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Weltrend 2022

2022 Annual Report

Weltrend Semiconductor, Inc.

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V. Offshore Secondary Exchange and Disclosure Information Available at:
Not Applicable.

VI. Company website: www.weltrend.com.tw

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Chapter 1. Letter to Shareholders

I. 2022 Business Performance Analysis

The IC design industry has experienced a period of volatility in 2022 with a rapid decline in demand starting from the second quarter, which was a significant change from the challenges of wafer shortages, congestion at packaging and testing plants, and unrelenting customer demand for delivery in 2021. However, as we vividly recount the nightmares of shortages in 2021, we did not reduce wafer services in the second quarter and only started to reduce production at the end of the second quarter. The scheduling and production process of wafer plants require a long period of planning and it takes a quarter to reduce wafer inventory. As a result, the inventory in 2022 Q4 reached record highs and created difficulties for working capital. However, according to World Semiconductor Trade Statistics (WSTS), the total revenue of the global semiconductor market in 2022 was US$573.5 billion, which was a 3.2% growth compared to 2021. According to statistics compiled by the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute, the output of Taiwan's IC industry reached NT$4,837 billion in 2022, an 18.5% increase from 2021. It was the third consecutive year of double-digit growth and its performance remained exceptional. The revenue of TSMC alone reached NT$2,263.8 billion, which accounted for 46.8% of the industry. The output of the IC design industry was NT$1,232 billion, which was a 1.4% annual growth. The revenue of the superstar company MediaTek was NT$548.8 billion, which accounted for 44.5% of the IC design industry with a breathtaking annual growth rate of 11.22%. The performance of the two giants, TSMC and MediaTek, in 2022 contributed to the growth of Taiwan's semiconductor industry.

The industry situation faced by the Company in 2022 has already been described previously. The Company suffered from significant declines in sales and profits due to a sharp drop in demand.

The comparison of the 2021 and 2022 business performance is as follows:

Unit: NT$ thousands

	2022	2021	Growth rate
Operating revenue	2,888,153	3,601,983	-19.82%
Operating margin	843,621	1,105,869	-23.71%
Operating profit	243,444	459,957	-47.07%
Net non-operating revenues and expenses	(103,888)	367,589	-128.26%
Income tax expenses	(31,686)	(76,202)	-58.42%
Net profit after tax	107,870	751,344	-85.64%
EPS	0.83	4.25	-80.47%

(These statistics are sourced from the consolidated financial statements, which are prepared in accordance with the regulations of the competent authority.)

Due to the public acquisition of 51.017% equity of Sentelic Corporation on August 24, 2022, the Company's 2022 consolidated statement incorporates the financial statement of Sentelic Corporation from August 24 to the end of 2022 in accordance with the regulations. Since the baseline is different, it is difficult to compare the figures for 2022 with those for 2021. The brief analysis is as follows:

1. As mentioned earlier, the sharp decline in market demand of the IC industry affected Sentelic Corporation's revenue in the second half of the year, especially in Q4. Therefore, the consolidated revenue generated after August 24 was only about NT$106 million, failing to reverse the overall decline trend.
2. Sentelic Corporation suffered from a loss in Q4 due to a sharp decline in revenue and the depreciation of goods in stock. Besides, after the acquisition, the parent company needed to amortize the purchase price amortization (PPA) caused by the acquisition at a premium (higher than the net value), coupled with the equity ratio, only 51.017% loss was recognized in the parent company only financial statement, while 100% loss had to be recognized in the consolidated financial statement. It was the main reason for the difference of approximately NT$38.9 million in net income after tax between the consolidated and parent company only financial statements.

3. The large gap in non-operating income between 2022 and 2021 is due to the collapse of the global capital market and the loss caused by the Company's reinvestment. It is also the first time since the financial crisis in 2008 that the Company has incurred a loss in reinvestment.

4. As a result of the above factors, the Company's annual EPS was only NT$0.83, which was the most unsatisfactory performance over the past six years.

5. In 2022, the R&D expenses of the parent company were NT$292 million, a decrease of NT$0.8 million compared with NT$373 million in 2021. The main reason is that the decrease in profits reduced the reserve for employee compensation, and the Company did not cut down its R&D activities.

6. Budget implementation status: The Company did not prepare a financial forecast for 2022. Comparison of actual business operation and internal target: The parent company's individual operating profit was in line with expectations, but the net non-operating income fell short of expectations. Given the consolidated statement, the net profit after tax was lower than expected.

II. 2023 Business Plan Summary

In the wake of the drastic decline in customer demand, rapid increase in inventory in 2022, the Company will focus on the following matters for operations in 2023:

1. Demand is expected to pick up starting from the second quarter. With the Company's tight controls over purchases, inventories are expected to return to normal levels by the end of the first half of the year. Supply and demand are expected to normalize in the second half of the year, and we aim to restore the growth in 2021.

2. Motor controller ICs for cooling fans form an important new product line of the Company. In 2022, the Company acquired more than 51% of the shares of Sentelic Corporation through tender offer and successfully gained control of the Board of Directors of a successful company in this field. The acquisition broadens our product portfolio, customer base, and talent pool. Strengthened by the Company's close relations with the supply chain from wafer fabs to the packaging and testing facilities, the two companies will generate synergy in the partnership. This is also one of the Company's key tasks this year.

3. When the economy recovers, Sentelic Corporation will turn losses into profits smoothly, which will completely change the consolidated financial statement. It needs the joint efforts of the two companies.

III. Evaluation of the Company's Future Development Strategy and External Competition

Although Taiwan's semiconductor industry in 2022 was dominated by the two giants, TSMC and MediaTek, there were many opportunities for smaller companies. For instance, ASPEED Technology Inc. dominated server management solutions and its stock price soared to first place even though it only had a paid-in capital of NT$378 million. There are opportunities for everyone as long as one has a good business strategy and the ability to carry it out. In the 34 years since the Company was founded, we have been committed to customer and supplier relations and we have gained the trust of our shareholders and employees with honesty and pragmatism. They are all valuable assets of the Company.

Improvements in business performance require a continuous inflow of talents as well as strategic mergers and acquisitions. The acquisition of Sentelic Corporation was an important milestone in bringing the two companies together to create synergy for real benefits for our shareholders and employees. It is a goal that we have actively pursued since the acquisition last year, and we hope to gain the support of all stakeholders.

In terms of the macroeconomic environment, the struggle for power between China and the United States forces companies to pick a side. IC design is in an important part of the supply chain, which offers challenges and opportunities. Businesses must employ more intelligent strategies and must be more cautious. In terms of the domestic environment, the Corporate Governance 3.0 policy implemented by the competent authorities of the government involves the promulgation of more laws and regulations, which create new restrictions and increase costs for companies listed on the TWSE and TPEx. However, the Company must continue to support the policies to ensure compliance and attain a higher corporate governance score.

I wish to thank you, our shareholders, for your support.

Best wishes for your investment.

Sam Lin, Chairman

Tony Lin, President

Cindy Guo, CFO

Chapter 2. Company Profile

(I) Date of establishment: July 5, 1989

(II) Capital stock: NT$1,780,097,610 (as of the publication date of the Annual Report))

(III) History of the Company:

Date	Milestone
July 5, 1989	Obtained the Company License No. 105 issued by the Ministry of Economic Affairs.
September 23	Acquired the Yuan-Jing-Zi Business Registration Certificate No. 11124 (78) issued by the Hsin-Chu Science Park.
November 23	Produced the first IC entrusted by the client.
June 1, 1990	Launched the opening ceremony of the new plant at 2F, No. 24, Industrial East 9th Road, Hsin-Chu Science Park.
November 1, 1991	Developed Taiwan's 1st Flash ADC IC (8-bit 20MHZ) with the Institute of Electronics Engineering
July 30, 1992	Our "Charge Control IC for Rechargeable Battery" was awarded by the Innovative Technology R&D Program of Hsin-Chu Science Park.
December 31	Annual turnover exceeded NT$100 million and made a profit for the first time.
October 5, 1993	Attended the Taipei International Electronics Show, and released WT8013 (the first Desktop Scanner Controller ASSP in Taiwan) and WT8045 (the world's first simultaneous video discriminator for green displays that meet the standards of VESA DPMS).
September 7, 1995	Honored with 4th National Award of Outstanding SMEs.
December 15	Ranked No.1 in revenue growth among manufacturers established for five years in Hsin-Chu Science Park.
December 31	Annual turnover reached NT$500 million, an increase of 51%.
December 12, 1996	SFC approved the listing of the Company's shares on the stock exchange
January 9, 1997	IPO on Taiwan OTC market
April 3, 1999	The product "WT62P1-Reprogrammable Monitor Control IC with USB Function" won the Taiwan SMEs Innovation Award issued by the Ministry of Economic Affairs.
July 30	Passed ISO9001.
September 15	The Taipei Office has moved to Zhonghe District.
November 30	Single-month turnover exceeded NT$ 100 million.
March 29, 2000	The Board of Directors approved the merger and acquisition of Jettech System Technology Co., Ltd.
May 25	Ranked by CommonWealth Magazine as the 10th most profitable company in Taiwan in 2001.
September 11, 2000	Listed on the Taiwan Stock Exchange
November 22	Mr. Lin, President of the Company, and Mr. Guo, Assistant Vice President of the Finance Department, won the Elite Manager Award (President Award and Finance Manager Award, respectively) for professional managers of SMEs in Taiwan.
May 2, 2001	Ranked by CommonWealth Magazine as the 3rd most profitable company in Taiwan in 2001.
May 25	Elected the 5th directors and supervisors. Sam Lin was elected Chairman and Kun-Tsan Tsai was appointed honorary Chairman.

