

# ASIX ELECTRONICS CORPORATION

## 2022 Annual Report

### Notice to readers

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

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KPMG

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**Overseas Securities Exchange** : There is no any overseas securities be issued.

**Corporate Website**

<https://www.asix.com.tw>

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## **Attachment**

A Consolidated Financial Statements

B Parent-Company-Only Financial Statements

## I. Letter to Shareholders

### 1. 2022 Operation Results

In 2022, the total consolidated revenue was NT\$1,335,476 thousand dollars, an increase of 1.3% compared with NT\$1,318,327 thousand dollars in 2021. Net income increased 8.21% to NT\$415,670 thousand dollars, compared with NT\$384,122 thousand dollars in 2021. The earnings per share were up by 5% to NT\$6.66, compared with NT\$6.34 a year earlier.

Due to the effect of new products and continuously enhanced product competitiveness and customer portfolio, and the proper control of overall operating expenses, our performance in the year 2022 increased in terms of revenue and product gross profit margin, and profitability reached the expected goal.

ASIX's business development is targeted potential customers in the United States, Japan, mainland China, and Taiwan. ASIX's main competitive advantages are leading technology and price, coupled with timely and effective technical support to win customers' design-in and trust. In terms of the customer portfolio, ASIX targets high-quality customers with growth potential and continuously expands the customer base to diversify risks. In terms of product strategy, the company continues to enhance products' competitive advantages by using new process technologies and actively developing new chips and modules related to the Industrial Internet of Things (IIoT) and Industry 4.0 related products.

ASIX also develops outwards with its own key core technologies, such as developing Multi-Gigabit Ethernet chips with various high-speed transmission interfaces; a new generation of networking chips related to the field of industrial control and high-performance (32-bits) EtherCAT SoC; I/O Related chips control high-speed transmission interfaces, I/O smart sensor communication software suitable for industrial applications, TSN-related chips and module solutions to provide IT and OT fusion application solutions that fit the new generation of industrial Internet of Things IIoT, Industry 4.0-related application chips and modules in the the field of Industry 4.0 smart manufacturing.

### Profitability analysis

Items		2022
Analysis of Financial Structure	Liabilities to Assets ratio ( % )	14.01
	Ratio of long-term funds to real estate, plant and equipment ( % )	3,427.75
Solvency Analysis	Current ratio ( % )	690.54
	Quick ratio ( % )	611.86
Profitability Analysis	Return on assets ( % )	20.21
	Return on equity ( % )	23.98
	Profit margin ( % )	31.13
	EPS ( dollars )	6.66

## 2022 Budget implementation

Currency: NT\$1000

Item	Actual Amount	Budget Amount	Achievement rate
Sales revenue	1,335,476	1,503,837	88.80%
Cost of goods sold	570,801	696,526	81.95%
Operating profit	764,675	807,311	94.72%
Operating expenses	288,202	311,145	92.63%
Pre-tax net profit	504,007	500,075	100.79%

The pre-tax net profit achievement rate was 100.79% at 2022. The company achieved the expected operating goals as scheduled.

## 2. Business Plan for 2023

ASIX is committed to achieving annual budget growth and profit goals. The company actively manages the schedule of product delivery and mass production quality to win the major customers for time-to-market strategy. To grasp the market demand and specifications in advance, ASIX strengthens the cooperative relationship with industrial IoT customers. To shorten product development time and improve product integration and competitiveness, we participate in the joint development of products by third parties or IP providers through leverages strategic partnership and technical cooperation. We strive to discover the right team, new technology and new product portfolio to strengthen core competencies, and enhance corporation growth momentum.

According to the relevant forecasting procedures of the “Sales-and-Collection-Cycle” of the ASIX internal control management method, taking into consideration the economic situation and natural business cycles, we determine the expected sales volume and number amount in the future year. The production and sales policy are mainly based on the long-term cooperative relationship with upstream and downstream supply chains. On the one hand, we maintain the strategic relationship with fabs/design service companies/package houses and test factories to get trustable product delivery, excellent quality, and competitiveness of product prices. On the other hand, we establish long-term cooperative relationships with major customers to ensure the long-term stability of overall business operations.

ASIX’s various products and chips are mainly applied in embedded systems and the industrial Internet of Things, and therefore the design specifications of these products generally require relevant application feedback and customer suggestions. These products have long design cycles and qualification processes by customers. Therefore, the most important part is interaction and complementarity with downstream customers, providing the proper technical and sales support.

## 3. Development Strategy

ASIX focuses on the market of networking chips, software and firmware solutions for

embedded systems and industrial Internet of Things, and I/O interface bridge chips in the field of industrial control. The formation of this development strategy is mainly based on three foundations as following:

- ASIX has a large active embedded system customer base.
- The growth trend of various applications of embedded system networking, industrial Internet of things, and intelligent automation in the future.
- Core competence and professional know-how in software and hardware technologies of embedded systems and industrial Internet of Things.

ASIX also focuses on enhancing vertical technical resources integration. Since the future development of the global industrial embedded industry mainly focuses on the industrial control applications of the Industrial Internet of Things and Industry 4.0, it is necessary to be closer to the actual industrial use scenarios. The future development and growth direction should be implemented and cooperated with upstream and downstream to enhance vertical integration. The integration of technical resources mainly focuses on the development of related chips and software in these fields and the provision of software and hardware integration solutions for related systems.

#### **4. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

With the rise of new technologies such as the Internet of Things and Metaverse, as well as the continued growth of handheld devices such as smartphones and tablets, the human relationship with information has changed. Due to the serious imbalance between supply and demand in the semiconductor industry, business activities such as production, inventory, sales, and customer relations face large fluctuations and adjustments. The uncertainty of the industry market competition is a big challenge. On the other hand, there are many giant competitors in the same field, the SoC integration density is getting higher, the semiconductor manufacturing process is getting sophisticated, and the cost of advanced technology masks is getting expensive. Working with strategic partners, creating maximum value with limited resources, reducing chip development costs, and managing product delivery time to market are all important things for corporate management.

ASIX wishes to thank all shareholders for your continued support.

Chairman : Wang, Chun-Chi      President : Zhan, Yong-Da      CFO : Tsai, Min-Ling

## II. Company Profile

**2.1 Date of Incorporation:** May 12, 1995

### 2.2 Company History

Year	Milestones
1995/05	Company established with paid-in capital NTD \$135 million.
1997/08	Launched PCI Fast Ethernet Controller.
1998/12	Launched PCMCIA Fast Ethernet Controller.
2000/08	Launched 3-in-1 PCMCIA/Local Bus Fast Ethernet Controller.
2000/10	ASIX new factory was completed and moved in.
2001/06	Launched USB 1.1 Fast Ethernet Controller.
2001/07	Obtained ISO-9000:2000 quality management system certification.
2002/02	Launched USB 2.0 Fast Ethernet MAC Controller.
2002/04	Initial public offering (IPO).
2002/07	Obtained ISO-14000 environmental management system certification.
2004/04	ASIX stock listed on Taiwan Emerging Stock Market.
2004/07	Launched 3-in-1 ISA/Local Bus Embedded Fast Ethernet Controller.
2004/10	Launched USB 2.0 Gigabit Ethernet Controller.
2005/12	Launched Non-PCI 16/32-bit Gigabit Ethernet Controller.
2006/03	Launched Industrial-grade Non-PCI 8/16-bit Fast Ethernet Controller.
2006/08	Launched 3-in-1 Embedded Fast Ethernet SoC.
2008/02	Launched Two-Port Embedded Fast Ethernet controller.
2009/11	ASIX stock listed on Taiwan OTC Stock Exchange (TAIEX code 3169).
2009/12	Won Deloitte Technology Fast 500 Asia Pacific 2009 Award.
2010/07	Won Common Wealth Magazine: TOP 50 Fastest-Growing Enterprise Award.
2010/11	Won Forbes Asia's 200 Best Under A Billion 2010 Award. Won 2010 Standard Chartered SME Elite Award.
2010/12	Launched Embedded Wi-Fi SoC for IoT applications.
2011/04	Won 2011 Taiwan Ranked Among Top 500 D&B Elite SME Award.
2011/08	Acquired MosChip's I/O Connectivity product line.
2011/10	Won the 21st National Award of Outstanding SMEs.
2012/01	Launched the world's 1st Single-chip USB 3.0 Gigabit Ethernet Controller.
2014/05	Launched USB 2.0 Fast Ethernet Controller with Microsoft AOAC support
2015/01	Acquired ZYWYN Corporation.
2015/03	Launched 2-Port/4-Port USB KVM Switch SoCs.
2016/03	Launched new generation I/O connectivity controllers.
2018/03	Launched AX58100 2/3-Port EtherCAT Slave Controller.
2018/09	Obtained ISO-9001:2015 quality management system certification. Obtained ISO-14001:2015 environmental management system certification.
2019/12	Launched AX58200 2/3-Port EtherCAT Slave Controller SoC.
2020/08	Launched Quad Port TSN Gigabit Ethernet PCIe NIC Card.

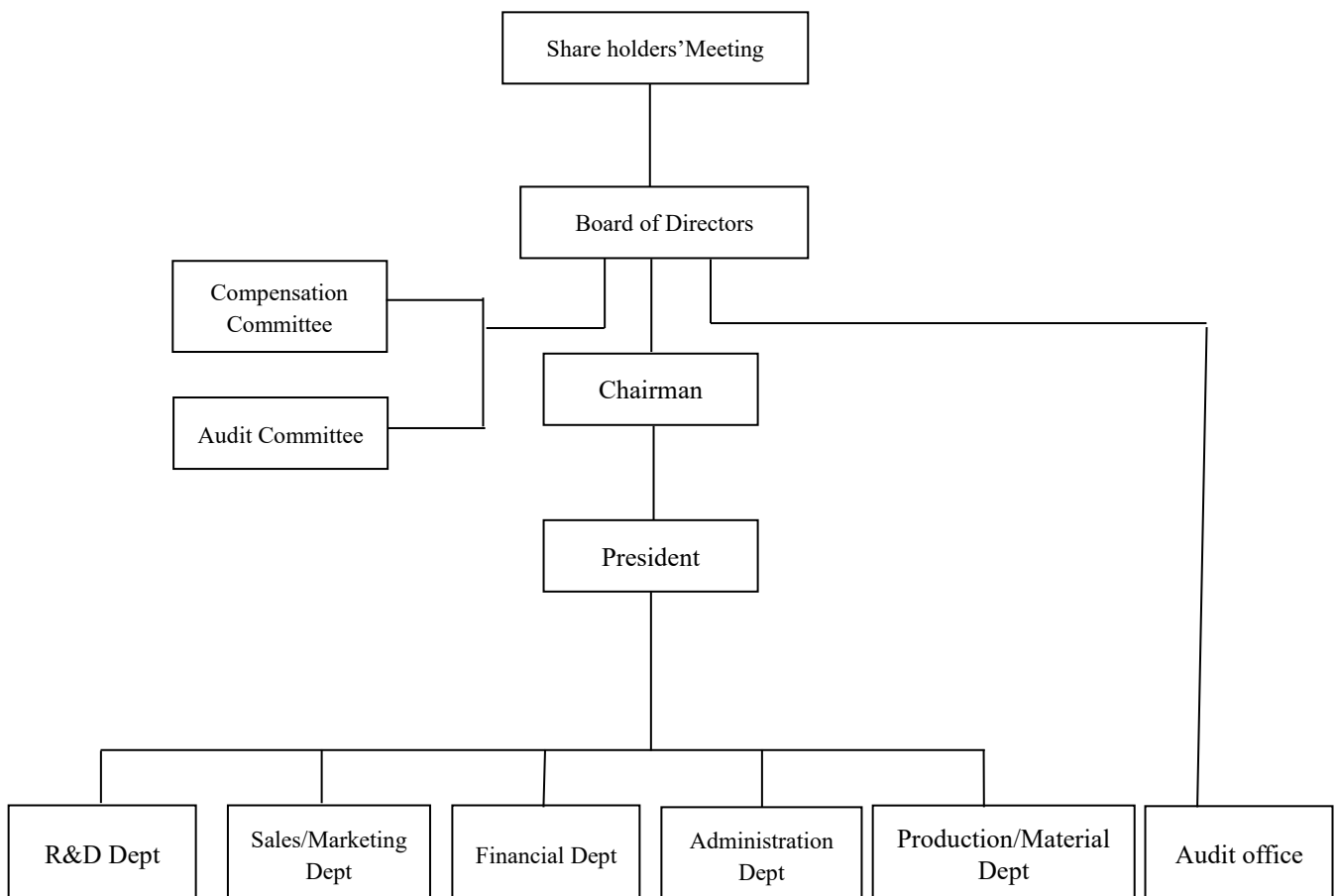


2020/10	Launched AX88179A USB 3.2 Gen 1 Gigabit Ethernet Controller.
2020/11	Won the 23rd Annual Rising Star Awards.
2021/02	Launched AX3243E/AX3243F 3V RS-232 Transceivers.
2021/06	Launched AxRobot EtherCAT 7-Axis Force-Assisted Control Robot.
2021/11	Launched AX58400 EtherCAT Slave Controller with Dual-Core MCU.
2022/01	Launched New EtherCAT to IO-Link Gateway Solution with ASIX's Own IO-Link Master Protocol Stack.

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

Department	Functions
President's Office	Strategic planning, business planning authorization and supervision, and execution of resolutions of the board of directors.
Audit Office	Drafting and implementing the annual audit plan, formulating and revising various internal control systems and operating procedures, coordinating the implementation of internal control self-assessment and inspection operations by various departments of the company, and confirming the effectiveness of the company's internal control system.
Sales / Marketing Dept	Planning of new products, expanding domestic and foreign business marketing matters, providing quotations, signing orders, shipping, reviewing accounts receivable collection, handling returns and customer complaints and other customer service operations.
Research & Development Dept	Chip (IC) design, circuit design and verification, development of software supporting chip products, assisting the Sales Office to solve product application problems, planning and implementation of the company's overall computerization, computer system development, modification and maintenance, equipment management, maintenance and planning, etc.
Financial Dept	Accounting and tax processing, cost of goods sold and profit and loss calculation, budget management, financial planning, capital utilization and bank transactions, etc.
Administration Dept	General affairs, plant facilities, safety management, administration and human resources management, etc.
Production/Material Dept	Purchasing of raw materials, formulation of production plan, warehouse management, implementation of ISO 9001 quality management system, effective operation of ISO 14001 environmental management system, promotion of company standardization business, convening and tracking of internal and external customer complaint quality review meetings, and various Product quality inspection work.

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

April 9, 2023

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Wang, Chun-Chi	Male 61-70	May 25, 2022	3	Jun 13, 2001	1,002,170	1.61	1,041,170	1.67	2,800	0.0	0	0.0	-EMBA of National Taiwan University -Vic President, D- Link Technology Corp. -President, ASIX Electronics Corporation.	-Chief Strategy	None	None	None	
Director	R.O.C.	Zhan, Yong-Da	Male 51-60	May 25, 2022	3	May 18, 2010	564,933	0.91	552,933	0.89	35,181	0.06	0	0.0	-PMBA of National Taiwan University -Engineer, D-Link Technology Corp. -Vic President, ASIX Electronics Corporation.	-President, ASIX Electronics Corporation.	None	None	None	
Director	R.O.C.	Yao, De-Zhang	Male 61-70	May 25, 2022	3	May 29, 2019	89,100	0.14	89,100	0.14	0	0.0	0	0.0	Note 2	Note 2	None	None	None	
Director	R.O.C.	Mao Sheng Investment Inc.	-	May 25, 2022	3	May 18, 2010	4,500	0.01	4,500	0.01	0	0.0	0	0.0	-	-	None	None	None	
	R.O.C.	Li, Mao-Sheng	Male 61-70	May 25, 2022	3	May 18, 2010	407,851	0.66	355,851	0.57	233,100	0.37	0	0.0	-Bachelor of Tatung University -Factory manager, Picvue Electronics Ltd. -Chairman, Mao	-Chairman, Mao Sheng Investment Inc. -Supervisor, Win-E	None	None	None	

															Sheng Investment Inc.	Technology Co., Ltd. -Chairman, Zywyn Corporation -Director, C- Life Technologies INC.				
Director	R.O.C.	Airoha Technology Corp.	-	May 25, 2022	3	JLY 22, 2021	12,396,396	19.93	12,396,396	19.86	-	0.0	0	0.0	-	-	None	None	None	
	R.O.C.	Chen, Heng- Jen	Female 51-60	May 25, 2022	3	JLY 22, 2021	0	0.0	0	0.0	0	0.0	0	0.0	Note 3	Note 3	None	None	None	
Director	R.O.C.	Airoha Technology Corp.	-	May 25, 2022	3	JLY 22, 2021	12,396,396	19.93	12,396,396	19.86	-	0.0	0	0.0	-	-	None	None	None	
	R.O.C.	Wang, Bo-Min	Male 51-60	May 25, 2022	3	JLY 22, 2021	0	0.0	0	0.0	0	0.0	0	0.0	Note 4	Note 4	None	None	None	
Independent Director	R.O.C.	Lin, Hsiu-Li	Male 61-70	May 25, 2022	3	May 29, 2019	0	0.0	0	0.0	0	0.0	0	0.0	Note 5	Note 5	None	None	None	
Independent Director	R.O.C.	Wei, Jian- Ming	Male 71-80	May 25, 2022	3	May 29, 2019	0	0.0	0	0.0	0	0.0	0	0.0	Note 6	Note 6	None	None	None	
Independent Director	R.O.C.	Hsu, His-Yuan	Male 61-70	May 25, 2022	3	May 25, 2022	0	0.0	0	0.0	0	0.0	0	0.0	Note 7	Note 7	None	None	None	
Independent Director	R.O.C.	Chen, Long-Pan	Male 71-80	May 25, 2022	3	May 29, 2019	0	0.0	0	0.0	0	0.0	0	0.0	Note 8	Note 8	None	None	None	

Note 1: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Note 2: **Experience (Education)** : Master of Electrical Engineering, University of Southern California, Master of Science in Finance, National Taiwan University, Vice President, Xubag Management Consulting Co., Ltd., President, Taya Venture Capital Co., Ltd.

**Current (other) Position:** Chairman of Yong Chuan Investment INC, Chairman of Yong Fu Investment INC, Chairman of Hua Chen Investment INC, Chairman of Jyun Fong Investment INC, Chairman of Feng Huang Management INC, Chairman of Feng Huang Er Innovation INC, Chairman of Feng Huang San Innovation INC, Independent Director of YOUNGTEK ELECTRONICS CORP., Independent Director of Jentech Precision Industrial Co., LTD., Independent Director of Fitipower Integrated Technology Inc., Director of Ledlink Optics, Inc., Director of U.D. Electronic Corp., Director of Taitien Electronics Co., LTD., Director of ACTi Corporation.

Note 3: **Experience (Education)** : MBA of National Chengchi University, CFO, Goodix Technology Co., Ltd. Senior Manager, Yageo Corporation, Assistant Vice President, J.P. Morgan Corporate & Investment Bank.

**Current (other) Position:** General Manager of Finance, Mediatek Inc., Director, LePower (HK) Limited, Chairman, InnoFusion Technology Corp., Director, Chingis Technology Corporation, Director, Hsu-Ta Investment Corp., Director, MediaTek Wireless Finland Oy, Director, MediaTek Korea Inc., Director, MediaTek Germany GmbH, Director, Hsu Zhan (HK) Investment Limited, Director, MediaTek Investment HK Limited, Director, Airoha Technology Corp., Director, Xiamen Sigmastar Technology Ltd., Director, IC Plus Corp., Director, Chunghwa Precision Test Tech. Co., LTD., Director, MediaTek Group or Subsidiary at China

Note 4: **Experience (Education)** : Master of Electrical Engineering, National Tsing Hua University, President, TrendChip Technologies Corp., President, EcoNet Limited, President of Broadband BU, Media Tek Inc., President of Broadband BU, Ralink Technology Corp.

**Current (other) Position:** Executive Vice President, Airoha Technology Corp., Chairman, Airoha Technology (HK) Limited., Chairman, Airoha Technology (HK) Limited Taiwan Branch, Director, Airoha Technology (SuZhou) Limited.

Note 5: **Experience (Education)** : EMBA of National Chiao Tung University, Bachelor of Industrial Engineering, Tung Hai University, President, Xavi Technology Corporation, Vice President, Zyxel Communications Corporation, Business director of Display Components, Purchasing Manager, Philips Electronic Building Elements Industries (TAIWAN) LTD.

**Current (other) Position:** Compensation Committee Convener, ASIX Electronics Corporation, Consultant, Xavi Technology Corporation, Independent Director, Feedback Technology Corp.

Note 6: **Experience (Education)** : Ph.D., University of Connecticut, Vice President of Applications Segment, Marketch International Corp., President, Rainbowqx (TianJin) Limited, Funder & CEO, Axcont Inc., President, Fibronics / Spartacus, R&D Director, Racal Milgo, R&D Manager Bell Laboratories.

**Current (other) Position:** Audit Committee Convener, ASIX Electronics Corporation, Independent Director, Great Wall Enterprise Co., Ltd.

Note 7: **Experience (Education)** : Master of Institute of Electronics, National Chiao Tung University, Executive Vice President, ALi Corporation, Vice President, Mediatek Inc., Director, MediaTek Foundation, Director, Taiwan Artificial Intelligence Academy Foundation.

**Current (other) Position:** Consultant, Mediatek Inc., Director, Maxeda Technology Inc., Director, IC Plus Corp.

Note 8: Mr. Chen Loan Pan had term of office expires at May 25. 2022 : **Experience (Education)** : Bachelor, Supplementary Open Junior College For Public Administration National Chengchi University.

**Current (other) Position:** Manager, Sunny Bank Zhubei branch, Manager, Taiwan Cooperative Bank Lioujia branch, Manager, The Farmers Bank of China Zhubei branch

**Major shareholders of the institutional shareholders**

April 19, 2023

Name of Institutional Shareholders	Major Shareholders
Mao Sheng Investment Inc.	Li, Mao-Sheng (50%), She, Yi-Wen (50%)
Airoha Technology Corp.	MediaTek Inc. (76.45%)

Note: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

**Major shareholders of the Company's major institutional shareholders**

April 19, 2023

Name of Institutional Shareholders	Major Shareholders
MediaTek Inc.	Government of Singapore 2.94%, Ming-Kai Tsai 2.6%, Chui-Hsing Lee 2.57%, Saudi Arabian Monetary Authority 1.84%, Jyh-Jer Cho 1.83%, Cathay Life Insurance Co., Ltd. 1.66%, Fubon Life Assurance Co., LTD 1.56%, Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds 1.27%, Tin-Ren Liu 1.21%, New Labor Pension Fund Management Committee 1.17%

Note: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

### 3.2.2 Directors Information

#### I、Professional Qualifications and Independence Analysis of Director:

姓名	條件	Professional Qualifications and Experiences (Note 1)	Independence Analysis(Note 2)	Number of companies Concurrently Serve as An Independent Director
Wang, Chun-Chi			—	0
Zhan, Yong-Da			—	0
Yao, De-Zhang			—	2
Mao Sheng Investment Inc. Representative: Li, Mao-Sheng			—	0
Airoha Technology Corp. Representative: Chen, Heng-Jen		-Please refer to “3.2.1 Information Regarding Board Members” in the annual report for professional qualifications and experiences of the Board members. -None of the Board member is under any of the circumstances in Article 30 of the Company Act.	—	0
Airoha Technology Corp. Representative: Wang, Bo-Min			—	0
Lin, Hsiu-Li			As Independent Director in accordance with Article 14-2 of the Securities and Exchange Act and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Note), including but not limited to: 1. None of the Director, the Director’s spouse, or the Director’s relative within the second degree of kinship is a director or a supervisor of the Company or any of its affiliates; 2. No shares of the Company held under the name of the Director and the Director’s spouse (or under the names of any other persons); 3. No remuneration was earned in exchange of providing the commerce, law, finance, and accounting or related services to the Company or its affiliates in the past two years.	1
Wei, Jian-Ming				1
Hsu, His-Yuan				0

#### II、The Diversity and Independence of Board：

(一) Diversity of Board：The composition of the board of directors of the company is considered to be diverse, and there are no restrictions on gender, race and nationality. In addition to having the knowledge, skills and qualities necessary to perform their duties, in order to achieve the ideal goals of corporate governance, the overall board of directors should have the following capabilities:

1. Operational judgment ability;
2. Accounting and financial analysis skills;
3. Management ability;
4. Crisis handling capability;

5. Industry knowledge;
6. International market view;
7. Leadership skills;
8. Diversified professional background such as decision-making ability.

The current board of directors of the Company consists of nine directors, including three independent directors (33%), one female director(11%) and two directors employed by the Company(22%). The company will aim to reach 22% of female directors. There are three director aged under 60, five aged between 61 and 70, and one aged between 71 and 80. The independent directors are all in line with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission on independent directors. For the relevant information on the educational background, gender, professional qualifications, work experience and diversity of the directors, please refer to the information on the directors in the preceding table.

- (二) Independence of the board of directors: There are 9 current directors, including 3 independent directors, accounting for 33% of all directors respectively. Please refer to the above table for the experience of each independent director. They have no shareholding in the company, and they are all in line with financial management. Regarding the regulations of the Securities and Futures Bureau for independent directors, none of the directors has the conditions specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act. Please refer to the above table for the independence of independent directors. Therefore, the board of directors of the company has an independent sex.



