

Stock Code :
3169

ASIX Electronics Corporation and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of ASIX Electronics Corporation 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 International Financial Reporting Standards No. 10, "Consolidated Financial Statements", as endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements are included in the consolidated financial statements. Consequently, ASIX Electronics Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name : ASIX Electronics Corporation

Chairman : David Wang

Date : February 21, 2024

Independent Auditors' Report

To the Board of Directors of ASIX Electronics Corporation :

Opinion

We have audited the consolidated financial statements of ASIX Electronics Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”), and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. Based on our judgment, the key audit matters that should be disclosed in this report are as follows :

Evaluation of inventory

Please refer to Note 4(h) and Note 5(A) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information regarding the inventory is shown in Note 6(E) of the consolidated financial statements.

Description of key audit matters :

The Group is a chip design house engaged in the research, development, production and sales of its own chips. Due to the continuous shortening of high-tech innovation and product cycles, the speed of product replacement continues to accelerate, resulting in large fluctuations in sales prices, outdated or no market sales value, the cost of inventories shall be written down to the net realizable value. These inventory evaluations are mainly based on estimates based on the demand for products in a specific period in the future, so there may be significant changes, so they are listed as the key audit items for the accountant.

How the matter was addressed in our audit :

Our principal audit procedures included: check the completeness of the inventory aging analysis reports and test whether the last valid transaction document of the inventory is valid and correct, and confirm the correctness of the interval division of the inventory aging analysis table; evaluate whether the basis of the net realizable value used is reasonable and check the relevant documents to verify the correctness of the management's estimated inventory allowance evaluation; for the inventory with a longer age, discuss with the management and evaluate the reasonableness of the sluggish loss; evaluate the reasonableness of the accounting policy for inventory depreciation or sluggish provision, and review the accuracy of the inventory allowance provision in the past. Also, assess the appropriateness of management's disclosures regarding the assessment of inventory allowances.

Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified 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 with the IFRSs, IASs, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with auditing standards generally accepted in 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 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 the 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 of the current period 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 audit resulting in this independent auditors' report are Jun-Yuan Wu and Chien-Hui Lu.

KPMG

Hsinchu, Taiwan (Republic of China)

February 21, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ASIX Electronics Corporation
CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31,2023		December 31,2022				December 31,2023		December 31,2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 1,476,486	76	1,565,740	74	2170	Accounts payable	\$ 10,735	1	20,560	1
1136	Financial assets at amortized cost (note 6(3))	85,500	4	85,500	4	2181	Accounts payable-related parties (note 7)	7,830	0	16,671	1
1170	Notes and accounts receivable, net (note 6(4))	107,437	6	88,689	4	2201	Salary and bonus payable	23,921	1	23,725	1
130X	Inventories (note 6(5))	112,768	6	220,664	11	2206	Accrued compensation to employees and directors (notes 6(15))	70,355	3	127,133	6
1470	Other current assets	3,708	-	2,964	-	2230	Current tax liabilities	39,707	2	40,654	2
1476	Other financial assets	788	-	533	-	2280	Current lease liabilities (notes 6(9))	1,191	-	1,107	-
Total current assets		<u>1,786,687</u>	<u>92</u>	<u>1,964,090</u>	<u>93</u>	2300	Other current liabilities (note 6(10))	<u>31,582</u>	<u>2</u>	<u>54,578</u>	<u>3</u>
						Total current liabilities		<u>185,321</u>	<u>9</u>	<u>284,428</u>	<u>14</u>
Non-current assets:						Non-Current liabilities:					
1517	Financial assets at fair value through other comprehensive income (note 6(2))	3,905	-	2,825	-	2580	Non-current lease liabilities (notes 6(9))	<u>11,154</u>	<u>1</u>	<u>11,227</u>	<u>-</u>
						Total non-current liabilities		<u>11,154</u>	<u>1</u>	<u>11,227</u>	<u>-</u>
1600	Property, plant and equipment (notes 6(6) and 7)	58,110	3	53,289	3	Total liabilities		<u>196,475</u>	<u>10</u>	<u>295,655</u>	<u>14</u>
1755	Right-of-use assets (note 6(7))	11,393	1	11,546	1						
1780	Intangible assets (note 6(8))	56,055	3	52,690	2	Equity (note 6(12) and (15)):					
1840	Deferred tax assets (note 6(11))	19,395	1	18,157	1	3110	Capital stock	627,770	32	624,270	30
1900	Other non-current assets (note 8)	<u>2,541</u>	<u>-</u>	<u>8,447</u>	<u>-</u>	3200	Capital surplus	440,113	23	465,090	22
Total non-current assets		<u>151,399</u>	<u>8</u>	<u>146,954</u>	<u>7</u>	3300	Retained earnings	695,216	36	747,383	35
						3400	Others	<u>(21,488)</u>	<u>(1)</u>	<u>(21,354)</u>	<u>(1)</u>
						Total equity		<u>1,741,611</u>	<u>90</u>	<u>1,815,389</u>	<u>86</u>
Total assets		<u>\$ 1,938,086</u>	<u>100</u>	<u>2,111,044</u>	<u>100</u>	Total liabilities and equity		<u>\$ 1,938,086</u>	<u>100</u>	<u>2,111,044</u>	<u>100</u>

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

ASIX Electronics Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(14) and 7)	\$ 887,618	100	\$ 1,335,476	100
5000	Operating costs (notes 6(5)、(8)、(9)、(10)、(15) and 7)	413,140	47	570,801	43
	Gross profit	474,478	53	764,675	57
	Operating expenses (notes 6(8)、(9)、(10)、(15)):				
6100	Selling expenses	53,150	6	68,610	5
6200	Administrative expenses	55,066	6	76,734	6
6300	Research and development expenses	117,712	13	142,858	11
	Total operating expenses	225,928	25	288,202	22
	Net operating income	248,550	28	476,473	35
	Non-operating income and expenses:				
7010	Interest income (note 6(16))	23,567	3	9,893	1
7020	Other gains and losses (notes 6(16))	(2,264)	(1)	18,201	1
7050	Finance costs (notes 6(9))	(558)	-	(560)	-
	Total non-operating income and expenses	20,745	2	27,534	2
	Income before tax	269,295	30	504,007	37
7950	Income tax expense (note 6(11))	38,966	4	88,337	7
	Net income	230,329	26	415,670	30
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8316	Unrealized gain/(loss) from investments in equity instruments measured at fair value through other comprehensive income	-	-	(3,695)	-
8349	Income tax related to items that may not be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may not be reclassified subsequently to profit or loss	-	-	(3,695)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(167)	-	19,374	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(11))	33	-	(3,875)	-
	Total items that may be reclassified subsequently to profit or loss	(134)	-	15,499	1
8300	Other comprehensive income (after tax)	(134)	-	11,804	1
8500	Total comprehensive income	\$ 230,195	26	\$ 427,474	31
	Earnings per share (NT Dollars) (note 6(13))				
9750	Basic earnings per share	\$ 3.67		\$ 6.66	
9850	Diluted earnings per share	\$ 3.64		\$ 6.54	