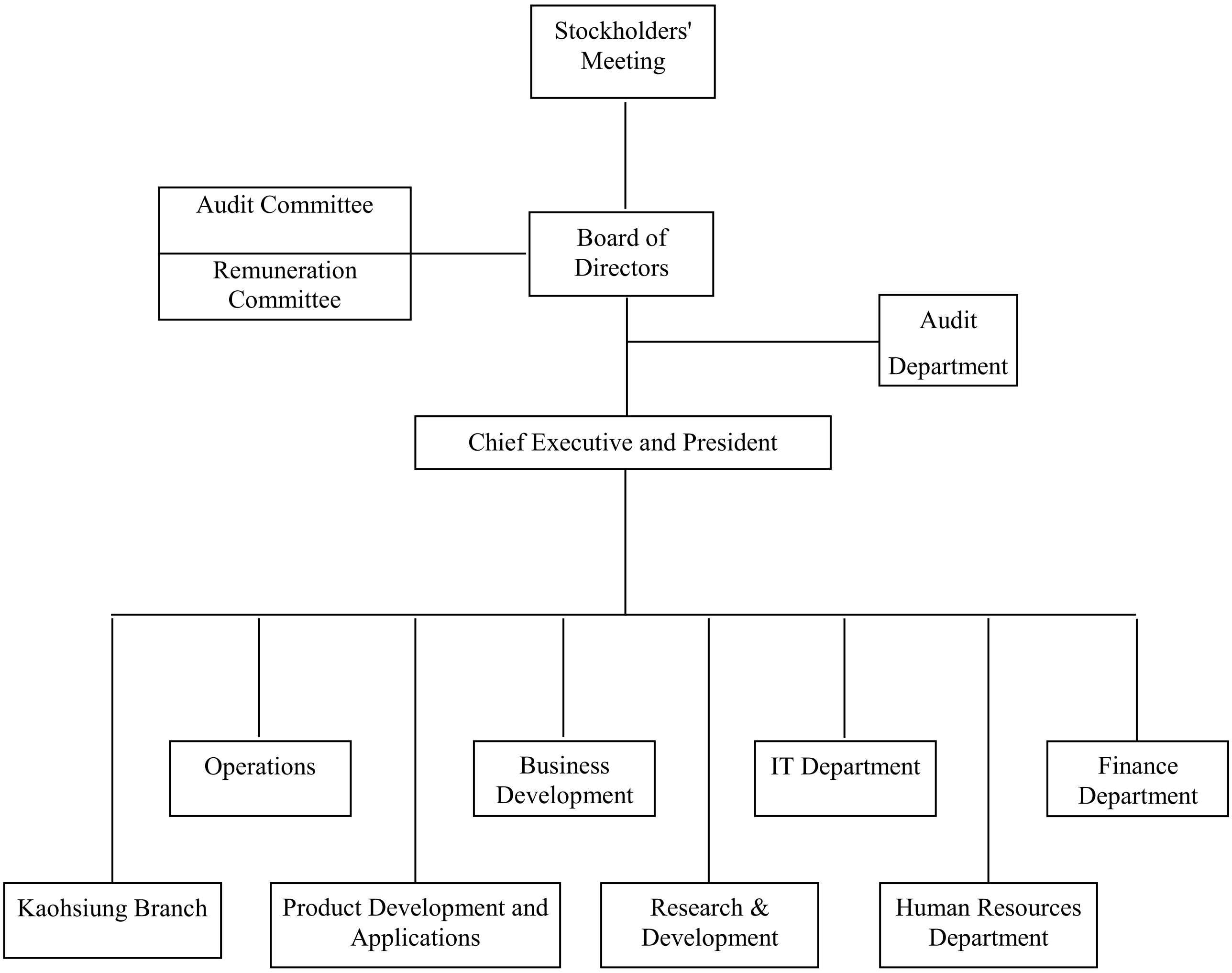
Date	Milestone
May 1, 2002	Ranked by CommonWealth Magazine as the 16th most profitable company in Taiwan in 2001.
May 1, 2003	Ranked 19th among the Top 100 best investment targets in Taiwan by Wealth Magazine.
January 20, 2004	Won the 2nd Golden Root Award held by Taiwan Industrial Technology Association.
February 17th	Presented two papers on the image processing of LCD TV at the ASID'04 (Asian Symposium on Information Display) in Nanjing, China.
August 14, 2006	To improve the operation of corporate governance, Chairman Sam Lin was appointed an additional post of CEO, and Vice President Jeff Tsai was promoted as the President.
October 20	Acquired Prosil Electronics Co., Ltd. and established the Company's Kaohsiung branch.
July 1, 2007	Rated as the company with the 10th highest return on investment among listed companies in Taiwan in the past year and past decade by Wealth Magazine.
January 9, 2008	Established the affiliated company Dongguan Prosil Electronics Co., Ltd.
July 16, 2008	Selected as one of the "2008 Deloitte Technology Fast 50".
September 21, 2009	Acquired Etrend Electronics, Inc.
October 14	Obtained the certificate issued by the IECQ QC 080000 Hazardous Substance Process Management (HSPM) System
November 11	Sam Lin, Chairman of the Board of Directors, was recommended by The Allied Association for Science Park Industries and was awarded the "Excellent Supervisor of Industrial and Mining Organization in 1998" by the Chinese National Federation of Industries.
March 1, 2011	President Jeff Tsai retired, and Chairman Sam Lin served as President.
October 6, 2012	Obtained the certificate issued by TUV NORD and the TS16949 certification for design and back-end manufacturing of automotive semiconductors, making it the first IC designer in Taiwan to pass this certification.
November, 2014	Participated in the CARTES SECURECONNEXIONS in Paris, and was invited to give a presentation on our mobile payment cards and related IC products.
December, 2014	Our clients used WT5270 IC in their micro SD cards, taking a lead in the industry by supporting the FIDO (Fast Identity Online Alliance, Online Fast Identity Authentication Alliance) 1.0 Specifications.
November 20, 2015	Our automotive electronics R&D team won the 17th Technology Management Team Award issued by the Chinese Society for Management Of Technology.
July 19, 2016	Partnered with Garmin to successfully launch the first heart rate bracelet with the function of mobile payment (iPASS) in Taiwan.
March 7, 2017	The control IC of USB Power Delivery (PD) obtained the testing certification from the USB Developers Forum (USB-IF) for USB Type-C™ Downstream Facing Port (Source).
March 18, 2017	Chairman Sam Lin took over as the 20th president of The Entrepreneur Club.
May 24	The Company was ranked among the top 20% in the 3rd Corporate Governance Evaluation and won the Best Progress Award.
November 10	The control IC of USB PD became the world's first fast charging IC certified by Qualcomm Quick Charge™ 4 and Quick Charge 4+.
December 31, 2018	The sales volume of our products exceeded 194 million pieces, a record high.

Date	Milestone
August 2019	Selected as one of the "Top 10 Consumer Electronics Solution Provider in APAC – 2019" by Embedded Advisor.
December 31, 2020	The sales volume of our products exceeded 266 million pieces, a record high.
December 31	Annual turnover reached a record high of NT$2.62 billion.
December 31	The control IC of USB PD ranked first in the world in terms of shipment share for notebooks and game consoles.
November 16, 2021	Won the Best Product Award issued by EE Awards Asia in 2021.
December 31	Annual turnover reached a record high of NT$3.6 billion.
July 4, 2022	To improve the effectiveness of the organization management, Tony Lin, Special Assistant to Chairman, was promoted to President, while Chairman Sam Lin still held the position of CEO.
August 24, 2022	Acquisition of Sentelic Corporation.

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organizational Chart



(II) Major Corporate Functions

Department	Responsibilities
President Office	Responsible for the Company's medium and long-term operation development, execution and management review, the guidance on the company's overall organizational operation to realize constant growth and profits, and the effective integration of resources to create comprehensive benefits.
Audit Department	Review and evaluate the reliability, efficiency and effectiveness of the Company's operating records and internal controls, and provide suggestions for improvement to ensure the effective execution of internal controls.
Human Resources Department	Take charge of human resources development, general administration, procurement and other related general affairs.
Finance Department	Manage the company's financial management, capital allocation, investment management, budget analysis and reporting, accounting, cashier, cost, and stock affairs.

IT Department	Responsible for network resource management, computer hardware and software evaluation and procurement, information security management, information services of other departments, and information system development and maintenance.
Business Development	Responsible for company-wide product promotion, production and sales coordination, control, delivery, and operation statistics and presentation production.
Product Development and Applications	Responsible for advanced product technology development and planning, and provide technical application support and other services.
Research & Development	Research and develop products and conduct technology promotion.
Operations	Responsible for production management, wafer testing, finished product testing, quality screening in manufacturing process and other manufacturing matters.
Kaohsiung Branch	Responsible for the promotion and sales of agent products and self-made products.