### 3.2.3 Management Team

Title Name	Nationality	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and Chief Strategy Wang, Chun-Chi	R.O.C.	Male	SEP, 1999	1,041,170	1.67	2,800	0.00	0	0.00	-EMBA of National Taiwan University -Master of Computer Science, University of Massachusetts -Vic President, D-Link Technology Corp. -President, ASIX Electronics Corporation.	None	None	None	None	
President Zhan, Yong-Da	R.O.C.	Male	FEB, 2006	552,933	0.89	35,181	0.06	0	0.00	-PMBA of National Taiwan University - Bachelor of Electronic Engineering National United University -Engineer, D-Link Technology Corp. -Vic President, ASIX Electronics Corporation.	None	None	None	None	
Vice President of Sales/Marketing office Fan, Zhen-Fong	R.O.C.	Male	MAR, 2009	198,449	0.32	0	0.00	0	0.00	-Master of Graduate Institute of Technology Management, National Chiao Tung University -Vice Manager, Ericsson Taiwan LTD.	-Director, NEXTW TECHNOLOGY CO., LTD.	None	None	None	
Director of Sales / Marketing office Zhou, Hong-Chang	R.O.C.	Male	FEB, 2010	81,617	0.13	0	0.00	0	0.00	-Bachelor of Department of Engineering, National Cheng Kung University -Software Manager, National Semiconductor Corporation -Software Vice Manager, Davicom Semiconductor Inc. -Software Engineer, Accton Technology Corp.	None	None	None	None	
Director of Sales /	R.O.C.	Male	JUN, 2012	0	0	0	0.00	0	0.00	-Bachelor of Computer Science	None	None	None	None	

Marketing office Wang, Chuan-Jie										and Information Engineering, Chinese Culture University -Vice President, .Mi-Er-Kang Technology Ltd. -Manager, Easy-Link Technology Co., Ltd.					
Vice President of R&D office Jhong, Yong-Ji	R.O.C.	Male	JAN, 2014	241,713	0.39	0	0.00	0	0.00	-Bachelor of National Taiwan University of Science and Technology. -Senior Manager, ASIX Electronics Corporation. -Engineer, Chunghwa Telecom Co., Ltd.	None	None	None	None	
Director of Financial office Tsai, Min-Ling	R.O.C.	Female	AUG, 2015	104,700	0.17	0	0.00	0	0.00	-Bachelor of Finance Department, Chung Hua University. -Associate Degree, National Taipei College of Business -Accounting Manager, USI Optronics Corporation -Accounting Manager, Acute Technology Corp. -Accountant, Accton Technology Corp.	None	None	None	None	

Note: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

### 3.2.4 Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

#### Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 1)	
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements		
Director	Wang, Chun-Chi	0	-	0	-	12,540	-	210	-	3.1%	-	7,710	-	108	-	16,704	9,676	-	-	11.3%	-	-	
	Zhan, Yong-Da																						
	Yao, De-Zhang																						
	Mao Sheng Investment Inc. Representative: Li, Mao-Sheng																						
	Airoha Technology Corp. Representative: Chen, Heng-Jen																						
	Airoha Technology Corp. Representative: Wang, Bo-Min																						
Independent Director	Lin, Hsiu-Li	0	-	0	-	6,270	-	315	-	1.6%	-	0	-	0	-	-	-	-	-	1.6%	-	-	
	Wei, Jian-Ming																						
	Chen, Long-Pan																						
	Hsu, His-Yuan																						
	1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:After approval by the board of directors, independent directors may participate in the directors' remuneration, which fully reflects the individual performance and the company's long-term operating performance according to the director's participation in the company's operations and the value of his contribution. 2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors. : None.																						

Note 1: a. Specify the amount of remuneration received by directors from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. Where the Company's directors received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's directors from ventures other than subsidiaries or from the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

Note 2: Separately list information for directors (non-independent directors) and independent directors.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements (I)
Less than NT\$ 1,000,000	Chen, Long-Pan	-	Chen, Long-Pan	-
NT\$1,000,000 ~ NT\$1,999,999	0	-	0	-
NT\$2,000,000 ~ NT\$3,499,999	Li, Mao-Sheng, Yao, De-Zhang, Lin, Hsiu-Li, Wei, Jian-Ming, Chen, Heng-Jen, Wang, Bo-Min, Hsu, His-Yuan	-	Li, Mao-Sheng, Yao, De-Zhang, Lin, Hsiu-Li, Wei, Jian-Ming, Chen, Heng-Jen, Wang, Bo-Min, Hsu, His-Yuan	-
NT\$3,500,000 ~ NT\$4,999,999	0	-	0	-
NT\$5,000,000 ~ NT\$9,999,999	0	-	0	-
NT\$10,000,000 ~ NT\$14,999,999	0	-	0	-
NT\$15,000,000 ~ NT\$29,999,999	Wang, Chun-Chi, Zhan, Yong-Da	-	Wang, Chun-Chi, Zhan, Yong-Da	-
NT\$30,000,000 ~ NT\$49,999,999	0	-	0	-
NT\$50,000,000 ~ NT\$99,999,999	0	-	0	-
Greater than or equal to NT\$100,000,000	0	-	0	-
Total	10	-	10	-

**Remuneration of Supervisors** : It is not applicable, because the company has established an audit committee.

**Remuneration of the President and Vice Presidents**

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman / Chief Strategy	Wang, Chun-Chi	11,172	11,172	317	317	2,800	2,800	19,562	17,818	19,562	17,818	51,669 12.4%	51,669 12.4%	None
President	Zhan, Yong-Da													
Vice President	Fan, Zhen-Fong													
Vice President	Jhong, Yong-Ji													

- Note: a. Specify the amount of remuneration received by the president and vice presidents from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).
- b. Where the Company's president and vice president received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's president and vice president from ventures other than subsidiaries or from the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
- c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.
- d. Salary, severance pay, bonuses and allowances were involved the accounting accrued. (But not including the estimation of non-vacation bonus.) The company provided the amount of NT\$ 441,000 car rental charge for Chairman.

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements (E)
Less than NT\$ 1,000,000	0	0
NT\$1,000,000 ~ NT\$1,999,999	0	0
NT\$2,000,000 ~ NT\$3,499,999	0	0
NT\$3,500,000 ~ NT\$4,999,999	0	0
NT\$5,000,000 ~ NT\$9,999,999	Fan, Zhen-Fong 、 Jhong, Yong-Ji	Fan, Zhen-Fong 、 Jhong, Yong-Ji
NT\$10,000,000 ~ NT\$14,999,999	0	0
NT\$15,000,000 ~ NT\$29,999,999	Wang, Chun-Chi 、 Zhan, Yong-Da	Wang, Chun-Chi 、 Zhan, Yong-Da
NT\$30,000,000 ~ NT\$49,999,999	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0
Greater than or equal to NT\$100,000,000	0	0
Total	4	4

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Chairman / Chief Strategy	Wang, Chun-Chi	19,824	21,556	43,380	10.0%
	President	Zhan, Yong-Da				
	Vice President	Fan, Zhen-Fong				
	Vice President	Jhong, Yong-Ji				
	Director	Zhou, Hong-Chang				
	Director	Wang, Chuan-Jie				
	Director	Tsai, Min-Ling				

### 3.2.5 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Title	2022	2023
Directors	18.9%	18.1%
Supervisors		
President and Vice Presidents		

1. The remuneration of directors and supervisors are include remuneration and allowances. The policies for the payment of remuneration is accordance with Article 24 of the Company Articles Act: The directors of the company may receive remuneration regardless of profit or loss in accordance with the resolution of the shareholders' meeting. The remuneration of the directors of the company shall be authorized by the board of directors to fully reflect the individual performance and the long-term business performance of the company according to the directors' participation in the company's operations and the value of their contributions, and to also comprehensively consider the company's operating risks and negotiate with reference the industry standard.
2. Salary structure of president and vice president shall include salary, allowances for food, bonuses and severance pay. Due to the salary policy of company, the remuneration of president and vice president shall be in accordance to their academic experience, performance.
3. The remuneration policy and payment of directors, supervisors and executive officers of the Company are reviewed by the Remuneration Committee and implemented and released after the resolution of the board of directors.



### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

##### A. Operations of the Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Wang, Chun-Chi	7	0	100%	
Director	Zhan, Yong-Da	7	0	100%	
	Yao, De-Zhang	7	0	100%	
	Mao Sheng Investment Inc. Representative: Li, Mao-Sheng	7	0	100%	
	Airoha Technology Corp. Representative: Chen, Heng-Jen	7	0	100%	
	Airoha Technology Corp. Representative: Wang, Bo-Min	7	0	100%	
Independent director	Lin, Hsiu-Li	7	0	100%	
	Wei, Jian-Ming	7	0	100%	
	Chen, Long-Pan	3	0	100%	The term expires at May 25, 2022.
	Hsu, His-Yuan	4	0	100%	The term starts at May 25, 2022.

Other mentionable items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
  - Matters referred to in Article 14-3 of the Securities and Exchange Act.
  - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors. The Board of Directors held 7 term in 2022, all independent directors attended all the meetings in 2022, and approved the resolutions.
- If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
  - The board of directors resolved the proposal on the distribution of executive officers remuneration and the director remuneration on April 13, 2022. In this case, when the directors' discussion process is related to the distribution situation related to themselves or the legal person they represent, each of their have had withdrawn on their own. The withdrawn on their own person including: Chairman, Wang, Chun-Chi, President, Zhan, Yong-Da, and director of financial Tsai, Min-Ling. The proposal has been approve by the Remuneration Committee, and the directors present have been consulted to approve at the same time.

(2)The board of directors decided on the salary and remuneration proposal of executive officers on 2023. When the directors of this case discussed, each of their have had withdrawn on their own, if that related to themselves. The withdrawn on their own person including: Chairman, Wang, Chun-Chi, President, Zhan, Yong-Da, and director of financial Tsai, Min-Ling. The proposal has been approve by the Remuneration Committee, and the directors present have been consulted to approve.

3. TWSE/TPEX-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out “Implementation Status of Board Evaluations.”

The company had completed self-assessments of Board performance and reported the evaluation results to the board of directors on December 14, 2022. According to the implementation of the board of directors and the self-assessment of individual directors (average score: 4.9; excellent degree), and the average score for the overall performance of the Board of Directors is 4.9 (excellent degree).

The company has an audit committee and a remuneration committee (the members are all independent directors). Therefore, according to the implementation of each functional committee and the self-assessment of individual directors (average score: 4.9; excellent degree), the average score for the functional committees of performance evaluation is 5 (excellent degree).

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

The company has set up an audit committee and its operation, please refer to the relevant chapters of this annual report.

## B. Implementation Status of Board Evaluations

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Scope of evaluation (Note 3)	Evaluation method (Note 4)	Evaluation items (Note 5)
Annual	From November 1, 2021 to October 31, 2022	<ul style="list-style-type: none"> <li>-The Board of Directors as a whole.</li> <li>-Each functional committees.</li> <li>-The individual directors.</li> </ul>	<ul style="list-style-type: none"> <li>-Internal assessment of the Board</li> <li>-Self-assessments by each board member</li> </ul>	<p>a. The Board of Directors are assessed on the following: (1)Involvement in Company's operation; (2)The quality of the board's decision-making; (3)Makeup and structure of the board; (4)Election of board members and continuing knowledge development; (5)Internal controls</p> <p>b. The individual directors are including the following at least: understanding of the Company's goals and mission, awareness of director's duties, involvement in the Company's operations, internal relationship and communication, director's professionalism and continuing knowledge development, and internal controls etc.</p> <p>c. The functional Committees are including the following: involvement in the Company's operation, awareness of the functional Committees' duties, the quality of the functional committees' decision-making, makeup of the functional committees and election of theirs members , and internal controls etc.</p>

Note 1: Refers to the cycle of Board evaluations, such as: Once a year.

Note 2: Refers to the period covered by the Board evaluation, such as: evaluation of Board performance between January 1, 2019 and December 31, 2019.

Note 3: The scope of performance evaluations includes the Board of Directors, individual directors, and functional committees.

Note 4: The evaluation method includes internal self-evaluation by the Board of Directors, self-assessment by directors, peer evaluation, and entrusting external professional institutions and experts or using other appropriate methods for performance evaluation.

Note 5: According to the scope of evaluation, evaluation items must at least include the following items:

- (1) Board performance evaluation: At least includes level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued

development, and internal controls.

- (2) Individual director performance evaluation: At least includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.
- (3) Functional committee performance evaluation: Participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

### 3.3.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

#### A. Audit Committee

A total of 5 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director (Convener)	Lin, Hsiu-Li	5	0	100%	
Independent director (Member)	Wei, Jian-Ming	5	0	100%	
Independent director (Member)	Chen, Long-Pan	2	0	100%	The term expires at May 25, 2022.
Independent director (Member)	Hsu, His-Yuan	3	0	100%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

#### The Audit Committee Proposals Summary in 2022

Meeting Date	Proposal	Resolutions
March 2, 2022 (Regular)	<ul style="list-style-type: none"> <li>Approved the 2021 the internal control self-assessment effectiveness for the company and 2021 Statement of Internal Control System</li> <li>Approved 2021 annual financial statements and 2021 annual business report</li> <li>Approved the company revised of "Procedures for Acquisition or Disposal of Assets"</li> <li>Approved the company of 2021 earnings distribution</li> </ul>	None of independent directors' objections, reservations or major suggestions, and the Audit Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Audit Committee.
May 4, 2022 (Regular)	<ul style="list-style-type: none"> <li>Submitted the consolidated financial for the first quarter of 2022</li> <li>Approved the record date for the capital increase of employees' compensation</li> </ul>	

July 27, 2022 (Regular)	<ul style="list-style-type: none"> <li>Submitted the consolidated financial for the third quarter of 2022</li> </ul>	
October 26, 2022 (Regular)	<ul style="list-style-type: none"> <li>Submitted the consolidated financial for the second quarter of 2022</li> <li>Approved the evaluation of the independence of certified accountants (KPMG) for the company</li> </ul>	
December 14, 2022 (Regular)	<ul style="list-style-type: none"> <li>Approved the budget for the company of 2023</li> <li>Approved the 2023 annual audit plan for the company</li> </ul>	

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

Meeting Date	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
March 2, 2022	<ul style="list-style-type: none"> <li>Reviewed the report on the implementation of internal audit for the first quarter of 2022</li> <li>Reviewed the 2021 the internal control self-assessment effectiveness for the company and 2021 Statement of Internal Control System</li> <li>Approved the company of 2021 earnings distribution</li> </ul>	<ul style="list-style-type: none"> <li>Any audit problems or difficulties and management's response in connection with 2021 annual financial statements</li> <li>Reviewed the independence of certified accountants (KPMG) for the company</li> <li>Reported on the latest legal changes</li> </ul>
May 4, 2022	<ul style="list-style-type: none"> <li>Reviewed the report on the implementation of internal audit for the second quarter of 2022</li> </ul>	None
July 27, 2022	<ul style="list-style-type: none"> <li>Reviewed the report on the implementation of internal audit for the third quarter of 2022</li> </ul>	None
December 14, 2022	<ul style="list-style-type: none"> <li>Reviewed the report on the implementation of internal audit for the fourth quarter of 2022</li> <li>Reviewed the 2023 annual audit plan for the company</li> </ul>	<ul style="list-style-type: none"> <li>Discussed the 2022 annual financial statement audit planning</li> <li>Reported on the latest legal changes</li> </ul>

**B. Attendance of Supervisors at Board Meetings :** It is not applicable, due to the company has established an audit committee.

### 3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		v	The Company has not established the Corporate Governance Best-Practice Principles. However, the company follows the spirit of the Corporate Governance Best-Practice Principles for Listed Companies, discloses material information of the company and regularly discloses financial information in accordance with relevant laws and regulations; the board of directors also abides by the responsibilities entrusted by shareholders, guides the company’s business strategy, supervises all of the management level, and the directors of the company are attend the Annual General Meeting of Shareholders to understand the shareholder proposals.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?		v	The company has not established the relation procedure, but the company has set up existing hotline and email channels to handle all the suggestions of shareholders.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of	v		After each the date of share transfer registration, the company can obtain a complete register of	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
those shares?			shareholders. That can provide the company a list for collection of the updated information of major shareholders and the list of ultimate owners of those shares.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	v		The Company has formulated the "Measures for Transaction Management of Specific Companies, Related Persons and Group Enterprises" and "Risk Management Policies and Procedures" as risk control mechanisms.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	v		The company has formulated the "Administrative Measures for the New Appointment or Dismissal of Insiders" and "Administrative Measures for the Prevention of Insider Transactions". Make sure the insiders aware when they to buy and sell securities, the prohibition of using unpublished information in the market. And arrange for insiders to participate in the promotion activities of the competent authority.	
3. Composition and Responsibilities of the Board of Directors				None
(1) Does the Board develop and implement a diversified policy for the composition of its members?	v		Member diversification is considered when nominating the list of the Board members. Factors taken into account include, but are not	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>		<p>v</p> <p>v</p> <p>v</p>	<p>limited to gender, race or nationality, professional experience, skills, knowledge and qualities necessary to perform their duties. The Board objectively chooses candidates to meet the goal of corporate governance.</p> <p>It is enough to set up an audit committee and a compensation committee to the company currently operation for assist the management team in supervision and handling.</p> <p>In accordance with the regulations of the competent authority, the company evaluates the performance of the board of directors and each directors every year and reports to the board of directors, and the evaluated result shall provide a reference for the remuneration of individual directors and the nomination of re-appointment. For details, please refer to the relevant chapters of this annual report.</p> <p>The Company evaluates the independence of CPAs annually (For details, please refer to the relevant chapters of this annual report.). After the approval of the board of directors, the company</p>	



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			may conduct the re-appointment of accountants and the deliberation of the fees.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	v		The corporate governance unit is held a concurrent post by the Finance office. Finance office shall handle related affairs, matters related to the board of directors/shareholders' meeting, the procedure for company alteration registration as required with the law and provide the information required by directors when necessary.	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	v		The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company. There is no any stakeholder recommendations for 2022.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	v		The Company designates Horizon Securities Co., Ltd. to deal with shareholder affairs.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
7. Information Disclosure				None
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	v		The Company has set up a website ( <a href="http://www.asix.com.tw">www.asix.com.tw</a> ) for stakeholder to disclose information regarding the Company’s financials, business and corporate governance status. The above-mentioned disclosure information and other matters to be disclosed have been entered into the Public Information Observatory in accordance with the regulations of the competent authority.	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	v		The Company has assigned an appropriate person to handle information collection and disclosure. The company has implemented a spokesperson system.	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		v	The Company has announced the annual and quarterly financial reports in accordance with the regulations of the competent authority, and announced the operation status of each month in advance.	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	v		<ol style="list-style-type: none"> <li>1. The information on the rights and wellness of the Company's employees and related operations, please refer to the Labor Relations section of the Operational Overview of this annual report.</li> <li>2. The company has smooth communication channels with customers and suppliers, and has set up a stakeholder area and e-mail box on the company's website to provide open and transparent information for all stakeholders to freely check and inquire.</li> <li>3. The directors of the company all have professional backgrounds and have completed the annual training hours in accordance with relevant laws and regulations. For the training situation of directors, please refer to the Public Information Observatory.</li> <li>4. The attendance of directors and independent directors at the board of directors and various functional committees has been disclosed on the public information observatory with regulations.</li> <li>5. All Directors of the Company avoid issues when there are conflicts of interests.</li> </ol>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			6. The Company maintains D&O insurance for its Directors and key officers.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. The result of Evaluation by Corporate Governance Center is 42.93%, ranking 66~80%. The company will continue to treat related parties and respect the rights of shareholders and abide by the code of practice for corporate governance of listed companies.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration

#### Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

The Chairman of the Remuneration Committee convened Two regular meetings in 2022.

The Remuneration Committee Charter is available on the Company's corporate website.

#### A. Professional Qualifications and Independence Analysis of Remuneration

##### Committee Members

Title	Criteria Name	Professional Qualifications and Experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
Independent Director Convener	Lin, Hsiu-Li	Note1	Note1	1	
Independent Director Member	Wei, Jian-Ming			1	
Independent Director Member	Chen, Long-Pan			0	
Independent Director Member	Hsu, His-Yuan			0	

Note1: Please refer to the relevant content of this annual report on directors' information.

#### B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director Convener	Lin, Hsiu-Li	2	0	100%	
Independent Director Member	Wei, Jian-Ming	2	0	100%	

Independent Director Member	Chen, Long-Pan	1	0	100%	The term expires at May 25, 2022
Independent Director Member	Hsu, His-Yuan	1	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

**3.3.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"**

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? <sup>3</sup>		v	<p>1. In the future, the company plans to follow the road of sustainable development and is expected to start the inventory operation in 2026. The relevant schedule has been reported to the board of directors on July 27, 2022.</p> <p>2. The company has not set up a full-time (part-time) unit to promote corporate social responsibility, but the company is dedicated to reducing energy and resource consumption, increasing resource recycling, and carefully selecting appropriate raw materials and manufacturers to provide the next generation with a cleaner environment.</p>	As the left column.
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	v		Although the company has not formulated a corporate sustainable development policy or system, the company actively participates in environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health and other social responsibility-related activities.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	v		The company has established "environmental management procedures" and obtained ISO-14001 in 2006. The 2004 version certificate (By SGS) is renewed every three years and audited regularly every year. The company complies with and implements environmental protection policies, reduces the environmental impact of products and reduces the spread of hazardous substances used, complies with relevant international regulations and customer requirements, and improves product environmental performance.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	v		The company entrusts qualified manufacturers to carry out waste recycling and disposal operations, and also requires employees to use electronic file documents instead of paper as much as possible, and to use more energy-saving lighting fixtures to achieve the purpose of environmental protection and energy saving.	None
(3) Does the company evaluate the potential risks and opportunities in climate change with	v		The company complies with and implements the following environmental protection policies: reduce the environmental impact of products and reduce the spread of hazardous substances used, comply with relevant international regulations and meet customer requirements, and improve product	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
regard to the present and future of its business, and take appropriate action to counter climate change issues?			environmental performance.	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	v		<p>1. The statistics for the last two years are as follows:  (1) Greenhouse gas: The company has set up special personnel for environmental management to check the use of lighting, air-conditioning equipment and small household appliances at any time to ensure the company's policy of energy conservation and carbon reduction. The electricity consumption in 2021 is 526,800 kWh and that in 2022 is 518,304 kWh, which is a reduction of 8,460kWh (CO2 emission reduction by 9%). The management of the company still aims to save energy and reduce carbon.  (2) Water consumption: The company's water consumption in 2021 is 1,917 degrees and 2022 is 1,498 degrees, reducing water consumption by 419 degrees (CO2 emission reduction by 34%). The company's management personnel still aim to save energy and reduce carbon.  (3) Waste: The company is currently a general domestic waste company, and the weight of waste is reported to the Environmental Protection Agency on a regular basis.  2. Greenhouse gas reduction, water reduction or other waste management</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
			policies: The company is an IC design business without a factory, and only has general domestic water, electricity and garbage. 2% is the target. 3. Verification of various information (should be still valid as of the date of publication of the annual report) and its coverage: The water and electricity bills in 2020 and 2021 and the weight declared to the Environmental Protection Agency.	
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	v		In accordance with the Labor Standards Act and related regulations, the company formulates "work rules" for employees and holds labor-management meetings on a quarterly basis to enhance the harmony of labor-management relations. Labor Insurance, National Health Insurance, and group insurance coverage from the first day of work, and the company deposits 6% of each employee's monthly salary into a dedicated account at the Labor Insurance Bureau. In addition, the company will notify employees of operational changes that may have a significant impact on employees by holding an all-staff meeting.	None
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do	v		The company provides staff canteens, all-you-can-drink coffee, fitness room, book and newspaper lounge, parking lot, and flexible working hours for employees to adjust working hours according to their own conditions. In addition, the company has a welfare committee to implement employee benefits, and has established an annual performance appraisal method, and reflects the annual salary adjustment ratio and employee salaries based on	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
business performance or results reflect on employee salaries?			business performance.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	v		The company has formulated the "Safety and Hygiene Work Code", "Emergency Response Management Procedures" and "Labor Safety and Hygiene Code" for employees, and implemented hazard general education training and annual lead work health inspections for specific employees, let employees can understand the various hazards and preventive measures to ensure the safety of employees.	None
(4) Does the company provide its employees with career development and training sessions?	v		The company provides internal and external education and training to promote effective career development of employees. For details, please refer to the relevant chapters of the company profile in this annual report.	None
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and	v		The company has established a "customer complaint handling operation" to solve problems such as product abnormalities. Sales department also regularly conducts customer satisfaction surveys every year to obtain customer opinions, in order to achieve a win-win situation between the company and customers. The company's marketing and labeling of products and services follows	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?			relevant regulations and international standards.	
(5) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	v		The company will carefully assess whether it violates its corporate social responsibility policy before dealing with suppliers. Every year, purchasers may fill in the "Supplier Evaluation Form" for qualified suppliers of raw material procurement, and use the evaluation results of the "Supplier Evaluation Form" as the basis for filling in the "Supplier Evaluation Form", and conduct compliance evaluation to update the "Qualified Supplier List".	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	v		The company is a small and medium-sized enterprise with less than 200 employees, and mainly engaged in chip design. The company's operations only generate domestic water, electricity and waste. Therefore, a corporate social responsibility report has not yet been prepared.	None
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: None				
7. Other useful information for explaining the status of corporate social responsibility practices:  -The company regularly orders coffee with the public welfare group Man Feier, cooperates with the AAEON Cultural and Educational Foundation to set up an art corridor in the company, and sets up a public welfare group invoice donation box in the company to encourage employees to donate more invoices.				

- Note: 1. If "Yes" is checked under implementation, please describe the key policies, strategies, and measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future.
2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.
  3. The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

### 3.3.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	v		The company has established a Code of Ethics and Conduct, and the board of directors of the company will refrain from participating in the resolution when discussing the resolution and meeting its own interests.	
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2,	v		The company has perfect internal control and tact, and the external website has provided spokespersons and supervisor mailboxes for its complaints. So far, the company has not received any complaints.	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>		v	The company has so far not committed any dishonest behavior listed on left.	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management</p>	v	v	<p>The company will evaluate the integrity record of the counterparty, and if the two parties sign the agreement, whether to join the agreement on the terms of integrity behavior.</p> <p>The company does not set up a full-time unit but adopts a professional manager system. The management team is responsible for the implementation of the company's routine business,</p>	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and</p>	<p>v</p> <p>v</p>		<p>and regularly reports and discusses to the board of directors, and makes complete meeting minutes.</p> <p>The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks. At the same time, the Company has made a hotline available for submissions of regarding conflicts of interest.</p> <p>The Company has established accounting and internal control systems to ensure the integrity of our operations. Regularly checked by the internal audit unit.</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>		v	Operational integrity is the foundation of the practice of directors and managers. The company has promote it to directors and managers from time to time.	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	v	<p>v</p> <p>v</p>	<p>The company has set up mailboxes for reporting complaints to spokespersons and independent directors, and has designated personnel to handle issues confidentially.</p> <p>The company treats reported matters confidentially in the code of ethics and conduct, and has not established SOPs for investigations.</p> <p>The code of ethical conduct refers to the full protection of whistleblowers from the risk of</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			retaliation.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	v		In accordance with the code of ethics and conduct, the company announces the company's major business-related information on time on MOPS to comply with the integrity principle of information symmetry.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.  There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): None				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

### **3.3.7 Corporate Governance Guidelines and Regulations**

Please refer to the Company's website at [www.asix.com](http://www.asix.com) or check on MOPS.

### **3.3.8 Other Important Information Regarding Corporate Governance**

For attached information, please refer to pages 95~98 of this annual report.