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

ASIX Electronics Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock -Common Stock	Capital surplus	Retained Earnings				Exchange differences on translation of foreign financial statements	Other equity interest		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Total		Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income	Total	
Balance on January 1, 2022	\$ 621,970	480,827	165,785	26,544	389,092	581,421	(23,229)	(9,929)	(33,158)	1,651,060
Net income	-	-	-	-	415,670	415,670	-	-	-	415,670
Other comprehensive income	-	-	-	-	-	-	15,499	3,695	11,804	11,804
Total comprehensive income	-	-	-	-	415,670	415,670	15,499	3,695	11,804	427,474
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	38,412	-	(38,412)	-	-	-	-	-
Special reserve	-	-	-	6,614	(6,614)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(249,708)	(249,708)	-	-	-	(249,708)
Cash dividends from capital surplus	-	62,427	-	-	-	-	-	-	-	62,427
Employees' compensation transferred to common stock	2,300	46,690	-	-	-	-	-	-	-	48,990
Balance on December 31, 2022	624,270	465,090	204,197	33,158	510,028	747,383	(7,730)	(13,624)	(21,354)	1,815,389
Net income	-	-	-	-	230,329	230,329	-	-	-	230,329
Other comprehensive income	-	-	-	-	-	-	(134)	0	(134)	(134)
Total comprehensive income	-	-	-	-	230,329	230,329	(134)	0	(134)	230,195
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	41,567	-	(41,567)	-	-	-	-	-
Special reserve	-	-	-	(11,804)	11,804	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(282,496)	(282,496)	-	-	-	(282,496)
Employees' compensation transferred to common stock	3,500	37,800	-	-	-	-	-	-	-	41,300
Cash dividends from capital surplus	0	(62,777)	-	-	-	-	-	-	-	(62,777)
Balance on December 31, 2023	\$ 627,770	440,113	245,764	21,354	428,098	695,216	(7,864)	(13,624)	(21,488)	1,741,611

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

ASIX Electronics Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:	\$ 269,295	504,007
Income before income tax		
Adjustments:		
Depreciation expense	18,783	17,419
Amortization expense	15,254	8,048
Interest expense	558	560
Interest income	(23,567)	(9,893)
Others	5,044	(1,480)
	<u>16,072</u>	<u>14,654</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	(18,748)	47,616
Accounts receivable-related parties	0	1,680
Inventories	102,852	(64,716)
Other operating assets	(744)	6,761
Accounts payable	(9,825)	(25,744)
Accounts payable-related parties	(8,841)	(12,486)
Other operating liabilities	(37,937)	53,428
Total changes in operating assets and liabilities	<u>26,757</u>	<u>6,539</u>
Total adjustments	<u>42,829</u>	<u>21,193</u>
Cash generated from operations	312,124	525,200
Interest received	23,312	9,471
Interest paid	(558)	(560)
Income taxes paid	(41,493)	(111,430)
Net cash generated by operating activities	<u>293,385</u>	<u>422,681</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income	(1,080)	-
Financial assets at amortized cost	-	617,705
Property, plant and equipment	(22,234)	(22,577)
Intangible assets	(18,627)	(8,530)
Other non-current assets	5,906	(5,285)
Net cash generated by(used in) investing activities	<u>(36,035)</u>	<u>581,313</u>
Cash flows from financing activities:		
Payment of lease liabilities	(1,206)	(1,207)
Cash dividends paid	(345,273)	(312,135)
Net cash generated by(used in) financing activities	<u>(346,479)</u>	<u>(313,342)</u>
Effect of exchange rate changes on cash and cash equivalents	(125)	14,435
Net increase in cash and cash equivalents	(89,254)	705,087
Cash and cash equivalents at beginning of period	1,565,740	860,653
Cash and cash equivalents at end of period	\$ <u>1,476,486</u>	<u>1,565,740</u>

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

(English Translation of the consolidated Financial Statements Originally Issued in Chinese)

ASIX Electronics Corporation and Subsidiaries

Notes to the Consolidates Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in thousand dollars of TWD, Unless Otherwise Specified)

1 、 Company history

ASIX Electronics Corporation (the “Company”) was incorporated in May 12, 1995 at 4F, No. 8, Hsin-Ann Road, Hsinchu Science Park, Hsinchu, Taiwan (R.O.C.). The Company is primarily engaged in the research, development, manufacture and sale of communication and mixed-signal receiving and processing chips, multimedia graphics IC and graphics boards, asynchronous transmission mode chips, interface transmission chips, display driver chips and white light emitting diode driver chips. The company's stock has been listed for trading on the Republic of China Securities OTC Center since November 24, 2009.

2 、 Approval date and procedures of the financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on February 21, 2024.

3 、 New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023.

- Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

ASIX Electronics Corporation and Subsidiaries

Notes to the Consolidates Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative information”
- Amendments to IAS 21 “Lack of Exchangeability”

4 、 Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis :

- 1) Financial assets at fair value through other comprehensive income (loss) are measured at fair value ;
- 2) The defined benefit liability recognized is the net of pension assets less the present value of defined benefit obligation and the limit of recognized assets.

2. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

ASIX Electronics Corporation and Subsidiaries

Notes to the Consolidates Financial Statements

(c) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2023	December 31, 2022
The Company	Zywyn Corporation (Zywyn)	Research of interface transmission chips, display driver chips and white light emitting diode driver chips.	100%	100%

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

(d) Foreign currencies

i. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss, except for an equity investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

ASIX Electronics Corporation and Subsidiaries
Notes to the Consolidates Financial Statements

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other asset are classified as non-current :

- i. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- ii. It is held primarily for the purpose of trading;
- iii. It is expected to be realized within twelve months after the reporting period; or
- iv. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current :

- i. It is expected to be settled in the normal operating cycle;
- ii. It is held primarily for the purpose of trading;
- iii. It is due to be settled within twelve months after the reporting period; or
- iv. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash and cash in bank. Cash equivalents are short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(g) Financial instruments

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ASIX Electronics Corporation and Subsidiaries
Notes to the Consolidates Financial Statements

i. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost and fair value through other comprehensive income (FVOCI) – financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity instruments are subsequently measured at fair value. Dividend income calculated gains and losses (unless it clearly represents the recovery of part of the investment cost). Other net gains and losses are recognized in other comprehensive income and is not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date when the Group is entitled to receive dividends (usually the ex-dividend date).

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(3) Impairment of financial assets

The Group recognizes the allowance for the expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, refundable deposits and other financial assets, etc.) and contractual assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 12-month ECL :

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

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ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

ii. Financial liabilities and equity instrument

(1) Classification of debt or equity

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

(2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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Notes to the Consolidates Financial Statements

(3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average-cost method and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses necessary to make the sale.