II. Information on the Company's Directors, Supervisors, General Manager, Deputy General Managers, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

(I) Information on directors

April 4, 2023

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date of election (inauguration)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares currently held by spouse and minors		Shares held in the name of others		Education and professional background	Current positions at the Company and other companies	Spouses or relatives within the second degree of kinship who hold the position of manager, director or supervisor			Remark
							Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)			Title	Name	Relation	
Chairman	Taiwan	Sam Lin	Male 61~70	2022.6.23	3 years	1989.6.16	4,514,000	2.54%	4,446,000	2.50%	455,982	0.26%	-	-	Business Administration , National Taiwan University Department of Electrophysics, National Yang Ming Chiao Tung University Head of Planning Team, Industrial Technology Research Institute	CEO of Weltrend Semiconductor Director of Sentelic Corporation Chairman of Yingquan Investment Co., Ltd.	Chairman	Tony Lin	Father and son	
Director	Taiwan	James Chou	Male 71~80	2022.6.23	3 years	1989.6.16	2,433,829	1.37%	2,433,829	1.37%	-	-	-	-	Department of Business Administration, National Chung Hsing University Chairman of Weltrend	Supervisor of Chairman of Yingquan Investment Co., Ltd.	-	-	-	
Chairman	Taiwan	Paul Liao	Male 61~70	2022.6.23	3 years	2016.6.8	1,056,998	0.59%	1,078,468	0.61%	799	0.00%	-	-	Master of Electrical Engineering, Rensselaer Polytechnic Institute Master of Business Administration, University of San Francisco Chairman of China Electric Manufacturing Corp. Chairman of Howard Hotels	Chairman of Gain First Investments Limited Director of Howard Hotels Independent Director of Kinik Company, Director of Yingquan Investment Co., Ltd.	-	-	-	
Chairman	Taiwan	JC Liu	Male 51~60	2022.6.23	3 years	2001.5.25	1,808,013	1.02%	1,808,013	1.02%	-	-	-	-	Institute of Communications Engineering, National Yang Ming Chiao Tung University Industrial Technology Research Institute	Chief R&D Officer of Weltrend Semiconductor	-	-	-	
Chairman	Taiwan	Cindy Guo	Female 51~60	2022.6.23	3 years	2007.6.15	1,260,200	0.71%	1,270,200	0.71%	-	-	-	-	Department of Public Finance, Feng Chia University Section Manager of FCF Co., Ltd. Auditor of Tseng Hsien-Cheng Accounting Firm	CFO of Weltrend Semiconductor Director of Sentelic Corporation	-	-	-	(Note 1)
Chairman	Taiwan	Tony Lin	Male 41~50	2022.6.23	3 years	2016.6.8	1,021,000	0.57%	1,031,000	0.58%	20,000	0.01%	-	-	Master of Science, Columbia University Bachelor of Science in Electrical Engineering, University of Illinois at Urbana-Champaign Assistant Vice President of Securities Research Department of Macquarie Group Assistant Manager of European Business Development Department of Global Unichip Corporation Special Assistant to the Chairman of Weltrend Semiconductor	President of Weltrend Semiconductor Director of Sentelic Corporation	Chairman	Sam Lin	Father and son	
Chairman	Taiwan	Jeff Tsai	Male 61~70	2022.6.23	3 years	2001.5.25	1,018,362	0.57%	1,018,362	0.57%	-	-	-	-	EMBA from National Yang Ming Chiao Tung University Department of Transportation & Logistics Management, National Yang Ming Chiao Tung University President of Weltrend Semiconductor Industrial Technology Research Institute	None	-	-	-	
Independent Director	Taiwan	Gerald Kuo	Male 61~70	2022.6.23	3 years	2007.6.15	-	0%	-	0%	-	-	-	-	Department of Electrophysics, National Yang Ming Chiao Tung University President of Texas Instruments' semiconductor marketing business in China	Independent Director of Promate Electronic Co., Ltd. Independent Director of M3 Technology Inc	-	-	-	

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date of election (inauguration)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares currently held by spouse and minors		Shares held in the name of others		Education and professional background	Current positions at the Company and other companies	Spouses or relatives within the second degree of kinship who hold the position of manager, director or supervisor			Remark
							Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)			Title	Name	Relation	
Independent Director	Taiwan	Wei-Kun Yeh	Male 51~60	2022.6.23	3 years	2016.6.8	-	0%	-	0%	-	-	-	-	Master of Electrical Engineering, Michigan State University Chairman and President of Leadtrend Technology Corporation Department Manager of Taiwan Semiconductor Manufacturing Company Limited	Chairman of PowerMate Electronics Co., Ltd. Director of ICE Technology Chairman of Eltronix Director of Caremind	-	-	-	
Independent Director	Taiwan	Wen-Tsung Hsu	Male 61~70	2022.6.23	3 years	2010.6.15	-	0%	-	0%	21,998	0.01%	-	-	Graduated from the Graduate Institute of National Development, National Taiwan University, with a master's degree College of Law, National Taiwan University Judge of Taiwan Tainan District Court Judge of Taiwan Taoyuan District Court	Managing Partner of Hanwe Law Firm Independent director of Advanced Connection Technology Inc.	-	-	-	

Note 1. If the chairperson, president, or person holding an equivalent position of the company and a person in any of those positions are the same person, spouses, or relatives within the first degree of kinship, the information on reasons, rationality, necessity and countermeasures (such as increasing the number of independent directors and having more than half of the directors not concurrently serving as employees or managers) should be provided. Since March 1, 2011, the chairman concurrently served as the president of the Company, and then Tony Lin assumed the post of president on July 4, 2022. The chairman and the president are blood relatives within the first degree of kinship. However, up to now, the overall operating condition, operating efficiency and decision-making execution of the Company are good. In response to the new regulations of the competent authorities, the structure of the Board of Directors and the operating management will be adjusted by the end of 2023 at the latest.

Major corporate shareholder: None.

(II) Disclosure of professional qualifications of directors and independence of independent directors:

Criteria Name	Professional qualifications and experience	Status of independence	Number of other public companies in which the individual concurrently serves as an independent director
Chairman Sam Lin	Main experience: He used to be the head of Planning Team, Industrial Technology Research Institute, and currently serves as Chairman and CEO of the Company. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	None
Director James Chou	Main experience: Chairman of Weltrend. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	None
Director Paul Liao	Main experiences: He used to be Chairman of China Electric Manufacturing Corp., Chairman of Howard Hotels. Currently, he is Chairman of Gain First Investments Limited, Director of Howard Hotels, Independent Director of Kinik Company. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	1
Director JC Liu	Main experience: He used to work for the Industrial Technology Research Institute. Currently, he serves as Chief R&D Officer of the Company. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	None
Director Cindy Guo	Main experience: He used to be Auditor of Tseng Hsien-Cheng Accounting Firm, Section Manager of FCF Co., Ltd. Currently, he serves as CFO of the Company. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	None
Director Tony Lin	Main experience: He used to be Assistant Manager of European Business Development Department of Global Unichip Corporation, Assistant Vice President of Securities Research Department of Macquarie Group, Special Assistant to Chairman of Weltrend Semiconductor, LTD. Currently, he serves as President of the Company. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	None
Director Jeff Tsai	Main experience: President of Industrial Technology Research Institute and Weltrend Semiconductor. At least five years of working experience in the Company's business. Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.	Not applicable	None

<table>
<tr><th>Criteria
Name</th><th>Professional qualifications and experience</th><th>Status of independence</th><th>Number of other public companies in which the individual concurrently serves as an independent director</th></tr>
<tr><td>Independent Director Gerald Kuo</td><td>Main experience: He used to be President of Texas Instruments' semiconductor marketing business in China. Currently, he serves as Independent Director of Promate Electronic Co., Ltd. and M3 Technology Inc.
At least five years of working experience in the Company's business.
Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.</td><td rowspan="3">(1) An employee of the company or any of its affiliates.
(2) A director or supervisor of the company or any of its affiliates.
(3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
(4) Not the manager listed in (1) or the spouse, relative within the second degree of kinship, or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).
(5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
(7) If the chairperson, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
(8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
(9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof;</td><td>2</td></tr>
<tr><td>Independent Director Wei-Kun Yeh</td><td>Main experiences: He used to be Department Manager of Taiwan Semiconductor Manufacturing Company Limited and Chairman and President of Leadtrend Technology Corporation. Currently, he is Chairman of PowerMate Electronics Co., Ltd., Director of ICE Technology, Chairman of Eltronix, and Director of Caremind.
At least five years of working experience in the Company's business.
Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.</td><td>None</td></tr>
<tr><td>Independent Director Wen-Tsung Hsu</td><td>Main experience: He used to be the Judge of Taiwan Tainan District Court and the Judge of Taiwan Taoyuan District Court. Currently, he is the Managing Partner of Hanwe Law Firm and the Independent director of Advanced Connection Technology Inc.
Professional personnel who have passed the national examinations procurator and attorneys and have accumulated more than five years of working experience.
Not under any of the circumstances as set forth in the subparagraphs of Article 30 of the Company Act.</td><td>1</td></tr>
</table>

(III) Diversity and independence of the Board of Directors:

1. Diversity of the Board of Directors:

To implement the diversity policy of the Board of Directors, strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company's Corporate Governance Best Practice Principles sets out the policy of diversifying the composition of the Board of Directors, based on the Company's operation, business mode and development needs. In accordance with Article 20 of the Principles, the Board of Directors shall possess abilities to perform operational judgment, conduct accounting and financial analysis, carry out operating and crisis management, and have industry-related knowledge, international market perspective, leadership and decision-making ability.

The Company's Board of Directors consists of members of the management team, managers of related industries, and professionals with professional backgrounds, professional skills and industrial experience in accounting, industry, finance, marketing, technology and law. They perform the duties of board members in different fields and under different working backgrounds. The Company values its policy of diversifying the Board of Directors and has implemented the spirit of diversity by inviting professionals with legal backgrounds to join the re-election of Board of Directors in 2022. Currently, the Board of Directors consists of one female and nine male members, with no restrictions on age, nationality, or culture. All members are Taiwanese, with a bachelor degree or higher. In terms of age distribution, 1 director is over 70 years old, 5 directors are between 61 and 70 years old, 3 directors are between 51 and 60 years old, and 1 director is below 50 years old. The Company places emphasis on gender equality in the composition of the Board of Directors and aims to have a female director ratio of 10% or more. Currently, the proportion of female directors is 10%.

The implementation of the diversity policy on board members by the Company

Core Items of Diversity / Name	Nationality	Gender	Age				Operating Management	Leadership & Decision-making	Industry Knowledge	Finance & Accounting	Research & Development	Legal Regulations
			41-50	51-60	61-70	71-80						
Sam Lin	Republic of China	Male			V		V	V	V	V		
James Chou		Male				V	V	V	V			
Paul Liao		Male			V		V	V	V			
JC Liu		Male		V			V	V	V		V	
Cindy Guo		Female		V			V	V	V	V		
Tony Lin		Male	V				V	V	V			
Jeff Tsai		Male			V		V	V	V			
Gerald Kuo		Male			V		V	V	V			
Wei-Kun Yeh		Male		V			V	V	V		V	
Wen-Tsung Hsu		Male			V		V	V	V			V

2. Independence of the Board of Directors:

   The Company adjusted the structure of the Board of Directors at the Annual Shareholders' Meeting in 2022. The number of board members was adjusted from 7 to 10, among which the number of independent directors was adjusted from 2 to 3. 40% of the current board members are employees; It was 57% before the reelection, and 30% were independent directors; Independent directors shall serve for no more than three consecutive terms, to avoid reducing their independence due to long-term tenure, and to exercise their powers objectively. The Company intends to gradually optimize the composition of the board of directors to maintain its independence.

