures the allowance for impairment losses on accounts receivable as follows:

Dec. 31, 2023

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Total carrying amount	$ 12,789	$ 1,855	$ -	$ 1,842	$ -	$ 16,486
Allowance for loss (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	$ 12,789	$ 1,855	$ -	$ 1,842	$ -	$ 16,486

Dec. 31, 2022

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Total carrying amount	$ 21,390	$ 2,914	$ -	$ -	$ -	$ 24,304
Allowance for loss (lifetime expected credit losses)	-	-	-	-	-	-
Amortized cost	$ 21,390	$ 2,914	$ -	$ -	$ -	$ 24,304

8. Property, Plant and Equipment

For self-use

	Equipment for R&D	Leasehold improvement	Office equipment	Total
Cost				
Balance on Jan. 1, 2023	$ 51,749	$ 740	$ 8,362	$ 60,851
Addition	38	-	498	536
Disposal	(62)	-	(158)	(220)
Balance on Dec. 31, 2023	$ 51,725	$ 740	$ 8,702	$ 61,167
Accumulated depreciation				
Balance on Jan. 1, 2023	$ 42,451	$ 275	$ 4,007	$ 46,733
Depreciation expense	5,030	207	1,335	6,572
Disposal	(62)	-	(158)	(220)
Balance on Dec. 31, 2023	$ 47,419	$ 482	$ 5,184	$ 53,085
Dec. 31, 2023-net	$ 4,306	$ 258	$ 3,518	$ 8,082
Cost				
Balance on Jan. 1, 2022	$ 50,574	$ 119	$ 6,753	$ 57,446
Addition	1,389	621	2,049	4,059
Disposal	(214)	-	(440)	(654)
Balance on Dec. 31, 2022	$ 51,749	$ 740	$ 8,362	$ 60,851
Accumulated depreciation				
Balance on Jan. 1, 2022	$ 36,371	$ 80	$ 3,306	$ 39,757
Depreciation expense	6,294	195	1,141	7,630
Disposal	(214)	-	(440)	(654)
Balance on Dec. 31, 2022	$ 42,451	$ 275	$ 4,007	$ 46,733
Dec. 31, 2022-net	$ 9,298	$ 465	$ 4,355	$ 14,118

Depreciation expense is provided on a straight-line basis over the following useful lives:

Equipment for R&D	3-5 years
Leasehold improvement	3 years
Office equipment	5 years

9. Lease Agreements

(1) Right-of-use assets

	Dec. 31, 2023	Dec. 31, 2022
Right-of-use assets Carrying amount		
Buildings	$ 207	$ 1,671

	2023	2022
Right-of-use assets added	$ 4,385	$ 207
Depreciation expense of right-of-use assets	$ 5,849	$ 5,257

(2) Lease liabilities

	Dec. 31, 2023	Dec. 31, 2022
Lease liabilities Carrying amount		
Current	$ 209	$ 1,354

The discount rate range for the ;ease liabilities is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Buildings	2.99%	2.37%~2.62%

(3) Significant leasing activities and terms

The Company leases buildings for office and parking space use, with lease terms of 1 to 3 years. At the end of the lease term, the Company has no option to purchase the leased buildings and has agreed not to sublease or transfer any part of the leased property without the lessor's consent.

(4) Other leasing information

	2023	2022
Short-term lease expenses	$ 279	$ 240
Total amount of cash outflow from lease	$ 5,860	$ 5,676

All lease commitments starting after the balance sheet date are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Lease commitment	$ 26,161	$ -

10. Other Intangible Assets

	Computer software	Patents	Total
Cost			
Balance on Jan. 1, 2023	$ 65,134	$ 2,857	$ 67,991
Addition	15,221	-	15,221
Disposal	(7,431)	-	(7,431)
Balance on Dec. 31, 2023	$ 72,924	$ 2,857	$ 75,781
Accumulated amortization			
Balance on Jan. 1, 2023	$ 33,869	$ 2,142	$ 36,011
Amortization expense	16,381	572	16,953
Disposal	(7,431)	-	(7,431)
Balance on Dec. 31, 2023	$ 42,819	$ 2,714	$ 45,533
Dec. 31, 2023-net	$ 30,105	$ 143	$ 30,248
Cost			
Balance on Jan. 1, 2022	$ 53,428	$ 2,857	$ 56,285
Addition	24,825	-	24,825
Disposal	(13,119)	-	(13,119)
Balance on Dec. 31, 2022	$ 65,134	$ 2,857	$ 67,991
Accumulated amortization			
Balance on Jan. 1, 2022	$ 32,828	$ 1,571	$ 34,399
Amortization expense	14,160	571	14,731
Disposal	(13,119)	-	(13,119)
Balance on Dec. 31, 2022	$ 33,869	$ 2,142	$ 36,011
Dec. 31, 2022-net	$ 31,265	$ 715	$ 31,980