### **3.3.9 Internal Control Systems**

#### **3.3.9.1 Disclosures Required for the Implementation of the Internal Control System**

Please refer to pages 93~94 of this annual report.

### **3.3.10 Penal Provisions**

If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

### **3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

#### **● List of Major Resolutions of Board Meetings**

Date	Important Resolutions
March 2, 2022	<ul style="list-style-type: none"><li>● Approved the 2021 the internal control self-assessment effectiveness for the company and 2021 Statement of Internal Control System</li><li>● Approved the company revised of "Procedures for Acquisition or Disposal of Assets"</li><li>● Approved 2021 director remuneration and employee remuneration</li><li>● Approved 2021 annual financial statements and 2021 annual business report</li><li>● Approved the company of 2021 earnings distribution</li><li>● Approved the cash distribution from capital surplus</li><li>● Approved election of the tenth term of directors (including independent directors)</li><li>● Approved the proposal for release the prohibition on the tenth term of directors from participation in competitive business</li><li>● Approved the proposal of convening the 2021 shareholders' meeting of the Company and the issues related to shareholder's right to make proposals at the</li></ul>

Date	Important Resolutions
	<p>shareholders' meeting.</p> <ul style="list-style-type: none"> <li>● Approved the issues related to acceptance and review of the candidates proposed by shareholders and directors (including independent directors) at the shareholders' meeting.</li> </ul>
April 13, 2022	<ul style="list-style-type: none"> <li>● Approved the distribution of directors' remuneration and the remuneration of executive officers</li> <li>● Approved the amendment to the Articles of Incorporation of the Company</li> <li>● Approved the proposal of convening the 2021 shareholders' meeting of the Company ( increase an issue)</li> </ul>
May 4, 2022	<ul style="list-style-type: none"> <li>● Approved the record date for the capital increase of employees' compensation</li> <li>● Approved the resolution for comprehensive credit line granted with the Bank of SinoPac Hsinchu branch</li> </ul>
May 25, 2022	<ul style="list-style-type: none"> <li>● Approved the election the tenth term of Chairman of the Board</li> <li>● Approved the appointment of members of the fifth term of Remuneration Committee</li> <li>● Approved the appointment of members of the second term of Audit Committee</li> </ul>
July 27, 2022	<ul style="list-style-type: none"> <li>● Approved the determination of the cash dividend payment record date and the relation issues</li> </ul>
October 26, 2022	<ul style="list-style-type: none"> <li>● Approved the evaluation of the independence of certified accountants (KPMG) for the company</li> </ul>
December 14, 2022	<ul style="list-style-type: none"> <li>● Approved the audit plan for the year of 2023</li> <li>● Approved the company's "computer processing cycle of internal control system".</li> <li>● Approved the amendment for the Company of "Rules of Procedure for Board of Directors Meetings" and "Procedures for Handling Material Inside Information"</li> <li>● Approved the 2023 manager compensation.</li> <li>● Approved the Company of 2023 annual budget plan</li> <li>● Approved the appointment of Chief Corporate Governance Officer</li> <li>● Approved the resolution for comprehensive short term credit line granted with the Mega Bank Hsinchu Science Park Hsin-An branch</li> </ul>
February 22, 2023	<ul style="list-style-type: none"> <li>● Approved the 2022 the internal control self-assessment effectiveness for the company and 2022 Statement of Internal Control System</li> <li>● Approved 2022 director remuneration and employee remuneration</li> <li>● Approved 2022 annual financial statements and 2022 annual business report</li> <li>● Approved the company of 2022 earnings distribution</li> <li>● Approved the cash distribution from capital surplus</li> <li>● Approved the proposal of convening the 2022 shareholders' meeting of the Company and the issues related to shareholder's right to make proposals at the shareholders' meeting</li> <li>● Approved the resolution for comprehensive credit line granted with the Bank of SinoPac Hsinchu branch</li> <li>● Approved the company replacement of CPA</li> </ul>
April 26, 2023	<ul style="list-style-type: none"> <li>● Approved the distribution of directors' remuneration and the remuneration of executive officers</li> <li>● Approved the record date for the capital increase of employees' compensation</li> </ul>

- The 2022 Annual Shareholders' Meeting of the Company was held on May 25, 2011 at the Edison Hall, 2F, HSP link, No.1, Gongye E. 2<sup>nd</sup>, East Dist., HSIP, Hsinchu City, Hsinchu City. Shareholders was attended the meeting and approved the following resolutions:

Important Resolution Summary	Implementation
<b>Election Matters</b>	
1. To proposal of election of the tenth term of directors (including independent directors).	The newly elected directors were: Wang, Chun-Chi, Chen, Heng-Jen (representative of Airoha Technology Corp.), Wang, Bo-Min (representative of Airoha Technology Corp.), Li, Mao-Sheng (representative of Mao Sheng Investment Inc.), Zhan, Yong-Da, Yao, De-Zhang, Lin, Hsiu-Li (independent director), Wei, Jian-Ming (independent director), and Hsu, His-Yuan (independent director). The registration of the Company was finished at June 8, 2022.
<b>Approval and Discussion Items</b>	
1. To accept the Company's 2021 annual financial statements and 2021 annual business report.	The case was adopted as the proposal.
2. To approve the Company's 2021 annual earnings distribution.	The case was adopted as the proposal. Detail as follows: -Cash dividend allotted NT\$4 per share; - Ex-divided base date: August 24, 2022; -Cash dividend payment date: September 7, 2022.
3. To propose the cash distribution from capital surplus.	The case was adopted as the proposal. Detail as follows: -Cash dividend allotted NT\$1 per share; - Ex-divided base date: August 24, 2022; -Cash dividend payment date: September 7, 2022.
4. To approve the amendment to the Articles of Incorporation of the Company.	The case was adopted as the proposal and the registration of the Company was finished at June 8, 2022.
5. To approve the amendment to the Operational Procedures for Acquisition and Disposal of Assets.	The case was adopted as the proposal.
6. To approve the proposal for release the prohibition on the tenth term of directors from participation in competitive business.	The case was adopted as the proposal.

### 3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

### 3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D

None

## 3.4 Information Regarding the Company's Audit Fee and Independence

### 3.4.1 Audit Fee

Unit: NT\$1000

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remork
KPMG	Huang, Hai-Ning	2022.01.01~2022.12.31	1,920	165	2,085	
	Lu, Chian-Huei	2022.01.01~2022.12.31				

**Note:** There was no change of more than 10% between the audit fees and non-audit fees compared with the previous year.

### 3.4.2 Replacement of CPA :

#### 3.4.2.1 Information regarding the former CPAs

Date of replacement	Approved by the Board of the company at February 22, 2023		
Reason for replacement and explanation	In order to maintain the independence of accountants and to cooperate with the internal business adjustment of KPMG, the certified accountants for financial statements from the first quarter of 2023 were changed from Heidi Huang and Grace Lu to Eric Wu and Grace Lu.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties	CPAs	The Company
	Circumstances		
	Terminated the engagement	-	-
	No longer accepted (discontinued) the engagement	-	-
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		

Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	✓	
Specify details			
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None		

#### 3.4.2.2 Information Regarding the Successor CPAs

Name of accounting firm	KPMG
Names of CPAs	Eric Wu and Grace Lu
Date of engagement	Approved by the Board of the company at February 22, 2023
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	None

3.4.2.3 The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations. :  
None

#### 3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2022.



### 3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2022		As of Mar. 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Wang, Chun-Chi	39,000	0	0	0
Director/Major shareholder	Airoha Technology Corp	0	0	0	0
Director	Airoha Technology Corp. Representative: Chen, Heng-Jen	0	0	0	0
Director	Airoha Technology Corp. Representative: Wang, Bo-Min	0	0	0	0
Director	Mao Sheng Investment Inc.	0	0	0	0
Director	Mao Sheng Investment Inc. Representative: Li, Mao-Sheng	(30,000)	0	(22,000)	0
Director	Zhan, Yong-Da	(12,000)	0	0	0
Director	Yao, De-Zhang	0	0	0	0
Independent Director	Lin, Hsiu-Li	0	0	0	0
Independent Director	Wei, Jian-Ming	0	0	0	0
Independent Director	Chen, Long-Pan (Note1)	0	0	0	0
Independent Director	Hsu, His-Yuan	0	0	0	0
Chief Strategy Officer	Wang, Chun-Chi	39,000	0	0	0
President	Zhan, Yong-Da	(12,000)	0	0	0
Vice President	Fan, Zhen-Fong	10,000	0	(6,000)	0
Vice President	Jhong, Yong-Ji	14,000	0	0	0
Director	Zhou, Hong-Chang	0	0	0	0
Director	Wang, Chuan-Jie	0	0	0	0
Director	Tsai, Min-Ling	9,000	0	0	0

Note1: The term expires at May 25, 2022

#### 3.5.1 Shares Trading with Related Parties

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Zhan, Yong-Da	Gift	2022.05.24	Zhan, Shang-Ru	Son	16,000	148.00
Zhan, Yong-Da	Gift	2022.05.24	Lin, Shu-Hui	Wife	16,000	148.00
Li, Mao-Sheng	Gift	2022.11.09	Li, Jia-Rong	Daughter	30,000	80.20
Li, Mao-Sheng	Gift	2023.03.02	Li, Jia-Rong	Daughter	22,000	110.00

### 3.5.2 Shares Pledge with Related Parties : None.

### 3.6 Relationship among the Top Ten Shareholders

As of April 9, 2023

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Airoha Technology Corp. Representative: Sie,Cing-Jiang	12,396,396	19.86	0	0.00	0	0	None	None	
Tu, Shuei-Cheng	1,266,000	2.03	0	0.00	0	0	None	None	
Wang, Chun-Chi	1,041,170	1.67	2,800	0.00	0	0	None	None	Chairman / Chief of Strategy
JHANG,SYUE-RONG was appointed by SHE,YI-WUN's trust property account	990,726	1.59	0	0.00	0	0	None	None	
JHANG,SYUE-RONG was appointed by Li, Mao-Sheng's trust property account	909,000	1.46	0	0.00	0	0	None	None	
Great Master Information CO., LTD. Representative: Chung, Liang-Chuan	662,000	1.06	0	0.00	0	0	None	None	
Zhan, Yong-Da	552,933	0.89	35,181	0.06	0	0	None	None	Board Director/ President
HSBC (Taiwan) Commercial Bank Co., Ltd. was entrusted to keep the investment account of POINT72 United Co., Ltd.	419,000	0.67	0	0.00	0	0	None	None	
Li, Mao-Sheng	355,851	0.57	233,100	0.37	0	0	None	None	Board Director
Tsai, Hsing-Chuan	338,000	0.54	0	0.00	0	0	None	None	

### 3.7 Ownership of Shares in Affiliated Enterprises : None.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

As of 04/30/2023

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousand shares)	Amount (NT\$ thousands)	Shares (thousan d shares)	Amount (NT\$ thousands)	Sources of Capital (thousand shares)	Capital Increased by Assets Other than Cash	Other
JLY 2020	10	80,000	800,000	49,581	495,815	Common stock Cancellation:5,509	-	Yuan-Shang- Tze No. 1090018709
						Common stock issuance:650	-	
FEB 2021	10	80,000	800,000	61,976	619,769	Private placement common stock issuance:12,395	-	Yuan-Shang- Tze No.1100004990
JUN 2021	10	80,000	800,000	621,196	621,969	Common stock issuance:220	-	Yuan-Shang- Tze No.1100017543
JUN 2022	10	80,000	800,000	62,426	624,269	Common stock issuance:230	-	Yuan-Shang- Tze No.1110017837

##### B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	62,426,981	17,573,019	80,000,000	List on OTC

#### 4.1.2 Status of Shareholders

As of April 9, 2023

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	10	159	19,741	47	16,350
Shareholding (shares)	0	150,347	15,498,847	45,805,093	972,694	62,196,981
Percentage	0.00	0.24	24.83	73.37	1.56	100.00

### 4.1.3 Shareholding Distribution Status

#### A. Common Shares

As of April 9, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	9,720	590,347	0.94
1,000 ~ 5,000	8,848	15,804,043	25.32
5,001 ~ 10,000	774	6,044,117	9.68
10,001 ~ 15,000	213	2,687,896	4.31
15,001 ~ 20,000	125	2,301,713	3.69
20,001 ~ 30,000	89	2,330,462	3.73
30,001 ~ 40,000	56	2,002,788	3.21
40,001 ~ 50,000	28	1,295,813	2.08
50,001 ~ 100,000	55	3,939,637	6.31
100,001 ~ 200,000	30	4,178,026	6.69
200,001 ~ 400,000	11	3,014,914	4.83
400,001 ~ 600,000	2	971,933	1.56
600,001 ~ 800,000	1	662,000	1.06
800,001 ~ 1,000,000	2	1,899,726	3.04
1,000,001 or over	3	14,703,566	23.55
Total	19,957	62,426,981	100.00

### 4.1.4 List of Major Shareholders

As of April 9, 2023

Shareholder's Name	Shareholding	
	Shares	Percentage
Airoha Technology Corporation	12,396,396	19.86
Tu, Shuei-Cheng	1,266,000	2.03
Wang, Chun-Chi	1,041,170	1.67
JHANG,SYUE-RONG was appointed by SHE,YI-WUN's trust property account	990,726	1.59
JHANG,SYUE-RONG was appointed by Li, Mao-Sheng's trust property account	909,000	1.46
Great Master Information CO., LTD	662,000	1.06
Zhan, Yong-Da	552,933	0.89
HSBC (Taiwan) Commercial Bank Co., Ltd. was entrusted to keep the investment account of POINT72 United Co., Ltd.	419,000	0.67
Li, Mao-Sheng	355,851	0.57
Tsai, Hsing-Chuan	338,000	0.54
Total	18,931,076	30.34

Note: List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2021	2022	01/01/2023- 03/31/2023
<b>Market Price per Share</b>			
Highest Market Price	299.50	279.5	133
Lowest Market Price	54.10	80.2	99.5
Average Market Price	183.97	175.63	119.95
<b>Net Worth per Share</b>			
Before Distribution	26.55	29.08	30.47
After Distribution	21.53	— Note	—
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	60,564,094	62,389,173	62,574,759
Diluted Earnings Per Share	6.34	6.66	0.75
Adjusted Diluted Earnings Per Share	—	—	—
<b>Dividends per Share</b>			
Cash Dividends	5	5.5Note a	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends	—	—	—
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	29.02	26.37	—
Price / Dividend Ratio (Note 2)	36.79	— Note	—
Cash Dividend Yield Rate (Note 3)	0.03	— Note	—

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note: The year of 2022 earnings distribution proposal has not yet been resolved by the shareholders' meeting, and the amount after distribution will not be listed for the time being.

Note a: The year of 2022 earnings distribution proposal was cash for NT\$5.5/per share (including the cash distribution from capital surplus) and that has not yet been resolved by the shareholders' meeting.

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

According to Article 28 of the Articles of Association and the Company Law, the following is stipulated:

- i. 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.

- ii. Dividend Policy: According to the company's articles of association, the dividend is determined by factors such as the company's capital and financial structure, operating conditions, earnings, and the characteristics and cycle of the industry to which it belongs, and the distribution is based on the principle of prudence. Shares and cash dividends are distributed to promote the sustainable development of the company.

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%.

## **B. Proposed Distribution of Dividend**

The proposal for the distribution of 2022 profits was reviewed by the Audit Committees' meeting and passed at the meeting of the Board of Directors in March 1, 2023. The cash dividend to common shareholders from retained earnings is NT\$ 282,496,414 and cash distributed from additional paid-in capital in capital surplus to common shareholder is NT\$62,776,981, which totals NT\$345,273,395, or NT\$5.5 per share of cash to common shareholders. The proposal is subject to the shareholders' approval at the Annual Shareholders' Meeting. The Board of Directors will determine an ex-dividend date.

## **C. Effect of 2022 Share Dividends to Operating Performance and EPS : Not applicable.**

### **4.1.7 Compensation of Employees, Directors and Supervisors**

#### **A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation**

Article 24 and Article 27 of the Articles of Incorporation stipulates as following:

- (1) Article 24: "The directors of the company may receive remuneration regardless of profit or loss in accordance with the resolution of the shareholders' meeting. The

remuneration of the directors of the company shall be authorized by the Board of Directors to fully reflect the individual performance and the long-term business performance of the company according to the directors' individual participation in the company's operations and the value of their contributions, in consideration the company's operating risks and broader industry standard.”

- (2) Article 27: “The Company shall allocate 10% to 25% of profit as employees’ compensation and no more than 5% of profit as directors’ compensation for each profitable fiscal year after offsetting any cumulative losses. When the company has accumulated losses, it should make up for the losses before designating profits in the current year to be appropriated for employee remuneration. After making up for losses, the rest shall be appropriated according to the ratio in the preceding paragraph. The employees’ compensation will be distributed in shares or cash. Employees of the Company’s subsidiaries who fulfill specific requirements stipulated may be granted such compensation.”

- B. The basis for estimating the amount of employee, director, and supervisor compensation is used for calculating the number of shares to be distributed as employee compensation, and to account for any discrepancy between the actual amounts subsequently paid differ from the above estimated amounts, the differences will be recorded in the year paid as a change in accounting estimate.

C. Distribution of Compensation of Employees, Directors and Supervisors for 2022  
Approved in the Board of Directors Meeting

- (1) Recommended Distribution of Compensation of Employees, Directors and Supervisors:

The proposal for the remuneration of employees, directors was reviewed by the Compensation Committees' meeting and passed at the meeting of the Board of Directors in February 22, 2023 as following:

Unit: NT\$ thousands

Items	Estimate in the Financial statements	Board resolution	Difference	Reason of difference
Employee Compensation -Cash	65,523	65,523	0	—
Employee Compensation -Stock	41,300	41,300	0	—
Remuneration to Directors	18,810	18,810	0	—

- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as 9.94% of the sum of the individual financial reports for the current period; the amount of any employee compensation distributed, and the size of that amount as 38.66% of the sum of the individual financial reports for the current period.

D. Distribution of Compensation of Employees, Directors and Supervisors for Period (2021) submitted to the Shareholders’ Meeting

The remuneration and actual distribution of employees, directors reported to the Shareholders’ Meeting on May 25, 2022 as following:

Unit: NT\$ thousands

Items	Estimate in the Financial statements	Board resolution	Difference	Reason of difference
Employee Compensation-Cash	49,845	49,845	0	-
Employee Compensation-Share	48,990	48,990	0	-
Remuneration to Directors	17,460	17,460	0	-

**4.1.8 Buy-back of Treasury Stock : None**

**4.2 Bonds : None**

**4.3 Global Depository Receipts : None**

**4.4 Employee Stock Options : None**

**4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions :**  
None

**4.6 Financing Plans and Implementation : None**



## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

The business items listed in the Company's registration with the competent authority are: research, development, production, manufacturing, and sales of the following products:

- (1) Integrated circuits for communication and mixed signal reception and processing.
- (2) Integrated circuits and graphics boards for information and multimedia graphics.
- (3) Asynchronous transfer mode integrated circuits and modules.

##### B. Revenue distribution

Unit : NT\$ thousands

Major Divisions	Total Sales in Year 2022	(%) of Total Sales
Network & Interface ICs	1,332,195	99.8%
Others	3,281	0.2%
Total	1,335,476	100.0%

##### C. Main products

The Company's major products include Industrial Ethernet ICs, SuperSpeed USB Ethernet ICs, Non-PCI/SPI Embedded Ethernet ICs, Interface ICs, RS-232/RS-485 UART Transceivers and USB KVM Switch/Wi-Fi/Ethernet SoCs.

##### D. New products development

- (1) Development of next generation multi-Gigabit Ethernet controllers.
- (2) Development of next generation Industrial Ethernet TSN/EtherCAT/etc. high-integrated SoCs for IIoT applications.
- (3) Development of next generation IO-Link smart sensor communication software key technologies.

#### 5.1.2 Industry Overview

##### A. Macroeconomic Environment

###### (1) Overview of Semiconductor Industry

Despite the impact of major political and economic environmental factors such as global inflation, the Russian-Ukraine war, and China's epidemic prevention and control, etc., the Industrial Technology Research Institute (ITRI) estimates that the output value of Taiwan's semiconductor industry will exceed NT\$4.7 trillion in 2022, up by 15.6% from 2021. Benefiting from new innovative industries such as 5G, Artificial Intelligence (AI), Internet of Things (IoT), Automotive, and High-Performance Computing (HPC), the output value of Taiwan's semiconductor industry is expected to reach NT\$5 trillion in 2023, with an annual growth rate of 6.1 %.

###### (2) Overview of IC Design Industry

ITRI stated that despite the impact of global political and economic factors, the

global terminal market demand has been greatly suppressed, and the annual output value of Taiwan's IC manufacturing industry will still reach NT\$2.56 trillion in 2022, an increase of 14.8% from 2021. Although it will continue to face the impact of supply chain inventory adjustments in 2023, ITRI still predicts that the output value of Taiwan's IC manufacturing industry will grow to NT\$2.75 trillion in 2023, with the 5G, AI, IoT, Automotive, HPC, and other innovative applications driving the growth of the overall market momentum.

The output value of Taiwan's IC design industry in 2021 broke through the NT\$1 trillion barrier, and the annual output value reached a new milestone of NT\$1.21 trillion; ITRI stated that the output value of Taiwan's IC design industry will reach NT\$1.24 trillion in 2022, with an annual growth rate of 1.8%; ITRI also predicted that the output value in 2023 will reach a record high of NT\$1.3 trillion, with an annual growth rate of 5.1 %.

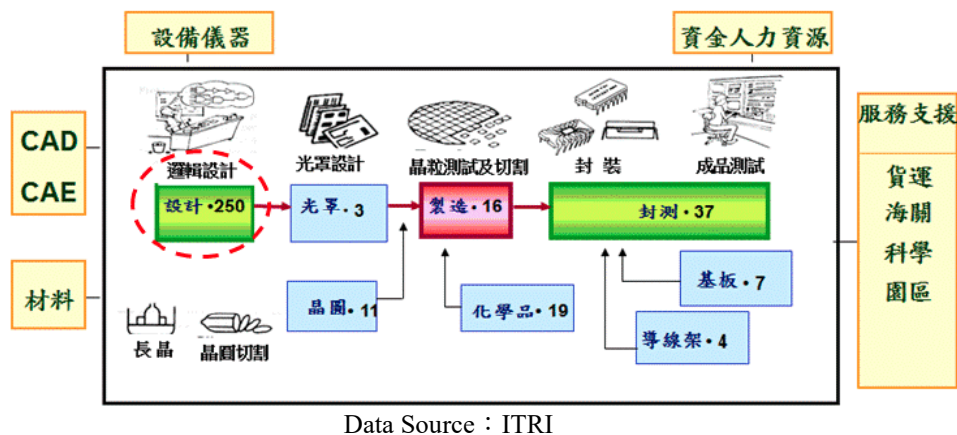
### (3) Overview of IIoT Smart Manufacturing Industry

In response to the huge impact of the COVID-19 pneumonia epidemic, global manufacturing industries have introduced new smart manufacturing ecosystems in succession to improve factory manufacturing efficiency and production quality. This trend has brought strong industrial computer market demands to global industrial equipment manufacturers. According to TrendForce statistics, the global smart manufacturing market will reach US\$347 billion in 2022, and is expected to reach US\$620 billion by 2026, with an annual growth rate of 12.7%.

Industry 4.0 intelligent manufacturing is a major development trend of the global manufacturing industry, and the key technologies are industrial Internet of Things (IIoT) and artificial intelligence (AI) big data analysis. To collect various sensor or manufacturing data through IIoT technology and process big data analysis through AI technology, which can efficiently integrate all smart manufacturing real-time data, such as manufacturing, supply chains, inventory management, sales, etc. and build a efficiently and flexibility smart factory production environment. According to the IoT Analytics market research report, the global enterprise IoT market size will be approximately US\$157.9 billion in 2021, with an annual growth rate of 22.4%; and will reach US\$525 billion in 2027, with a compound annual growth rate (CAGR) of 2

## **B. Industry Upstream, Midstream and Downstream Relationships**

Taiwan's semiconductor industry is unique in the world with its unique upstream and downstream vertical division of labor. The entire IC industry value chain has a very fine division of labor and a complete structure, including upstream chemical materials and silicon wafers, midstream IC design, IC manufacturing, and IC packaging and testing, and downstream terminal PC/NB, mobile phone and consumer electronics-based system manufacturers, in addition to peripheral industries such as manufacturing equipment and instruments, substrates, lead frames and printed circuit boards (PCB), and administrative service support. Taiwan's IC design industry has a “complete ecosystem” service system, and the entire upstream, midstream and downstream are developing simultaneously. Not only the IC design industry is No. 2 in the world, but the foundry and IC packaging and testing industries are also No. 1 in the world. Through vertical professional division of labor, mutual reinforcement and mutual support, the effect of industrial clustering is remarkable and the surrounding supporting industries are complementary in Taiwan's semiconductor industry.



### C. Product Trends

The Company's major products include industrial/embedded network and I/O bridge controllers, the product trends are described as follows:

#### (1) Industrial Ethernet ICs

In response to the rapidly growing Industry 4.0 smart manufacturing market demand, the company provides cost-efficient industrial Ethernet EtherCAT slave controller/MCU and TSN FPGA NIC solutions for smart factory, industrial automation and industrial IoT applications, which are suitable for motor/motion control, digital I/O control, sensors data acquisition, robotic. New products include EtherCAT to IO-Link or Modbus TCP gateway, EtherCAT Junction slave module, EtherCAT communication module, etc. industrial automation fieldbus applications.

#### (2) USB Ethernet ICs

Today's mobile devices are thin, light and compact, so most of them are only equipped with USB ports, but do not support built-in Ethernet LAN port. In order to smoothly play online 4K/8K high-resolution videos on streaming services, users can easily obtain a stable high-bandwidth network connection by using the USB Ethernet solution. To meet this application requirement, the Company provides the world's first single-chip USB 3.0 to Gigabit Ethernet controller and low-power USB 2.0 to Fast Ethernet controller solutions for smart home and office applications.

#### (3) Embedded Ethernet ICs

Due to the rise of smartphones, tablets and 4G/5G mobile networks, people can access Internet anytime, anywhere in the smart world. There are many smart embedded devices in our lives, such as smart TVs, smart speakers, smart home appliances, smart meters, set-top-boxes, multi-function printers, projectors, etc. These smart embedded devices are usually developed based on embedded systems with many benefits such as small form factor, low-cost, and power-efficient. To meet this application requirement, the Company provides the world's first Non-PCI Gigabit Ethernet controller and low-power SPI/Non-PCI embedded Fast Ethernet control chip.