(i) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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2. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows :

- (1) Buildings: 40 to 55 years
- (2) Building improvement: 3 to 5 years
- (3) Machinery, equipment and Mask: 3 to 5 years
- (4) R&D equipment: 3 to 5 years
- (5) Office and other equipment: 2 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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Notes to the Consolidates Financial Statements

Lease payments included in the measurement of the lease liability comprise the following :

1. Fixed payments, including in-substance fixed payments;
2. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3. Amounts expected to be payable under a residual value guarantee; and
4. Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when :

1. There is a change in future lease payments arising from the change in an index or rate;
or
2. There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
3. There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
4. There is a change of its assessment on whether it will exercise an extension or termination option; or
5. There are any lease modifications.

When the lease liability is re-measured, other than lease, modifications a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right of-use assets and lease liabilities for short term leases with 12 months or less and leases of low value assets, including other equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not :

1. the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
2. the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

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3. any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2023; and

4. there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(k) Intangible assets

1. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows :

(1) Computer software: 1 to 5 years

(2) Expertise: 7 years

(3) Customer relationship: 7 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill was regularly measured for impairment annually.

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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU. An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of or depreciation amortization, if no impairment loss had been recognized.

(m) Revenue recognition

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

(1) Sale of goods

The Group engages in the research, development, production, manufacture, and sale all kinds of chip. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The average credit period for sales is 30 to 75 days, which is consistent with the practice of peers.

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(2) NRE service charge

The Group provides NRE services and recognizes related income during the financial reporting period for the provision of NRE services. For fixed-price contracts, revenue is recognized on the basis of the ratio of services actually provided to total services as of the reporting date, which is the percentage of services performed as a percentage of the total amount of services to be performed.

Estimates of revenue, costs and degree of completion are revised if circumstances change and the resulting increase or decrease is reflected in profit or loss for the period in which management becomes aware of the change and makes the revision.

2. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(n) Government grants

When the Group may receive government grants related to research and development projects, the unconditional grants are recognized as other income.

(o) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related services and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related services and non-market performance conditions at the vesting date.

(q) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (1) The same taxable entity; or
 - (2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Group discloses basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration that could be settled in the form of stock.

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(s) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5 、 Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(A) Inventory valuation

The Group is a chip design house engaged in the research, development, production and sales of its own chips. Due to the continuous shortening of high-tech innovation and product cycles, the speed of product replacement continues to accelerate, resulting in large fluctuations in sales prices, outdated or no market sales value, the cost of inventories shall be written down to the net realizable value. These inventory evaluations are mainly based on estimates based on the demand for products in a specific period in the future, so there may be significant changes. The relevant information, please refer to Note (6) (E).

(B) Impairment assessment of intangible assets (including goodwill)

The intangible assets (professional technology and customer relationship) acquired by the Group's acquisition of subsidiaries, as well as the goodwill arising from this acquisition, are affected by the fluctuation of various factors such as the market environment in the electronics industry where the Group operates; This intangible assets the assessment of impairment is important; The intangible asset impairment assessment includes processes such as identifying cash-generating units, determining the evaluation model, determining important assumptions, and calculating the recoverable amount. The assessment process is complex and involves the subjective judgment of the Group's management.

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The Group's accounting policies and disclosures include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Group's finance and accounting departments conduct independent verification on fair value by using data sources that are independent, reliable, and representative of the exercise prices. The Group also periodically adjusts its valuation models, conducts retrospective testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The relevant information, please refer to Note (6) (F) and Note (6) (R).

The Group strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note (6) (R) of the financial instruments.

6 、 Explanation of significant accounts

(A) Cash and cash equivalents

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Cash on hand	\$ 208	249
Demand deposits	221,134	234,891
Time deposits	<u>1,255,144</u>	<u>1,330,600</u>
	<u>\$ 1,476,486</u>	<u>1,565,740</u>

Please refer to note (6) (R) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(B) Financial assets at fair value through other comprehensive income — non-current

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Unlisted stock - C-Life Technologies, INC.	\$ 1,225	1,225
Unlisted stock - Nextw Technology Co., LTD.	<u>2,680</u>	<u>1,600</u>
	<u>\$ 3,905</u>	<u>2,825</u>

The Group investments in these equity instruments are long-term strategic investments and are not held for trading purposes and have been designated to be measured at fair value through other comprehensive income.

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The Group did not dispose of the aforementioned strategic investments in 2023 and 2022, and the accumulated profits and losses during these periods were not transferred in equity.

For the disclosure of market risk, please refer to note (6) (R).

None of the above financial assets has been provided as a pledge.

(C) Financial assets measured at cost — current

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Time deposits for more than three months	<u>\$ 85,500</u>	<u>85,500</u>

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

The Group holds domestic time deposit certificates with annual interest rates of 1.340% and 0.965% to 1.090% for the year 2023 and 2022 respectively. Due on February 2 to May 5, 2024 and February 2 to May 5, 2023.

For the disclosure of market risk, please refer to note (6) (R).

None of the above financial assets has been provided as a pledge

(D) Notes and accounts receivable, net (including related parties and non-related parties)

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Notes receivable	\$ -	2,293
Accounts receivable	107,437	86,396
	<u>\$ 107,437</u>	<u>88,689</u>

As of January 1, 2022, the ending balance of notes and accounts receivable was NT\$137,985 thousand dollars.

The Group applies the simplified approach to provide for its expected credit losses (including related parties and non-related parties), i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information.

The expected credit losses were determined as follows:

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	Dec. 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 104,662	0%	-
Overdue under 60 days	2,775	0%	-
	<u>\$ 107,437</u>		<u>-</u>
	Dec. 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	\$ 86,131	0%	-
Overdue under 60 days	1,611	0%	-
Overdue 61~90 days	947	0%	-
	<u>\$ 88,689</u>		<u>-</u>

For credit risk information, please refer to note (6) (R).

The notes and accounts receivable mentioned above were not pledged as collateral.

(E) Inventories

	Dec. 31, 2023	Dec. 31, 2022
Material	\$ -	973
Finished goods	69,116	189,381
Work in progress and semi-finished product	43,652	30,310
	<u>\$ 112,768</u>	<u>220,664</u>

Components of operating cost were as follows:

	2023	2022
Cost of goods sold	\$ 400,933	568,741
Losses(Reversal) on valuation of inventories	5,044	(1,480)
Unallocated fixed manufacturing expense	7,163	3,540
	<u>\$ 413,140</u>	<u>570,801</u>

The inventories mentioned above were not pledged as collateral.