Amortization expense is provided on a straight-line basis over the following useful lives:

Computer software	3 years
Patents	5 years

Amortization expenses classified by function:

	2023	2022
Administrative expense	$ 140	$ 204
R&D expense	16,813	14,527
	$ 16,953	$ 14,731

11. Other assets

	Dec. 31, 2023	Dec. 31, 2022
Current		
Prepayment for technical services	$ 970	$ -
Prepayment for software	547	285
Prepayment for test materials	215	587
Prepayment for insurance premium	$ 199	$ 190
Others	442	183
	$ 2,373	$ 1,245

12. Other liabilities

	Dec. 31, 2023	Dec. 31, 2022
Current		
Software fees payable	$ 12,777	$ 15,390
Salary and bonuses payable	11,509	10,814
Unused annual leave bonuses payable	5,758	4,828
Labor costs payable	2,747	1,450
Equipment costs payable	167	1,543
Insurance premiums payable	1,262	1,170
Technical service fees payable	1,073	1,730
Others	2,020	2,341
	$ 37,313	$ 39,266
Non-current		
Software fees payable	$ 4,790	$ 7,989

13. Post-Employment Benefit Plans

(1) Defined Contribution Plans

The retirement benefit scheme applicable to the Company under the "Labor Pension Act" is a government-managed defined contribution retirement plan. Contributions to the retirement fund are made by allocating 6% of each employee's monthly salary to individual accounts managed by the Bureau of Labor Insurance.

(2) Defined Benefit Plans

The retirement benefit scheme conducted by the Company under the "Labor Standards Act" is a government-managed defined benefit retirement plan. The payment of retirement benefits is based on the employee's years of service and the average wage in the six months preceding the approved retirement date. The Company contributes 2% of the total monthly salary of its employees to the retirement reserve, which is deposited into a special account at the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. Before the end of each year, if it is estimated that the balance in the special account is insufficient to cover the workers who are expected to meet the retirement criteria within the next year, the difference will be contributed in a lump sum before the end of March of the following year. This special account is managed by the Bureau of Labor Funds, MOL, and the Company has no right to influence the investment management strategy.

The amounts related to defined benefit plans recognized in the balance sheet are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligations	$ 1,189	$ 1,150
Fair value of plan assets	(2,602)	(2,518)
Net defined benefit assets	($ 1,413)	($ 1,368)

The changes in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Jan. 1, 2023	$ 1,150	($ 2,518)	($ 1,368)
Interest expense (income)	16	(36)	(20)
Recognized in profit or loss	16	(36)	(20)
Remeasurements			
Return on plan assets (except the part included in net interest)	-	(20)	(20)
Actuarial loss - Changes in financial assumptions	8	-	8
Actuarial loss - experience adjustments	15	-	15
Recognized in other comprehensive income	23	(20)	3
Contribution made by the employer	-	(28)	(28)
Payment of benefits	-	-	-
Dec. 31, 2023	$ 1,189	($ 2,602)	($ 1,413)
Jan. 1, 2022	$ 3,327	($ 2,935)	$ 392
Interest expense (income)	22	(20)	2
Recognized in profit or loss	22	(20)	2
Remeasurements			
Return on plan assets (except the part included in net interest)	-	(219)	(219)
Actuarial loss - Changes in financial assumptions	(52)	-	(52)
Actuarial loss - experience adjustments	(1,326)	-	(1,326)
Recognized in other comprehensive income	(1,378)	(219)	(1,597)
Contribution made by the employer	-	(165)	(165)
Payment of benefits	(821)	821	-
Dec. 31, 2022	$ 1,150	($ 2,518)	($ 1,368)