#### (4) I/O Interface ICs and UART Transceivers

Following the evolution of computer bus technology, the motherboards of new desktop/portable computers don't support built-in serial port (COM) and parallel port (LPT) any more. In this case, if users still need to connect traditional serial/parallel devices such as printer, UART debug console of embedded systems, etc., they can easily support an extra serial/parallel port by installing the Company's PCIe/USB to serial/parallel adapter onto these computers. For industrial computers, designers can

also easily support multiple RS-232/RS-485 serial ports by connecting the Company's PCIe/USB to multiple serial ports solutions via PCIe or USB interfaces of industrial computers.

#### **(5) USB KVM Switch SoC**

Compared to the traditional 4-Port USB KVM switch with up to 12 chipsets solution, the Company provides a simple design and cost-effective AX6800x 2/4-Port USB KVM Switch SoC single chip solution, which enables users to control 2/4/8/16 PCs via USB with just one keyboard (K), monitor (V) and mouse (M). It is suitable for USB KVM Switch, USB KVM Extender, USB Roaming Mouse KM Switch, USB KM Synchronizer and UART to USB Host HID Class Bridge etc. applications.

### **D. Product Competition**

Taiwan's semiconductor industry has developed into a unique vertical division of labor, and the industrial cluster effect of the complete upstream, midstream, and downstream supply chains has become a key factor for the rapid growth of Taiwan's IC design industry to become the world's second largest. Potential competitors in China, Japan and South Korea are catching up. In particular, China's IC design industry has the competitive advantages, such as huge domestic market, sufficient engineering design talents, low production costs, and various incentives from China government, which enable China's IC design industry to become the biggest potential competitor of Taiwan's IC design industry.

Taiwan's IC design industry is facing an international competitive situation where manufacturing cost advantages no longer exist and the advantages of semiconductor industry clusters are gradually weakening. Based on the key technologies of the Company's industrial/USB/embedded Ethernet and I/O interface bridge controllers, ASIX is committed to developing cost-effective, high-integrated, value-oriented innovative technology products, and improving product added value by providing complete software and firmware support and software customization services, thereby improving the long-term competitiveness of the Company's products in the global market.

### **5.1.3 Research and Development**

#### **A. Research and Development Expenses by the Central Research Institute (CRI) in the Past Two Years**

Unit : NT\$ thousands		
Year	2022	2023 (As of March 31)
Total R&D Expenses	142,858	28,738
Sales revenue	1,335,476	204,972
R&D Expenses to Sales revenue ratio (%)	10.70%	14.02%

## **B. Research and Development Achievements of the CRI in the Past Two Years**

Year	Research and Development Achievements
2018	Launched AX58100 2/3-Port EtherCAT Slave Controller
2019	Launched AX58200 2/3-Port EtherCAT Slave Controller SoC
2020	Launched AXM57104 Quad Port TSN Gigabit Ethernet PCIe NIC Card Launched AX88179A USB 3.2 Gen 1 Gigabit Ethernet Controller
2021	Launched AX3243E/AX3243F 3V RS-232 Transceivers Launched AxRobot EtherCAT 7-Axis Force-Assisted Control Robot Launched AX58400 EtherCAT Slave Controller with Dual-Core MCU
2022	Launched New EtherCAT to IO-Link Gateway Solution with ASIX's Own IO-Link Master Protocol Stack

### **5.1.4 Long-term and Short-term Development**

#### **A. Short-term Business Development**

- (1) Develop high-growth-potential customers and establish long-term cooperative relationships.
- (2) Provide customers the professional and timely technical services to maintain long-term good relationships.
- (3) Provide product customization services to strengthen long-term cooperative relationships with customers.
- (4) Actively operate the Company's official social media channels, and timely release of the latest product information onto these channels.
- (5) Place Google Ads/Baidu keyword search advertisements to increase the Company's products exposure on the Internet.
- (6) Participate in international industrial automation exhibitions to showcase the Company's latest product research and development achievements.

#### **B. Long-term Business Development**

- (1) Commit to developing value-oriented innovation products to increase the Company's product international competitiveness.
- (2) Seek strategic partners for long-term business development to jointly develop new innovative technologies and application markets.
- (3) Expand the global distribution network and sales channels, and form alliances with business partners around the world.
- (4) Strengthen the professional image of the Company's "ASIX" brand, and develop international exposure.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Sales (Service) Region

Unit : NT\$ thousands

Sales Region \ Year		2021		2022	
		Amount	%	Amount	%
Exports	China	483,651	37	446,390	33
	Other	387,440	29	434,134	33
	Total	871,091	66	880,524	66
Domestic Sales		447,236	34	454,952	34
Total		1,318,327	100	1,335,476	100

#### B. Market Share

The Company has IC design key technologies for industrial/embedded Ethernet and various I/O interface bridge controllers. The Company is committed to developing value-oriented innovative products, focusing on small-volume, large-variety and high-niche product markets, and avoiding fierce competition in the mainstream market. So as to create its own blue ocean markets. The Company has been deeply involved in the embedded/USB network and I/O connectivity product markets for more than 20 years, which has established the Company's position as a leading manufacturer in the global embedded/USB Ethernet controller markets.

In response to the rapidly growing Industry 4.0 smart manufacturing market, the Company is actively investing in the research and development of industrial Ethernet controller solutions. Since 2018, the Company has launched "Greater China's First EtherCAT slave Controller/Microcontroller" and "Asia-Pacific's First 4-Port TSN Gigabit Ethernet PCIe NIC Card" solutions, becoming the first industrial Ethernet IC design company in the Greater China region.

#### C. Market Supply, Demand and Growth in the Future

Smart home, smart office, smart factory, smart city, smart transportation -- people can access Internet anytime, anywhere in the smart world. There are many smart embedded devices in our lives, such as smart TVs, smart speakers, smart home appliances, smart meters, set-top-boxes, multi-function printers, projectors, etc. These smart embedded devices are usually developed based on embedded systems with many benefits such as small in size, low-cost, power-efficient, etc. The Company provides cost-efficient low-power embedded Ethernet IC solutions to meet the wired networking connection demand of these smart embedded devices.

The USB (Universal Serial Bus) technology supports many convenient functions such as low pin count, hot-swap, plug & play, high-current quick charging, etc. It has been widely used in various computer peripherals, laptops, smart phones, tablets, handheld devices, smart network devices, etc. The USB technology has become one of the most important computer peripheral expansion bus technologies in the smart world now. However, the latest laptops/smartphones/tablets are thin, light and compact, so they cannot have a built-in wired Ethernet port. With the popularization of 5G broadband network, when users need a stable high-speed wired network connection to play 4K/8K high-resolution video online, the Company's super high-speed USB Ethernet controller solution is their best choice. In this smart world of 5G and IoT,

everything is connected to the Internet. The demand for the Company's embedded/USB Ethernet controllers will continue to grow in the future.

The strong demand in the global smart manufacturing market has also brought strong demand in the industrial computer market. The industrial computers need to support multiple serial ports for communicating with traditional manufacturing machines via RS-232, RS-422 or RS-485 serial interfaces. The Company provides cost-efficient PCIe/USB to multi-port serial bridge controller and UART transceiver solutions to meet this market demand. In order to support deterministic and real-time communication between smart manufacturing machines and smart manufacturing ecosystems, the industrial computers and factory production equipment need to support real-time industrial Ethernet interfaces such as EtherCAT, PROFINET, EtherNet/IP, etc. The Company provides cost-efficient industrial Ethernet EtherCAT/TSN solutions to meet this market demand. The strong market demand of Industrial 4.0 smart manufacturing has become the driving force for the rapid growth of the Company's industrial Ethernet and I/O interface products.

#### **D. Competitive Advantage**

##### **(1) Advantage of being close to customers**

Since the Company entered the network IC market earlier, it has deep understanding and rich experiences in the specifications and structures required by downstream cooperative manufacturers. Therefore, the relationship with downstream manufacturers is stable, and entry barriers are established through product leadership, which differentiates the company from possible potential competitors, and stabilizes the existing customer base. This creates and maintains the advantage of being close to customers.

##### **(2) High-quality R&D team provides complete solutions**

The main force of the Company is in R&D team with majority of them are seasoned designers or managers. ASIX's pool of talent is the most important property of the Company itself. The team has developed a series of successful products in the past, and commits to do so for the years to come. The Company specializes in networking & interface connectivity solutions and provides Ethernet-centric and interface silicon products such as Industrial Ethernet controllers, USB Ethernet controllers, Non-PCI/SPI embedded Ethernet controllers, Interfaces controllers, UART transceivers and microcontrollers for industrial/embedded applications.

##### **(3) Leading Key Technologies for Successful Innovative Products**

The Company has the most advanced industrial/embedded network IC design key technology, and has successfully launched a variety of high-integrated and innovative technology products,

- (a) The world's first Non-PCI Gigabit Ethernet Controller
- (b) The world's first USB 2.0 to Gigabit Ethernet Controller
- (c) The world's first single-chip USB 3.0 to Gigabit Ethernet Controller
- (d) The Greater China's first EtherCAT Slave Controller/Microcontroller
- (e) The Asia-Pacific's Quad Port TSN Gigabit Ethernet PCIe NIC Card Solution
- (f) The Latest EtherCAT to IO-Link Gateway Solution with ASIX's Own IO-Link Master Protocol Stack

#### **E. Favorable Developments, Unfavorable Factors and Countermeasures**

(1) Favorable Developments

(a) Complete semiconductor industry supply chain

Taiwan's semiconductor industry supply chain has a complete division of labor, enhancing international competitiveness. Against the background of rapidly changing industrial environment and expanding investment in capital equipment, domestic resources are concentrated in a single industry field, with vertical division of labor in the upstream, midstream and downstream of industry. The wafer foundries, packaging and testing factories have professional manufacturing capabilities and economic scales, which indeed meet the needs of industry trends and can provide high-quality and internationally competitive services, and are conducive to the innovative development of new technology products for Taiwan IC design companies.

(b) Global smart manufacturing industry trend, accelerating the growth of the industrial Ethernet market

In response to the industrial trend of Industry 4.0 smart manufacturing, the global manufacturing industry has introduced new smart manufacturing ecosystems to improve factory production efficiency and product manufacturing quality. This trend has created strong demand for the Company's Industrial Ethernet and I/O interface products.

(c) Strong R&D team continues to develop innovative products

The Company's R&D team focuses on the development of industrial/embedded network and I/O interface controller solutions. The main force of the R&D team are seasoned designers or managers. The Company is committed to improving the employee welfare system, creating a friendly working environment, focusing on the education and training of employee's professional and management capabilities, so that employees have opportunities for self-realization, enhance their centripetal force to the Company, and accumulate work experience. The Company has established a strong innovative R&D team with stable and seasoned employees working toward a productive future..

(2) Unfavorable Factors and Countermeasures

(a) Fierce competition in the industry

Generally speaking, the application of Ethernet products is already a mature market. There are many competitors sharing this market and it is difficult to maintain a high gross profit.

**Countermeasures:** The Company is committed to developing value-oriented innovative products, focusing on small-volume, large-variety and high-niche industrial/embedded Ethernet product markets, and avoiding fierce competition in the mainstream Ethernet product market, thus creating its own blue ocean markets.

(b) Rapid product change & short product life cycle

The life cycle of consumer IC products is short, and product specifications change rapidly, which puts pressure on the timeliness of product development. In addition, semiconductor technology is changing with each passing day, new product features are constantly increasing, and competing manufacturers are developing innovative products one after another. The fierce competition in the industry shortens the product development progress and life cycle rapidly.

**Countermeasures:** The Company focuses on the industrial/embedded network and I/O interface controller markets, which is a market with long product life cycles. The Company is committed to providing customers with highly integrated and



technologically innovative chip solutions that are most in line with economic benefits and market needs, and provides complete software and firmware support and customized software services to create new value-oriented products, thereby increasing the Company's product international competitiveness.

(c) Difficult to recruit professionals and rising costs

Since the value of an IC design company mainly comes from a strong R&D team, R&D talents become a key factor for the successful operation of an IC design company. In recent years, due to the vigorous development of the IC design industry, the demand for professional talents is increasing day by day, but the development cycle of professional R&D personnel is long. In order to gather the centripetal force of professional talents, companies need to pay high labor costs.

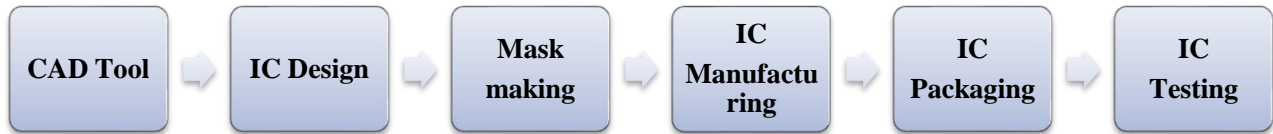
**Countermeasures:** The Company improves the professional and management capabilities of employees through various internal and external professional and management education and training. By providing employees with opportunities for self-realization, annual employee bonuses, a comprehensive employee welfare system, and creating a friendly working environment, the Company has enhanced employees' centripetal force to the Company and established a strong innovative R&D team.

## 5.2.2 Applications and Manufacturing Processes of Major Products

### A. Applications of Major Products

Major Products	Applications
Industrial Ethernet ICs	Motor/motion control, digital I/O control, sensors data acquisition, robotics, EtherCAT IO-Link master, EtherCAT Junction slave module, EtherCAT communication module, etc. industrial automation fieldbus applications.
USB Ethernet ICs	Supports a LAN Ethernet port via USB, which is suitable to desktop/notebook/POS, USB Ethernet dongles, docking stations, smart mobile device cradles, game consoles, smart camera/IP STB, 5G/LTE router/gateway, etc. smart home/office applications.
Embedded Ethernet ICs	Supports a LAN Ethernet port via SPI/Non-PCI/Local bus interfaces on embedded systems, which is suitable to Smart TVs, smart speakers, smart home appliances, smart meters, set-top-boxes, multi-function printers, projectors, etc. smart embedded devices applications.
I/O Interface ICs & UART Transceivers	Supports one or multiple serial/parallel ports via PCIe/USB interfaces, which is suitable to Industrial computers, PCIe/USB serial adapter cards, remote access servers, storage network management, data acquisition systems, point-of-sale (POS) terminals, handheld devices, set-top box, digital TVs, industrial control, building automation equipment, etc. applications.
USB KVM Switch SoC	USB KVM Switch, USB KVM Extender, USB Roaming Mouse KM Switch, USB KM Synchronizer and UART to USB Host HID Class Bridge etc. applications.

## B. Manufacturing Processes



### 5.2.3 Supply Status of Main Materials

1. Main Materials : Chip
2. Suppliers : FARADY 、AIROHA 、EPISIL

### 5.2.4 Major Suppliers and Clients

#### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2021				2022				2023 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	A	279,558	44.2	-	A	290,664	46.9	Other related party	A	42,503	48.6	Other related party
2	B	202,527	32.0	Other related party	B	173,631	28.0	-	B	20,619	23.6	-
3	C	57,505	9.1	-	C	69,932	11.3		C	10,704	12.2	
4	Others	93,001	14.7	-	Others	85,829	13.8		Others	13,589	15.6	
	Net Total Supplies	632,591	100.0		Net Total Supplies	620,056	100.0	-	Net Total Supplies	87,415	100.0	-

Note 1: Major suppliers refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

## B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2021				2022				2023 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	A	207,190	15.7	-	A	210,920	15.8	-	A	29,167	14.23	-
2	B	146,763	11.1	-	B	188,785	14.1	-	B	20,670	10.08	-
	Others	964,374	73.2	-	Others	935,771	70.1	-	Others	155,135	75.69	-
	Net Sales	1,318,327	100.00		Net Sales	1,335,476	100.0	-	Net Sales	204,972	100.0	-

Note 1: Major clients refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

## 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output Year Major Products (or by department)	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Chip	-	53,706	549,083	-	44,303	514,768
Total	-	53,706	549,083	-	44,303	514,768

## 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales Year Major Products (or by departments)	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Chip	20,206	391,095	27,679	899,621	18,355	437,408	25,521	895,212
Others	-	27,461	-	150	-	2,856	-	-
Total	20,206	418,556	27,679	899,771	18,355	440,264	25,521	895,212

### 5.3 Human Resources

Year		2021	2022	Data as of ending data in the current year
Number of Employees	Direct Employee	-	-	-
	Indirect Employee	70	75	72
	Total	70	75	72
Average Age		41.06	40.82	41.51
Average Years of Service		10.05	10.20	10.64
Education	Ph.D.	-	-	-
	Master's	40.00%	40.00%	38.90%
	Bachelor's Degree	57.10%	57.30%	58.30%
	Senior High School	2.90%	2.70%	2.80%
	Below Senior High School	-	-	-

### 5.4 Environmental Protection Expenditure

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

None

### 5.5 Labor Relations

#### 5.5.1 Employee Welfare

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

A. Employee enjoy the following benefits:

- (1) Gifts for the three festivals (Dragon Boat Festival, Mid-Autumn Festival and Lunar New Year), Labor Day Gifts, Birthday Gifts, Wedding Gifts, Maternity Gifts and Condolences, etc.
- (2) Tea time break and birthday parties, various club activities, occasional gatherings, dinner parties, employee lottery, and discounts at designated stores.
- (3) Regular health check allowance, labor insurance, health insurance and employee group insurance.
- (4) Annual employee domestic or foreign travel.
- (5) Shared and reading the companies regularly order various books, magazines and newspapers.

B. Staff Training

(1) The status of training for employee 2022:

Item	Classes	Staffs	Hours	Charges(NT\$)
New staff training	10	14	761	0.
Professional functional training	17	17	90	25,610.
Supervisor ability training	3	47	161.5	8,000.
General training	1	6	48	0.
Self-improvement training	1	35	70	33,610.

(2) Listing staffs in Accounting and auditing for obtaining licenses:

Title	Name	License	License No.
Director of Financial office	Tsai, Min-Ling	Passed the ROC Account Exam	(99) Chuan-Kao-Hui-Tzu No.000176

#### C. Retirement System and Implementation

The company retirement policy is set according to the labor standard laws and labor pension practices of various respective regions.

Due to sound financial condition for the company, it is able to ensure solid pension contributions and payments, which encourages employees to make long-term career plans and further deepen their commitment to ASIX.

#### D. The Status of Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests

Human capital and harmonious labor-management relations are the company's most treasured assets. Providing employees with a safe and fun working environment, meaningful work content, and high-quality remuneration and benefits, which can build a harmonious working environment for the company. Employees are encouraged to develop their interests outside of work and spend time with their families. Since the company establishment, no major labor disputes have occurred.

The relevant measures are as follows:

- (1) In accordance with the Labor Standards Law and relevant regulations, the company regularly holds labor-management coordination meetings and appeal channels are provided for employees.
- (2) Provision the employee retirement benefits and payment of salaries on time.
- (3) Set up an employee welfare committee, allocate employee welfare funds, and handle various welfare measures and activities.
- (4) Regular education and training are held to encourage employees to further study and provide training subsidies.
- (5) In accordance with the Labor Safety and Health Act of the competent authority, the "Code of Practice for Safety and Health" was formulated. The company hold a firefighting training at least once a year.

#### 5.5.2 Labor Disputes

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None

### 5.6 Information Security Management

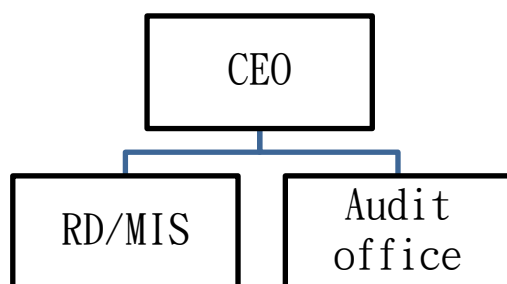
#### 5.6.1 Describe the cyber security risk management framework, cyber security

**policies, concrete management programs, and investments in resources for cyber security management.**

#### **5.6.1.1 Information Security Policy and Organization**

To keep the company growing, with the concept of sustainable management, ASIX Electronics Corp has formulated the Information Security Policy to strengthen the awareness of personnel information security. We implement the management of information security equipment and the environment, ensure the confidentiality and integrity of data to reduce the risk of information security.

#### **Information Security Organization Structure**



#### **5.6.1.2 Information Security Management Measures and Resources**

ASIX implements the implementation of each information security rule internally, and invests in information security equipment to strengthen information environment security and data protection to achieve the goal of risk control. Information security risk assessment is carried out on a regular basis every year, and improvements are made according to the assessment results.

#### **5.6.1.3 Information Security Incident Handling and Notification**

ASIX has established information security incident handling and notification procedures. Designation of personnel are responsible for handling major information security incidents and taking necessary countermeasures. In 2021 and as of the date of this Annual, ASIX has no major information security incidents, and there is no financial or operational impact caused by major information security incidents.

**5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None**

#### **5.7 Important Contracts**

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease agreement	Hsinchu Science Park Bureau	During August 6, 2019 to December 31, 2038	Plant land Lease	-

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Summary for The Last Five Years					As of the printing date of this annual report
		2018	2019	2020	2021	2022	
Current assets		819,334	878,832	908,988	1,866,147	1,964,090	2,029,239
Property, Plant and Equipment		32,786	37,253	52,530	46,744	53,289	51,271
Intangible assets		75,667	64,866	53,877	47,461	52,690	57,166
Other assets		36,717	49,739	54,890	45,788	40,975	42,037
Total assets		964,504	1,030,690	1,070,285	2,006,140	2,111,044	2,179,713
Current liabilities	Before distribution	111,156	113,736	149,963	342,463	284,428	266,267
	After distribution	220,037	229,426	305,455	592,171	—	—
Non-current liabilities		12	11,589	13,825	12,617	11,227	11,083
Total liabilities	Before distribution	111,168	125,325	163,788	355,080	295,655	277,350
	After distribution	220,049	241,015	319,280	604,788	—	—
Equity attributable to shareholders of the parent		853,336	905,365	906,497	1,651,060	1,815,389	1,902,363
Capital stock		537,406	544,406	495,815	621,970	624,270	627,770
Capital surplus		54,420	70,135	84,435	480,827	465,090	502,890
Retained earnings	Before distribution	276,042	309,363	352,791	581,421	747,383	794,404
	After distribution	167,161	193,673	197,299	331,713	—	—
Other equity interest		(14,532)	(18,539)	(26,544)	(33,158)	(21,354)	(22,701)
Treasury stock		—	—	—	—	—	—
Non-controlling interest		—	—	—	—	—	—
Total equity	Before distribution	853,336	905,365	906,497	1,651,060	1,815,389	1,902,363
	After distribution	744,455	789,675	751,005	1,401,352	—	—

## B. Parent-Company-Only Condensed Balance Sheet

Unit: NT\$ thousands

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Summary for The Last Five Years				
		2018	2019	2020	2021	2022
Current assets		686,150	743,275	777,105	1,736,016	1,814,844
Property, Plant and Equipment		32,786	37,253	52,530	46,744	53,289
Intangible assets		—	—	800	4,174	4,656
Other assets		245,975	250,757	239,891	219,539	238,329
Total assets		964,911	1,031,285	1,070,326	2,006,473	2,111,118
Current liabilities	Before distribution	111,563	114,331	150,004	342,796	284,502
	After distribution	220,444	230,021	305,496	592,504	—
Non-current liabilities		12	11,589	13,825	12,617	11,227
Total liabilities	Before distribution	111,575	125,920	163,829	355,413	295,729
	After distribution	220,456	241,610	319,321	605,121	—
Equity attributable to shareholders of the parent		853,336	905,365	906,497	1,651,060	1,815,389
Capital stock		537,406	544,406	495,815	621,970	624,270
Capital surplus		54,420	70,135	84,435	480,827	465,090
Retained earnings	Before distribution	276,042	309,363	352,791	581,421	747,383
	After distribution	167,161	193,673	197,299	331,713	—
Other equity interest		(14,532)	(18,539)	(26,544)	(33,158)	(21,354)
Treasury stock		—	—	—	—	—
Non-controlling interest		—	—	—	—	—
Total equity	Before distribution	853,336	905,365	906,497	1,651,060	1,815,389
	After distribution	744,455	789,675	751,005	1,401,352	—



### 6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

#### A. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of the printing date of this annual report
	2018	2019	2020	2021	2022	
Operating revenue	647,830	723,153	725,429	1,318,327	1,335,476	204,972
Gross profit	294,805	352,159	385,177	754,569	764,675	111,029
Income from operations	126,371	164,164	186,719	457,944	476,473	57,312
Non-operating income and expenses	12,597	1,421	2,480	8,806	27,534	3,786
Income before tax	138,968	165,585	189,199	466,750	504,007	61,098
Net income (Loss)	120,659	142,202	159,118	384,122	415,670	47,021
Other comprehensive income (income after tax)	5,007	(4,007)	(8,005)	(6,614)	11,804	(1,347)
Total comprehensive income	125,666	138,195	151,113	377,508	427,474	45,674
Net income attributable to shareholders of the parent	120,659	142,202	159,118	384,122	415,670	47,021
Net income attributable to non-controlling interest	—	—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent	125,666	138,195	151,113	377,508	427,474	45,674
Comprehensive income attributable to non-controlling interest	—	—	—	—	—	—
Earnings per share	2.25	2.62	3.05	6.34	6.66	0.75

## B. Parent-Company-Only Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

r Item	Yea	Financial Summary for The Last Five Years				
		2018	2019	2020	2021	2022
Operating revenue		647,830	723,153	725,429	1,318,327	1,335,476
Gross profit		294,805	352,159	385,177	754,569	762,805
Income from operations		126,371	164,164	186,719	457,944	473,107
Non-operating income and expenses		12,597	1,421	2,480	8,806	29,423
Income before tax		138,968	165,585	189,199	466,750	502,530
Net income (Loss)		120,659	142,202	159,118	384,122	415,670
Other comprehensive income (income after tax)		5,007	(4,007)	(8,005)	(6,614)	11,804
Total comprehensive income		125,666	138,195	151,113	377,508	427,474
Net income attributable to shareholders of the parent		—	—	—	—	—
Net income attributable to non-controlling interest		—	—	—	—	—
Comprehensive income attributable to Shareholders of the parent		—	—	—	—	—
Comprehensive income attributable to non-controlling interest		—	—	—	—	—
Earnings per share		2.25	2.62	3.05	6.34	6.66