   The matters stipulated in in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act are explained as follows:

   Sam Lin, Chairman of the Company, and Tony Lin, Director of the Company, are relatives within the second degree of kinship. There are no circumstances where the other directors are related to each other as spouses or to the second degree of kinship.

(IV) Information of President, Vice Presidents, Assistant Vice Presidents, Heads of Departments and Branches

April 4, 2023

Title (Note 1)	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 2)	Positions currently held in the Company or other companies	Spouse or relatives within the second degree of kinship who hold the position of manager			Remark
					Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)			Title	Name	Relation	
Chief Executive Officer/CEO	Taiwan	Sam Lin	Male	2006.08.14	4,446,000	2.50%	455,982	0.26%	-	-	Business Administration , National Taiwan University Department of Electrophysics, National Yang Ming Chiao Tung University Head of Planning Team, Industrial Technology Research Institute	Chairman of Sentelic Corporation Chairman of Yingquan Investment Co., Ltd.	President	Tony Lin	Father and son	
President	Taiwan	Tony Lin	Male	2022.07.04	1,031,000	0.58%	20,000	0.01%	-	-	Master of Science, Columbia University Bachelor of Science in Electrical Engineering, University of Illinois at Urbana-Champaign Assistant Vice President of Securities Research Department of Macquarie Group Assistant Manager of European Business Development Department of Global Unichip Corporation Special Assistant to the Chairman of Weltrend Semiconductor	Director of Sentelic Corporation	Chief Executive Officer/CEO	Sam Lin	Father and son	
Chief Operation Officer/COO	Taiwan	Robby Tsai	Male	2019.11.06	550,000	0.31%	-	-	-	-	Master of Electrical Engineering, National Cheng Kung University Bachelor of Electrical Engineering, National Cheng Kung University Director of MStar Semiconductor, Inc. President of Signal Test Division, Integrated Service Technology Inc. President of Grenergy Inc.	CEO of Sentelic Corporation	-	-	-	(Note 3)
Chief R&D Officer	Taiwan	JC Liu	Male	2003.03.17	1,808,013	1.02%	-	-	-	-	Institute of Communications Engineering, National Yang Ming Chiao Tung University Industrial Technology Research Institute	-	-	-	-	
Vice President of R&D	Taiwan	ST Kuo	Male	2020.02.12	285,410	0.16%	105,767	0.06%	-	-	Graduate Institute of Electrical Engineering, National Taiwan University Vice President of Jettech System Technology Co., Ltd. Senior Engineer of Princeton Technology Corporation	-	-	-	-	
Vice President of R&D	Taiwan	Vincent Lu	Male	2022.07.04	35,094	0.02%	-	-	-	-	Department of Electrical Engineering, National Tsinghua University Senior Director of Weltrend Semiconductor Assistant Vice President of Digital Design	-	-	-	-	

Title (Note 1)	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shares held by spouse and minors		Shares held in the name of others		Experience (Education) (Note 2)	Positions currently held in the Company or other companies	Spouse or relatives within the second degree of kinship who hold the position of manager			Remark
					Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)			Title	Name	Relation	
											Division, Andatek Technology Ltd. Director of Digital Division, Leadtrend Tech. Corp.					
Vice President of Product Development and Technology Application Engineering	Taiwan	Wayne Lo	Male	2022.07.04	68,000	0.04%	-	-	-	-	Department of Electrical Engineering, Florida Polytechnic University Manager of ELAN Microelectronics Corp. Senior Director of Weltrend Semiconductor	-	-	-	-	
Senior Vice President of Business	Taiwan	DS Lin	Male	2007.10.15	186,297	0.10%	168	0.00%	-	-	Master of Electrical and Computer Engineering, Syracuse University Assistant Vice President of Marketing Department, Jettech System Technology Co., Ltd.	-	-	-	-	
Vice President of Manufacturing	Taiwan	Jesse Lu	Male	2013.03.01	27,000	0.02%	-	-	-	-	EMBA from National Yang Ming Chiao Tung University Manager of R&D Department, APM Technologies Ltd. Manager of Business and Product Department, Waston Technology Co., Ltd.	-	-	-	-	
Vice President and CFO	Taiwan	Cindy Guo	Female	2000.03.01	1,270,200	0.71%	-	-	-	-	Department of Public Finance, Feng Chia University Section Manager of FCF Co., Ltd. Auditor of Tseng Hsien-Cheng Accounting Firm	Director of Sentelic Corporation	-	-	-	

Note 1. All information of president, vice presidents, assistant vice presidents, heads of departments and branches, and those whose positions equivalent to president, vice presidents, assistant vice presidents, shall be disclosed.

Note 2. Experience related to holding the current position, such as having worked in an accounting firm or an affiliated enterprise during the preceding disclosure period, the title and position shall be stated.

Note 3. If the Chairperson of the Board of Directors, the President or persons in an equivalent position (top-level executive) of the Company are the same person or each other’s spouses or first-degree relatives, the reasons, rationality, necessity and countermeasures for such circumstances (e.g., increasing the number of independent directors, and having more than half the directors who do not concurrently serve as employees or managers, etc.) shall be provided:
Since March 1, 2011, the chairman concurrently served as the president of the Company, and then Tony Lin assumed the post of president on July 4, 2022. The chairman and the president are relatives within the first degree of kinship. However, up to now, the overall operating condition, operating efficiency and decision-making execution of the Company are good.
In response to the new regulations of the competent authorities, the structure of the Board of Directors and the operating management will be adjusted by the end of 2023 at the latest.

III. Remuneration paid to directors (including independent directors), supervisors, presidents and vice presidents in the most recent year

(1) Remuneration to Directors and Independent Directors

December 31, 2022 Unit: NT$ thousand

Title	Name	Director’s remuneration								Sum of A, B, C, and D as a percentage of net income after tax (%) (Note 3)		Relevant remuneration received by directors who are also concurrently employed employees								Sum of A, B, C, D, E, F and G as a percentage of net income after tax (%) (Note 3)		Remuneration received from investee or parent company other than the Company’s subsidiaries
		Base compensation (A)		Severance pay and pension (B)		Directors' remuneration (C) (Note 2)		Allowances (D)				Salary, bonus, and allowance (E)		Severance pay and pension (F)		Employee compensation (G)						
		The company	Consolidated entities	The company	Consolidated entities	The company	Consolidated entities	The company	Consolidated entities	The company	Consolidated entities	The company	Consolidated entities	The company	Consolidated entities	The company		Consolidated entities		The Company	Consolidated entities	
																Cash	Shares	Cash	Shares			
Director	Sam Lin James Chou JC Liu Cindy Guo Tony Lin Paul Liao (Note 1) Jeff Tsai (Note 1)	-	-	-	-	5,042	5,042	725	770	3.93%	3.96%	18,144	18,204	644	644	1,656	-	1,656	-	17.86%	17.93%	-
Independent Director	Gerald Kuo Wei-Kun Yeh Wen-Tsung Hsu (Note 1)	-	-	-	-	1,891	1,891	302	302	1.49%	1.49%	-	-	-	-	-	-	-	-	1.49%	1.49%	-

Please state the policies, systems, standards, and structure of independent directors’ remuneration payment and describe the relevance of their responsibilities, risks, and time of investment to the amount of remuneration. In accordance with the Company’s Regulations Governing the Remuneration of Directors and Managers,
the remuneration of the company's directors (including independent directors) includes monthly fixed remuneration and director’s remuneration stipulated in accordance with the Articles of Association. The remuneration of directors shall be no more than 3% of the current pre-tax net profit in accordance with the Articles of Association, and shall be submitted to the Shareholders' Meeting for report after being examined by the Remuneration Committee and approved by the Board of Directors. In addition to referring to the industry standards for payment, reasonable compensation shall be given based on factors such as time invested, degree of operational participation, responsibilities undertaken, contribution to the Company, risk events, personal performance, corporate operational performance, and future risks.
2. Except as disclosed in the above chart, remuneration to directors received due to the services ((e.g. acting as a consultant, instead of an internal employee, of the parent company/all companies listed in the financial reports/reinvestment business) provided to all companies listed in the financial statement in the most recent year: NT$ 360 thousand

Note 1. Paul Liao and Jeff Tsai, who served as supervisors, were elected as directors after the re-election of the directors and supervisors on June 23, 2022 .
Wen-Tsung Hsu was elected as an independent director on June 23, 2022. The information prior to his appointment will not be disclosed.

Note 2. Directors' remuneration distributed by the Board of Directors in the most recent year.

Note 3. Net profit after tax means net profit after tax in the most recent year; If IFRS has been adopted, this term means net profit after tax stipulated in the individual financial reports in the most recent year.

Note 4. The salary and expenses recognized in accordance with IFRS2 "Share Based Payment" include the acquisition of stock warrants for employees, new shares with limited rights for employees and participation in the cash increase for shares, etc.

Note 5. The employee remuneration (including stock and cash) obtained by directors who are concurrently employed employees in the most recent year shall disclose the amount of employee remuneration distributed by the Board of Directors in the most recent year. If it fails to be estimated, the proposed distribution amount for the current year shall be calculated based on the actual distribution amount last year.

Note 6. The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is for information disclosure and not for taxation purposes.