The Company is exposed to the following risks due to the retirement benefit scheme under the “Labor Standards Act”:

1. Investment Risk: The Bureau of Labor Funds operates and outsources the management of the labor retirement fund, investing in domestic and foreign equity securities, debt securities, and bank deposits among others. However, the allocated amount of the plan assets is expected to earn a return not less than the interest rate of a two-year fixed deposit at local banks.
2. Interest Rate Risk: A decline in the interest rates of government bonds increases the present value of the defined benefit obligations, although the returns on debt investments of plan assets may also increase, partially offsetting the impact on net defined benefit liabilities.
3. Salary Risk: The present value of the defined benefit obligations is calculated considering the future salaries of plan members. Therefore, an increase in the salaries of plan members will increase the present value of the defined benefit obligations.

The present value of the defined benefit obligations of the Company is calculated by qualified actuaries, and the significant assumptions as of the measurement date are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.30%	1.40%
Increase rate of salary expectation	3.50%	3.50%

If significant actuarial assumptions undergo reasonably possible changes, with all other assumptions remaining constant, the amounts by which the present value of the defined benefit obligations would increase (decrease) are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Discount rate		
Increased by 0.25%	($ 21)	($ 21)
Decreased by 0.25%	$ 21	$ 21
Increase rate of salary expectation		
Increased by 0.25%	$ 20	$ 20
Decreased by 0.25%	($ 20)	($ 20)

Given that actuarial assumptions may be interrelated, it's unlikely that only one assumption would change at a time. Therefore, the sensitivity analysis above might not fully reflect the actual variations in the present value of the defined benefit obligations.

	Dec. 31, 2023	Dec. 31, 2022
Amount to be contributed within 1 year	$ -	$ 165
Average duration of defined benefit obligations	8 years	9years

14. Equity

(1) Capital Stock - Common Stock

	Dec. 31, 2023	Dec. 31, 2022
Number of shares (1,000 shares)	30,000	30,000
Authorized share capital	$300,000	$300,000
Number of issued and fully paid shares (1,000 shares)	26,810	26,810
Share capital of issued shares	$268,100	$268,100

(2) Retained Earnings and Dividend Policy

The Company, following the amendment to its articles of incorporation approved at the shareholders' meeting on June 6, 2023, adheres to the revised earnings distribution policy. If there are net profits after tax for the period, prior losses must be covered first (including the amount of adjusted unappropriated earnings), followed by a mandatory allocation of 10% to the legal reserve; however, this is not required if the legal reserve has already reached the total capital amount of the Company. Subsequently, special reserves are allocated or reversed according to laws or regulations. The remaining profits, along with the beginning unappropriated earnings (including the amount of adjusted unappropriated earnings), are proposed by the board of directors for shareholders' dividend distribution. If the Company decides to distribute dividends and bonuses or to allocate or partially distribute the legal reserve and capital reserve in cash, such decisions are authorized by a two-thirds majority of directors present at the board meeting, with more than half in agreement, and subsequently reported to the shareholders' meeting.

According to the Company's previous earnings distribution policy, after covering prior losses and allocating 10% to the legal reserve (not required if the legal reserve meets the total capital amount), special reserves are allocated or reversed as required. The remaining profits, along with the beginning unappropriated earnings, are proposed for shareholder dividends by the board.

The employee and director compensation distribution policy outlined in the Company's articles of incorporation can be found in Note 16(7) on "Compensation to Employees and Directors".

The board is authorized to propose distributions ranging from 0% to 100% of available profits, taking into account factors such as the prevailing and prospective investment landscape, funding requirements, domestic and international competition, and capital budgeting, all while striking a balance between shareholder interests and long-term financial planning. Furthermore, the cash dividend percentage should not fall below 10% of the total cash and stock dividends distributed for the year.

The legal reserve must be allocated until it reaches the total paid-in capital amount. It can be used to cover losses. If there are no losses, the part of the legal reserve exceeding 25% of the total paid-in capital can be allocated to increase capital or distributed in cash.