### 6.1.3 Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	CPA	Audit Opinion
2018	KPMG	Hai-Ning Huang ; Chien-Hui Lu.	Unqualified Opinions
2019	KPMG	Hai-Ning Huang ; Chien-Hui Lu.	Unqualified Opinions
2020	KPMG	Hai-Ning Huang ; Chien-Hui Lu.	Unqualified Opinions
2021	KPMG	Hai-Ning Huang ; Chien-Hui Lu.	Unqualified Opinions
2022	KPMG	Hai-Ning Huang ; Chien-Hui Lu.	Unqualified Opinions

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis

Item	Year	Financial Analysis for the Last Five Years					As of the printing date of this annual report
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	11.53	12.16	15.30	17.70	14.01	12.72
	Ratio of long-term capital to property, plant and equipment	2,602.78	2461.42	1,751.99	3,559.12	3,427.75	3,732.02
Solvency (%)	Current ratio	737.10	772.69	606.14	544.92	690.54	762.11
	Quick ratio	653.80	706.52	556.56	497.67	611.86	678.29
	Interest earned ratio (times)	—	253.42	323.87	805.74	901.01	434.32
Operating performance	Accounts receivable turnover (times)	7.09	8.92	9.50	12.07	11.78	10.46
	Average collection period	51.48	40.91	38.42	30.24	30.98	34.89
	Inventory turnover (times)	4.45	5.09	5.16	5.16	3.04	1.71
	Accounts payable turnover (times)	13.87	13.20	10.82	9.89	10.13	10.9
	Average days in sales	82.02	71.70	70.73	70.73	120.06	213.45
	Property, plant and equipment turnover (times)	19.76	19.41	13.81	28.20	25.06	15.99
	Total assets turnover (times)	0.67	0.70	0.68	0.66	0.63	0.38
Profitability	Return on total assets (%)	12.94	14.31	15.19	25.00	20.21	8.79
	Return on stockholders' equity (%)	14.53	16.17	17.56	30.04	23.98	10.12
	Pre-tax income to paid-in capital (%)	25.86	30.42	38.16	75.04	80.74	38.93
	Profit ratio (%)	18.63	19.66	21.93	29.14	31.13	22.94
	Earnings per share (NT\$)	2.25	2.62	3.05	6.34	6.66	0.75
Cash flow	Cash flow ratio (%)	176.31	191.42	152.28	141.26	148.61	36.73
	Cash flow adequacy ratio (%)	119.03	142.47	196.96	193.26	155.04	158.75
	Cash reinvestment ratio (%)	10.52	10.82	11.03	18.37	5.66	4.80
Leverage	Operating leverage	1.41	1.17	1.15	1.04	1.08	1.19
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
(1) Debt Ratio: Mainly due to decrease accounts payable.							
(2) Current ratio: Mainly due to the increase of current assets and the decrease of current liabilities.							
(3) Quick ratio: Mainly due to the increase of current assets and the decrease of current liabilities.							
(4) Inventory turnover and Average days in sales: The Company predicted the demands from customers and prepare good in advance.							
(5) Return on stockholders' equity: Mainly due to the huge increase of Capital stock.							
(6) Cash reinvestment ratio: Mainly due to increase Cash dividends paid to shareholders							

## B. Parent-Company-Only Consolidated Financial Analysis

Year		Financial Analysis for the Last Five Years				
Item		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	11.53	12.16	15.30	17.70	14.01
	Ratio of long-term capital to property, plant and equipment	2,602.78	2461.42	1,751.99	3,559.12	3,427.75
Solvency (%)	Current ratio	737.10	772.69	606.14	544.92	637.90
	Quick ratio	653.80	706.52	556.56	497.67	559.24
	Interest earned ratio (times)	—	253.42	323.87	805.74	898.38
Operating performance	Accounts receivable turnover (times)	7.09	8.92	9.50	12.07	11.78
	Average collection period	51.48	40.91	38.42	30.24	30.98
	Inventory turnover (times)	4.45	5.09	5.16	5.16	3.05
	Accounts payable turnover (times)	13.87	13.20	10.82	9.89	10.16
	Average days in sales	82.02	71.70	70.73	70.73	119.67
	Property, plant and equipment turnover (times)	19.76	19.41	13.81	28.20	25.06
	Total assets turnover (times)	0.67	0.70	0.68	0.66	0.63
Profitability	Return on total assets (%)	12.94	14.31	15.19	25.00	20.21
	Return on stockholders' equity (%)	14.53	16.17	17.56	30.04	23.98
	Pre-tax income to paid-in capital (%)	25.86	30.42	38.16	75.04	80.50
	Profit ratio (%)	18.63	19.66	21.93	29.14	31.13
	Earnings per share (NT\$)	2.25	2.62	3.05	6.34	6.66
Cash flow	Cash flow ratio (%)	176.31	191.42	152.28	141.26	146.89
	Cash flow adequacy ratio (%)	119.03	142.47	196.96	193.26	152.97
	Cash reinvestment ratio (%)	10.52	10.82	11.03	18.37	5.28
Leverage	Operating leverage	1.41	1.17	1.15	1.04	1.08
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)						

### **6.3 Supervisors' /Audit Committee's Report for the Most Recent Year**

## **ASIX ELECTRONICS CORPORATION**

### **Audit Committee's Review Report**

**The Board of Directors has prepared and submitted to us the Company's 2022 Business Report, Financial Statements, and proposal for earnings distribution. Financial Statements were audited by the Hai-Ning Huang (CPA) and Chien-Hui Lu (CPA) of KPMG and they issued an audited report accordingly. We, as the Audit Committee of the Company, have reviewed the Business Report, Financial Statements, and proposal for earnings distribution and do not find any discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, were hereby submit the report.**

**To ASIX Electronics Corporation 2023 Annual Shareholders' Meeting**

**Chairman of the Audit Committee: Jian-Ming Wei**

**February 22, 2023**

**6.4 Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report**

Consolidated Financial Statements: Please refer to Attachment A

**6.5 Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report**

Parent-Company-Only Financial Statements: Please refer to Attachment B

**6.6 The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties**

None.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Year Item	2021	2022	Difference	
			Amount	%
Current Assets	1,866,147	1,964,090	97,943	5.25
Funds and Investments	6,520	2,825	(3,695)	(56.67)
Property, Plant and Equipment	46,744	53,289	6,545	14.00
Intangible Assets	47,461	52,690	5,229	11.02
Other Assets	39,268	38,150	(1,118)	(2.85)
<b>Total Assets</b>	<b>2,006,140</b>	<b>2,111,044</b>	<b>104,904</b>	<b>5.23</b>
Current Liabilities	342,463	284,428	(58,035)	(16.95)
Long-term Liabilities	12,617	11,227	(1,390)	(11.02)
Other Liabilities	—	—	—	—
<b>Total Liabilities</b>	<b>355,080</b>	<b>295,655</b>	<b>(59,425)</b>	<b>(16.74)</b>
Capital stock	621,970	624,270	2,300	0.37
Capital surplus	480,827	465,090	(15,737)	(3.27)
Retained Earnings	581,421	747,383	165,962	28.54
Other Equity	(33,158)	(21,354)	11,804	(35.60)
Treasury Shares	—	—	—	—
<b>Total Stockholders' Equity</b>	<b>1,651,060</b>	<b>1,815,389</b>	<b>164,329</b>	<b>9.95</b>
Analysis of changes in financial ratios:				
1. Retained Earnings: Mainly due to increase in annual net profit.				
2. Other Equity: Mainly due the Exchange differences on translation of foreign financial statements				

- **Effect of changes on the company's financial condition:** The Company's financial condition has not changed significantly.
- **Future response actions:** Not applicable

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Net Sales	1,318,327	1,335,476	17,149	1.30
Cost of Sales	563,758	570,801	7,043	1.25
Gross Profit	754,569	764,675	10,106	1.34
Operating Expenses	296,625	288,202	(8,423)	(2.84)
Operating Income	457,944	476,473	18,529	4.05
Non-operating Income and Gains	11,361	28,094	16,733	147.28
Non-operating Expenses and Losses	2,555	560	(1,995)	(78.08)
Income Before Tax	466,750	504,007	37,257	7.98
Tax Benefit (Expense)	82,628	88,337	5,709	6.91
Net Income	384,122	415,670	31,548	8.21
Analysis of changes in financial ratios: Non-operating income and expenses: Mainly due to increase the Effect of exchange rate changes on cash and cash equivalents				

- **Effect of changes on the company's future business:** The Company's business scope has not changed significantly.
- **Future response actions:** Not applicable.



### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
860,653	422,681	705,087	1,565,740	-	-

Analysis of the Change in Cash Flow in 2022

- Operating activities: Net cash inflow of NT\$ 422,681 thousand, mainly from Income before tax.
- Investing activities: Net cash inflow of NT\$ 581,313 thousand, mainly due to the decrease in financial assets at amortized cost.
- Financing activities: Net cash outflow of NT\$ 313,342 thousand, mainly due to Cash dividends paid to shareholders

#### 7.3.2 Remedy for Cash Deficit and Liquidity Analysis

None

#### 7.3.3 Cash Flow Analysis for the Coming Year

None

**7.4 Major Capital Expenditure Items**  
**None.**

**7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**  
**None.**

**7.6 Analysis of Risk Management**

**7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

**(1) Interest rate**

The company's operating funds are all its own funds, so the impact of interest rate changes on the company is not significant.

**(2) Foreign exchange rates**

In order to reduce the impact of exchange rate changes on revenue and profits, the company actively collects information on exchange rate changes in order to fully grasp exchange rate trends, and takes the following specific response measures to reduce the impact of exchange rate changes on the company's revenue and profits :

1. Before quoting quotations to customers, the business unit shall carefully evaluate the exchange rate trend, and comprehensively consider various factors that affect the rise and fall of the exchange rate, and adopt a more reasonable and stable exchange rate as the basis for business quotations, so as to reduce the impact of exchange rate changes on the company's revenue and Profit Impact.
2. In addition to maintaining close contact with banks and professional institutions, in order to fully grasp the trend of international exchange rates, and open foreign currency deposits, in response to the receipt and payment of foreign currency payments, in order to reduce the impact of exchange rate changes.

**(3) Inflation**

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

**7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**  
**None.**

### **7.6.3 Future Research & Development Projects and Corresponding Budget**

■ Future Research & Development Projects :

ASIX also develops outwards with our own key core technologies, such as developing Multi-Gigabit Ethernet chips with various high-speed transmission interfaces; a new generation of networking chips related to the field of industrial control and high-performance (32-bits) EtherCAT SoC; I/O Related chips that control high-speed transmission interfaces; and I/O smart sensor communication software suitable for industrial applications, and promotes TSN-related chips and module solutions to provide IT and OT fusion application solutions that fit the new generation of industrial Internet of Things IIoT, Industry 4.0-related application chips and modules to continue cultivating the field of Industry 4.0 smart manufacturing.

■ Corresponding Budget :

R&D expenses in 2023: NT\$153,525,000

### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2022 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

None.

### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

None.

### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

None.

### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

None.

### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

None.

### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

None.

### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management**

## **Rights**

**None.**

### **7.6.12 Litigation or Non-litigation Matters**

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

### **7.6.13 Other Major Risks**

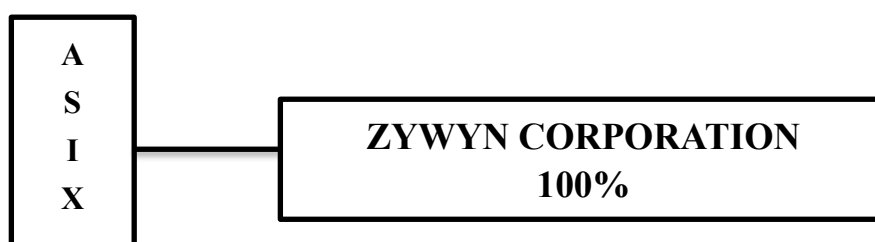
**None.**

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies (As of Dec. 31, 2022.)

#### 8.1.1 Business Report of Affiliated Companies

##### 8.1.1.1 The Company's Affiliated Companies Chart



##### 8.1.1.2 The Company Affiliated Companies

Company Name	Date of Incorporation	Address	Capital Stock	Major Business
ZYWYN CORPORATION	2002/11/1	6203 San Ignacio Avenue Suite 110, San Jose, California 95119	USD5,166	R&D center

##### 8.1.1.3 Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual or Deemed Control

None.

##### 8.1.1.4 Business Scope of the Company and Its Affiliated Companies

Business scope of ASIX and its affiliates include the R&D, producing and selling the IC

##### 8.1.1.5 List of Directors, Supervisors and Presidents of the Company's Affiliated Companies

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
ZYWYN CORPORATION	Director	Li, Mao-Sheng	0	0%
	Director	Chen, Ruey-Zon	0	0%

##### 8.1.1.6 Operation Highlights of the Company's Affiliated Companies

Unit: NT\$ Thousands

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)
ZYWYN CORPORATION	165,411	149,912	590	149,322	3,739	3,366	4,420

#### 8.1.2 Consolidated Financial Statement: Please refer to Appendix I

#### 8.1.3 Affiliation Report

None.

**8.2 Private Placement Securities in the Most Recent Years:**  
**None.**

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**  
**None.**

**8.4 other matters that require additional description :**  
**None.**

**IX. Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Act**  
**None.**

ASIX Electronics Corporation  
The Internal Control System Statement

Date: February 22, 2023

The internal control system of ASIX Electronics Corporation in the year 2022, based on the results of a self-assessment, is hereby stated as follows:

1. The Company acknowledges and understands that the establishment, implementation, and maintenance of the internal control systems are the responsibility of the Board of Directors and the managers of the Company, and the Company have already established such systems.

The purpose is to provide reasonable assurance that the objectives are accomplished in the effectiveness and efficiency of our operations (including profitability, performance, and guarding of asset security, etc.), the reliability, timeliness, transparency and regulatory compliance of the reporting, and the compliance with relevant rulings, laws and regulations.

2. Internal control systems have inherent limitations. No matter how perfectly they are designed, an effective internal control systems can only provide reasonable assurance the accomplishment of the aforementioned three objectives. Moreover, the effectiveness of an internal control system may change accordingly due to changes of environments and circumstances.

Nevertheless, the internal control systems of the Company contain the self-monitoring mechanisms, and the Company will take corrective actions immediately as soon as any deficiencies are identified.

3. The Company evaluates the effectiveness of the internal control systems in the design and implementation according to the criteria of the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the “Regulations”).

The internal control system determining the criteria adopted by the Regulations divide an internal control system into five constituent elements based on the process of the management and control:

(1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, (5) monitoring activities.

Each constituent element also includes several items. Please refer to the Regulations for the aforementioned items.

4. The Company has adopted the aforementioned internal control system determining the criteria to evaluate the effectiveness of the design and

implementation of the internal control systems.

5. Based on the aforementioned results of the assessment, the Company believes that our internal control systems on December 31, 2022 (including the supervision and management of our subsidiaries), which contain the understanding of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of the reporting, and the compliance with relevant rulings, laws and regulations, are effective in the design and implementation of the internal control systems, and reasonably assure accomplishment of the aforementioned objectives.

6. This Statement is the main content of the Company's annual report and prospectus, and will be made public.

Any falsehood, concealment, or other illegality in the aforementioned public content will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This Statement has been passed by the Board of Directors on February 22, 2023, where none of the nine attending directors expressed dissenting opinions, and the remainder all consented to the content of this Statement, which is stated together with.

ASIX Electronics Corporation

Chairman: David Wang

President: James Chan



# *ASIX* Electronics Corporation

## **Codes of Ethical Conduct**

December 16, 2020

### 1 Purpose of and basis for adoption

To encourage the company's directors, supervisors, and managerial officers to act in line with ethical standards, and to help interested parties better understand the ethical standards of the company, the company establishes the codes according to "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies" and the related regulations, which is to be complied with.

### 2 Content of the codes

The Codes of Ethical Conduct of the company shall address at least the following eight matters:

#### 1.Prevention of conflicts of interest:

- (1) The company's directors, supervisors, and managerial officers shall perform their duties under considering the overall interest of the company, and in an objective and efficient manner, and shall not take advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship.
- (2) The company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a director, supervisor, or managerial officer works. If they occur, they shall be put in practice in compliance with the regulations of the government and the company to be aimed at preventing conflicts of interest, and the relevant directors, supervisors, and managerial officers shall to voluntarily explain whether there is any potential conflict between them and the company in the important meetings.

#### 2. Minimizing incentives to pursue personal gain:

The company shall prevent our directors, supervisors, or managerial officers from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the company. When the company has an opportunity for profit, it is the responsibility of the directors, supervisors, and managerial officers to maximize the reasonable and proper benefits that can be obtained by the company.

3. Confidentiality:

The directors, supervisors, and managerial officers of the company shall be bound by the obligation to maintain the confidentiality of any information regarding the company ourselves or our suppliers which the goods are purchased from and customers which the goods are sold to, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.

4. Fair trade:

The directors, supervisors, and managerial officers of the company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

5. Safeguarding and proper use of company assets:

All directors, supervisors, and managerial officers of the company have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the company's profitability.

6. Legal compliance:

The company's directors, supervisors, managerial officers and relevant personnel shall comply with the Company Act, Securities and Exchange Act and other applicable laws of the regulations, and bylaws.

7. Encouraging reporting on illegal or unethical activities:

The company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. When employees report illegal conduct, the company shall handle the report in the secret manner, allowing anonymous accusation, and make employees aware that the company will use our best efforts to ensure the safety of informants and protect them from risks of reprisals.

#### 8. Disciplinary measures:

When a director, supervisor, or managerial officer of the company violates the code of ethical conduct, the company shall handle the matter depending on the importance of the situation, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The violator violating the codes of ethical conduct can make appeals and remedies.

### 3 Procedures for exemption

If it is necessary that any exemption necessary for directors, supervisors, or managerial officers of the company from compliance with the code, it must be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

### 4 Method of disclosure

The company shall disclose the code of ethical conduct adopted, and any amendments to it, on the company website, in the annual reports and prospectuses and on the MOPS.

### 5 Enforcement

The code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each supervisor, and submitted to a shareholders meeting. This code of ethical conduct was established on December 17, 2014, amended 1st on March 9, 2015, and amended 2nd on December 16, 2020.

# **ASIX Electronics Corporation and Subsidiaries**

## **Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

**Address : 4F, No. 8, Hsin Ann Rd., Hsinchu Science Park, Hsinchu,  
Taiwan, R.O.C.**  
**Telephone : (03)5799500**

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, 2022 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 22, 2023

## **Independent Auditors' Report**

To the Board of Directors of ASIX Electronics Corporation :

### **Opinion**

We have audited the consolidated financial statements of ASIX Electronics Corporation (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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(8) and Note 5(1) 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(5) 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, 2022 and 2021, 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 Hai-Ning Huang and Chien-Hui Lu.

KPMG

Hsinchu, Taiwan (Republic of China)

February 22, 2023

#### 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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

		<b>December 31,2022</b>		<b>December 31,2021</b>				<b>December 31,2022</b>		<b>December 31,2021</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(1))	\$ 1,565,740	74	860,653	43	2170	Accounts payable	\$ 20,560	1	46,304	2
1136	Financial assets at amortized cost (note 6(3))	85,500	4	703,205	35	2181	Accounts payable-related parties (note 7)	16,671	1	29,157	2
1170	Notes and accounts receivable, net (note 6(4))	88,689	4	136,305	7	2201	Salary and bonus payable	23,725	1	21,663	1
1181	Accounts receivable-related parties (note 6(4) and 7)	0	-	1,680	-	2206	Accrued compensation to employees and	127,133	6	116,295	6
130X	Inventories (note 6(5))	220,664	11	154,468	8		directors (notes 6(16))				
1470	Other current assets	2,964	-	9,725	0	2230	Current tax liabilities	40,654	2	63,815	3
1476	Other financial assets	533	-	111	-	2280	Current lease liabilities (notes 6(10))	1,107	-	1,207	-
	<b>Total current assets</b>	<u>1,964,090</u>	<u>93</u>	<u>1,866,147</u>	<u>93</u>	2300	Other current liabilities (note 6(11))	<u>54,578</u>	<u>3</u>	<u>64,022</u>	<u>3</u>
							<b>Total current liabilities</b>	<u>284,428</u>	<u>14</u>	<u>342,463</u>	<u>17</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Financial assets at fair value through other					2580	Non-current lease liabilities (notes 6(10))	11,227	0	12,617	1
	comprehensive income (note 6(2))	2,825	-	6,520	0		<b>Total non-current liabilities</b>	<u>11,227</u>	<u>0</u>	<u>12,617</u>	<u>1</u>
1600	Property, plant and equipment (notes 6(7))	53,289	3	46,744	3		<b>Total liabilities</b>	<u>295,655</u>	<u>14</u>	<u>355,080</u>	<u>18</u>
1755	Right-of-use assets (note 6(8))	11,546	1	13,216	1						
1780	Intangible assets (note 6(9))	52,690	2	47,461	2		<b>Equity (note 6(13)):</b>				
1840	Deferred tax assets (note 6(12))	18,157	1	22,890	1	3110	Capital stock	624,270	30	621,970	31
1900	Other non-current assets (note 8)	8,447	-	3,162	0	3200	Capital surplus	465,090	22	480,827	24
	<b>Total non-current assets</b>	<u>146,954</u>	<u>7</u>	<u>139,993</u>	<u>7</u>	3300	Retained earnings	747,383	35	581,421	29
						3400	Others	<u>(21,354)</u>	<u>(1)</u>	<u>(33,158)</u>	<u>(2)</u>
							<b>Total equity</b>	<u>1,815,389</u>	<u>86</u>	<u>1,651,060</u>	<u>82</u>
<b>Total assets</b>		<u><u>2,111,044</u></u>	<u><u>100</u></u>	<u><u>2,006,140</u></u>	<u><u>100</u></u>		<b>Total liabilities and equity</b>	<u><u>2,111,044</u></u>	<u><u>100</u></u>	<u><u>2,006,140</u></u>	<u><u>100</u></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, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(15) and 7)	\$ 1,335,476	100	\$ 1,318,327	100
5000	<b>Operating costs</b> (notes 6(5) 、(9) 、(10) 、(11) 、(16) and 7)	570,801	43	563,758	43
	<b>Gross profit</b>	764,675	57	754,569	57
	<b>Operating expenses</b> (notes 6(9) 、(10) 、(11) 、(16) and 7):				
6100	Selling expenses	68,610	5	69,566	5
6200	Administrative expenses	76,734	6	78,759	6
6300	Research and development expenses	142,858	11	148,300	11
	Total operating expenses	288,202	22	296,625	22
	<b>Net operating income</b>	476,473	35	457,944	35
	<b>Non-operating income and expenses:</b>				
7010	Interest income (note 6(17))	9,893	1	3,803	-
7020	Other gains and losses (notes 6(17))	18,201	1	5,583	-
7050	Finance costs (notes 6(10))	(560)	-	(580)	-
7070	Share of loss of subsidiaries accounted for using equity method (notes 6(6))				
	Total non-operating income and expenses	27,534	2	8,806	-
	<b>Income before tax</b>	504,007	37	466,750	35
7950	Income tax expense (note 6(12))	88,337	7	82,628	6
	<b>Net income</b>	415,670	30	384,122	29
8300	<b>Other comprehensive income (loss):</b>				
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)	-	(2,450)	-
	Total items that may not be reclassified subsequently to profit or loss	(3,695)	-	(2,450)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	19,374	1	(5,205)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(12))	(3,875)	-	1,041	-
	Total items that may be reclassified subsequently to profit or loss	15,499	1	(4,164)	-
8300	<b>Other comprehensive income (after tax)</b>	11,804	1	(6,614)	-
8500	<b>Total comprehensive income</b>	\$ 427,474	31	\$ 377,508	29
	<b>Earnings per share (NT Dollars) (note 6(14))</b>				
9750	Basic earnings per share	\$ 6.66		\$ 6.34	
9850	Diluted earnings per share	\$ 6.54		\$ 6.30	

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, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock -Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income	Total	Total equity
<b>Balance on January 1, 2021</b>	\$ 495,815	84,435	149,873	18,539	184,379	352,791	(19,065)	(7,479)	(26,544)	906,497
Net income	-	-	-	-	384,122	384,122	-	-	-	384,122
Other comprehensive income	-	-	-	-	-	-	(4,164)	2,450	(6,614)	(6,614)
Total comprehensive income	-	-	-	-	384,122	384,122	(4,164)	2,450	(6,614)	377,508
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	15,912	-	(15,912)	-	-	-	-	-
Special reserve	-	-	-	8,005	(8,005)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(155,492)	(155,492)	-	-	-	(155,492)
Cash dividends from capital surplus	-	-	-	-	-	-	-	-	-	-
Capital increase by cash	123,955	371,862	-	-	-	-	-	-	-	495,817
Employees' compensation transferred to common shares	2,200	24,530	-	-	-	-	-	-	-	26,730
<b>Balance on December 31, 2021</b>	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
Legal reserve	-	-	38,412	-	(38,412)	-	-	-	-	-
Special reserve	-	-	-	6,614	(6,614)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(249,708)	(249,708)	-	-	-	(249,708)
Employees' compensation transferred to common shares	2,300	46,690	-	-	-	-	-	-	-	48,990
Cash dividends from capital surplus	0	(62,427)	-	-	-	-	-	-	-	(62,427)
<b>Balance on December 31, 2022</b>	\$ 624,270	465,090	204,197	33,158	510,028	747,383	(7,730)	(13,624)	(21,354)	1,815,389

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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from operating activities:</b>	\$ 504,007	466,750
Income before income tax		
Adjustments:		
Depreciation expense	17,419	17,459
Amortization expense	8,048	10,505
Interest expense	560	580
Interest income	(9,893)	(3,803)
Shares of loss of subsidiaries accounted for using equity method		
Reversal of inventory valuation	(1,480)	(85)
Others	-	-
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	47,616	(55,907)
Accounts receivable-related parties	1,680	(1,680)
Inventories	(64,716)	(90,186)
Other operating assets	6,761	682
Accounts payable	(25,744)	7,714
Accounts payable-related parties	(12,486)	29,157
Other payables-related parties		
Other operating liabilities	53,428	128,918
Total changes in operating assets and liabilities	6,539	18,698
Total adjustments	21,193	43,354
Cash generated from operations	525,200	510,104
Interest received	9,471	3,750
Interest paid	(560)	(580)
Income taxes paid	(111,430)	(29,508)
<b>Net cash generated by operating activities</b>	<b>422,681</b>	<b>483,766</b>
<b>Cash flows from investing activities:</b>		
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortized cost	617,705	(335,200)
Property, plant and equipment	(22,577)	(9,453)
Intangible assets	(8,530)	(5,487)
Other financial assets	-	904
Other non-current assets	(5,285)	5,704
<b>Net cash generated by(used in) investing activities</b>	<b>581,313</b>	<b>(343,532)</b>
<b>Cash flows from financing activities:</b>		
Payment of lease liabilities	(1,207)	(1,186)
Cash dividends paid	(312,135)	(155,492)
Capital increase by cash	-	495,817
Capital reduction payments to shareholders	-	-
<b>Net cash generated by(used in) financing activities</b>	<b>(313,342)</b>	<b>339,139</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>14,435</b>	<b>(3,738)</b>
<b>Net increase in cash and cash equivalents</b>	<b>705,087</b>	<b>475,635</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>860,653</b>	<b>385,018</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,565,740</b>	<b>860,653</b>

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

## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates 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, 2022 and 2021**

**(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 22, 2023.

#### **(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, 2022.

- Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 - 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (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, 2023, would not have a significant impact on its consolidated financial statements

- 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”



## 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 following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC :

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(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, 2022	December 31, 2021
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).