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(F) Property, plant and equipment

The movements of cost and depreciation of the property, plant and equipment of the Group were as follows:

	Buildings and construction	Equipment and Mask	Research and development equipment	Office and other equipment	Total
Cost :					
Balance at January 1,2023	\$ 75,506	163,774	16,687	7,925	263,892
Additions	-	17,152	1,613	3,469	22,234
Disposals and derecognitions	-	(1,213)	(951)	(2,181)	(4,345)
Balance at December 31,2023	<u>\$ 75,506</u>	<u>179,713</u>	<u>17,349</u>	<u>9,213</u>	<u>281,781</u>
Balance at January 1,2022	\$ 73,865	157,720	14,793	7,173	253,551
Additions	1,641	17,621	2,491	824	22,577
Disposals and derecognitions	-	(11,567)	(597)	(72)	(12,236)
Balance at December 31,2022	<u>\$ 75,506</u>	<u>163,774</u>	<u>16,687</u>	<u>7,925</u>	<u>263,892</u>
Depreciation :					
Balance at January 1,2023	\$ 50,706	139,717	13,334	6,846	210,603
Depreciation	1,139	13,718	1,546	1,010	17,413
Disposals and derecognitions	-	(1,213)	(951)	(2,181)	(4,345)
Balance at December 31, 2023	<u>\$ 51,845</u>	<u>152,222</u>	<u>13,929</u>	<u>5,675</u>	<u>223,671</u>
Carrying amounts :					
	Buildings and construction	Equipment and Mask	Research and development equipment	Office and other equipment	Total
Balance at January 1,2022	\$ 49,706	138,078	12,628	6,395	206,807
Depreciation	1,000	13,206	1,303	523	16,032
Disposals and derecognitions	-	(11,567)	(597)	(72)	(12,236)
Balance at December 31, 2022	<u>\$ 50,706</u>	<u>139,717</u>	<u>13,334</u>	<u>6,846</u>	<u>210,603</u>
Balance at December 31, 2023	<u>\$ 23,661</u>	<u>27,491</u>	<u>3,420</u>	<u>3,538</u>	<u>58,110</u>
Balance at January 1, 2022	<u>\$ 24,159</u>	<u>19,642</u>	<u>2,165</u>	<u>778</u>	<u>46,744</u>
Balance at December 31, 2022	<u>\$ 24,800</u>	<u>24,057</u>	<u>3,353</u>	<u>1,079</u>	<u>53,289</u>

As of December 31, 2023 and 2022, the property, plant and equipment mentioned above were not pledged as collateral.

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Notes to the Consolidates Financial Statements

(G) Right-of-use assets

The movements of cost and depreciation of the right-of-use assets of the Group were as follows:

	Land	Office and other equipment	Total
Cost :			
Balance at January 1, 2023	\$ 11,266	4,038	15,304
Addition	-	1,217	1,217
Balance at December 31,2023	<u><u>\$ 11,266</u></u>	<u><u>5,255</u></u>	<u><u>16,521</u></u>
Balance at January 1, 2022	\$ 11,543	4,044	15,587
Reduction	(277)	(6)	(283)
Balance at December 31,2022	<u><u>\$ 1,266</u></u>	<u><u>4,038</u></u>	<u><u>15,304</u></u>
Depreciation :			
Balance at January 1, 2023	\$ 1,313	2,445	3,758
Depreciation	315	1,055	1,370
Balance at December 31,2023	<u><u>\$ 1,628</u></u>	<u><u>3,500</u></u>	<u><u>5,128</u></u>
Balance at January 1, 2022	\$ 988	1,383	2,371
Depreciation	325	1,062	1,387
Balance at December 31,2022	<u><u>\$ 1,313</u></u>	<u><u>2,445</u></u>	<u><u>3,758</u></u>
Carrying amounts :			
Balance at December 31, 2023	<u><u>\$ 9,638</u></u>	<u><u>1,755</u></u>	<u><u>11,393</u></u>
Balance at January 1, 2022	<u><u>\$ 10,555</u></u>	<u><u>2,661</u></u>	<u><u>13,216</u></u>
Balance at December 31, 2022	<u><u>\$ 9,953</u></u>	<u><u>1,593</u></u>	<u><u>11,546</u></u>

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(H) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Expertise</u>	<u>Customer relationship</u>	<u>Total</u>
Cost :					
Balance at January 1, 2023	\$ 48,034	17,346	31,150	33,297	129,827
Additions	-	18,627	-	-	18,627
Disposals	-	(8,649)	-	-	(8,649)
Effect of changes in exchange rates	(8)	-	(5)	(5)	(18)
Balance at December 31, 2023	<u>\$ 48,026</u>	<u>27,324</u>	<u>31,145</u>	<u>33,292</u>	<u>139,787</u>
Balance at January 1, 2022	\$ 43,287	8,816	28,073	30,006	110,182
Additions	-	8,530	-	-	8,530
Effect of changes in exchange rates	4,747	-	3,077	3,291	11,115
Balance at December 31, 2022	<u>\$ 48,034</u>	<u>17,346</u>	<u>31,150</u>	<u>33,297</u>	<u>129,827</u>
Amortization :					
Balance at January 1, 2023	\$ -	12,690	31,150	33,297	77,137
Amortization	-	15,254	-	-	15,254
Disposals	-	(8,649)	-	-	(8,649)
Effect of changes in exchange rates	-	-	(5)	(5)	(10)
Balance at December 31, 2023	<u>\$ -</u>	<u>19,295</u>	<u>31,145</u>	<u>33,292</u>	<u>83,732</u>
Balance at January 1, 2022	\$ -	4,642	28,073	30,006	62,721
Amortization	-	8,048	-	-	8,048
Effect of changes in exchange rates	-	-	3,077	3,291	6,368
Balance at December 31, 2022	<u>\$ -</u>	<u>12,690</u>	<u>31,150</u>	<u>33,297</u>	<u>77,137</u>
Carrying amounts :					
Balance at December 31, 2023	<u>\$ 48,026</u>	<u>8,029</u>	<u>-</u>	<u>-</u>	<u>56,055</u>
Balance at January 1, 2022	<u>\$ 43,287</u>	<u>4,174</u>	<u>-</u>	<u>-</u>	<u>47,461</u>
Balance at December 31, 2022	<u>\$ 48,034</u>	<u>4,656</u>	<u>-</u>	<u>-</u>	<u>52,690</u>

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Notes to the Consolidates Financial Statements

1. Amortization expenses

The amortization of intangible assets was included in the statements of comprehensive income as follows:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ 44	14
Operating expenses	<u>15,210</u>	<u>8,034</u>
	<u>\$ 15,254</u>	<u>8,048</u>

2. Collateral

As of December 31, 2023 and 2022, the intangible assets mentioned above were not pledged as collateral.

3. The Group acquired expertise 、customer relationship and goodwill of the subsidiary, as of December 31, 2023 and 2022, the carrying amounts is 48,026 and 48,034 thousand dollars respectively, for the purpose of impairment testing is allocated to the product line operating units of Zywyn. The impairment assessment test is based on the value in use of the unit as the basis for calculating the recoverable amount. These value-in-use estimates are based on discounted cash flows.

The discount rate is estimated based on the industry-weighted average cost of capital. The discount rates for 2023 and 2022 are 21.97% and 19.59% respectively; the cash flow estimation is based on the five-year financial budget approved by the management. The numerical systems of the aforementioned key assumptions represent management's assessment of future trends in the relevant industry, taking into account historical information from internal and external sources.

Based on the asset impairment test assessment in 2023 and 2022, no impairment loss was recognized because the recoverable amount of the cash-generating unit was higher than the carrying amount.