Table of Remuneration Range

Range of remuneration paid to the Company's directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Consolidated entities	the Company	Consolidated entities
Less than NTD 1,000,000	James Chou, Paul Liao, JC Liu, Cindy Guo, Tony Lin, Jeff Tsai, Gerald Kuo, Wei-Kun Yeh, Wen-Tsung Hsu	James Chou, Paul Liao, JC Liu, Cindy Guo, Tony Lin, Jeff Tsai, Gerald Kuo, Wei-Kun Yeh, Wen-Tsung Hsu	James Chou, Paul Liao, Jeff Tsai, Gerald Kuo, Wei-Kun Yeh, Wen-Tsung Hsu	James Chou, Paul Liao, Jeff Tsai, Gerald Kuo, Wei-Kun Yeh, Wen-Tsung Hsu
NT$1,000,000 –NT$1,999,999	Sam Lin	Sam Lin	-	-
NT$2,000,000 –NT$3,499,999	-	-	-	-
NT$3,500,000 –NT$4,999,999	-	-	Cindy Guo	Cindy Guo
NT$5,000,000 –NT$9,999,999	-	-	Sam Lin, JC Liu, Tony Lin	Sam Lin, JC Liu, Tony Lin
NT$10,000,000 –NT$14,999,999	-	-	-	-
NT$15,000,000 –NT$29,999,999	-	-	-	-
NT$30,000,000 –NT$49,999,999	-	-	-	-
NT$50,000,000 –NT$99,999,999	-	-	-	-
Above NT$ 100,000,000	-	-	-	-
Total	10	10	10	10

(2) Supervisor's remuneration

December 31, 2022 Unit: NT$ thousand

Title	Name	Supervisor's remuneration						A、 Sum of A, B, and C as a percentage of net income after tax (%) (Note 3)		Remuneration received from investee or parent company other than the Company's subsidiaries
		Compensation (A)		Remuneration (B) (Note 2)		Business execution expenses (C)				
		The Company	Consolidated entities	the Company	Consolidated entities	the Company	Consolidated entities	the Company	Consolidated entities	
Supervisor	Paul Liao	-	-	-	-	173	173	0.12%	0.12%	-
Supervisor	Jeff Tsai									
Supervisor	Ken Huang									

Note 1. The Company set up the Audit Committee to replace the supervisor at the Shareholders' Meeting on June 23, 2022.

Note 2. Net profit after tax means net profit after tax in the most recent year; If IFRS has been adopted, this term means net profit after tax stipulated in the individual financial reports in the most recent year.

Note 3. The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is for information disclosure and not for taxation purposes.

Table of Remuneration Range

Range of remuneration paid to supervisors	Name of supervisor	
	Sum of A, B, and C	
	The Company	Consolidated entities
Less than NTD 1,000,000	All supervisors	All supervisors
NT$1,000,000 –NT$1,999,999	-	-
NT$2,000,000 –NT$3,499,999	-	-
NT$3,500,000 –NT$4,999,999	-	-
NT$5,000,000 –NT$9,999,999	-	-
NT$10,000,000 –NT$14,999,999	-	-
NT$15,000,000 –NT$29,999,999	-	-
NT$30,000,000 –NT$49,999,999	-	-
NT$50,000,000 –NT$99,999,999	-	-
Above NT$100,000,000	-	-
Total	3	3

(3) Remuneration for president and vice presidents

December 31, 2022 Unit: NT$ thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and special expenses, etc. (C) (Note 3)		Employee compensation (D) (Note 4)				Sum of A, B, C, and D as a percentage of net income after tax (%)		Remuneration received from investee or parent company other than the Company's subsidiaries
		The Company	Consolidated entities	The Company	Consolidated entities	The Company	Consolidated entities	the Company		Consolidated entities		The Company	Consolidated entities	
								Cash	Shares	Cash	Shares			
Chief Executive Officer/CEO	Sam Lin													
President	Tony Lin (Note 1)													
Chief Operation Officer/COO	Robby Tsai													
Chief R&D Officer	JC Liu													
Vice President	DS Lin													
Vice President and CFO	Cindy Guo	18,351	18,611	1,263	1,263	17,407	17,407	3,552 (Note 4)	-	3,552 (Note 4)	-	27.64%	27.82%	-
Vice President	Jesse Lu													
Vice President	ST Kuo													
Vice President	Wayne Lo (Note 2)													
Vice President	Vincent Lu (Note 2)													

Note 1. Tony Lin was promoted to President on July 4, 2022, and the information about him before July 4, 2022 will not be disclosed.

Note 2. Wayne Lo and Vincent Lu were promoted to Vice Presidents on July 4, 2022, and the information about him before July 4, 2022 will not be disclosed.

Note 3. The salary and expenses recognized in accordance with IFRS2 "Share Based Payment" include the acquisition of stock warrants for employees, new shares with limited rights for employees and participation in the cash increase for shares, etc.

Note 4. The remuneration (including stock and cash) of those who are president and vice presidents distributed by the Board of Directors in the most recent year. If it fails to be estimated, the proposed distribution amount for the current year shall be calculated based on the actual distribution amount last year. This is the estimated amount of proposed distributions.

Note 5. The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is for information disclosure and not for taxation purposes.

Table of Remuneration Range

Range of remuneration paid to the Company's president and vice presidents	Name of president and vice presidents	
	the Company	Consolidated entities
Less than NTD 1,000,000	-	-
NT$1,000,000 –NT$1,999,999	Tony Lin, Wayne Lo, and Vincent Lu	Tony Lin, Wayne Lo, and Vincent Lu
NT$2,000,000 –NT$3,499,999	Jesse Lu, ST Kuo	Jesse Lu, ST Kuo
NT$3,500,000 –NT$4,999,999	Cindy Guo, DS Lin	Cindy Guo, DS Lin
NT$5,000,000 –NT$9,999,999	Sam Lin, JC Liu, and Robby Tsai	Sam Lin, JC Liu, and Robby Tsai
NT$10,000,000 –NT$14,999,999	-	-
NT$15,000,000 –NT$29,999,999	-	-
NT$30,000,000 –NT$49,999,999	-	-
NT$50,000,000 –NT$99,999,999	-	-
Above NT$100,000,000	-	-
Total	10	10

Employee remuneration distributed to managers and status of distribution

December 31, 2022 Unit: NT$ thousands

	Title	Name	Shares	Cash	Total	Ratio of total remuneration to net income (%)
Manager	Chief Executive Officer/CEO	Sam Lin	-	3,552	3,552	2.42%
	President	Tony Lin				
	Chief R&D Officer	JC Liu				
	Chief Operation Officer/COO	Robby Tsai				
	Vice President	DS Lin				
	Vice President	Cindy Guo				
	Vice President	Jesse Lu				
	Vice President	ST Kuo				
	Vice President	Wayne Lo				
	Vice President	Vincent Lu				

Note: The employee remuneration (including stock and cash) obtained by those who are managers in the most recent year shall disclose the amount of employee remuneration distributed by the Board of Directors in the most recent year. If it fails to be estimated, the proposed distribution amount for the current year shall be calculated based on the actual distribution amount last year. Net profit after tax means net profit after tax in the most recent year; If IFRS has been adopted, this term means net profit after tax stipulated in the individual financial reports in the most recent year.

(III) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, supervisors, president, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, supervisors, president, and vice presidents,:

Title	Total remuneration as a percentage of net income after tax stipulated in individual financial reports			
	2022		2021	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Chairman	19.35%	19.42%	6.03%	6.04%
Supervisor	0.12%	0.12%	1.11%	1.12%
President and vice president	27.64%	27.82%	5.27%	5.27%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

   (1) According to the Company's Regulations Governing the Remuneration of Directors, Supervisors and Officers, the remuneration of the Company's directors and supervisors includes traveling expenses and the salary of directors and supervisors. The amount of traveling expenses is set by the Board of Directors with reference to industry standards in accordance with the Company's Articles of Incorporation. The remuneration of the directors and supervisors shall be allocated in accordance with Article 20 of the Articles of Association, and shall be submitted to the Shareholders' Meeting for report after being examined by the Remuneration Committee and approved by the Board of directors.

       The remuneration of the president and vice presidents of the Company shall include salary, bonus and employee compensation, etc. It also take into account the personal performance, corporate operational performance, and future risk, and refers to the standards set by peers for positions of the same nature. The remuneration shall be reviewed by the Compensation Committee and approved by the Board of Directors

   (2) In accordance with Article 20 of the Company's Articles of Incorporation, the Company shall set aside 11-13% of the net income before tax for employee compensation and not more than 3% for director' compensation. However, if the Company has accumulated losses (including adjustment on non-distributed earnings), the Company shall set aside a part of the profit first to make up for the losses.

       The employees' remuneration specified in the preceding paragraph may be paid in stocks or cash, and may be paid to employees of parents or subsidiaries of the Company who meet the requirements stipulated by the Board of Directors. The remuneration of directors and supervisors in the preceding paragraph shall only be in cash。

       The procedures in the two preceding paragraphs must be approved by the Board of Directors and reported to the shareholders' meeting.

   (3) In addition to the industry standards, the performance evaluation and compensation of directors, supervisors and managers shall be based on their abilities, time invested, degree of operational participation, responsibilities undertaken, contribution to the Company, achievement of personal goals, personal performance, performance in other positions, and risk events such as violations of the Code of Ethical Conduct and personnel fraud. The Company evaluates the relationship between individual performance and the Company's operating performance, operational status and future risks and give reasonable remuneration based on the achievement of short-term and long-term business objectives, the Company's financial condition, etc. The remuneration system for directors and managers is reviewed from time to time in accordance with the Company's operating conditions and changes in laws and regulations.

   (4) The Company set up the Audit Committee to replace the supervisor at the Shareholders' Meeting on June 23, 2022.