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

(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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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.

## **ASIX Electronics Corporation and Subsidiaries**

### **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.



## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates Financial Statements**

#### **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: 5 years
- (3) Machinery, equipment and Mask: 3 to 5 years
- (4) R&D equipment: 3 to 5 years
- (5) Office and other equipment: 3 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.

## **ASIX Electronics Corporation and Subsidiaries**

### **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;

## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates Financial Statements**

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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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.

## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates Financial Statements**

#### **(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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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.

**ASIX Electronics Corporation and Subsidiaries**  
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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.

## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates Financial Statements**

#### **(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.



## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

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, 2022</u>	<u>Dec. 31, 2021</u>
Cash on hand	\$ 249	240
Demand deposits	234,891	333,598
Time deposits	<u>1,330,600</u>	<u>526,815</u>
	<u><b>\$ 1,565,740</b></u>	<u><b>860,653</b></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, 2022</u>	<u>Dec. 31, 2021</u>
Unlisted stock - C-Life Technologies, INC.	\$ 1,225	2,450
Unlisted stock - Nextw Technology Co., LTD.	1,600	3,500
Unlisted stock – E-Cmos Corporation	<u>-</u>	<u>570</u>
	<u><b>\$ 2,825</b></u>	<u><b>6,520</b></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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

The Group did not dispose of the aforementioned strategic investments in 2022 and 2021, 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, 2022</u>	<u>Dec. 31, 2021</u>
Time deposits for more than three months (including interest)	<u>\$ 85,500</u>	<u>703,205</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 0.965% to 1.090% and 0.070% to 0.760% for the year 2022 and 2021 respectively. Due on February 2 to May 5, 2023 and February 2 to May 29, 2022.

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, 2022</u>	<u>Dec. 31, 2021</u>
Notes receivable	\$ 2,293	1,434
Accounts receivable	86,396	134,871
Accounts receivable – related parties	-	1,680
	<u>\$ 88,689</u>	<u>137,985</u>

As of January 1, 2021, the ending balance of notes and accounts receivable was NT\$80,398 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:

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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

	<b>Dec. 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Not past due	\$ 133,886	0%	-
Overdue under 60 days	4,099	0%	-
	<b><u>\$ 137,985</u></b>		<b><u>-</u></b>

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

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

**(E) Inventories**

	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>
Finished goods	\$ 973	-
Finished goods	189,381	131,202
Work in progress and semi-finished product	30,310	23,266
	<b><u>\$ 220,664</u></b>	<b><u>154,468</u></b>

Components of operating cost were as follows:

	<b>2022</b>	<b>2021</b>
Cost of goods sold	\$ 568,741	563,449
Reversal of inventory valuation loss	(1,480)	(85)
Unallocated fixed manufacturing expense	3,540	394
	<b><u>\$ 570,801</u></b>	<b><u>563,758</u></b>

The inventories mentioned above were not pledged as collateral.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

(F) Property, plant and equipment

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

	<b>Buildings and construction</b>	<b>Equipment and Mask</b>	<b>Research and development equipment</b>	<b>Office and other equipment</b>	<b>Total</b>
Cost :					
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	<b><u>\$ 75,506</u></b>	<b><u>163,774</u></b>	<b><u>16,687</u></b>	<b><u>7,925</u></b>	<b><u>263,892</u></b>
Balance at January 1,2021	\$ 73,865	148,923	13,603	7,425	243,816
Additions	-	7,963	1,190	300	9,453
Reclassifications	-	834	-	-	834
Disposals and derecognitions	-	-	-	(552)	(552)
Balance at December 31,2021	<b><u>\$ 73,865</u></b>	<b><u>157,720</u></b>	<b><u>14,793</u></b>	<b><u>7,173</u></b>	<b><u>253,551</u></b>
Depreciation :					
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	<b><u>\$ 50,706</u></b>	<b><u>139,717</u></b>	<b><u>13,334</u></b>	<b><u>6,846</u></b>	<b><u>210,603</u></b>
	<b>Buildings and construction</b>	<b>Equipment and Mask</b>	<b>Research and development equipment</b>	<b>Office and other equipment</b>	<b>Total</b>
Balance at January 1,2021	\$ 48,679	125,046	11,326	6,235	191,286
Depreciation	1,027	13,032	1,302	712	16,073
Disposals and derecognitions	-	-	-	(552)	(552)
Balance at December 31, 2021	<b><u>\$ 49,706</u></b>	<b><u>138,078</u></b>	<b><u>12,628</u></b>	<b><u>6,395</u></b>	<b><u>206,807</u></b>
Carrying amounts :					
Balance at December 31, 2022	<b><u>\$ 24,800</u></b>	<b><u>24,057</u></b>	<b><u>3,353</u></b>	<b><u>1,079</u></b>	<b><u>53,289</u></b>
Balance at January 1, 2021	<b><u>\$ 25,186</u></b>	<b><u>23,877</u></b>	<b><u>2,277</u></b>	<b><u>1,190</u></b>	<b><u>52,530</u></b>
Balance at December 31, 2021	<b><u>\$ 24,159</u></b>	<b><u>19,642</u></b>	<b><u>2,165</u></b>	<b><u>778</u></b>	<b><u>46,744</u></b>

As of December 31, 2022 and 2021, the property, plant and equipment mentioned above were not pledged as collateral.

# ASIX Electronics Corporation and Subsidiaries

## 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:

	<b>Land</b>	<b>Office and other equipment</b>	<b>Total</b>
Cost :			
As the balance at January 1, 2022	\$ 11,543	4,044	15,587
Reduction	(277)	(6)	(283)
As the balance at December 31, 2022	<u><b>\$ 11,266</b></u>	<u><b>4,038</b></u>	<u><b>15,304</b></u>
Balance at December 31, 2021 (As the balance at January 1, 2022)	<u><b>\$ 11,543</b></u>	<u><b>4,044</b></u>	<u><b>15,587</b></u>
Depreciation :			
Balance at January 1, 2022	\$ 988	1,383	2,371
Depreciation	325	1,062	1,387
Balance at December 31, 2022	<u><b>\$ 1,313</b></u>	<u><b>2,445</b></u>	<u><b>3,758</b></u>
Balance at January 1, 2021	\$ 665	320	985
Depreciation	323	1,063	1,386
Disposals	-	-	-
Balance at December 31, 2021	<u><b>\$ 988</b></u>	<u><b>1,383</b></u>	<u><b>2,371</b></u>
Carrying amounts :			
Balance at December 31, 2022	<u><b>\$ 9,953</b></u>	<u><b>1,593</b></u>	<u><b>11,546</b></u>
Balance at January 1, 2022	<u><b>\$ 10,878</b></u>	<u><b>3,724</b></u>	<u><b>14,602</b></u>
Balance at December 31, 2021	<u><b>\$ 10,555</b></u>	<u><b>2,661</b></u>	<u><b>13,216</b></u>

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

(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>
<b>Cost :</b>					
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><u>\$ 48,034</u></u>	<u><u>17,346</u></u>	<u><u>31,150</u></u>	<u><u>33,297</u></u>	<u><u>129,827</u></u>
	<u>Goodwill</u>	<u>Computer software</u>	<u>Expertise</u>	<u>Customer relationship</u>	<u>Total</u>
Balance at January 1, 2021	\$ 44,541	3,329	28,073	32,504	107,630
Additions	-	5,487	-	-	5,487
Effect of changes in exchange rates	(1,254)	-	(812)	(869)	(2,935)
Balance at December 31, 2021	<u><u>\$ 43,287</u></u>	<u><u>8,816</u></u>	<u><u>28,073</u></u>	<u><u>30,006</u></u>	<u><u>110,182</u></u>
<b>Amortization :</b>					
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></u>	<u><u>12,690</u></u>	<u><u>31,150</u></u>	<u><u>33,297</u></u>	<u><u>77,137</u></u>
Balance at January 1, 2021	\$ -	2,529	24,760	26,464	53,753
Amortization	-	2,113	4,056	4,336	10,505
Effect of changes in exchange rates	-	-	(743)	(794)	(1,537)
Balance at December 31, 2021	<u><u>\$ -</u></u>	<u><u>4,642</u></u>	<u><u>28,073</u></u>	<u><u>30,006</u></u>	<u><u>62,721</u></u>
<b>Carrying amounts :</b>					
Balance at December 31, 2022	<u><u>\$ 48,034</u></u>	<u><u>4,656</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>52,690</u></u>
Balance at January 1, 2021	<u><u>\$ 44,541</u></u>	<u><u>800</u></u>	<u><u>4,125</u></u>	<u><u>4,411</u></u>	<u><u>53,877</u></u>
Balance at December 31, 2021	<u><u>\$ 43,287</u></u>	<u><u>4,174</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>47,461</u></u>

## ASIX Electronics Corporation and Subsidiaries

### 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>2022</u>	<u>2021</u>
Operating costs	\$ 14	4,064
Operating expenses	<u>8,034</u>	<u>6,441</u>
	<u><b>\$ 8,048</b></u>	<u><b>10,505</b></u>

#### 2. Collateral

As of December 31, 2022 and 2021, 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, 2022 and 2021, the carrying amounts is 48,034 and 43,287 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 2022 and 2021 are 16.36% and 11.72% respectively; the cash flow estimation is based on the five-year financial budget approved by the management and The annual growth rates of (20)% and (15)% in 2022 and 2021, respectively, are extrapolated to subsequent years. 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 2022 and 2021, 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, 2022</u>	<u>Dec. 31, 2021</u>
Current	<u><b>\$ 1,107</b></u>	<u><b>1,207</b></u>
Non-current	<u><b>\$ 11,227</b></u>	<u><b>12,617</b></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:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u><u>\$ 560</u></u>	<u><u>580</u></u>
Expense relating to short-term leases	<u><u>\$ 35</u></u>	<u><u>31</u></u>
Expense relating to lease of low value assets (excluding short term leases of low value assets)	<u><u>\$ 3</u></u>	<u><u>3</u></u>
Covid19 related rent concessions(Recognized as a reduction in rental expenses)	<u><u>\$ -</u></u>	<u><u>-</u></u>

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

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u><u>\$ 1,805</u></u>	<u><u>1,800</u></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.



**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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 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 2022 and 2021 On December 31, the Group has fully subscribed the above-mentioned managers' vested pensions of NT\$1,421 thousand dollars and NT\$2,842 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\$3,848 thousand dollars and NT\$3,626 thousand dollars for the years ended December 31, 2022 and 2021, respectively. Payment was allocated to the Bureau of Labor Insurance.

**(K) Income taxes**

**1. Income tax expense**

The components of income tax expense for 2021 and 2020 were as follows:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Current tax expense		
Current period	\$ 87,697	\$ 83,038
Adjustment for prior periods	<u>(410)</u>	<u>(111)</u>
	<u>87,287</u>	<u>82,927</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>1,050</u>	<u>(299)</u>
Income tax expense	<u><b>\$ 88,337</b></u>	<u><b>\$ 82,628</b></u>

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

The amount of income tax (benefit) recognized in other comprehensive income for 2021 and 2020 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 3,875</u>	<u>(1,041)</u>

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

	<u>2022</u>	<u>2021</u>
Income excluding income tax	\$ 504,007	466,750
Income tax using the Company's domestic tax rate	100,801	93,350
Effect of tax rates in foreign jurisdictions	487	318
Effect of Permanent difference	11	(1,358)
Investment tax credits	(16,258)	(10,509)
Adjustment for prior period and other	285	827
Additional tax on undistributed earnings (5%)	<u>3,011</u>	<u>-</u>
	<u>\$ 88,337</u>	<u>82,628</u>

## 2. Deferred tax assets and liabilities

### Deferred Tax Assets

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rates changes	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange rates changes	December 31, 2022
Loss carryforwards	\$ 2,626	617	-	67	1,942	975	-	(185)	1,152
Allowance for inventory valuation	3,068	20	-	-	3,048	371	-	-	2,677
Accrued pension liabilities	1,137	284	-	-	853	284	-	-	569
Share of profit or loss for the subsidiaries recognized by equity method	8,542	(1,346)	-	-	9,888	695	-	-	9,193
Exchange difference on transaction of foreign financial statements	5,057	-	(1,041)	-	6,098	-	3,875	-	2,233
Others	<u>1,189</u>	<u>126</u>	<u>-</u>	<u>2</u>	<u>1,061</u>	<u>(1,275)</u>	<u>-</u>	<u>(7)</u>	<u>2,343</u>
	<u>\$ 21,619</u>	<u>(299)</u>	<u>(1,041)</u>	<u>69</u>	<u>22,890</u>	<u>1,050</u>	<u>3,875</u>	<u>(192)</u>	<u>18,157</u>

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over prior period

As of December 31, 2022, the information of the Zywyn's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	
	Federal(note)	States
2014	\$ <u>5,483</u>	<u>0</u>

note : Since December 2017, the regulation of loss carryforwards was revised from "can be carried forward for 2 years and backward for 20 years" to "not carried forward, but the deduction period is changed to indefinite, and the deduction limit is 80% of the taxable income in the profit-making year".

3. The Company's tax returns for the years through 2020 were assessed by the tax authority.

#### (L) Capital and other equity

##### 1. Issuance of common stock

The first domestic private placement of ordinary shares in 2021:

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 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, 2022 and 2021, 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\$624,270 thousand and NT\$621,970 thousand.

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

Reconciliation of shares outstanding for 2022 and 2021 was as follows (in thousands of shares):

	Common stock	
	<u>2022</u>	<u>2021</u>
Opening balance on January 1	62,197	49,581
Capital increase for employee remuneration	230	220
Capital increase by cash		<u>12,396</u>
Closing balance on December 31	<u><b>62,427</b></u>	<u><b>62,197</b></u>

#### 2. Capital surplus

The balances of capital surplus were as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Additional paid in capital	\$ 464,892	480,629
Others	<u>198</u>	<u>198</u>
	<u><b>\$ 465,090</b></u>	<u><b>480,827</b></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.

On May 25, 2022, the company's regular meeting of shareholders resolved the 2021 of the capital reserve distribution cash proposal, and the capital reserve distribution was NT\$62,427 thousand dollars (NT\$1 per share). All the relevant information can be inquired through the Market Observation Post System website.

#### 3. Retained earnings

##### (1) Legal reserve

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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

(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.

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%.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

Earnings distribution for 2021 and 2020 was decided by the resolution adopted, at the annual general meeting of shareholders held on On May 25, 2022 and July 22, 2021, respectively. The content is as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders:		
Cash(4 and 2.5 dollars per share respectively)	<u>\$ 249,708</u>	<u>155,492</u>

There was no difference between the above-mentioned 2021 and 2020 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 2022, can be accessed through the Market Observation Post System website after the shareholder's meeting.

4. Other equity

The movements of other equity were follows:

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income</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>\$ (7,730)</u>	<u>(13,624)</u>
Balance at January 1, 2021	\$ (19,065)	(7,479)
Exchange difference on translation of foreign financial statements	(4,164)	-
Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income	-	(2,450)
Balance at December 31, 2021	<u>\$ (23,229)</u>	<u>(9,929)</u>

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### (M) Earnings per share

##### 1. Basic earnings per share

	<u>2022</u>	<u>2021</u>
Net income attributable to the shareholders of the Company	<u>\$ 415,670</u>	<u>384,122</u>
Weighted-average common stock outstanding (in thousands of shares):		
Balance on 1 January	62,197	49,581
Employees' compensation	192	183
Capital increase by cash	-	10,800
Balance on December 31	<u>62,389</u>	<u>60,564</u>
Basic earnings per share (dollars)	<u>\$ 6.66</u>	<u>6.34</u>

##### 2. Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Net income attributable to the shareholders of the Company	<u>\$ 415,670</u>	<u>384,122</u>
Weighted-average common stock outstanding (in thousands of shares):		
Weighted-average common stock outstanding	62,389	60,564
Effect of the employees' compensation transferred to common shares	1,157	413
	<u>63,546</u>	<u>60,977</u>
Diluted earnings per share (dollars)	<u>\$ 6.54</u>	<u>6.30</u>

#### (N) Revenue from contracts with customers

##### Disaggregation of revenues as follows:

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Asia	\$ 792,195	822,754
Taiwan	454,952	447,236
Other areas	88,329	48,337
	<u>\$ 1,335,476</u>	<u>1,318,327</u>
Major product categories :		
Chips	\$ 1,332,195	1,290,716
Royalties and NRE	3,281	27,611
	<u>\$ 1,335,476</u>	<u>1,318,327</u>

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### (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 ended December 31, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$106,823 thousand and \$98,835 thousand and directors' remuneration amounting to \$18,810 thousand and \$17,460 thousand, respectively. These amounts were 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. At the year of 2022 and 2021, 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, 2022, 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

The details of interest income were as follows:

	<b>2022</b>	<b>2021</b>
Interest income from bank deposits and financial assets \$	9,890	3,801
measured at amortized cost		
Others	3	2
	<b>\$ 9,803</b>	<b>3,803</b>



## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### 2. Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange losses, net	\$ 17,045	(1,975)
Government grants	-	6,790
Others	<u>1,156</u>	<u>768</u>
	<u><b>\$ 18,201</b></u>	<u><b>5,583</b></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, 2022 and 2021, 42% and 47%, 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 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, 2022 and 2021, the balance of accounts receivable and notes receivable (including related parties) of the Company were 68% and 63%, 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 is 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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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>
<b>December 31, 2022</b>					
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><b>\$ 200,423</b></u>	<u><b>(211,088)</b></u>	<u><b>(189,749)</b></u>	<u><b>(3,371)</b></u>	<u><b>(17,968)</b></u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Accounts payable ( including related parties)	\$ 75,461	(75,461)	(75,461)	-	-
Accrued payroll and bonus	21,663	(21,663)	(21,663)	-	-
Accrued remuneration of employee and directors	116,295	(116,295)	(116,295)	-	-
Lease liabilities	13,824	(24,671)	(1,766)	(4,343)	(18,562)
	<u><b>\$ 227,243</b></u>	<u><b>(238,090)</b></u>	<u><b>(215,185)</b></u>	<u><b>(4,343)</b></u>	<u><b>(18,562)</b></u>

The Group 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 :

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 12,858	30.660	394,226	11,990	27.630	331,284
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	910	30.660	27,901	1,867	27.630	51,585

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### 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, 2022 and 2021, would have increased or decreased the net income before income tax by \$18,316 thousand and \$13,985 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis was performed on the same basis for comparative years.

#### B. Foreign exchange gains and losses on monetary items

The information on foreign exchange gains (losses) on monetary items is disclosed by an aggregate amount. Foreign exchange gains (losses) (including these realized and unrealized portions) by the Company's monetary items, were as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Foreign exchange gains (losses)</b>	<b>Average rate</b>	<b>Foreign exchange gains (losses)</b>	<b>Average rate</b>
USD	\$ 17,045	29.799	(1,975)	27.948

#### (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 Company's net income before income tax would have increased or decreased by \$587 thousand and \$834 thousand, for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's cash and cash equivalent with variable rates.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

4. Fair value of financial instruments

(1) Fair value hierarchy

The Group's financial assets at fair value through other comprehensive income are 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 is not required:

<b>December 31, 2022</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 1,565,740	-	-	-	-
Financial assets measured at amortized cost	85,500	-	-	-	-
Notes and accounts receivable (including related parties)	88,689	-	-	-	-
Refundable deposits(other non- current assets)	2,541	-	-	-	-
	<b><u>\$ 1,742,470</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financial assets at fair value through other comprehensive income</b>	<b><u>\$ 2,825</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,825</u></b>	<b><u>2,825</u></b>
<b>Financial liabilities measured at amortized cost</b>					
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	-	-	-	-
	<b><u>\$ 200,423</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

# ASIX Electronics Corporation and Subsidiaries

## Notes to the Consolidates Financial Statements

December 31, 2021

	Carrying amount	Fair value			
		Level 1	amount	Level 1	amount
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 860,653	-	-	-	-
Financial assets measured at amortized cost	703,205	-	-	-	-
Notes and accounts receivable (including related parties)	137,985	-	-	-	-
Refundable deposits(other non- current assets)	2,541	-	-	-	-
	<b><u>\$ 1,704,384</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financial assets at fair value through other comprehensive income</b>	<b><u>\$ 6,520</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>6,520</u></b>	<b><u>6,520</u></b>
<b>Financial liabilities measured at amortized cost</b>					
Account payable (including related parties)	\$ 75,461	-	-	-	-
Accrued payroll and bonus	21,663	-	-	-	-
Accrued remuneration of employee and directors	116,295	-	-	-	-
Lease liabilities	13,824	-	-	-	-
	<b><u>\$ 227,243</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

### (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

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 2022 and 2021.

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### (5) Reconciliation of Lever 3 fair value

	<b>Fair value through other comprehensive income</b>
January 1, 2022	\$ 6,520
Recognized in other comprehensive income	(3,695)
December 31, 2022	<b>\$ 2,825</b>
January 1, 20221	\$ 8,970
Addition	(2,450)
December 31, 2021	<b>\$ 6,520</b>

#### (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.

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"> <li>• The multiplier of price-to-book ratio (as of December 31, 2022 and 2021, the number were 2.88~45.45 and 2.78~36.49)</li> <li>• Liquidity discount(as of December 31, 2022 and 2021, the number were 28% and 28%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the price-to-book value ratio, the higher the fair value.</li> <li>• The higher the liquidity discount, the lower the fair value.</li> </ul>

#### (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

## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates Financial Statements**

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 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.

## **ASIX Electronics Corporation and Subsidiaries**

### **Notes to the Consolidates Financial Statements**

#### **(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.

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:

	<b><u>Dec. 31, 2022</u></b>	<b><u>Dec. 31, 2021</u></b>
Total liabilities	<b><u>\$ 295,655</u></b>	<b><u>355,080</u></b>
Total equity	<b><u>\$ 1,815,389</u></b>	<b><u>1,651,060</u></b>
Debt-to-equity ratio	<b><u>16.29%</u></b>	<b><u>21.51%</u></b>

Due to the increase profits, the increase in accrued remuneration payable for employee and directors, as well as the increase in income tax payable and liabilities in the debt-to-equity ratio to increase as at December 31, 2022.



## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### (T) Cash flows from financing activities

Reconciliations of liabilities arising from financing activities were as follows:

	<u>Lease liabilities</u>
January 1, 2022	\$ 13,824
Cash flows	
Lease principal repayment	(1,207)
Interest(note)	(560)
Non-cash changes	
Lease liabilities	(283)
Interest(note)	560
December 31, 2022	<u><u>\$ 12,334</u></u>
January 1, 2021	\$ 15,010
Cash flows	
Lease principal repayment	(1,186)
Interest(note)	(580)
Non-cash changes	
Interest(note)	580
December 31, 2021	<u><u>\$ 13,824</u></u>

Note: Listed under operating activities.

#### 七、Related-parties transactions

##### (一) Name and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the financial statements:

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

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

#### (二) Significant related party transactions

##### 1. NRE or License charge

	<u>NRE or License</u>		<u>Accounts receivable</u>	
	<u>2022</u>	<u>2021</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Airoha HK	<u>\$ 1,800</u>	<u>24,184</u>	<u>-</u>	<u>1,680</u>

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	<u>\$ 290,664</u>	<u>205,712</u>	<u>13,521</u>	<u>29,157</u>

The prices of purchases was determined by market rates.

##### 3. Others purchase

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

	<u>2022</u>	
	<u>Purchase amount</u>	<u>Accounts payable</u>
Other related party	<u>\$ 12,000</u>	<u>3,150</u>

#### (三) Key management personnel compensation

The remuneration to key management included:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 77,214	64,471
Post-employment benefits	317	317
	<u>\$ 77,531</u>	<u>64,788</u>

# ASIX Electronics Corporation and Subsidiaries

## Notes to the Consolidates Financial Statements

### 八、Pledged assets

The carrying values of pledged assets were as follows:

Asset name	Purpose of pledge	Dec. 31, 2022	Dec. 31, 2021
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	1,000	1,000
		<u>\$ 2,000</u>	<u>2,000</u>

### 九、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

### 十、Losses due to major disasters: None

### 十一、Subsequent events: None

### 十二、Other

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

By Function By Item	2022			2021		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	3,786	204,938	208,724	3,674	204,614	208,288
Labor and health insurance	372	8,016	8,388	378	6,918	7,296
Pension	207	3,641	3,848	201	3,425	3,626
Others	284	3,713	3,997	304	3,583	3,887
Depreciation	11,973	5,446	17,419	12,175	5,284	17,459
Amortization	14	8,034	8,048	4,064	6,441	10,505

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

**十三、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 Company:

1. Loans to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Securities held as of December 31, 2022 (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	0.90 %	1,225	0.90 %	Note
The Company	Nextw Technology Co., LTD.	None	Non-current financial assets at fair value through other comprehensive income	160	1,600	18.60 %	1,600	18.60 %	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
					<b>2,825</b>		<b>2,825</b>		

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

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.

**ASIX Electronics Corporation and Subsidiaries**  
**Notes to the Consolidates Financial Statements**

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/ Sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of Total notes/accounts receivable( payable)	
The Company	Airoha Technology (HK) Limited Taiwan Branch	Other related party	Purchases	290,664	47 %	Month close 30 days	-	-	(13,521)	36%	

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	3,593	Note2	-%
0	The Company	Zywyn	Parent company to its subsidiaries	Other payables-related parties	664	Note2	-%

Note1 : The parent company is coded "0" .

Note2 : Net 45 days from the end of the month upon issuance of invoice.