(I) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current	<u>\$ 1,191</u>	<u>1,107</u>
Non-current	<u>\$ 11,154</u>	<u>11,227</u>

For the maturity analysis, please refer to note (6) (Q) “Financial instruments”

ASIX Electronics Corporation and Subsidiaries

Notes to the Consolidates Financial Statements

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	<u>\$ 558</u>	<u>560</u>
Expense relating to short-term leases	<u>\$ 44</u>	<u>35</u>
Expense relating to lease of low value assets (excluding short term leases of low value assets)	<u>\$ 17</u>	<u>3</u>

The amounts recognized in the statement of cash flows were as follows:

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 1,825</u>	<u>1,805</u>

1. Lease of land

The Group leases land as office space. The lease period of the office space is usually 20 years. Some leases include the option to extend the same period as the original contract when the lease period expires.

The lease payment of the land contract depends on the local announcement of the land price, and is adjusted after adding the public facilities construction costs reinvested in each park. These costs are usually incurred once a year.

2. Other leases

The Group leases office with contract terms of 3 years.

In addition, the company leases other equipment, etc., these leases are low-value subject leases, and the company chooses to apply the exemption recognition regulations and does not recognize its related right-of-use assets and lease liabilities.

(J) Employee benefits

1. Defined benefit plans

The pension fund allocated by the Group in accordance with the Labor Standards Act is managed by the Labor Fund Utilization Bureau of the Ministry of Labor (hereinafter referred to as the Labor Fund Bureau). According to the “Regulations on the Custody and Utilization of Income and Expenditure of the Labor Retirement Fund”, the minimum income of the fund’s annual final settlement and distribution shall not be lower than the income calculated according to the local bank’s two-year fixed deposit interest rate.

In August 2017, the Group applied to the competent authority to settle the special account for labor retirement reserves of the Bank of Taiwan, and at the same time settled the service years of the employees who were originally subject to the defined payment retirement method. NT\$10,860 thousand dollars and the balance of 6,913 thousand dollars in the

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special retirement pension account was transferred from the Taiwan Bank to the bank account of the company. It was originally provided for managers who met the retirement requirements and applied the fixed-payment retirement method. In 2023 and 2022 On December 31, the Group has fully subscribed the above-mentioned managers' vested pensions of NT\$1,421 thousand dollars and NT\$1,421 thousand dollars respectively, and accounted for other current liabilities.

2. Defined contribution plans

The Group allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group recognized the pension costs under the defined contribution method amounting to NT\$3,945 thousand dollars and NT\$3,848 thousand dollars for the years 2023 and 2022, respectively. Payment was allocated to the Bureau of Labor Insurance.

(K) Income taxes

1. Income tax expense

The components of income tax expense for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 40,415	\$ 87,697
Adjustment for prior periods	<u>(209)</u>	<u>(410)</u>
	<u>40,206</u>	<u>87,287</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(1,240)</u>	<u>1,050</u>
Income tax expense	<u><u>\$ 38,966</u></u>	<u><u>\$ 88,337</u></u>

The amount of income tax (benefit) recognized in other comprehensive income for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u><u>\$ (33)</u></u>	<u><u>3,875</u></u>

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Reconciliation of income tax and profit before tax were as follows:

	2023	2022
Income excluding income tax	\$ 269,295	504,007
Income tax using the Company's domestic tax rate	53,859	100,801
Effect of tax rates in foreign jurisdictions	751	487
Effect of Permanent difference	-	11
Investment tax credits	(17,031)	(16,258)
Adjustment for prior period and other	(2,285)	285
Additional tax on undistributed earnings (5%)	3,672	3,011
	<u>\$ 38,966</u>	<u>88,337</u>

2. Deferred tax assets and liabilities

Deferred Tax Assets

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rates changes	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rates changes	December 31, 2023
Loss carryforwards	\$ 1,942	(975)	-	185	1,152	(1,169)	-	17	-
Allowance for inventory valuation	3,048	(371)	-	-	2,677	1,009	-	-	3,686
Accrued pension liabilities	853	(284)	-	-	569	(284)	-	-	285
Share of profit or loss for the subsidiaries recognized by equity method	9,888	(695)	-	-	9,193	(1,773)	-	-	7,420
Exchange difference on transaction of foreign financial statements	6,098	-	(3,875)	-	2,223	-	33	-	2,256
Others	1,061	1,275	-	7	2,343	3,457	-	(52)	5,748
	<u>\$ 22,890</u>	<u>(1,050)</u>	<u>(3,875)</u>	<u>192</u>	<u>18,157</u>	<u>1,240</u>	<u>33</u>	<u>(35)</u>	<u>19,395</u>

3. The Company's tax returns for the years through 2021 were assessed by the tax authority.

(L) Capital and other equity

1. Issuance of common stock

In order to introduce strategic investors, strengthen the shareholder structure and improve future competitiveness, the company issued ordinary shares by private placement on February 3, 2021 through the resolution of the extraordinary shareholders' meeting. The NT\$495,817 thousand dollars, 12,396 thousand shares were issued at a premium of NT\$40 per share, and the premium for this cash capital increase was NT\$371,862 thousand dollars, which was recorded as capital reserve – issue premium. This cash capital increase project takes February 17, 2021 as the capital increase base date, and the statutory registration process has been completed on February 26, 2021. The transfer of the privately placed common stock and its

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subsequent gratuitous allotment shall be handled in accordance with Article 43-8 of the Securities and Exchange Act, and shall be disclosed to the Financial Supervisory Commission three years after the delivery date of the privately. Only after the issuance can apply for listing. As of December 31, 2023 and 2022, the authorized common stock of the Company amounted to NT\$800,000 thousand, with a par value of NT\$10 per share, and the paid-in share capital was NT\$627,770 thousand and NT\$624,270 thousand.

Reconciliation of shares outstanding for 2023 and 2022 was as follows (in thousands of shares):

	Common stock	
	2023	2022
Opening balance on January 1	62,427	62,197
Add: Capital increase for employee remuneration	350	230
Closing balance on December 31	<u>62,777</u>	<u>62,427</u>

2. Capital surplus

The balances of capital surplus were as follows:

	Dec. 31, 2023	Dec. 31, 2022
Additional paid in capital	\$ 439,915	464,892
Others	198	198
	<u>\$ 440,113</u>	<u>465,090</u>

According to the R.O.C Company Act, capital surplus can firstly be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus arising from premium on issuance of capital stock and the fair value of donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, to increase ordinary shares by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

The company was convert employee remuneration into capital in 2023 and 2022 respectively, and the capital reserve will increase by NT\$37,800 thousand dollars and NT\$46,690 thousand dollars.

On June 7, 2023 and May 25, 2022, the company's regular meeting of shareholders resolved the 2022 and 2021 of the capital reserve distribution cash proposal, and the capital reserve distribution was NT\$62,777 thousand dollars and NT\$62,427 thousand dollars (NT\$1 per

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share). All the relevant information can be inquired through the Market Observation Post System website.