The Company held its annual shareholders' meetings on June 6, 2023, and June 23, 2022, during which the profit distribution plans and dividends per share for 2022 and 2021 were respectively ratified as outlined below:

	2022	2021
Legal reserve	$ 7,456	$ 3,241
Cash dividends	$ 67,025	$ 26,810
Cash dividend per share (NT$)	$ 2.50	$ 1.00

The Company's profit distribution plan and dividends per share for the year 2023, as resolved by the Board of Directors on February 27, 2024, are as follows:

	2023
Legal reserve	$ 3,201
Cash dividends	$ 26,810
Cash dividend per share (NT$)	$ 1.00

The amount to be allocated to the legal reserve for 2023 is subject to approval at the shareholders' meeting scheduled for May 21, 2024.

15. Operating revenue

	2023	2022
Revenue from customer contracts		
Income from technical services	$ 48,082	$ 58,821
Income from royalties	139,302	170,599
	$187,384	$229,420

(1) Description of Customer Contracts

1. Income from Technical Services

Income from technical services is recognized for providing customers with silicon intellectual property (IP) design services for integrated circuits upon the delivery of services or silicon IP to the customers.

2. Income from Royalties

Income from royalties arises from licensing standardized silicon IP for integrated circuits to customers. Royalties are collected based on the contract terms after the customer commences mass production using the licensed silicon IP.

(2) Contract balances

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Accounts receivable (Note 7)	$ 16,486	$ 24,304	$ 19,758

(3) Breakdown of customer contract revenue

Main Markets	2023	2022
Mainland China (including Hong Kong)	$ 78,560	$ 84,992
Taiwan	47,715	76,031
Singapore	34,180	43,316
Korea	19,788	21,957
USA	3,745	2,645
Others	3,396	479
	$187,384	$229,420

16. Net revenue

(1) Income from interests

	2023	2022
Bank deposits	$ 3,126	$ 1,511
Others	64	28
	$ 3,190	$ 1,539

(2) Other income

	2023	2022
Others	$ 1	$ 10

(3) Other profits and losses

	2023	2022
Net foreign currency translation gains and losses	$ 70	$ 1,082

(4) Finance costs

	2023	2022
Interest on Lease liabilities	$ 51	$ 106

(5) Depreciation and Amortization

	2023	2022
Depreciation expense classified by function		
Operating expenses	$ 12,421	$ 12,887
Amortization expense classified by function		
Operating expenses	$ 16,953	$ 14,731

Amortization expense of intangible assets is allocated to the respective line items in the financial statements, as detailed in Note 10.

(6) Employee benefits expenses

	2023	2022
Short-term employee benefits	$ 96,345	$ 96,841
Benefits after retirement		
Defined contribution plan	3,737	3,436
Defined benefit plan (Note 13)	(20)	2
Total of employee benefit expenses	$100,062	$100,279
Classified by function		
Operating cost	$ 1,153	$ 624
Operating expenses	98,909	99,655
	$100,062	$100,279

(7) Compensation to Employees and Directors

The Company allocates employee and director compensation in accordance with its articles of incorporation, ranging from 5% to 15% of the pre-tax profits (before distributing employee and director compensation) and up to 5% for director compensation. The resolutions for employee and director compensation for 2023 and 2022 were made by the board of directors on February 27, 2024, and March 8, 2023, respectively, as follows:

Estimated Proportion

	2023	2022
Compensation to employees	10.5%	12%
Compensation to directors	3.5%	4%

Amount

	2023	2022
Compensation to employees	$ 4,672	$ 11,624
Compensation to directors	1,557	3,875

If the amounts change after the date the financial statements are authorized for issue, they will be treated as changes in accounting estimates and adjusted in the subsequent year.

The actual amounts distributed for employee and director compensation in 2022 and 2021 were consistent with the amounts recognized in the financial statements for those years.

For information on the resolutions of employee and director compensation by the Company's board, please refer to the Market Observation Post System of the Taiwan Stock Exchange.