IV. Implementation of corporate governance:

(I) Operation of the Board of Directors:

Information on the operation of the Board of Directors

The Board of Directors held 9 meetings (A) in the most recent year, and the attendance of directors and supervisors is as follows:

Title	Name	Number of Attendances (Presence) in Person (B)	Proxy Attendances	Attendance (Presence) Rate (%) (B/A)	Note
Chairperson	Sam Lin	9	-	100%	Serve for another term of office
Director	James Chou	9	-	100%	Serve for another term of office
Director	JC Liu	9	-	100%	Serve for another term of office
Director	Cindy Guo	9	-	100%	Serve for another term of office
Director	Tony Lin	9	-	100%	Serve for another term of office
Director	Paul Liao	5	-	100%	Newly-appointed
Director	Jeff Tsai	5	-	100%	Newly-appointed
Independent Director	Gerald Kuo	9	-	100%	Serve for another term of office
Independent Director	Wei-Kun Yeh	9	-	100%	Serve for another term of office
Independent Director	Wen-Tsung Hsu	5	-	100%	Newly-appointed
Supervisor	Paul Liao	4	-	100%	Predecessor
Supervisor	Jeff Tsai	4	-	100%	Predecessor
Supervisor	Ken Huang	3	-	75%	Predecessor

Other matters:

I. With regard to the operations of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions, and the Company's response shall be specified:

(I) Matters stipulated in Article 14-3 of the Securities and Exchange Act

<table>
<tr><th>Date</th><th>Content of motions</th><th>Independent Directors' Opinions</th><th>The Company's actions in response to opinions from independent directors</th></tr>
<tr><td rowspan="3">2022.3.3
The 11th
The 21st</td><td>1. Matters related to the transfer of treasury shares to employees.</td><td rowspan="2">None</td><td rowspan="2">None</td></tr>
<tr><td>2. Adopted the appointment and dismissal of CPAs and the independent assessment of CPAs in 2022.</td></tr>
<tr><td colspan="3">Resolutions:
Motion 1: It was reviewed and approved by the Remuneration Committee. Except for Chairman Sam Lin, Director JC Liu, Director Cindy Guo and Director Tony Lin,</td></tr>
</table>

	who stated that they were concurrently employed employees of the Company and shall recuse from the discussion and resolution of this motion, due to the conflict of interest, other directors present had no objections. Therefor, this motion was approved on the recommendation of the Remuneration Committee. Motion 2: Approved with the consent of all the directors present.		
2022.4.6 The 11th The 22nd	1. Adopted the Amendment to the Process of Obtaining or Disposal of Assets.	None	None
	2. Adopted the Amendment to the Process of Loans to Others.		
	3. Adopted the Amendment to the Process of Endorsement Guarantee.		
	4. Adopted the Amendment to the Company's Procedures for Acquisition or Disposal of Derivative Products.		
	Resolutions: Motions 1~ 4: Approved with the consent of all the directors present.		

The Company established the Audit Committee on June 23, 2022, which does not apply to Article 14 -3 of the Securities Exchange Act. Please refer to P.28 for information on the operation of the Audit Committee in this Annual Report.

(II) Other resolutions of the Board to which independent director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: None.

II. When a director abstains due to being a stakeholder in certain proposals, the name of the director, the content of motion, reasons for abstentions, and the results of vote counts should be stated: Please refer to the instructions in (I).

III. For information on the evaluation cycle, duration, scope, method, and content of the Board of Directors' self (or peer) review, please refer to P.20.

IV. Assessment of the objectives and performance of strengthening the functions of the Board of Directors (such as establishing the Audit Committee, enhancing information transparency, etc) in the current and recent years: The Company has formulated the Rules of Procedure for Meetings of Board of Directors in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and disclosed the attendance of directors at Board meetings on the Market Observation Post System and the important decisions of the Board of Directors on the Company's website. The Company has carried out the performance evaluation of the Board of Directors since 2020, and established the Audit Committee after the re-election of directors at the Shareholders' Meeting in 2022. Additionally, the Company has conducted the performance evaluation of the Audit Committee since 2022.

The Board of Directors of the Company appointed the members of the 5th Remuneration Committee on July 4, 2022. The three members are all independent directors. The Committee is responsible for formulating and regularly reviewing the policies, systems, standards and structure of performance objectives and compensation for directors and managers. Besides, it regularly evaluates and reviews the reasonableness of the remuneration of directors and managers, staff remuneration and other incentives of employees. The Company has implemented the performance evaluation of the Remuneration Committee since 2020.

Note: The Company re-elected directors and supervisors on June 23, 2022, and set up the Audit Committee to replace supervisors.

Performance Evaluation of Board of Directors and Functional Committee

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Content of evaluation
Once a year	2022.01.01~ 2022.12.31	Performance evaluation of the Board of Directors, board members and functional committees	Internal questionnaire survey was adopted to conduct internal self-evaluation of the Board of Directors, board members and functional committees	The performance evaluation of Board of Directors involve the following five aspects: 1. Level of involvement in company operations 2. Improvement in the quality of decision making by the Board of Directors 3. Composition and structure of the Board of Directors 4. Selection and continuing education of directors 5. Internal control The performance evaluation of board members involve the following six aspects: 1. Mastery of company goals and missions 2. Understanding of directors' duties and responsibilities 3. Level of involvement in company operations 4. Internal relationship management and communication 5. Professional and continuing education for directors 6. Internal control The performance evaluation of functional committee involve the following five aspects: 1. Level of involvement in company operations 2. Understanding of the duties and responsibilities of the functional committee 3. Improvement in the quality of decision-making within the functional committee 4. Composition of functional committee and selection of committee members 5. Internal control

The results of the performance evaluation of the Board of Directors, board members and functional committees for 2022 were presented to the Board of Directors on February 24, 2023. The overall score of this evaluation is between 4 points (good) and 5 points (excellent), indicating that the overall operation of the Board of Directors and the Functional Committee IS in good condition and meets the requirements of corporate governance. The Company will constantly strengthen and enhance the effectiveness of corporate governance based on the evaluation results of the Board of Directors and the Functional Committee.

(II) The performance of the Audit Committee or the participation of supervisors in the operation of the Board of Directors:

The Company established the Audit Committee at the Shareholders' Meeting on June 23, 2022. The Committee is responsible for assisting the Board of Directors in performing its supervisory duties and exercising its authority under the Securities and Exchange Act, the Company Act and other laws and regulations. It holds a meeting at least once a quarter.

The duties and responsibilities of the Audit Committee are as follows:

1. Formulate or amend the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assess the effectiveness of the internal control system.
3. Adopt or amend, pursuant to Article 36-1 of the Securities and Exchange Act, the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and provision of endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. Offering, issuance or private placement of any equity-based securities.
8. Appointment, dismissal or compensation of CPAs.
9. Appointment or dismissal of finance manager, accounting manager or chief internal auditor.
10. The annual financial report signed or sealed by the chairman, the manager and the accounting supervisor and the quarterly financial report signed or sealed by the chairman, the manager and the accounting supervisor and examined by CPAs.
11. Other major matters stipulated by the Company or the competent authorities.

The operation of Audit Committee

The Audit Committee held three meetings in the most recent year (A). The independent directors present are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remark
Independent Director (Convener)	Gerald Kuo	3	0	100	Serve for another term of office
Independent Director	Wei-Kun Yeh	3	0	100	Serve for another term of office
Independent Director	Wen-Tsung Hsu	3	0	100	Newly-appointed

Other matters:

I. With regard to the operation of the Audit Committee, the date and session of meeting, content of motions, content of dissenting opinions, qualified opinions or major recommendations from independent directors, resolutions passed by the Audit Committee, and the Company's actions in response to opinions from members of the Audit Committee shall be specified if any of the following circumstances occurs:

(I) Matters stipulated in Article 14 -5 of the Securities Exchange Act.

Date and term of the Board of Directors	Date and term of the Audit Committee	Content of the motion and subsequent handling	Matters stipulated in Article 14 -5 of the Securities Exchange Act	Resolutions not approved by the Audit Committee but agreed by more than two-thirds of all directors
2022.7.27 3rd meeting of 12th term	2022.7.27 1st meeting of 1st term	1. 1. The motion of reviewing the Company's proposed public acquisition of ordinary shares of Sentelic Corporation.	Yes	No
		Resolution of the Audit Committee: Approved by all members of the Audit Committee.		
		The Company's handling of the Audit Committee's opinion: Approved by all the directors present.		
2022.8.9 4th meeting of 12th term	2022.8.9 2nd meeting of 1st term	1. Review of the financial report of the Company for Q2 2022.	Yes	No
		Resolution of the Audit Committee: Approved by all members of the Audit Committee.		
		The Company's handling of the Audit Committee's opinion: Approved by all the directors present.		
2022.11.7 5th meeting of 12th term	2022.11.7 3rd meeting of 1st term	1. Review of the financial report of the Company for Q3 2022. 2. Review of the Company's internal audit plan for 2023.	Yes	No
		Resolution of the Audit Committee: Approved by all members of the Audit Committee.		
		The Company's handling of the Audit Committee's opinion: Approved by all the directors present.		

(II) Other resolutions not approved by the Audit Committee but agreed by more than two-thirds of all directors: None.

II. When an independent director abstains due to being a stakeholder in certain proposals, the name of the independent director, the content of motion, reasons for abstentions, and the results of vote counts should be stated: None.

III. Communication between independent directors and internal audit supervisors & CPAs (including important matters, methods and results of communication on the company's financial and business status): The Audit Committee of the Company was established on June 23, 2022. Prior to the establishment of the Committee, the independent directors held quarterly communication meetings or symposiums with CPAs. After the establishment of the Committee, CPAs attend the meeting of Audit Committee held every quarter, and CPAs report on the examination or review results of the financial statements and other communication matters required by relevant laws and regulations, and communicate whether there are any material adjustment entries or statutory amendments affecting the accounts. A meeting may be called at any time in the event of a major anomaly.