3. Retained earnings

(1) Legal reverse

If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve in excess of 25% of the paid-in capital.

(2) Special reverse

When the Company distributing the distributable earnings, the Company had additional special reserve appropriated from the current year net income and unappropriated earnings of the prior period for the difference between the net amount debited to other shareholder's equity and the balance of the special reserve appropriated in the preceding paragraph. For the amount debited to other shareholders' equity attributable to prior period accumulation, the special reserve was appropriated from the unappropriated earnings of the prior period and could not be distributed. The amount debited to the shareholders' equity reversed subsequently can be distributed as earnings.

(3) Earnings distribution

According to the company's articles of association, after closing of the fiscal year accounts, the Company shall allocate its surplus profits according the following:

- (1) Pay all tax and dues first, and then make up for previous losses;
- (2) 10% shall be reserved for surplus reserve, except for when accumulated legal reserve has reached the Company's paid-in capital, as specified by law;
- (3) The company may set aside additional surplus funds for the business operation and legal regulations.

After the above distribution, if there is still undistributed surplus at the beginning of the same period, the remainder shall be added to shareholder dividends. The Board of Directors may propose a surplus distribution proposal and submit that to the shareholders' meeting for resolution and distribution. The company's earnings are distributed in cash, and may be approved by a resolution of the Board of Directors in accordance with provisions of the Company Law, and reported to the shareholders' meeting, without requiring the approval of the shareholders' meeting.

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The Company's dividend policy is based on the provisions of the Company Law and the company's Articles of Incorporation, and is determined by factors such as the company's capital and financial structure, operating conditions, earnings, and the characteristics and business cycles of the industry to which it belongs. In accordance with the principle of prudent distribution and sustainable development and growth, the company shall distribute stock, stock dividends or cash, and cash dividends. The company conducts business in a period of growth and expansion. The distribution of distributable earnings will depend on future capital expenditure and working capital planning. The amount of distribution will be no less than 30% of the current year's after-tax earnings, and cash dividends of no less than 10%.

The appropriation of 2022 and 2021 earnings that were approved by the shareholders' meeting on June 7, 2023 and May 25, 2022, respectively.

The content is as follows:

	<u>2022</u>	<u>2021</u>
Dividends distributed to ordinary shareholders:		
Cash(4.5 and 4 dollars per share respectively)	<u>\$ 282,496</u>	<u>249,708</u>

There was no difference between the above-mentioned 2022 and 2021 earnings distribution and the content proposed by the board of directors of the Company and the accounting expenses. The above-mentioned information was available on the Market Observation Post System website.

The related information of the earnings distribution for the year 2023, can be accessed through the Market Observation Post System website after the shareholder's meeting.

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4. Other equity

The movements of other equity were follows:

	Exchange differences on translation of foreign financial statements	Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2023	\$ (7,730)	(13,624)
Exchange difference on translation of foreign financial statements	(134)	-
Balance at December 31, 2023	<u><u>\$ (7,864)</u></u>	<u><u>(13,624)</u></u>
Balance at January 1, 2022	\$ (23,229)	(9,929)
Exchange difference on translation of foreign financial statements	15,499	-
Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income	-	(3,695)
Balance at December 31, 2022	<u><u>\$ (7,730)</u></u>	<u><u>(13,624)</u></u>

(M) Earnings per share

1. Basic earnings per share

	2023	2022
Net income attributable to the shareholders of the Company	<u><u>\$ 230,329</u></u>	<u><u>415,670</u></u>
Weighted-average common stock outstanding (in thousands of shares):		
Balance on 1 January	62,427	62,197
Employees' compensation	<u>300</u>	<u>192</u>
Balance on December 31	<u><u>62,727</u></u>	<u><u>62,389</u></u>
Basic earnings per share (dollars)	<u><u>\$ 3.67</u></u>	<u><u>6.66</u></u>

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2. Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to the shareholders of the Company	<u>\$ 230,329</u>	<u>415,670</u>
Weighted-average common stock outstanding (in thousands of shares):		
Weighted-average common stock outstanding	62,727	62,389
Effect of the employees' compensation transferred to common shares	<u>567</u>	<u>1,157</u>
	<u>63,291</u>	<u>63,546</u>
Diluted earnings per share (dollars)	<u>\$ 3.64</u>	<u>6.54</u>

(N) Revenue from contracts with customers

Disaggregation of revenues as follows:

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Asia	\$ 531,860	792,195
Taiwan	248,014	454,952
Europe	70,439	47,854
Other areas	<u>37,305</u>	<u>40,475</u>
	<u>\$ 887,618</u>	<u>1,335,476</u>
	<u>2023</u>	<u>2022</u>
Major product categories :		
Chips	\$ 886,598	1,332,195
Royalties and NRE	<u>1,020</u>	<u>3,281</u>
	<u>\$ 887,618</u>	<u>1,335,476</u>

(O) Remuneration to employees and directors

In accordance with the articles of Incorporation the Company should contribute between 10% and 25% of the profit as employee compensation and no higher than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The employee remunerations may include the employees of the Company's affiliated companies who meet certain conditions. For the years 2023 and 2022, the Company accrued and recognized its employee remuneration amounting to \$57,553 thousand and \$106,823 thousand and directors' remuneration amounting to \$10,080 thousand and \$18,810 thousand, respectively. These amounts were

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calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's Articles of Incorporation, and expensed under operating costs or expenses. If there would be any changes in accounting estimates the changes shall be accounted for as profit or loss in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through issuance of shares, the calculation of distributable share shall be calculated using the stock price on the day before a resolution was made by the Board of Directors. For 2023 and 2022, the remuneration for employees and directors as stated in the financial statements were not significantly different from those approved in the Board of Directors meetings, and the relevant information can be inquired at the Public Information Observatory. As of December 31, 2023, the above-mentioned employee compensation of the Company was issued in shares, and the statutory registration procedures had been completed.

(P) Non-Operating income and expenses

1. Interest income

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits and financial assets measured at amortized cost	\$ 23,561	9,890
Others	<u>6</u>	<u>3</u>
	<u>\$ 23,567</u>	<u>9,893</u>

2. Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign exchange losses, net	\$ (3,381)	17,045
Others	<u>1,117</u>	<u>1,156</u>
	<u>\$ (2,264)</u>	<u>18,201</u>

(Q) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(2) Concentration of credit risk

As of December 31, 2023 and 2022, 39% and 42%, respectively, of the balance of cash and time deposits (financial assets measured by amortized cost) of the Company deposited in a domestic financial institution, which makes the cash of the company have

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a concentration of credit risk, but the credit status of the financial institution is excellent. The Company controls credit risk exposure to each financial institution and does not believe that the Company's cash is subject to significant concentrations of credit risk.

As of December 31, 2023 and 2022, the balance of accounts receivable and notes receivable (including related parties) of the Company were 62% and 68%, which were from the top five customers in the current year. In order to reduce credit risk, The Company continuously and regularly evaluates the financial condition of these customers and the recovery possibility of the accounts and bills receivables. These major customers are all reputable companies and the Company does not expect to suffer significant credit risk losses due to these major customers.