(8) Foreign currency exchange gains (losses)

	2023	2022
Total foreign currency exchange gains	$ 2,488	$ 5,908
Total foreign currency exchange losses	(2,418)	(4,826)
Net foreign currency exchange gain	$ 70	$ 1,082

17. Income Tax

(1) Income tax expense recognized in profit or loss

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

	2023	2022
Income tax		
Currently Generated	$ 6,250	$ 8,407
Income tax expense recognized in profit or loss	$ 6,250	$ 8,407

The reconciliation of accounting income to current income tax expense is as follows:

	2023	2022
Net income before income taxes	$ 38,267	$ 81,371
Income tax expense (benefit) at statutory tax rate on net income before income tax	$ 7,653	$ 16,274
Generation and reversal of temporary differences	(370)	572
Tax deduction for income from foreign sources	(6,211)	(8,331)
Use of unrecognized loss deductions/deductible temporary differences	(1,072)	(8,515)
Income tax in foreign countries	6,250	8,407
Income tax expense recognized in profit or loss	$ 6,250	$ 8,407

(2) Deductible temporary differences and unused loss carryforwards not recognized as deferred tax assets in the balance sheet

	Dec. 31, 2023	Dec. 31, 2022
Loss deduction		
Maturing in 2024	$ 13,410	$ 19,308
Maturing in 2025	13,079	13,079
	$ 26,489	$ 32,387
Deductible temporary differences	$ 26,553	$ 28,402

(3) Income tax assessments

The Company’s income tax filings up to 2021 have been approved by the tax authorities.

18. Earnings Per Share

Unit: NT$ per share

	2023	2022
Basic earnings per share	$ 1.19	$ 2.72
Diluted earnings per share	$ 1.19	$ 2.71

The net profit for the current year and the weighted average number of ordinary shares used in the earnings per share calculation are as follows:

Net income in the fiscal year

	2023	2022
Net income	$ 32,017	$ 72,964
Net income for the calculation of basic and diluted earnings per share	$ 32,017	$ 72,964

Number of shares

Unit: Thousands of shares

	2023	2022
Weighted average number of common shares for the calculation of basic earnings per share	26,810	26,810
Influence of potential common shares with dilutive effect	55	150
Weighted average number of common shares for the calculation of diluted earnings per share	26,865	26,960

If the Company opts to distribute employee compensation in the form of stocks or cash, the diluted earnings per share are calculated assuming the employee compensation is issued in stocks and included in the weighted average number of shares outstanding for the dilution effect when such potential ordinary shares have a diluting effect. This consideration of the dilution effect of such potential ordinary shares continues until the number of shares to be issued for employee compensation is determined in the following year.

19. Capital Risk Management

The company conducts capital management to ensure that, under the premise of continuing operations, the debt and equity amounts are optimized to maximize shareholder equity.

The overall strategy of the Company has not changed.

The capital structure of the Company consists of equity (i.e., share capital and retained earnings).

The Company is not subject to any external capital requirements.

The Company's senior management regularly reviews the capital structure, including the cost and associated risks of various forms of capital. Based on the recommendations of senior management, the Company aims to balance its overall capital structure through dividend payments, issuing new shares, repurchasing shares, and issuing new debt or repaying existing debt.

20. Financial Instruments

(1) Fair value of financial instruments that are not at fair value

The Company's management believes that the carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values.

(2) Categories of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
Financial assets		
Financial assets at amortized cost (Note 1)	$320,257	$363,802
Financial liability		
At amortized cost (Note 2)	24,836	31,613

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, accounts receivable, other receivables, and refundable deposits.

Note 2: The balance consists of other liabilities, excluding financial liabilities measured at amortized cost such as salaries and bonuses payable, and unpaid leave bonuses.

(3) Financial Risk Management Objectives and Policies

The Company's primary financial instruments include equity investments and accounts receivable. The financial management department of the Company provides services to business units, coordinating access to domestic and international financial markets, and managing the Company's financial risks related to its operations through internal risk reports that analyze exposures by level and breadth of risk. These risks include market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

1. Market Risk

The Company's operating activities expose it to the primary financial risks of changes in foreign exchange rates (see below (1)) and interest rates (see below (2)).

There has been no change in the company's exposure to market risks related to financial instruments and the ways in which it manages and measures such exposures.

(1) Exchange Rate Risk

The Company engages in transactions denominated in foreign currencies, thus exposing it to exchange rate fluctuations.

The Company's monetary assets and liabilities denominated in non-functional currencies as of the balance sheet date are detailed in Note 22.

<u>Sensitivity Analysis</u>

The company is mainly affected by fluctuations in the US dollar exchange rate.