Summary of communication between independent directors and CPAs

Date	Communication Method	Communication Highlights	Suggestions and Results
2022/3/3	Symposiums	1. Report on the Audit Results and Conclusions of the Consolidated Financial Statements for 2022	None

		2. Introduction of the new regulations of the Company Act and the Securities and Exchange Act	
2022/5/5	Symposiums	1. Report on the Audit Results of the Consolidated Financial Statements for Q1 2022 2. Introduction of the updates of the Securities and Exchange Act	None
2022/8/9	2nd meeting of the 1st term of the Audit Committee	1. Report on the Audit Results of the Consolidated Financial Statements for Q2 2022 2. Introduction of the updates of the Securities and Exchange Act	None
2022/11/7	3rd meeting of the 1st term of the Audit Committee	1. Report on the Audit Results of the Consolidated Financial Statements for Q3 2022 2. Introduction of the updates of the Securities and Exchange Act	None

The independent directors and the internal audit supervisor hold at least one communication meeting or symposium every year. After the Audit Committee was established on June 23, 2022, the internal audit supervisor reports to the Audit Committee on the implementation of internal audit and the operation of internal control of the Company. A meeting may be called at any time in the event of a major anomaly.

Summary of communication between independent directors and internal audit supervisor:

Date	Nature	Communication Highlights	Suggestions and Results
2022/11/7	3rd meeting of the 1st term of the Audit Committee	1. Report on internal audit performance. 2. Report on the Audit Plan according to the Risk Assessment Plan for 2023.	None

Note: The Company re-elected directors and supervisors on June 23, 2022, and set up the Audit Committee to replace supervisors.

The participation of supervisors in the operation of the Board of Directors:

The Board of Directors held four meetings in the most recent year (A). The supervisors present are as follows:

Title	Name	Attendance in Person (B)	Rate of Attendance in Person (%) (B/A)	Note
Supervisor	Paul Liao	4	100%	June 23, 2022 Established the Audit Committee to replace supervisors.
Supervisor	Jeff Tsai	4	100%	
Supervisor	Ken Huang	3	75%	

Other matters:

I. Composition and duties of the supervisors:

(I) The communication between the supervisors and the Company's employees and shareholders (such as communication channels, methods, etc.): The Company has appointed designated personnel to contact the supervisors at any time to establish communication channels with the Company's employees and shareholders.

(II) The communication between the supervisors and the internal audit supervisor and CPAs (such as the matters, methods and results of the communication on the Company's financial and business conditions) : The internal audit supervisor attend regular board meetings of the Company and prepare audit business reports, and the supervisor communicate with CPAs about the Company's financial and business status at any time.

II. In the case that the supervisor attends the board meeting and makes a statement, he/she shall state the date and period of the board meeting, the content of the motion, the outcome of the board decision and the Company's treatment of the supervisor's comments: None.

(III) Implementation of corporate governance, deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons therefore:

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance best practice principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and disclosed it on the Market Observation Post System and its official website.	No deviation
II. Shareholding structure and shareholders' rights (I) Has the Company established an internal operating procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure? (II) Does the Company maintain a register of the major shareholders with controlling power, as well as a register of the ultimate controller of those major shareholders? (III) Does the Company establish and enforce the risk control mechanism and firewall mechanism between itself and its associates? (IV) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	 (I) (II) ✓ (III) ✓ (IV) ✓	 (I) ✓	(I) The Company has not established an internal operating procedure for handling shareholder proposals, inquiries, disputes, and litigations. Such operating procedure will be formulated according to the actual needs of the Company. (II) The Company has a register of shareholders provided by the stock agent, which is appointed by the Company. (III) The assets and financial management rights and responsibilities between the Company and affiliates are quite clear, and are handled in accordance with relevant regulations. Besides, related matters are dealt with according to the established internal control operations. (IV) The Company has established the Code of Ethical Conduct, the Code of Ethical Conduct for Staff and the Internal Procedures for Handling Material Information to prohibit Company insiders from using unpublished information in the market to buy or sell the Company's shares.	The Company has not established an internal operating procedure for handling shareholder proposals, inquiries, disputes, and litigations. Such operating procedure will be formulated according to the actual needs of the Company.
III. Composition and functions of the Board of Directors (I) Has the Board of Directors formulated a strategy to achieve diversity among board members. If so, is such strategy being	✓		(I) Article 20 of the Company's Corporate Governance Best Practice Principles propose the policy of diversity in the composition of the Board of Directors, which is formulated in relation to the Company's operations, business modes and development needs. It includes but not limited to the	No deviation

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
implemented? (II) In addition to establishing a Remuneration Committee and Audit Committee as required by law, has the Company voluntarily established other Functional Committees? (III) Has the Company established standards to measure the performance of the Board of Directors, and does the Company implement these standards on a regular basis? Are the results submitted to the Board of Directors and used as references for directors' remuneration and nominations for reappointment? (IV) Does the Company regularly assess the independence of its CPAs?	✓ ✓ ✓		following two aspects: 1. Basic conditions and values: gender, age, nationality, culture, etc. The Board of Directors consists of 1 female and 9 male members without any restriction on age, nationality or culture, etc. Currently, all board members are Taiwanese, with bachelor degrees or above. Among the 3 independent directors, 2 have 7-9 years of relevant working experience and 1 has 0-3 years of relevant working experience. The Company places emphasis on gender equality in the composition of board members and aims to have a female director ratio of 10% or more. Currently, the ratio of female directors is 10%. 2. To implement the company's policy of diversifying the board members, directors shall have different professional backgrounds in accounting, industry, finance, marketing, technology, law, etc. The provisions of the Company's Corporate Governance Best Practice Principles have been disclosed on the Market Observation Post System and its official website. Please refer to P.15 of this Annual Report for information on the implementation of the diversity policy by directors. (II) The Company set up a special committee on mergers and acquisitions on December 29, 2020. There is no need to set up other functional committees for the time being, which will be handled in due course depending on the actual needs of the Company. (III) The Board of Directors adopted the Rules for Performance Evaluations of the Board of Directors and Functional Committee on March 12, 2020 to conduct the performance evaluation of the overall Board of Directors, board members, and the functional committee once a year. The results of the Company's performance evaluation for 2022 were presented to the Board of Directors in the first quarter of 2023, and recommendations for improvement were made. In accordance with the provisions of the competent authorities, the Company regularly conducts performance	

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			evaluation every year and applies the results of performance evaluation to the salary and compensation of directors and the nomination and renewal of their appointment. Please refer to P.20 for the implementation of performance evaluation of the Board of Directors and functional committee. (IV) The Company regularly evaluates the independence and suitability of CPAs every year. After the establishment of the Audit Committee on June 23, 2022, the Committee conducts the evaluation and report the evaluation results to the Board of Directors. In addition to referring to Communique No. 10: Integrity; Fairness; Objectivity and Independence of the Taiwan CPA Association, the Company has evaluated the independence and suitability of CPAs based on Audit Quality Indicators (AQI), and Statement of the Independent CPAs and Communication with Governance Units on AQI since 2023. After evaluation by the Company, it is confirmed that CPAs have no other financial interests and business relationship with the Company other than the fees for certification and financial tax, and CPAs' family members have not violated the independence requirement. According to AQI, it is confirmed that the auditing experience and training hours of CPAs and firms are better than the average level of the industry, and they constantly introduce digital audit tools to improve audit quality, and CPAs meet the requirements for independence and suitability. The latest evaluation was reviewed and approved by the Audit Committee on February 24, 2023, and then submitted to the Board of Directors for approval. Please refer to P.40 of this Annual Report for the evaluation criteria for the independence of CPAs.	
IV. Does the Company have sufficient qualified corporate governance personnel in place and assign a chief corporate governance officer to handle matters relating to corporate		✓	Five employees from the Executive Office of the President, Finance Department and Human Resources Department are responsible for affairs related to corporate governance. The president serves as the convener, and the head of Finance Department is appointed as the corporate governance officer. The head	It is expected that the chief corporate governance officer will be assigned in

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
governance (including but not limited to providing directors and supervisors with materials necessary to perform their duties, assisting directors and supervisors in legal compliance, handling matters in connection with the Board Meeting and the Shareholders' Meeting in accordance with laws and regulations, and preparing meeting minutes for Board Meetings and Shareholders' Meetings)?			of Finance Department has more than three years of financial management experience in a public offering company. The main responsibilities of corporate governance officer include providing the information required by the directors to carry out business, assisting the directors to comply with laws and regulations, handling the relevant matters of the Board of Directors and the Shareholders' Meeting according to law, and helping the Board of Directors strengthen the implementation of functions and safeguard the rights and interests of stakeholders.	Q2 2023.
V. Does the Company establish communication channels between stakeholders (including but not limited to shareholders, employees, clients and suppliers), set up a stakeholder section on the Company's website, and respond appropriately to important corporate social responsibility issues of concern to stakeholders?	✓		The Company respects the rights and interests of stakeholders, identifies stakeholders, understands their reasonable expectations and needs through appropriate communication, and appropriately responds to important CSR issues they are concerned about. Relevant departments are responsible for the communication with stakeholders, and a "Stakeholder Section" is set up on the Company's website under Corporate Responsibility to disclose the information on stakeholder interactions and business operations. The content includes stakeholders, major issues of concern, needs and expectations, communication channels and achievements of the year, which provides reference for stakeholders and the general public. The Company regularly reports to the Board of Directors in the fourth quarter of each year on its communication with stakeholders during the year. The contact information of stakeholders is available on the Company's website so that appropriate responses to stakeholder concerns can be made in a timely manner. The feedback from stakeholders is the basis for continuous improvement and progress of the Company. For information on stakeholder interactions and business operations, please refer to P.40 to P.43 of this Annual Report.	No deviation
VI. Does the Company commission a professional shareholder services agency to handle matters in connection with the	✓		The Company commission Chinatrust Commercial Bank, a professional shareholder services agency to handle matters in connection with the Shareholders' Meeting.	No deviation