(3) Credit risk of receivables

For credit risk exposure of notes and accounts receivable, please refer the note (6) (D)

2. Liquidity risk

There was no liquidity risk due to inability to raise funds to fulfill contractual obligations, due to the company's capital and working capital are sufficient to fulfill all contractual obligations.

The following table shows the contractual maturities for financial liabilities were as follow:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2023					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 18,565	(18,565)	(18,565)	-	-
Accrued payroll and bonus	23,921	(23,921)	(23,921)	-	-
Accrued remuneration of employee and directors	70,355	(70,355)	(70,355)	-	-
Lease liabilities	12,345	(22,477)	(1,742)	(3,443)	(17,292)
	<u>\$ 125,186</u>	<u>(135,318)</u>	<u>(114,583)</u>	<u>(3,443)</u>	<u>(17,292)</u>
December 31, 2022					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 37,231	(37,231)	(37,231)	-	-
Accrued payroll and bonus	23,725	(23,725)	(23,725)	-	-
Accrued remuneration of employee and directors	127,133	(127,133)	(127,133)	-	-
Lease liabilities	12,334	(22,999)	(1,660)	(3,371)	(17,968)
	<u>\$ 200,423</u>	<u>(211,088)</u>	<u>(189,749)</u>	<u>(3,371)</u>	<u>(17,968)</u>

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The Group Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

3. Market risk

(1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023				December 31, 2022		
	Foreign currency	Exchange rate	TWD		Foreign currency	Exchange rate	TWD
<u>Financial assets</u>							
<u>Monetary Items</u>							
USD	\$	6,784	30.655	207,964	12,858	30.660	394,226
<u>Financial liabilities</u>							
<u>Monetary Items</u>							
USD		908	30.655	27,835	910	30.660	27,901

A. Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, and accounts payable(including related parties), that are denominated in foreign currencies. A weakening (strengthening) of 5% of the NTD against the USD as of December 31, 2023 and 2022, would have increased or decreased the net income before income tax by NT\$9,006 thousand and NT\$18,316 thousand, respectively.

B. Foreign exchange gains and losses on monetary items

The information of foreign exchange gains (losses) (including these realized and unrealized portions) by the Company's monetary items, were as follows:

	2023		2022	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ (3,381)	31.127	17,045	29.799

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(2) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rates. The rate of change used by the Company when reporting interest rates internally to key management is an increase or decrease of 0.25% in interest rates, which also represents management's assessment of the reasonably possible range of variation in interest rates.

If the interest rate had increased or decreased by 0.25%, the Group's net income before income tax would have increased or decreased by \$553 thousand and \$587 thousand, for the years ended December 31, 2023 and 2022, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's cash and cash equivalent with variable rates.

4. Fair value of financial instruments

(1) Fair value hierarchy

The Group's financial assets at fair value through other comprehensive income were measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information was not required:

		December 31, 2023			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
					Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,476,486	-	-	-	-
Financial assets measured at amortized cost	85,500	-	-	-	-
Notes and accounts receivable	107,437	-	-	-	-
Refundable deposits(other non-current assets)	2,541	-	-	-	-
	\$ 1,671,964	-	-	-	-
Financial assets at fair value through other comprehensive income					
	\$ 3,905	-	-	3,905	3,905
Financial liabilities measured at amortized cost					
Account payable (including related parties)	\$ 18,565	-	-	-	-
Accrued payroll and bonus	23,921	-	-	-	-

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Accrued remuneration of employee and directors	70,355	-	-	-	-
Lease liabilities	12,345	-	-	-	-
	\$ 125,186	-	-	-	-

December 31, 2022					
	Carrying amount	Fair value			
		Level 1	amount	Level 1	amount
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,565,740	-	-	-	-
Financial assets measured at amortized cost	85,500	-	-	-	-
Notes and accounts receivable	88,689	-	-	-	-
Refundable deposits(other non-current assets)	2,541	-	-	-	-
	\$ 1,742,470	-	-	-	-
Financial assets at fair value through other comprehensive income	\$ 2,825	-	-	2,825	2,825
Financial liabilities measured at amortized cost					
Account payable (including related parties)	\$ 37,231	-	-	-	-
Accrued payroll and bonus	23,725	-	-	-	-
Accrued remuneration of employee and directors	127,133	-	-	-	-
Lease liabilities	12,334	-	-	-	-
	\$ 200,423	-	-	-	-

(2) Valuation techniques for financial instruments not measured at fair value

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(3) Valuation techniques for financial instruments measured at fair value

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The financial instruments held by the Group without an active market, which are mainly equity instruments whose fair value is not publicly quoted. The fair value is estimated using the market method, and is assessed based on the peers value of price-to-book ratio.

(4) There was no fair value class transfers in 2023 and 2022.

(5) Reconciliation of Lever 3 fair value

	Fair value through other comprehensive income
January 1, 2023	\$ 2,825
Addition	1,080
December 31, 2023	<u>\$ 3,905</u>
January 1, 2022	\$ 6,520
Recognized in other comprehensive income	(3,695)
December 31, 2022	<u>\$ 2,825</u>

(6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group' s financial instruments that use Level 3 inputs to measure fair value include “ financial assets measured at fair value through other comprehensive income - equity investments”.

The Group 's investments in inactive market equity instruments classified as Level 3 have multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent of each other, as a result, there is no relevance between them.

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Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investment without and active market	Market approach	<ul style="list-style-type: none"> • The multiplier of price-to-book ratio (as of December 31, 2023 and 2022, the number were 1.46~17.43 and 2.88~45.45) • Liquidity discount(as of December 31, 2023 and 2022, the number were 28% and 28%) 	<ul style="list-style-type: none"> • The higher the price-to-book value ratio, the higher the fair value. • The higher the liquidity discount, the lower the fair value.

(R) Financial risk management

1. Overview

The Company has exposures to the following risks from its financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

2. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring company's risk management policies. Internal auditors assist the Board of Directors to monitor and review the risk management control and internal procedures regularly and report them to the Board of Directors.

The Group's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit

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committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results of which are reported to the audit committee.

3. Credit risk

Potential credit risk of the Group is derived primarily from cash, Financial liabilities measured at amortized cost, accounts receivable, and other financial assets - current, please refer to the notes (6)(Q).

4. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Currency risk

The Group is exposed to currency risk on sales, and purchases that are denominated in a currency other than the functional currencies of the Group. The company's functional currency is NTD, and the main denomination currencies for these transactions are NTD and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(2) Interest rate risk

Please refer to the notes (6) (Q).

(S) Capital management

The Board of Directors policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

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The company's cash and cash equivalents were sufficient to repay the total liabilities on the account, and the debt-to-equity ratios at the end of the reporting periods were as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Total liabilities	<u>\$ 196,475</u>	<u>295,655</u>
Total equity	<u>\$ 1,741,611</u>	<u>1,815,389</u>
Debt-to-equity ratio	<u>11.28%</u>	<u>16.29%</u>

Due to the decrease of debt-to equity ratio, the operation for the company was good, there were more working capital for the payment, as well as the decrease in accounts payable and liabilities at the end of December 31, 2023.