The following table illustrates the sensitivity analysis when the New Taiwan Dollar (functional currency) appreciates or depreciates by 1% against the relevant foreign currencies. The 1% sensitivity rate is used internally by the Company to report exchange rate risks to senior management and represents management's assessment of the reasonably possible range of changes in foreign exchange rates. The sensitivity analysis only includes foreign currency monetary items outstanding and adjusts their year-end conversion by a 1% change in exchange rates. Positive figures in the table indicate an increase in pre-tax profit when the New Taiwan Dollar depreciates by 1% relative to the relevant currencies; a 1% appreciation of the New Taiwan Dollar against these currencies would have the opposite effect on pre-tax profit by the same amount.

	USD Impact	
	2023	2022
Gain and loss	$ 215	$ 316

The Company’s sensitivity to exchange rate changes decreased this year, primarily due to a decrease in net assets denominated in USD.

(2) Interest Rate Risk

The carrying amounts of the Company’s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Fair value interest rate risk		
－Financial assets	$135,400	$128,600
－Financial liability	209	1,354
Cash flow rate risk		
－Financial assets	159,388	206,257

Sensitivity Analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivative financial instruments at the balance sheet date. For floating-rate assets, the analysis assumes that the amount of assets outstanding at the balance sheet date was outstanding for the entire reporting period.

If the annual interest rate increased by 1%, with all other variables held constant, the Company’s pre-tax profit for 2023 and 2022 would increase by NT$1,594 thousand and NT$2,063 thousand, respectively.

The sensitivity of the Company to interest rates decreased this year, primarily due to a decrease in floating-rate financial assets.

2. Credit Risk

Credit risk refers to the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As of the balance sheet date, the maximum exposure to credit risk resulting from the non-performance of its counterparts is primarily from the carrying amounts of financial assets recognized on the balance sheet.

The Company's accounts receivable are diversified across numerous clients, industries, and geographical regions. The Company continually assesses the financial condition of its clients with accounts receivable.

The Company's credit risk is mainly concentrated in its top five clients. As of December 31, 2023, and 2022, the percentage of total accounts receivable from these clients was 52% and 75%, respectively.

3. Liquidity Risk

The Company manages and mitigates the impact of fluctuations in cash flow by maintaining sufficient levels of cash and cash equivalents to support its operations.

The maturity analysis of non-derivative financial liabilities is prepared based on the repayment dates agreed upon.

Dec. 31, 2023

Non-derivative financial liability	Request pay-as-you-go or Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
No interest-bearing liabilities	$ 10,252	$ 11,477	$ 15,584	$ 4,790	$ 42,103
Lease liabilities	70	140	-	-	210
	$ 10,322	$ 11,617	$ 15,584	$ 4,790	$ 42,313

Dec. 31, 2022

Non-derivative financial liability	Request pay-as-you-go or Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
No interest-bearing liabilities	$ 14,236	$ 6,217	$ 18,813	$ 7,989	$ 47,255
Lease liabilities	453	906	-	-	1,359
	$ 14,406	$ 5,863	$ 18,813	$ 7,989	$ 47,071

21. Related Party Transactions

Compensation to executive management

	2023	2022
Short-term employee benefits	$ 13,194	$ 12,254

Compensation for directors and other key management personnel is determined by the compensation committee based on individual performance and market trends.

22. Information on Foreign Currency Assets with Significant Effects

The information below is expressed in a foreign currency other than the company's functional currency, and the disclosed exchange rate refers to the exchange rate at which the foreign currency is converted into the functional currency. Significant foreign currency assets are as follows:

Unit: In thousands of different foreign currencies

	Dec. 31, 2023		Dec. 31, 2022	
	Foreign currency	Exchange Rate	Foreign currency	Exchange Rate
Foreign currency assets				
Monetary items				
USD	$ 1,271	30.705	$ 1,813	30.71
Foreign currency liabilities				
Monetary items				
USD	$ 572	30.705	$ 783	30.71

Significant realized and unrealized foreign exchange gains and losses are as follows:

	2023		2022	
Foreign Currency	Exchange Rate	Net Exchange Profit	Exchange Rate	Net Exchange Loss
USD	31.155 (USD:TWD)	$ 70	29.805 (USD:TWD)	$ 1,082

23. Additional Disclosures

Other than the items listed below, the Company has no other significant transactions, re-investments, or investment information in Mainland China that need to be disclosed.