(二) 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	(Note)				
The Company	Zywyn	USA	R&D center	255,143	255,143	15,663	100.00%	198,603	100%	4,421	3,473	Subsidiary

Note: Relevant transactions and closing balances have been eliminated in the consolidated statements; the recognized investment interest of NT\$4,421 thousand dollars and the amortization of the use of related deferred income tax assets, know-how and customer relationship amounted to NT\$948 thousand dollars.

(三) Information on investment in mainland China: None

## ASIX Electronics Corporation and Subsidiaries

### Notes to the Consolidates Financial Statements

(四) Major shareholders:

Shareholder's Name	Shares	Percentage
Airoha Technology Corp.	12,396,396	19.85%

#### 十四、Segment information

(一) 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.

(二) 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.

	<b>2022</b>	<b>2021</b>
China	\$ 446,390	483,651
Taiwan	454,952	447,236
Others	434,134	387,440
	<b><u>\$ 1,335,476</u></b>	<b><u>1,318,327</u></b>

3. Major customers

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

	<b>2022</b>	<b>2021</b>
Customer A	\$ 210,920	207,190
Customer B	188,785	146,763
	<b><u>\$ 399,705</u></b>	<b><u>353,953</u></b>

**ASIX Electronics Corporation**  
**Parent-Company-Only Financial**  
**Statements**

**With Independent Auditors' Report**  
**For the Years Ended December 31, 2022 and 2021**

**Address : 4F, No. 8, Hsin Ann Rd., Hsinchu Science Park, Hsinchu,**  
**Taiwan, R.O.C.**  
**Telephone : (03)5799500**

The independent auditors' report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

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## **Independent Auditors' Report**

To the Board of Directors of ASIX Electronics Corporation:

### **Opinion**

We have audited the parent-company-only financial statements of ASIX Electronics Corporation(“ the Company” ), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing 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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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(7) and Note 5(1) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainly of the valuation of inventory, respectively. Information regarding the inventory is shown in Note 6(5) of the financial statements.

#### Description of key audit matters :

The company 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.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements 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 Hai-Ning Huang and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)

February 22, 2023

#### Notes to Readers

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

The independent auditors' audit report and the accompanying 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 financial statements shall prevail.

**ASIX Electronics Corporation**  
**PARENT COMPANY ONLY BALANCE SHEETS**

**December 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars)

		December 31,2022		December 31,2021				December 31,2022		December 31,2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(1))	\$ 1,416,498	67	827,316	41	2170	Accounts payable	\$ 20,560	1	46,304	3
1136	Financial assets at amortized cost (note 6(3))	85,500	4	606,500	30	2181	Accounts payable-related parties (note 7)	16,671	1	29,157	1
1170	Notes and accounts receivable, net (note 6(4))	88,689	4	136,305	7	2201	Salary and bonus payable	23,725	1	21,663	1
1181	Accounts receivable-related parties (note 6(4) and 7)	0	-	1,680	-	2206	Accrued compensation to employees and directors (notes 6(16))	127,133	6	116,295	6
130X	Inventories (note 6(5))	220,664	11	154,468	8	2220	Other payables-related parties (note 7)	664	-	931	-
1470	Other current assets	2,960	-	9,636	0	2230	Current tax liabilities	40,654	2	63,815	3
1476	Other financial assets	533	-	111	-	2280	Current lease liabilities (notes 6(10))	1,107	-	1,207	-
<b>Total current assets</b>		<u>1,814,844</u>	<u>86</u>	<u>1,736,016</u>	<u>86</u>	2300	Other current liabilities (note 6(11))	<u>53,988</u>	<u>2</u>	<u>63,424</u>	<u>3</u>
						<b>Total current liabilities</b>		<u>284,502</u>	<u>13</u>	<u>342,796</u>	<u>17</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Financial assets at fair value through other comprehensive income (note 6(2))	2,825	-	6,520	0	2580	Non-current lease liabilities (notes 6(10))	<u>11,227</u>	<u>1</u>	<u>12,617</u>	<u>1</u>
1550	Investments accounted for using equity method (note 6(6))	198,603	9	175,756	9	<b>Total non-current liabilities</b>		<u>11,227</u>	<u>1</u>	<u>12,617</u>	<u>1</u>
1600	Property, plant and equipment (notes 6(7))	53,289	3	46,744	3	<b>Total liabilities</b>		<u>295,729</u>	<u>14</u>	<u>355,413</u>	<u>18</u>
1755	Right-of-use assets (note 6(8))	11,546	1	13,216	1	<b>Equity (note 6(13)):</b>					
1780	Intangible assets (note 6(9))	4,656	-	4,174	-	3110	Capital stock	624,270	30	621,970	31
1840	Deferred tax assets (note 6(12))	16,911	1	20,888	1	3200	Capital surplus	465,090	22	480,827	24
1900	Other non-current assets (note 8)	<u>8,444</u>	<u>-</u>	<u>3,159</u>	<u>0</u>	3300	Retained earnings	747,383	35	581,421	29
<b>Total non-current assets</b>		<u>296,274</u>	<u>14</u>	<u>270,457</u>	<u>14</u>	3400	Others	<u>(21,354)</u>	<u>(1)</u>	<u>(33,158)</u>	<u>(2)</u>
						<b>Total equity</b>		<u>1,815,389</u>	<u>86</u>	<u>1,651,060</u>	<u>82</u>
<b>Total assets</b>		<u><u>2,111,118</u></u>	<u><u>100</u></u>	<u><u>2,006,473</u></u>	<u><u>100</u></u>	<b>Total liabilities and equity</b>		<u><u>2,111,118</u></u>	<u><u>100</u></u>	<u><u>2,006,473</u></u>	<u><u>100</u></u>

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

**ASIX Electronics Corporation**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(15) and 7)	\$ 1,335,476	100	1,318,327	100
5000	<b>Operating costs</b> (notes 6(5) 、(9) 、(10) 、(11) 、(16) and 7)	572,671	43	561,367	43
	<b>Gross profit</b>	762,805	57	756,960	57
	<b>Operating expenses</b> (notes 6(9) 、(10) 、(11) 、(16) and 7):				
6100	Selling expenses	69,508	5	66,069	5
6200	Administrative expenses	76,360	6	78,388	6
6300	Research and development expenses	143,830	11	149,127	11
	Total operating expenses	289,698	22	293,584	22
	<b>Net operating income</b>	473,107	35	463,376	35
	<b>Non-operating income and expenses:</b>				
7010	Interest income (note 6(17))	8,309	1	3,532	-
7020	Other gains and losses (notes 6(17))	18,201	1	5,583	-
7050	Finance costs (notes 6(10))	(560)	-	(580)	-
7070	Share of loss of subsidiaries accounted for using equity method (notes 6(6))	3,473	-	(6,731)	(1)
	Total non-operating income and expenses	29,423	2	1,804	(1)
	<b>Income before tax</b>	502,530	37	465,180	34
7950	Income tax expense (note 6(12))	86,860	7	81,058	6
	<b>Net income</b>	415,670	30	384,122	28
8300	<b>Other comprehensive income (loss):</b>				
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)	-	2,450	-
	Total items that may not be reclassified subsequently to profit or loss	(3,695)	-	2,450	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	19,374	1	(5,205)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(3,875)	-	1,041	-
	Total items that may be reclassified subsequently to profit or loss	15,499	1	(4,164)	-
8300	<b>Other comprehensive income (after tax)</b>	11,804	1	(6,614)	-
8500	<b>Total comprehensive income</b>	\$ 427,474	31	377,508	28
	<b>Earnings per share (NT Dollars) (note 6(14))</b>				
9750	Basic earnings per share	\$ 6.66		6.34	
9850	Diluted earnings per share	\$ 6.54		6.30	

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

**ASIX Electronics Corporation**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock -Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gain(loss) on financial assets measured at fair value through other comprehensive income	Total	Total equity
<b>Balance on January 1, 2021</b>	\$ 495,815	84,435	149,873	18,539	184,379	352,791	(19,065)	(7,479)	(26,544)	906,497
Net income	-	-	-	-	384,122	384,122	-	-	-	384,122
Other comprehensive income	-	-	-	-	-	-	(4,164)	2,450	(6,614)	(6,614)
Total comprehensive income	-	-	-	-	384,122	384,122	(4,164)	2,450	(6,614)	377,508
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	15,912	-	(15,912)	-	-	-	-	-
Special reserve	-	-	-	8,005	(8,005)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(155,492)	(155,492)	-	-	-	(155,492)
Cash dividends from capital surplus	-	-	-	-	-	-	-	-	-	-
Capital increase by cash	123,955	371,862	-	-	-	-	-	-	-	495,817
Employees' compensation transferred to common shares	2,200	24,530	-	-	-	-	-	-	-	26,730
<b>Balance on December 31, 2021</b>	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
Legal reserve	-	-	38,412	-	(38,412)	-	-	-	-	-
Special reserve	-	-	-	6,614	(6,614)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(249,708)	(249,708)	-	-	-	(249,708)
Employees' compensation transferred to common shares	2,300	46,690	-	-	-	-	-	-	-	48,990
Cash dividends from capital surplus	-	(62,427)	-	-	-	-	-	-	-	(62,427)
<b>Balance on December 31, 2022</b>	\$ 624,270	465,090	204,197	33,158	510,028	747,383	(7,730)	(13,624)	(21,354)	1,815,389

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

**ASIX Electronics Corporation**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from operating activities:</b>	\$ 502,530	465,180
<b>Income before income tax</b>		
<b>Adjustments:</b>		
Depreciation expense	17,419	17,459
Amortization expense	8,048	2,113
Interest expense	560	580
Interest income	(8,309)	(3,532)
Shares of loss of subsidiaries accounted for using equity method	(3,473)	6,731
Reversal of inventory valuation	(1,480)	(85)
Others	-	0
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable, net	47,616	(55,907)
Accounts receivable-related parties	1,680	1,680
Inventories	(64,716)	(90,186)
Other operating assets	6,676	713
Accounts payable	(25,744)	7,714
Accounts payable-related parties	(12,486)	29,157
Other payables-related parties	(267)	361
Other operating liabilities	52,864	128,869
Total changes in operating assets and liabilities	5,623	19,041
Total adjustments	18,388	42,307
Cash generated from operations	520,918	507,487
Interest received	7,887	3,480
Interest paid	(560)	(580)
Income taxes paid	(110,329)	(28,576)
<b>Net cash generated by operating activities</b>	417,916	481,811
<b>Cash flows from investing activities:</b>		
Financial assets at fair value through other comprehensive income	-	0
Financial assets at amortized cost	521,000	(338,000)
Property, plant and equipment	(22,577)	(9,453)
Intangible assets	(8,530)	(5,487)
Other financial assets	0	904
Other non-current assets	(5,285)	5,704
<b>Net cash generated by(used in) investing activities</b>	484,608	(346,332)
<b>Cash flows from financing activities:</b>		
Payment of lease liabilities	(1,207)	(1,186)
Cash dividends paid	(312,135)	(155,492)
Capital increase by cash	0	495,817
Capital reduction payments to shareholders	-	0
<b>Net cash generated by(used in) financing activities</b>	(313,342)	339,139
<b>Net increase in cash and cash equivalents</b>	589,182	474,618
<b>Cash and cash equivalents at beginning of period</b>	827,316	352,698
<b>Cash and cash equivalents at end of period</b>	\$ 1,416,498	827,316

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



# **ASIX ELECTRONICS CORPORATION**

## **Notes to Financial Statements**

(English Translation of Financial Statements Originally Issued in Chinese)

# **ASIX ELECTRONICS CORPORATION**

## **Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(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 ICs 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 financial statements were authorized for issuance by the Board of Directors on February 22, 2023.

### **(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 Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 - 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent-company-only financial statements:

- 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”

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed

## ASIX ELECTRONICS CORPORATION

### Notes to Financial Statements

by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company 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 parent-company-only 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies:

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

##### (a) Statement of compliance

## **ASIX ELECTRONICS CORPORATION**

### **Notes to Financial Statements**

The parent-company-only financial statements is prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

(b) Basis of preparation

i. Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the 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.

ii. Functional and presentation currency

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

(c) 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.

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.

(d) 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

## **ASIX ELECTRONICS CORPORATION**

### **Notes to Financial Statements**

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.

(e) **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.

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

(f) Financial instruments

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company 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, 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.

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, fair value through other comprehensive income (FVOCI) – financial assets, or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company 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 company is entitled to receive dividends (usually the ex-dividend date).

3) Impairment of financial assets

The Company 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 Company 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
- The credit risk of other debt securities and bank deposits (i.e., the risk of default on the expected duration of the financial instruments) has not increased significantly since the initial recognition.

The allowance for receivables and contractual assets is measured at the amount of expected credit losses during the lifetime.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company historical experience and informed credit assessment as well as forward looking information.

## **ASIX ELECTRONICS CORPORATION**

### **Notes to Financial Statements**

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

The Company 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 Company 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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 Company in accordance with the contract and the cash flows that the Company 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. The allowance for losses on investments in debt instruments at fair value through other comprehensive profit or loss is adjusted to profit or loss and recognized in other comprehensive profit or loss (without reducing the asset's carrying amount).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company procedures for recovery of amounts due.

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

4) Derecognition of financial assets

The Company 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 Company 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 Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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.

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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company 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 Company currently has a legally



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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.

(g) **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 existing 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.

(h) **Investment in subsidiaries**

The investees which are controlled by the Company are measured under equity method in preparing the parent-company-only financial statement. The profit, other comprehensive income and equity in the parent-company-only financial statement are equal to the profit, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(i) **Property, plant and equipment**

i. **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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ii. Subsequent cost

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

iii. 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: 5 years
- 3) Machinery, equipment and Mask: 3 to 5 years
- 4) R&D equipment: 3 to 5 years
- 5) Office and other equipment: 3 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 Company 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.

i. As a lessee

The Company 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 re-measurements of the lease liability.

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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, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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 re-measured 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 re-measured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the re-measurement 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.

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The Company 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 Company 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 Company 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;
- 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**

##### **i. 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 Company 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 Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

##### **ii. 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.

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#### **iii. 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, 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

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

#### **(1) Impairment of non-financial assets**

At each reporting date, the Company 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.

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.

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.

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### **Notes to Financial Statements**

#### **(m) Revenue recognition**

##### **i. Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below:

##### **1) Sale of goods**

The Company engages in the research, development, production, manufacture, and sale all kinds of chip. The Company 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 Company 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.

##### **2) NRE service charge**

The Company 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.

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#### **ii. Financing components**

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

#### **(n) Government grants**

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

#### **(o) Employee benefits**

##### **i. Defined contribution plans**

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

##### **ii. Defined benefit plans**

The Company'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 results of the calculation may be beneficial to the Company, the recognized asset is limited to the present value of any economic benefits that could be obtained in the form of a refund of the plan or a reduction of future contributions to the plan. In calculating the present value of economic benefits, any minimum funding requirements of the Company are taken into account.

Re-measurements 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 Company 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 net defined benefit liability (asset). Net interest expense and other expenses

## **ASIX ELECTRONICS CORPORATION**

### **Notes to Financial Statements**

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 Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **iii. 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 Company 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 whose related services are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related services 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 Company 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.

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.



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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, 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:

- i. The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- ii. 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 Company 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.

(s) Operating segment

Please refer to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021, for further details.

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**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations requires management to make 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 financial statements is as follows:

**(A) Inventory valuation**

The company 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) Long-term equity investment impairment assessment**

The intangible assets (professional technology and customer relationship) acquired by the Company'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 Company operates; This long-term equity investment The assessment of impairment is important; The long-term equity investment 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 company's management.

# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

The Company's accounting policies and disclosures include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company'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 Company 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 Company 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 Company 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, 2022</u>	<u>Dec. 31, 2021</u>
Cash on hand	\$ 249	\$ 240
Demand deposits	208,289	314,076
Time deposits	<u>1,207,960</u>	<u>513,000</u>
	<u><b>\$ 1,416,498</b></u>	<u><b>\$ 827,316</b></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 Company.

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

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Unlisted stock - C-Life Technologies, INC.	\$ 1,225	\$ 2,450
Unlisted stock - Nextw Technology Co., LTD.	1,600	3,500
Unlisted stock – E-Cmos Corporation	-	570
	<u><u>\$ 2,825</u></u>	<u><u>\$ 6,520</u></u>

The Company 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.

The Company did not dispose of the aforementioned strategic investments in 2022 and 2021, 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, 2022</u>	<u>Dec. 31, 2021</u>
Time deposits for more than three months (including interest)	<u><u>\$ 85,500</u></u>	<u><u>\$ 606,500</u></u>

The Company 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 company holds domestic time deposit certificates with annual interest rates of 0.965% to 1.090% and 0.070% to 0.760% for the year 2022 and 2021 respectively. Due on February 2 to May 5, 2023 and February 2, 2022 to May 5, 2022.

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, 2022</u>	<u>Dec. 31, 2021</u>
Notes receivable	\$ 2,293	\$ 1,434
Accounts receivable	86,396	134,871
Accounts receivable – related parties	-	1,680
	<u><u>\$ 88,689</u></u>	<u><u>\$ 137,985</u></u>

The balance of bills receivable and accounts was NT\$80,398 thousand dollars of the Company on January 1, 2021.

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The Company 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:

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

	<b>Dec. 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Gross carrying amount</b>	<b>Gross carrying amount</b>
Not past due	\$ 133,886	0%	-
Overdue under 60 days	4,099	0%	-
	<b><u>\$ 137,985</u></b>		<b><u>-</u></b>

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

None of the above notes and accounts receivable has been provided as a pledge

#### (E)Inventories

	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>
Material	\$ 973	\$ -
Finished goods	189,381	131,202
Work in progress and semi-finished product	30,310	23,266
	<b><u>\$ 220,664</u></b>	<b><u>\$ 154,468</u></b>

Components of operating cost were as follows:

## ASIX ELECTRONICS CORPORATION

### Notes to Financial Statements

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Cost of goods sold	570,611	561,058
Reversal of inventory valuation loss	(1,480)	(85)
Unallocated fixed manufacturing expense	<u>3,540</u>	<u>394</u>
	<u><b>\$ 572,671</b></u>	<u><b>\$ 561,367</b></u>

The Company's inventories mentioned above were not pledged as collateral.

#### (F) Investments accounted for using equity method

The Company's summary of the financial information for investments accounted for using equity method at the reporting date was as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Subsidiary	<u><b>\$ 198,603</b></u>	<u><b>\$ 175,756</b></u>

#### i. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022 and 2021.

The Company's share of the profit and loss of subsidiary was summarized as follows:

	<u>2022</u>	<u>2021</u>
The Company's share of the profit and loss of subsidiary	<u><b>\$ (3,473)</b></u>	<u><b>\$ 6,731</b></u>

#### ii. Collateral

As of December 31, 2022 and 2021, the Company did not pledge any investments accounted for using the equity method as collateral.

#### iii. For the purpose of impairment testing, goodwill is allocated to the product line operating units of Zywyn Corporation (hereinafter referred to as 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 2022 and 2021 are 16.36% and 11.72% respectively; the cash flow estimation is based on the five-year financial budget approved by the management and The annual growth rates of (20)% and (15)% in 2022 and 2021, respectively, are extrapolated to subsequent years. 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.

## ASIX ELECTRONICS CORPORATION

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Based on the asset impairment test assessment in 2022 and 2021, no impairment loss was recognized because the recoverable amount of the cash-generating unit was higher than the carrying amount.

#### (G)Property, plant and equipment

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

	<u>Buildings and construction</u>	<u>Equipment and Mask</u>	<u>Research and development equipment</u>	<u>Office and other equipment</u>	<u>Total</u>
Cost					
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><b>\$ 75,506</b></u>	<u><b>163,774</b></u>	<u><b>16,687</b></u>	<u><b>7,925</b></u>	<u><b>263,892</b></u>
Balance at January 1,2021	\$ 73,865	148,923	13,603	7,425	243,816
Additions	-	7,963	1,190	300	9,453
Reclassifications	-	834	-	-	834
Disposals and derecognitions	-	-	-	(552)	(552)
Balance at December 31,2021	<u><b>\$ 73,865</b></u>	<u><b>157,720</b></u>	<u><b>14,793</b></u>	<u><b>7,173</b></u>	<u><b>253,551</b></u>
Depreciation					
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><b>\$ 50,706</b></u>	<u><b>139,717</b></u>	<u><b>13,334</b></u>	<u><b>6,846</b></u>	<u><b>210,603</b></u>
Balance at January 1,2021	\$ 48,679	125,046	11,326	6,235	191,286
Depreciation	1,027	13,032	1,302	712	16,073
Disposals and derecognitions	-	-	-	(552)	(552)
Balance at December 31, 2021	<u><b>\$ 49,706</b></u>	<u><b>138,078</b></u>	<u><b>12,628</b></u>	<u><b>6,395</b></u>	<u><b>206,807</b></u>
Carrying amounts					
Balance at December 31, 2022	<u><b>\$ 24,800</b></u>	<u><b>24,057</b></u>	<u><b>3,353</b></u>	<u><b>1,079</b></u>	<u><b>53,289</b></u>
Balance at January 1, 2022	<u><b>\$ 25,186</b></u>	<u><b>23,877</b></u>	<u><b>2,277</b></u>	<u><b>1,190</b></u>	<u><b>52,530</b></u>
Balance at December 31, 2021	<u><b>\$ 24,159</b></u>	<u><b>19,642</b></u>	<u><b>2,165</b></u>	<u><b>778</b></u>	<u><b>46,744</b></u>

As of December 31, 2022 and 2021, the Company did not provide any Company's property, plant and equipment as collaterals.

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**Notes to Financial Statements**

(H)Right-of-use assets

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

	<b>Land</b>	<b>Office and other equipment</b>	<b>Total</b>
Cost:			
As the balance at January 1, 2022	\$ 11,543	4,044	15,587
Reduction	(277)	(6)	(283)
As the balance at December 31, 2022	<u><b>\$ 11,266</b></u>	<u><b>4,038</b></u>	<u><b>15,304</b></u>
Balance at December 31, 2021 (As the balance at January 1, 2022)	<u><b>\$ 11,543</b></u>	<u><b>4,044</b></u>	<u><b>15,587</b></u>
Depreciation:			
Balance at January 1, 2022	\$ 988	1,383	2,371
Depreciation	325	1,062	1,387
Balance at December 31, 2022	<u><b>\$ 1,313</b></u>	<u><b>2,445</b></u>	<u><b>3,758</b></u>
Balance at January 1, 2021	\$ 665	320	985
Depreciation	323	1,063	1,386
Disposals			
Balance at December 31, 2021	<u><b>\$ 988</b></u>	<u><b>1,383</b></u>	<u><b>2,371</b></u>
Carrying amounts:			
Balance at December 31, 2022	<u><b>\$ 9,953</b></u>	<u><b>1,593</b></u>	<u><b>11,546</b></u>
Balance at January 1, 2022	<u><b>\$ 10,878</b></u>	<u><b>3,724</b></u>	<u><b>14,602</b></u>
Balance at December 31, 2021	<u><b>\$ 10,555</b></u>	<u><b>2,661</b></u>	<u><b>13,216</b></u>

(I)Intangible assets

Changes in cost and accumulated amortization of intangible assets were as follows:

	<b>Computer software</b>		
Cost :			
Balance at January 1, 2022	\$ 8,816		
Additions	8,530		
Balance at December 31, 2022	<u><b>\$ 17,346</b></u>		
Balance at January 1, 2021	\$ 3,329		
Additions	5,487		
Balance at December 31, 2021	<u><b>\$ 8,816</b></u>		



# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

	<b>Computer software</b>
Accumulated amortization :	
Balance at January 1, 2022	\$ 4,642
Amortization	8,048
Balance at December 31, 2022	<b><u>\$ 12,690</u></b>
Balance at January 1, 2021	\$ 2,529
Amortization	2,113
Balance at December 31, 2021	<b><u>\$ 4,642</u></b>
Carrying amounts:	
Balance at December 31, 2022	<b><u>\$ 4,656</u></b>
Balance at January 1, 2021	<b><u>\$ 800</u></b>
Balance at December 31, 2022	<b><u>\$ 4,174</u></b>

### i. Amortization expenses

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

	<b>2022</b>	<b>2021</b>
Operating costs	\$ 14	8
Operating expenses	8,034	2,105
	<b><u>\$ 8,048</u></b>	<b><u>2,113</u></b>

### ii. Collateral

As of December 31, 2022 and 2021, the Company did not provide any intangible assets as collaterals.

### (J) Lease liabilities

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

	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>
Current	<b><u>\$ 1,107</u></b>	<b><u>1,207</u></b>
Non-current	<b><u>\$ 11,227</u></b>	<b><u>12,617</u></b>

For the maturity analysis, please refer to note (6) (R) "Financial instruments"

# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 560	580
Expense relating to short-term leases	\$ 5	5
Expense relating to lease of low value assets(excluding short term leases of low value assets)	\$ 3	3

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

	2022	2021
Total cash outflow for leases	\$ 1,775	1,774

### i. Lease of land

The company 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.

### ii. Other leases

The Company 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.

## (K)Employee benefits

### i. Defined benefit plans

The pension fund allocated by the company 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 company 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 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 2022 and

## ASIX ELECTRONICS CORPORATION

### Notes to Financial Statements

2021 On December 31, the Company has fully subscribed the above-mentioned managers' vested pensions of NT\$1,421 thousand dollars and NT\$2,842 thousand dollars respectively, and accounted for other current liabilities.

#### ii. Defined contribution plans

The Company 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 Company recognized the pension costs under the defined contribution method amounting to NT\$3,848 thousand dollars and NT\$3,626 thousand dollars for the years ended December 31, 2022 and 2021, respectively. Payment was allocated to the Bureau of Labor Insurance.