(T) Cash flows from financing activities

Reconciliations of liabilities arising from financing activities were as follows:

	<u>Lease liabilities</u>
January 1, 2023	\$ 12,334
Cash flows	
Lease principal repayment	(1,206)
Interest(note)	(558)
Non-cash changes	
Lease liabilities	1,217
Interest(note)	<u>558</u>
December 31, 2023	<u>\$ 12,345</u>
January 1, 2022	\$ 13,824
Cash flows	
Lease principal repayment	(1,207)
Interest(note)	(560)
Non-cash changes	
Interest(note)	<u>560</u>
December 31, 2022	<u>\$ 12,334</u>

Note: Listed under operating activities.

7- Related-parties transactions

(a) Name and relationship with related parties

The followings were related parties that have had transactions with the Company during the

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Notes to the Consolidates Financial Statements

periods covered in the financial statements:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Airoha Technology (HK) Limited Taiwan Branch (Airoha HK)	Other related party
Airoha Technology Corp. (Airoha)	Other related party
Airoha Technology Corp. Zhubei Branch (Airoha Zhubei)	Other related party

(b) Significant related party transactions

1. NRE or License charge

	<u>NRE or License</u>		<u>Accounts receivable</u>	
	<u>2023</u>	<u>2022</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Airoha HK	\$ -	1,800	-	-

The Group's sales to related parties was not significantly different from the general price. The collection period was one month, which was not significantly different from that of ordinary customers.

2. Purchase

The amounts of purchases and payable by the Company from related parties were as follows:

	<u>Purchase amount</u>		<u>Accounts payable</u>	
	<u>2022</u>	<u>2021</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Airoha HK	\$ -	290,664	-	13,521
Airoha Zhubei	\$ 108,110	-	7,830	-
	\$ 108,110	290,664	7,830	13,521

The prices of purchases was determined by market rates.

3. Others purchase

The amounts of others purchases and payable by the Group from related parties were as follows:

	<u>Purchase amount</u>	<u>Accounts payable</u>		
	<u>2023</u>	<u>2022</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Other related party	\$ -	12,000	-	3,150

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(c) Key management personnel compensation

The remuneration to key management included:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 42,679	77,214
Post-employment benefits	<u>317</u>	<u>317</u>
	<u>\$ 42,996</u>	<u>77,531</u>

8 、 Pledged assets

The carrying values of pledged assets were as follows:

<u>Asset name</u>	<u>Purpose of pledge</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Time deposits/ refundable deposits (recognized in other assets- noncurrent)	Guarantee payment for the import VAT	\$ 1,000	1,000
Time deposits/ refundable deposits (recognized in other assets- noncurrent)	Guarantee for land lease contract	<u>1,000</u>	<u>1,000</u>
		<u>\$ 2,000</u>	<u>2,000</u>

9 、 Commitments and contingencies

(A) Significant unrecognized contractual commitments:

The company entrusts other companies to carry out cooperative development projects. According to the agreement, the development fee should be paid in installments, and after the completion of development and mass production.

(B) Contingent liabilities: None

10 、 Losses due to major disasters: None

11 、 Subsequent events: None

12 、 Other

A summary of the employee benefits, depreciation, and amortization expenses, by function were as follows:

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By Function By Item	2023			2022		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	3,927	148,714	152,641	3,786	204,938	208,724
Labor and health insurance	388	8,700	9,088	372	8,016	8,388
Pension	215	3,730	3,945	207	3,641	3,848
Others	238	3,136	3,374	284	3,713	3,997
Depreciation	12,114	6,669	18,783	11,973	5,446	17,419
Amortization	44	15,210	15,254	14	8,034	8,048

13 、 Other disclosures

(a)Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

1. Loans to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and Name of security	Relationship With company	Account title	Ending balance				Highest percentage of shares during period	Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value		
The Company	C-Life Technologies, INC.	None	Non-current financial assets at fair value through other comprehensive income	490	1,225	0.51 %	1,225	0.51 %	Note
The Company	Nextw Technology Co., LTD.	None	Non-current financial assets at fair value through other comprehensive income	214	2,680	18.14 %	2,680	18.14 %	Note
The Company	E-Cmos Corporation	None	Non-current financial assets at fair value through other comprehensive income	160	-	0.39 %	-	0.39 %	Note
The Company	Moai Green Power Corporation	None	Non-current financial assets at fair value through other comprehensive income	35	-	0.09 %	-	0.09 %	Note
					3,905		3,905		

Note: The Fair value assessment please refer to note (6) (Q).

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4. Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
7. Related-parties transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: In thousand dollars of TWD

Name of company	Name of related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/ Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchase s/ Sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of Total notes/accounts receivable(payable)	
The Company	Airoha Technology Corp Zhubei Branch	Other related party	Purchases	108,110	38 %	Month close 30 days	Note1	Note1	7,830	(42)%	

Note1: The prices of purchases with related-parties was determined by market rates. The payment with related-parties was monthly close 30 days, and others was monthly close 30 to 60 days.

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
9. Trading in derivative instruments: None.
10. Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Zywyn	Parent company to its subsidiaries	Authorization fee	1,645	Note2-3	-%
0	The Company	Zywyn	Parent company to its subsidiaries	Other payables-related parties	315	Note2-3	-%

Note2 : The parent company is coded "0" .

Note3 : Net 45 days from the end of the month upon issuance of invoice.

(b) Information on investees

The following was the information on investees for the year ended December 31, 2022:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest percentage of shares during period	Net Income of the investee	Investment income (Note)	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	% of the investee	Carry amount				
The Company	Zywyn	USA	R&D center	255,143	255,143	15,663	100.00%	207,302	100%	10,131	8,866	Subsidiary

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Note: Relevant transactions and closing balances have been eliminated in the consolidated statements; the recognized investment interest of NT\$10,131 thousand dollars and the amortization of the use of related deferred income tax assets, know-how and customer relationship amounted to NT\$1,265 thousand dollars.

(c) Information on investment in mainland China: None

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Airoha Technology Corp.	12,396,396	19.74%
Shui-Cheng Tu	3,236,000	5.15%

14 、Segment information

(A) General information

It engages in the research, development, production, and sales of chips, which as an operating segment. The information of the operating segment are the same as those described in the consolidated financial statements. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

(B) Overall enterprise information

1. Product and service information

Please refer to the notes (6) (N).

2. Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers.

	2023	2022
China	\$ 324,222	446,390
Taiwan	248,014	454,952
Others	315,382	434,134
	<u>\$ 887,618</u>	<u>1,335,476</u>

3. Major customers

The amounts of sales to customers representing greater than 10% of net revenue were as follows:

	2023	2022
Customer A	\$ 179,516	210,920
Customer B	109,856	188,785
	<u>\$ 289,372</u>	<u>399,705</u>