Marketable securities held:

Held Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	At the End of Period				Note
					Shares (thousand)	Carrying Value	Percentage of Ownership (%)	Net Value of Equity/Market Price/Book Value	
The Company	Stock	Favepc Inc.	The chairman of the company is a director of that company	Financial assets mandatorily measured at the fair value through profit or loss - non-current	2,350	$ -	13	$ -	Note

Note: As of the end of December 2023, the listed securities did not provide any guarantees, collateral for loans, or other restrictions as per agreements.

24. Operating Segments Information

The operating decision-makers of the Company allocate resources and assess the performance of segments based on different regulatory environments. All operating segments that meet the definition have similar economic characteristics; therefore, the Company is reported as a single operating segment. Furthermore, the segment information provided for review by the operating decision-makers is measured on the same basis as the financial statements. Hence, the segment revenue and operating results that should be reported for 2023 and 2022 can be referred to in the Statements of Comprehensive Income for 2023 and 2022; the segment assets that should be reported as of December 31, 2023, and 2022, can be referred to in the Balance Sheets as of December 31, 2023, and 2022.

(1) Revenue from Major Products and Services: Refer to Note 15.

(2) Geographical Information:

Revenue from continuing operations from external customers and non-current assets, divided by the operating location and by the location of the assets, are presented as follows:

	Revenue from external customers		Non-current assets	
	2023	2022	Dec. 31, 2023	Dec. 31, 2022
Mainland (including Hong Kong)	$ 78,560	$ 84,992	$ -	$ -
Taiwan	47,715	76,031	38,537	47,769
Singapore	34,180	43,316	-	-
Korea	19,788	21,957	-	-
USA	3,745	2,645	-	-
Others	3,396	479	-	-
	$ 187,384	$ 229,420	$ 38,537	$ 47,769

Non-current assets do not include financial instruments, refundable deposits and net defined benefit assets.

(3) Major Customer Information

Revenue from a single customer that accounts for more than 10% of the Company's total revenue is as follows:

	2023		2022	
Name of Related Party	Amount	%	Amount	%
Customer A	$ 33,194	18	$ 43,317	19
Customer B	25,285	13	33,951	15
Customer C	19,788	11	NA (Note)	-
Customer D	18,929	10	23,808	10

Note: Revenue amount did not reach 10% of the Company's total revenue.

SCHEDULE OF SIGNIFICANT ACCOUNTS

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Yield Microelectronics Corporation

Statement of Cash and Cash Equivalents

Dec. 31, 2023

Table 1 (In Thousands of New Taiwan Dollars)

Item	Description	Amount
Bank deposits		
Demand deposits		$ 31,340
Foreign currency deposits	US$734 thousand and CNY$119 thousand (exchange rate: US$1 = NT$30.705 and CNY$1 = NT$4.327)	23,048
Time deposits	Interest rates of 1.1%~1.25%, maturing progressively before the end of March 2024	240,400
Cash on hand		33
		$294,821

Yield Microelectronics Corporation

Statement of Accounts Receivables

Dec. 31, 2023

Table 2 (In Thousands of New Taiwan Dollars)

Customer Names	Amount
A Company	$ 5,458
B Company	1,842
C Company	1,535
D Company	1,535
E Company	1,290
F Company	1,161
Others (Note 1)	3,665
Total	$ 16,486

Note 1: Each account balance does not exceed 5% of the total balance of this account.

Note 2: There are no overdue amounts for more than one year.

Yield Microelectronics Corporation

Statement of Changes in the Cost and Accumulated Depreciation of Right-of-use Assets

For the Years Ended December 31, 2023

Table 3 (In Thousands of New Taiwan Dollars)

Name	Buildings and Premises
Cost	
Balance as of Jan. 1, 2023	$ 20,113
Addition	4,385
Balance as of Dec. 31, 2023	24,498
Accumulated Depreciation	
Balance as of Jan. 1, 2023	18,442
Depreciation	5,849
Balance as of Dec. 31, 2023	24,291
Net Value as of Dec. 31, 2023	$ 207

Yield Microelectronics Corporation

Statement of Lease Obligations

Dec. 31, 2023

Table 4 (In Thousands of New Taiwan Dollars)

Name	Lease Term	Discount Rate	Amount
Buildings	Apr 2020~Mar 2024	2.99%	$ 209
Less: Current lease liabilities			(209)
Non-current lease liabilities			$ -