#### (L)Income taxes

##### i. Income tax expense

The amount of income tax (benefit) for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Recognized during the period	\$ 87,168	82,086
Adjustment for prior periods	<u>(410)</u>	<u>(111)</u>
	<u>86,758</u>	<u>81,975</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>102</u>	<u>(917)</u>
Income tax expense	<u><u>\$ 86,860</u></u>	<u><u>81,058</u></u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	<u><u>\$ 3,875</u></u>	<u><u>(1,041)</u></u>

Reconciliation of income tax expense and profit before tax for the ended December 31, 2022 and 2021 were as follows:

# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

	<u>2022</u>	<u>2021</u>
Income excluding income tax	\$ 502,530	465,180
Income tax using the Company's domestic tax rate	100,506	93,036
Permanent difference Adjustment	11	(1,358)
Investment tax credits	(16,258)	(10,509)
Adjustment for prior period and other	(411)	(111)
Additional tax on undistributed earnings (5%)	3,011	-
	<u><u>\$ 86,860</u></u>	<u><u>81,058</u></u>

### ii. List of deferred tax assets and liabilities

#### Deferred assets

	<u>January 1, 2021</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehens ive income</u>	<u>December 31, 2021</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensiv e income</u>	<u>December 31, 2022</u>
Loss on inventory valuation	\$ 3,068	20	-	3,048	371	-	2,677
Accrued pension liabilities	1,137	284	-	853	284	-	569
Share of profit or loss for the subsidiaries recognized by equity method	8,542	(1,346)	-	9,888	695	-	9,193
Exchange difference on transaction of foreign financial statements	5,057	-	(1,041)	6,098	-	3,875	2,223
Others	1,126	125	-	1,001	(1,248)	-	2,249
	<u><u>\$ 18,930</u></u>	<u><u>(917)</u></u>	<u><u>(1,041)</u></u>	<u><u>20,888</u></u>	<u><u>102</u></u>	<u><u>3,875</u></u>	<u><u>16,911</u></u>

### iii. The ROC tax authorities have examined the income tax expenses of the Company through 2020.

# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

### (M)Capital and other equity

#### i. Issuance of common stock

The first domestic private placement of ordinary shares in 2021:

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 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.

At December 31, 2022 and 2021, the company's total rated share capital was NT\$800,000 thousand dollars, the par value of each common share was NT\$10 dollars, and the paid-in share capital was NT\$624,270 thousand dollars and NT\$621,970 thousand dollars.

The reconciliation of shares outstanding for the years ended December 31, 2022 and 2021 was as follows (in thousands of shares):

	<b>Common stock</b>	
	<b>2022</b>	<b>2021</b>
Opening balance on January 1	62,197	49,581
Add: Capital increase for employee remuneration	230	220
Add: Cash capital increase	-	12,396
Closing balance on December 31	<b>62,427</b>	<b>62,197</b>

#### ii. Capital surplus

The balances of capital surplus were as follows:

	<b>Dec. 31 2022</b>	<b>Dec. 31 2021</b>
Additional paid in capital	\$ 464,892	480,629
Others	198	198
	<b>\$ 465,090</b>	<b>480,827</b>

## **ASIX ELECTRONICS CORPORATION**

### **Notes to Financial Statements**

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. On May 25, 2022, the company's regular meeting of shareholders resolved the 2021 of the capital reserve distribution cash proposal, and the capital reserve distribution was NT\$62,427 thousand dollars (NT\$1 per share). All the relevant information can be inquired through the Market Observation Post System website.

#### **iii. 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

## ASIX ELECTRONICS CORPORATION

### Notes to Financial Statements

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.

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%.

On May 25, 2022 and July 22, 2021, the Company passed the resolutions on the 2021 and 2020 surplus distribution proposals at the ordinary shareholders' meeting respectively. The content is as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders:		
Cash(4 dollars and 2.5 dollars per share respectively)	<u>\$ 249,708</u>	<u>155,492</u>

There was no difference between the above-mentioned 2021 and 2020 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 2022, can be accessed through the Market Observation Post System website after the meeting.

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iv. Other equity

Detail of other equity was follows:

	Exchange difference on translation of foreign financial statements	Gains (losses) on equity instruments measured at fair value through other comprehensive income
Balance at January 1, 2022	\$ (23,229)	(9,929)
Exchange difference on translation of foreign financial statements	15,499	-
Gains (losses) on equity instruments 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>
Balance at January 1, 2021	\$ (19,065)	(7,479)
Exchange difference on translation of foreign financial statements	(4,164)	-
Gains (losses) on equity instruments measured at fair value through other comprehensive income	-	(2,450)
Balance at December 31, 2021	<u><u>\$ (23,229)</u></u>	<u><u>(9,929)</u></u>

(N)Earnings per share

i. Basic earnings per share

	2022	2021
Net income attributable to the shareholders of the Company	<u><u>\$ 415,670</u></u>	<u><u>384,122</u></u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares):		
Common stock outstanding as of January 1	62,197	49,581
Capital increase for employee remuneration	192	183
Cash capital increase	-	10,800
Common stock outstanding as of December 31	<u><u>62,389</u></u>	<u><u>60,564</u></u>
Basic earnings per share (dollars)	<u><u>\$ 6.66</u></u>	<u><u>6.34</u></u>



**ASIX ELECTRONICS CORPORATION**  
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ii. Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Net income attributable to the shareholders of the Company	<u>\$ 415,670</u>	<u>384,122</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares):		
Weighted-average number of ordinary shares outstanding	62,389	60,564
Effect of the employee remuneration issued by stock	<u>1,157</u>	<u>413</u>
	<u><b>63,546</b></u>	<u><b>60,977</b></u>
Diluted earnings per share (dollars)	<u><b>\$ 6.54</b></u>	<u><b>6.30</b></u>

(O)Revenue from contracts with customers

Disaggregation of revenues as follows :

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Asia	\$ 792,195	822,754
Taiwan	454,952	447,236
Other areas	<u>88,329</u>	<u>48,337</u>
	<u><b>\$ 1,335,476</b></u>	<u><b>1,318,327</b></u>
Major product categories:		
Chips	\$ 1,332,195	1,290,716
Royalties and NRE	<u>3,281</u>	<u>27,611</u>
	<u><b>\$ 1,335,476</b></u>	<u><b>1,318,327</b></u>

(P)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 ended December 31, 2022 and 2021, the Company accrued and recognized its employee remuneration amounting to \$106,823 thousand and \$98,835 thousand and directors' remuneration amounting to \$18,810 thousand and \$17,460 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before

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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. At the year of 2022 and 2021, 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, 2022, the above-mentioned employee compensation of the Company was issued in shares, and the statutory registration procedures had been completed.

#### (Q) Non-Operating income and expenses

##### i. Interest income

The details of interest income were as follows:

	<u>2022</u>	<u>2021</u>
Interest from bank deposits and financial assets measured at amortized cost	\$ 8,306	3,529
Other interest income	<u>3</u>	<u>3</u>
	<u><b>\$ 8,309</b></u>	<u><b>3,532</b></u>

##### ii. Other gains and losses

Details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange losses, net	\$ 17,045	(1,975)
Government grants	-	6,790
Others	<u>1,156</u>	<u>768</u>
	<u><b>\$ 18,201</b></u>	<u><b>5,583</b></u>

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(R)Financial instruments

i. 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, 2022 and 2021, 36% 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 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. 本 As of December 31, 2022 and 2021, the balance of accounts receivable and notes receivable (including related parties) of the Company were 68% and 63%, 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) Risk of credit of receivables

The credit risk of accounts receivable and notes receivable, please refer the note (6) (D).ii.

Liquidity risk

There is 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.

**ASIX ELECTRONICS CORPORATION**  
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The analysis of contractual maturity dates for financial liabilities was as follow:

	<b>Carrying amount</b>	<b>Contractu al cash flows</b>	<b>Within 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>December 31, 2022</b>					
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 payable for employee and directors	127,133	(127,133)	(127,133)	-	-
Other accounts payable-related parties	664	(664)	(664)	-	-
Lease liabilities –current and non-current	12,334	(22,999)	(1,660)	(3,371)	(17,968)
	<b><u>\$ 201,087</u></b>	<b><u>(211,752)</u></b>	<b><u>(190,413)</u></b>	<b><u>(3,371)</u></b>	<b><u>(17,968)</u></b>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Accounts payable ( including related parties)	\$ 75,461	(75,461)	(75,461)	-	-
Accrued payroll and bonus	21,663	(21,663)	(21,663)	-	-
Accrued remuneration payable for employee and directors	116,295	(116,295)	(116,295)	-	-
Other accounts payable-related parties	931	(931)	(931)	-	-
Lease liabilities –current and non-current	13,824	(24,671)	(1,766)	(4,343)	(18,562)
	<b><u>\$ 228,174</u></b>	<b><u>(239,021)</u></b>	<b><u>(216,116)</u></b>	<b><u>(4,343)</u></b>	<b><u>(18,562)</u></b>

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

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iii. Market risk

1) Currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 12,858	30.660	394,226	11,990	27.630	331,284
<u>Non-monetary Items</u>						
USD	6,478	30.660	198,603	6,361	27.630	175,756
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	1,373	30.660	42,096	2,956	27.630	81,674

a. Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and notes receivable, accounts payable( including related parties), and others payable-related parties, that are denominated in foreign currencies. A weakening (strengthening) of 5% of the NTD against the USD as of December 31, 2022 and 2021, would have increased or decreased the net income before income tax by \$17,607 thousand and \$12,481 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis was performed on the same basis for comparative years.

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b. Foreign exchange gains and losses on monetary items

The information on foreign exchange gains (losses) on monetary items is disclosed by an aggregate amount. Foreign exchange gains (losses) (including these realized and unrealized portions) by the Company's monetary items, were as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Foreign exchange gains (losses)</b>	<b>Average rate</b>	<b>Foreign exchange gains (losses)</b>	<b>Average rate</b>
USD	\$ 17,045	29.799	(1,975)	27.948

2) Risk of interest 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 Company's net income before income tax would have increased or decreased by \$521 thousand and \$785 thousand, for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's cash and cash equivalent with variable rates.

iv. Fair value of financial instruments

1) Fair value hierarchy

The Company's financial assets at fair value through other comprehensive profit or loss are measured at fair value on a recurring basis. The carrying amount and fair value of the Company'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 is not required:

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## Notes to Financial Statements

		December 31, 2022				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 1,416,498	-	-	-	-	-
Financial assets measured at amortized cost	85,500	-	-	-	-	-
Notes and accounts receivable (including related parties)	88,689	-	-	-	-	-
Refundable deposits(other non-current assets)	2,539	-	-	-	-	-
	<b>\$ 1,593,226</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets at fair value through other comprehensive income</b>						
	<b>\$ 2,825</b>	<b>-</b>	<b>-</b>	<b>2,825</b>	<b>2,825</b>	
<b>Financial liabilities measured at amortized cost</b>						
Account payable (including related parties)	\$ 37,231	-	-	-	-	-
Accrued payroll and bonus	23,725	-	-	-	-	-
Accrued remuneration payable for employee and directors	127,133	-	-	-	-	-
Other accounts payable-related parties	664	-	-	-	-	-
Lease liabilities –current and non-current	12,334	-	-	-	-	-
	<b>\$ 201,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		December 31, 2021				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 827,316	-	-	-	-	-
Financial assets measured at amortized cost	606,500	-	-	-	-	-
Notes and accounts receivable (including related parties)	137,985	-	-	-	-	-
Refundable deposits(other non-current assets)	2,539	-	-	-	-	-
	<b>\$ 1,574,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets at fair value through other comprehensive income</b>						
	<b>\$ 6,520</b>	<b>-</b>	<b>-</b>	<b>6,520</b>	<b>6,520</b>	
		December 31, 2021				

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

	<b>Carrying amount</b>	<b>Level 1</b>	<b>Fair value Level 2</b>	<b>Level 3</b>	<b>Total</b>
Accounts payable ( including related parties)	75,461	-	-	-	-
Accrued payroll and bonus	21,663	-	-	-	-
Accrued remuneration payable for employee and directors	116,295	-	-	-	-
Other accounts payable-related parties	931	-	-	-	-
Lease liabilities –current and non-current	13,824	-	-	-	-
	<b><u>\$ 228,174</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

The financial instruments held by the Company are those with no 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 2022 and 2021.

5) Reconciliation of Level 3 fair value

	<b>Fair value through other comprehensive income</b>
January 1, 2022	\$ 6,520
In other comprehensive income	(3,695)
December 31, 2022	<b><u>\$ 2,825</u></b>
January 1, 2021	\$ 8,970
In other comprehensive income	(2,450)
December 31, 2021	<b><u>\$ 6,520</u></b>

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



## ASIX ELECTRONICS CORPORATION

### Notes to Financial Statements

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

The Company'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.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income-equity investment without and active market	Market approach	<ul style="list-style-type: none"> <li>The multiplier of price-to-book ratio (as of December 31, 2022 and 2021, the number were 2.88~45.45 and 2.78~36.49)</li> <li>Liquidity discount(as of December 31, 2022 and 2021, the number were 28% and 28%)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the price-to-book value ratio, the higher the fair value.</li> <li>The higher the liquidity discount, the lower the fair value.</li> </ul>

#### (S)Financial risk management

##### i. 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.

##### ii. 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 Company's risk management policies are established to identify and analyze the risks

## **ASIX ELECTRONICS CORPORATION**

### **Notes to Financial Statements**

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

#### **iii. Credit risk**

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

#### **iv. 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.

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

# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company 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) (R).

### (T)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.

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

	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>
Total liabilities	<b>\$ 295,729</b>	<b>\$ 355,413</b>
Total equity	<b>\$ 1,815,389</b>	<b>\$ 1,651,060</b>
Debit-to-equity ratio	<b>16.29%</b>	<b>21.53%</b>

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, 2022.

### (U)Cash flows from financing activities

Reconciliations of liabilities arising from financing activities were as follows:

	<b>Lease liabilities</b>
January 1, 2022	\$ 13,824
Cash flows	
Lease principal repayment	(1,207)
Interest(note)	(560)
Non-cash changes	
Lease liabilities	(283)
Interest(note)	560
December 31, 2022	<b>\$ 12,334</b>
	<b>Lease liabilities</b>

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

January 1, 2021	\$ 15,010
Cash flows	
Lease principal repayment	(1,186)
Interest(note)	(580)
Non-cash changes	
Interest(note)	580
December 31, 2021	<u><u>\$ 13,824</u></u>

Note: Listed under operating activities.

**(7) Related-parties transactions**

(A) Name and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the financial statements.

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

(B) Significant related party transactions

i. NRE or License charge

	<u>NRE or License</u>		<u>Accounts receivable</u>	
	<u>2022</u>	<u>2021</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Airoha HK	<u>\$ 1,800</u>	<u>24,184</u>	<u>-</u>	<u>1,680</u>

The company'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.

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

ii. 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	<u>\$ 290,664</u>	<u>205,712</u>
	<u>13,521</u>	<u>29,157</u>

The prices of purchases was determined by market rates.

iii. Others purchase

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

	<u>2022</u>	<u>2021</u>
	<u>Purchase amount</u>	<u>Accounts payable</u>
Other related party	<u>\$ 12,000</u>	<u>3,150</u>

iv. Licensing of related party on expertise and client relationship

The company was used the related party's expertise and customer relationship, paid them royalties, and recorded the operating costed and operating expenses, detail as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Zywyn	<u>\$ 3,593</u>	<u>\$ 3,352</u>

As of December 31, 2022 and 2021, the unpaid royalties were NT\$664 thousand dollars and NT\$ 931 thousand dollars, which were recorded under other payables - related parties.

(C)Key management personnel compensation

The remuneration to key management included:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 77,214	\$ 64,471
Post-employment benefits	317	317
	<u>\$ 77,531</u>	<u>\$ 64,788</u>

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Asset name</b>	<b>Purpose of pledge</b>	<b>Dec. 31, 2022</b>	<b>Dec. 31, 2021</b>
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	1,000	1,000
		<u><b>\$ 2,000</b></u>	<u><b>2,000</b></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:

<b>By function</b>	<b>2022</b>			<b>2021</b>		
	<b>Cost of goods sold</b>	<b>Operating expenses</b>	<b>Total</b>	<b>Cost of goods sold</b>	<b>Operating expenses</b>	<b>Total</b>
<b>By item</b>						
Employee benefits						
Salary	3,786	185,603	189,389	3,674	186,544	190,218
Labor and health insurance	372	8,016	8,388	378	6,918	7,296
Pension	207	3,641	3,848	201	3,425	3,626
Remuneration of directors	-	19,335	19,335	-	18,070	18,070
Others	284	3,713	3,997	304	3,583	3,887
Depreciation	11,973	5,446	17,419	12,175	5,284	17,459
Amortization	14	8,034	8,048	8	2,105	2,113

Additional information on the numbers of employees and employee benefit costs was as follows:

**ASIX ELECTRONICS CORPORATION**  
**Notes to Financial Statements**

	<u>2022</u>	<u>2021</u>
The numbers of employees	<u>79</u>	<u>76</u>
The number of non-employee directors	<u>7</u>	<u>7</u>
The average of employee benefits	<u>\$ 2,856</u>	<u>\$ 2,971</u>
The average of salaries	<u>\$ 2,630</u>	<u>\$ 2,757</u>
The average of salary adjustment rate	<u>(5)%</u>	<u>65%</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

The company's salary and remuneration policy (including directors, managers, and employees were as follows:

1. Remuneration of directors: According to the Articles, the company shall allocate no more than 5% of the annual profits before tax as directors' remuneration. After the end of the year, that shall be submitted to the remuneration committee for reviewed, approved by the Board of Directors and submitted to the general meeting of shareholders for distribution.
2. Remuneration of employee and executive officers: According to the company's operating results, performance appraisal reward and punishment measures, the Articles, and the relevant laws and regulations the compensation of employees and executive officers shall be issued.

**(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 Company:

- i. Loans to other parties: None
- ii. Guarantees and endorsements for other parties: None

# ASIX ELECTRONICS CORPORATION

## Notes to Financial Statements

iii. Securities held as of December 31, 2022(excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and Name of security	Relationship With company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	C-Life Technologies, INC.	None	Financial assets at fair value through other comprehensive income –non-current	490	1,225	0.90 %	1,225	Note
(same as above)	Nextw Technology Co., LTD.	None	Financial assets at fair value through other comprehensive income –non-current	160	1,600	18.60 %	1,600	Note
(same as above)	E-Cmos Corporation	None	Financial assets at fair value through other comprehensive income –non-current	160	-	0.39 %	-	Note
(same as above)	Moai Green Power Corporation	None	Financial assets at fair value through other comprehensive income –non-current	35	-	0.09 %	-	Note
					<b>2,825</b>		<b>2,825</b>	

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

- iv. Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None
- v. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- vi. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- vii. 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 purchases/ Sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of Total notes/accounts receivable/payable	
The Company	Airoha Technology (HK) Limited Taiwan Branch	Other related party	Purchases	290,664	47 %	Month close 30 days	-	-	(13,521)	36%	

- viii. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- ix. Trading in derivative instruments: None

(B)Information on investees:



## ASIX ELECTRONICS CORPORATION

### Notes to Financial Statements

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			Net Income of the investee	Investment income (Note)	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Zywyn	USA	R&D center	255,143	255,143	15,663	100.00%	198,603	4,421	3,473	Subsidiary

Note: Relevant transactions and closing balances have been eliminated in the consolidated statements; the recognized investment interest of NT\$4,421 thousand dollars and the amortization of the use of related deferred income tax assets, know-how and customer relationship amounted to NT\$948 thousand dollars.

(C)Information on investment in mainland China: None

(D)Major shareholders:

Shareholder's Name	Shares	Percentage
Airoha Technology Corp.	12,396,396	19.85%

#### (14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2022.

**ASIX ELECTRONICS CORPORATION**

**Statement of cash and cash equivalents**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash	Petty cash	\$ 249
Bank deposits	Foreign currency deposits	130,938
	USD : 4,268,564.90 dollars , JPY : 15,001.00 dollars , EUR : 891.01 dollars , HKD : 8,096.92 dollars	
	Demand deposits	77,351
	Time deposits (Period: January 17, 2022~March 30, 2023 , interest rate:0.32%~1.035%)	<u>1,207,960</u>
		<u><b>\$ 1,416,498</b></u>

Note: The exchange rates at the balance sheet date were as follows:

USD 1 = NTD 30.66

JPD 1 = NTD 0.2304

EUR 1 = NTD 32.52

HKD 1 = NTD 3.908

**Statement of financial assets measured at amortized cost -current**

For relevant information, please refer to note (6) (C).

**ASIX ELECTRONICS CORPORATION**  
**Statement of notes and accounts receivable**  
**December 31, 2022**  
**(Expressed in thousands of NTD)**

<u>Customer Name</u>	<u>Amount</u>
A Company	\$ 31,309
B Company	10,872
C Company	7,301
D Company	6,652
Others (The amount of each item in others was not exceed 5% of the account balance.)	<u>32,555</u>
	<u>\$ 88,689</u>

Note: 1. Notes and accounts receivable resulting from business activities.

# ASIX ELECTRONICS CORPORATION

## Statement of inventories

December 31, 2022

(Expressed in thousands of NTD)

Items	Amount		Remark
	Costs	Net realizable value	
Finished goods	\$ 199,893	526,657	Please refer the note (4) (G)
Less: Allowance for valuation loss	(10,512)	-	
Subtotal	189,381	526,657	
WIP and semi-finished product	33,182	57,468	
Less: Allowance for valuation loss	(2,872)	-	
Subtotal	30,310	57,468	
Material	973	973	
Total	<u>\$ 220,664</u>	<u>585,098</u>	

## Statement of other current assets

Items	Amount
Prepaid for inventories	\$ 1,026
Prepaid for others	959
Prepaid for computer software	612
Income tax refund receivable	363
	<u>\$ 2,960</u>

**ASIX ELECTRONICS CORPORATION**

**Statement of financial assets at fair value through other comprehensive  
income –noncurrent**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<b>Name</b>	<b>Beginning Balance</b>		<b>Increase or Decrease</b>		<b>Gain or loss on evaluation</b>	<b>End of the period</b>	
	<b>Thousand shares</b>	<b>Fair value</b>	<b>Thousand shares</b>	<b>Amount</b>	<b>Amount</b>	<b>Thousan d shares</b>	<b>Fair value</b>
C-Life Technologies, INC.	490	\$ 2,450	-	-	(1,225)	490	1,225
Nextw Technology Co., LTD.	160	3,500	-	-	(1,900)	160	1,600
E-Cmos Corporation	160	570	-	-	(570)	160	-
Moai Green Power Corporation	35	-	-	-	-	35	-
		<u><b>\$ 6,520</b></u>		<u><b>-</b></u>	<u><b>(3,695)</b></u>		<u><b>2,825</b></u>

**ASIX ELECTRONICS CORPORATION**

**Statement of changes in investments under equity method**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<u>Investee</u>	<u>Beginning balance</u>		<u>Increase or decrease for the period</u>		<u>Investmen t profit and loss</u>	<u>Exchange difference on translation of foreign currency</u>	<u>Ending balance</u>			<u>Market price or net equity value</u>		<u>Guarantee or collateral provided</u>	<u>Remark</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Shareholding ratio (%)</u>	<u>Amount</u>	<u>Unit price</u>	<u>Total price</u>		
Zywyn	15,663	<u>\$ 175,756</u>	-	<u>-</u>	<u>3,473</u>	<u>19,374</u>	15,663	100%	<u>198,603</u>	-	<u>198,603</u>	None	

**ASIX ELECTRONICS CORPORATION**  
**Statement of changes in property, plant and  
equipment**

Please refer to note (6) (G).

**Statement of right-of-use assets**

Please refer to note (6) (H).

**Statement of intangible assets**

Please refer to note (6) (I).

**ASIX ELECTRONICS CORPORATION**

**Statement of other non-current assets**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Prepaid for long term maintenances		\$ 5,905
Refundable deposits		<u>2,539</u>
		<u><b>\$ 8,444</b></u>

**Statement of accounts payable**

<b>Name of suppliers</b>	<b>Amount</b>
Supplier A	\$ 11,925
Supplier B	6,217
Supplier C	<u>2,418</u>
	<u><b>\$ 20,560</b></u>

Note: 1. Notes and accounts payable resulting from business activities.

2. Accounts payable-related parties was not included the above. Please refer to the note (7)



# ASIX ELECTRONICS CORPORATION

## Statement of other current liabilities

December 31, 2022

(Expressed in thousands of NTD)

Items	Description	Amount
Accrued royalties		\$ 20,282
Advance payment		17,127
Others (individual amount was not exceed 5%)	Wages withholding for labor and health insurance, accrued for pensions, and accrued for service charge, etc.	16,579
		<u>\$ 53,988</u>

## Statement of lease liabilities

Items	Description	Rental term	Discount rate	Ending balance	Remark
Land	Land lease with HSIP	2019/8/6~2038/12/31	5.01%	\$ 10,713	
Office and other equipment	Official car	2020/6/23~2023/6/22	1.83%	1,086	
Office and other equipment	Office	2020/11/16~2023/11/15	1.83%	535	
				12,334	
Less: lease liabilities-current				(1,107)	
Total				<u>\$ 11,227</u>	

**ASIX ELECTRONICS CORPORATION**

**Operating revenues statement**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<b>Items</b>	<b>Sales volume (thousand pcs)</b>	<b>Amount</b>
Chips	43,876	\$ 1,332,195
Licenses and Services charge		<u>3,281</u>
		<u><b>\$ 1,335,476</b></u>

**ASIX ELECTRONICS CORPORATION**

**Statement of operating costs**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<b>Items</b>	<b>Amount</b>
Consumption of raw material	
Beginning amounts of raw material	\$ 0
Add: purchase in this period	15,238
Less: Ending amounts of raw material	<u>(973)</u>
Consumption of raw material at this period	14,265
Manufacturing expenses	<u>15,826</u>
Manufacturing cost	30,091
Add : beginning amounts of WIP	27,606
Purchase	90,050
Less : Ending amounts of WIP	(33,182)
Transfer to expenses	<u>(425)</u>
Cost of finished goods at this period	114,140
Add: beginning amount of finished goods	142,102
Purchase	514,768
Less: Ending amounts of finished goods	(199,893)
Transfer to expenses and scrapped	<u>(506)</u>
Cost of goods sold	570,611
Recognition reversal of provisions for inventory valuation loss	(1,480)
Unallocated fixed manufacturing overhead	<u>3,540</u>
Total operating costs	<u><u>\$ 572,671</u></u>

**ASIX ELECTRONICS CORPORATION**

**Statement of selling expenses**

**December 31, 2022**

**(Expressed in thousands of NTD)**

<b>Items</b>	<b>Amount</b>
Salaries	\$ 32,960
Royalties expenses	28,902
Others (individual amount was not exceed 5%)	7,646
	<b><u>\$ 69,508</u></b>

**Statement of administrative expenses**

<b>Items</b>	<b>Amount</b>
Salaries	\$ 44,449
Remuneration of directors	18,810
Others (individual amount was not exceed 5%)	13,101
	<b><u>\$ 76,360</u></b>

**ASIX ELECTRONICS CORPORATION**  
**Statements of research and development expenses**  
**December 31, 2022**  
**(Expressed in thousands of NTD)**

<u>Items</u>	<u>Amount</u>
Salaries	\$ 108,194
Maintenance charge for software tools	7,953
Others (individual amount was not exceed 5%)	<u>27,683</u>
	<b><u>\$ 143,830</u></b>