Yield Microelectronics Corporation

Statement of Operating Expenses

For the Years Ended December 31, 2023

Table 5 (In Thousands of New Taiwan Dollars)

Items	Selling and Marketing Expenses	Management Expenses	Research and Development Expenses
Salary expenses	$ 6,042	$ 18,009	$ 61,834
Depreciation expenses	1,462	2,898	8,061
Amortization expenses	-	140	16,813
Technical service fees	-	-	5,794
Travel expenses	982	40	194
Insurance premiums	525	1,386	5,265
Labor fees	-	3,547	137
Others (Note)	3,045	4,556	10,029
	$ 12,056	$ 30,576	$ 108,127

Note: None of the amounts for each item exceed 5% of the respective account balances.

Yield Microelectronics Corporation

Summary Statement of Current Period Employee Benefits, Depreciation and Amortization Expenses by Function

For the Years Ended December 31, 2023 and 2022

Table 6 (In Thousands of New Taiwan Dollars)

	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary expenses	$ 1,153	$ 83,136	$ 84,289	$ 624	$ 82,792	$ 83,416
Employee insurance expenses	-	7,055	7,055	-	6,300	6,300
Pension costs	-	3,717	3,717	-	3,438	3,438
Directors' compensation	-	2,749	2,749	-	4,943	4,943
Other employee benefits expenses	-	2,252	2,252	-	2,182	2,182
Total	$ 1,153	$ 98,909	$ 100,062	$ 624	$ 99,655	$ 100,279
Depreciation expense	$ -	$ 12,421	$ 12,421	$ -	$ 12,887	$ 12,887
Amortization expense	$ -	$ 16,953	$ 16,953	$ -	$ 14,731	$ 14,731

Note 1: The average number of employees per month in 2023 and 2022 was 72 and 71, respectively, including 7 directors not acting as employees in both years.

Note 2: For companies listed on the TWSE or traded OTC at the TPEx, the following information shall be disclosed:

(1) The average employee benefit expense in 2023 was NT$1,497 thousand ("2023 total employee benefit expenses − total compensation to directors" / "2023 number of employees − the number of directors not acting as employees").

The average employee benefit expense in 2022 was NT$1,490 thousand ("2022 total employee benefit expenses − total compensation to directors" / "2022 number of employees − the number of directors not acting as employees").

(2) The average employee salary expense in 2023 was NT$1,297 thousand ("2023 total salary expenses" / "2023 number of employees − the number of directors not acting as employees").

The average employee salary expense in 2022 was NT$1,303 thousand ("2022 total salary expenses" / "2022 number of employees − the number of directors not acting as employees").

(3) The change in average employee salary expense was (0.46)% ("2023 average employee salary expense − 2022 average employee salary expense") / 2022 average employee salary expense).

Note 3: The Company no longer has supervisors and has replaced the supervisory duties with an audit committee according to legal regulations.

Note 4: The Company's Compensation Policy (including directors, managers, and employees):

(1) Directors: According to Article 20 of the Company's articles of incorporation, if the Company is profitable for the year (profit being defined as pre-tax profit before the distribution of compensation to employee and directors), allocations should be made as follows: up to 5% for compensation to directors and 5% to 15% for compensation to employees. However, if the Company still has accumulated losses (including the amount of adjusted unappropriated earnings), it should first reserve an amount for covering those losses. The above

allocation ratios are to be decided by the board of directors and reported to the shareholders' meeting. Additionally, the Company's "Rules for Performance Evaluation of Board of Directors" serves as a reference for determining compensation to directors.

(2) General Manager: The compensation level for the Company's managers must be competitive within the industry to attract external talents and retain internal ones. Individual compensation levels for managers vary based on responsibilities and performance to encourage them to fulfill their duties and achieve results. Managers are accountable for operational performance, and incentives should reflect both the Company's short-term and long-term performance.

(3) Employees: The overall compensation for the Company's employees is based on principles that consider internal fairness and external competitiveness. As stipulated in the Company's articles of incorporation, the Company should allocate between 5% to 15% of the Company's annual pre-tax profit before deductions for compensation to employees and directors as compensation to employees.; individual employee compensation is based on job responsibilities and professional skills, with bonuses and employee benefits awarded based on individual work performance and contributions.