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
Shareholders' Meeting?				
VII. Information disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (II) Does the company have other information disclosure channels (e.g. an English website, designated personnel to handle information collection and disclosure, a spokesman system, webcasting of investor conferences)? (III) Does the company have other information disclosure channels (such as building an English website, appointing designated personnel to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓ ✓ ✓		(I) The Company has set up a website to disclose information about its financial standings and the status of corporate governance. Website: www.weltrend.com.tw (II) In addition to regularly or irregularly disclosing relevant financial business information on the Market Observation Post System as required by the competent authorities, the Company reveals relevant information on its website. The Company has established an English website, and the Financial Department is responsible for collecting and disclosing corporate information. Additionally, the Company has spokesmen and acting spokesmen, and the spokesman system is under good operation. (III) The announcement and filing of the Company's consolidated and parent company only financial statements for 2022 was completed on February 24, 2023. The financial reports for the first, second and third quarters of 2022 and the revenue of each month will also be published and reported on the Market Observation Post System and uploaded to the Company's website before the prescribed time limit.	No deviation
VIII. 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 client relations policies, and purchasing insurance for directors and supervisors)?	✓		(I) With the management philosophy of "innovation, quality, stability and pragmatism", the Company has been constantly pursuing innovation and breakthroughs in technology, and striving to achieving the corporate vision of "a profitable company with significant influence on specific product lines, interesting workplace, and humanistic spirit". Managers are constantly working towards this goal and striving to achieve this vision so that every employee can truly enjoy their work, earn a stable income and maximize the benefits for shareholders. (II) In terms of employees' rights and interests, the Company abides by the Labor Standards Act and other relevant laws and formulate personnel management rules to protect employees' rights and interests. Moreover, the Company holds quarterly labor-management meetings for mutual	No deviation

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			communication. In addition to general benefits such as labor and health group insurance for employees of the Company, the Employee Benefit Committee has been established to provide monthly funding for regular employee benefit activities, formulate annual plans and budgets, prepare festival gifts, organize group tourism, conduct community activities, hold birthday parties, donate wedding and funeral gifts, offer lunch subsidies, etc. (III) With respect to investor relations, the Company has spokesmen and acting spokesmen who engage in investor relations, so that investors can be fully informed of the Company's operations in real time and enjoy the best services. (IV) Suppliers are important partners of the Company's business operation. The Company's main suppliers are world-class manufacturers of wafer manufacturing and high-quality packaging factories, which have a complete green supply chain system and are the benchmark and reliable partners. Besides, they have passed TS16949 and ISO14000, and the manufacturing services provided by them can ensure the quality of the Company's products In line with client expectations and green quality requirements, the Company and suppliers jointly pursue sustainable business operations and growth through close cooperation, and actively achieve goals for quality and service standards, green products, labor management, and environmental safety and health management. (V) With respect to the rights of stakeholders, the Company has established a stakeholder section on its external website to disclose the interaction, operation, and contact information of stakeholders to establish a channel of communication between employees, clients, investors and other stakeholders and the Company, thus safeguarding the rights of stakeholders. (VI) The training hours and course content of all directors and independent	

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			directors in current year meet the requirements of the competent authorities. The Director's Training Status has been disclosed on the Market Observation Post System. (VII) The Company has taken out liability insurance for the directors and supervisors. The directors and supervisors of the Company comply with the laws and act with prudence and integrity. In addition to the annual renewal of liability insurance, the Board of Directors was informed of the amount, coverage and premium rates of liability insurance for the current year in Q2 2022. Please check the Market Observation Post System for relevant information. The insurance situation for 2022 was also reported to the Board of Directors in Q2 2022. (VIII) The Company has formulated a succession plan for board members and key management personnel as follows: The Company has always adhered to the business philosophy of honesty, integrity, transparency and selflessness, so it pays special attention to these personality traits when cultivating successors. Additionally, due to the fierce competition and rapid change of high-tech industry, the Company attaches great importance to young employees with professional abilities. Currently, the Company places potential successors in the position of senior executives to receive training, gain extensive exposure and take charge of specific operations. The succession and replacement of board members is mainly based on the shareholding ratio and the introduction of independent directors who can contribute to the Company, rather than on personal affinity.	

IX. Based on the latest Corporate Governance Evaluation report released by the Corporate Governance Center of TWSE, please state the circumstances in which improvements have been made and propose priorities and measures for those that have not yet improved.
Priorities and measures for improvement of the unscored items in the Company's corporate governance evaluation for 2022:

Evaluation indicators	Priorities and measures

Evaluation items	Status of implementation			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
Has the Company uploaded the English version of the agenda and supplementary materials for the meeting 30 days before the Shareholders' Meeting?			In accordance with the provisions of the competent authorities, the English version of the agenda will be prepared and uploaded 30 days before the meeting.	
Has the Company uploaded the English version of the Annual Report 7 days before the Shareholders' Meeting?			In accordance with the provisions of the competent authorities, the English version of the Annual Report will be prepared and uploaded 7 days before the meeting.	
Is the chairman and the president or person holding an equivalent position (top-level executive) of the Company the same person or are they spouses or relatives within the first degree of kinship?			The Company plans to adjust its management structure by the end of 2023.	
Is the interim financial statement approved by the Audit Committee and submitted to the Board of Directors for discussion and resolution?			The Company established the Audit Committee on June 23, 2022. Hence, the financial report for the Q1 2022 was only submitted to the Board of Directors for approval, and the interim financial reports after Q2 2022 were submitted to the Board of Directors for discussion and resolution with the approval of the Audit Committee.	
Does the Company have a chief corporate governance officer who is responsible for matters related to corporate governance and explains the terms of reference and training on the Company's website and Annual Report?			In accordance with the provisions of the competent authorities, it is expected that the chief corporate governance officer will be assigned in Q2 2023.	
Has the Company published the annual financial report audited by CPAs within two months after the end of the fiscal year?			The 2022 Financial Report audited by CPAs was approved by the Board of Directors on 24 February 2023 and uploaded to the Market Observation Post System on the same day.	
Has the Company uploaded the English version of the Financial Report 7 days before the Shareholders' Meeting?			The Company uploaded the English version of the Financial Report 7 days before the Shareholders' Meeting in 2023.	
Has the Company been certified for ISO14001, ISO50001 or similar environmental or energy management systems?			The Company completed the audit review by the accredited firm at the end of December 2022 and obtained the ISO 14001 certification in March 2023.	

Standards for assessing the independence of CPAs

Evaluation items	Assessment outcome	Compliance with independence criteria
Whether CPAs and their spouses and dependent relatives have direct or indirect material financial relationship with the Company	No	Yes
Whether CPAs and their spouses and dependent relatives have any business relationship with the Company and its directors or managers that may affect independence	No	Yes
During the audit period, whether CPAs and their spouses and dependent relatives served as directors, managers of the Company or had direct and material influence on the audit work	No	Yes
Whether CPAs and the Company's directors or managers are spouses, direct relatives, relatives in-law or relatives within the second degree of kinship	No	Yes
Whether CPAs have received gifts or presents of great value from the Company or from a director, manager or substantial shareholder of the Company	No	Yes

Information on stakeholder interactions and business operations

Objects	Major concerns	Demands/expectations	Communication channels and frequencies	2022 actual performance
Staff	1. Salary and benefits 2. Talent development 3. Operational performance	1. Provide good salary and benefits 2. Platform for expressing opinions 3. Improve professional competence	· Hold quarterly labor-management meetings, Benefit Committee's meetings, and birthday celebrations. · Internal website or internal email announcements: Important corporate information, information on the Benefit Committee, information on various legal compliance, education and training courses, performance management operations, quality management system related operations and legal updates, information security information, etc. · Employee-only mailboxes, sexual harassment complaints, whistle-blowing mailboxes for fraud or	1. In 2022, four labor-management meetings were held and the birthday party in the first half of the year was canceled due to the pandemic. In the second half of the year, the birthday party was changed to afternoon tea party and the birthday party was held in the form of distribution of lunch boxes. 2. The Company published a total of 64 pieces of information on its intranet, as well as monthly revenue information and quarterly information on information security to all employees by Email. 3. No employee complaints or violations of labor laws. 4. A total of 1,281 person-times with 3,538 hours of educational training were held throughout the year. 5. On November 1, 2022, the Company announced its

Objects	Major concerns	Demands/expectations	Communication channels and frequencies	2022 actual performance
			violation of professional ethics. · Each department conducts weekly/monthly/quarterly work meetings or professional educational training as required.	latest environmental policy. In accordance with the plan, ISO14001 verification and internal greenhouse gas inventory were actively carried out.
Clients	1. Client services 2. Supply chain management 3. Compliance with laws and regulations	1. Provide products and follow-up services to meet clients' requirements for quality	· Regular communication and discussion meetings. · Irregular response to questions. · An annual client satisfaction survey.	1. The number of cases for client needs and HSF cases was 620, and 611 cases were completed, with a completion rate of 99%. 2. In 2022, the Company actively participated in various seminars related to ESG-related carbon reduction plans and promoted the inventory of greenhouse gases.
Investors	1. Sustainable development strategy 2. Operational performance 3. Risk management	1. Information transparency 2. Compliance with laws and regulations 3. Corporate social responsibility	· Hold a Shareholders' Meeting every year. · Hold at least two investor conferences a year and publish brief reports on the Market Observation Post System and the Company's external website. · Regular publication of financial statements (monthly revenue, quarterly and semi-Annual Reports) on the Market Observation Post System and the company's external website. · Update the Company's latest information on the Company's external website from time to time. · Irregular participation in seminars held by domestic and overseas investment institutions.	1. Hold the Shareholders' Meeting on June 23, 2022. 2. Two public investor conferences were held on March 14, 2022 and August 25, 2022 respectively. 3. Financial information is regularly posted on the company's website and Market Observation Post System. 4. The Company publishes 24 pieces of corporate information on its external website. 5. Completed the acquisition of Sentelic Corporation on August 24, 2022.
Suppliers	1. Sustainable development strategy 2. Operational performance 3. Innovation management	1. Compliance with quality requirements 2. Compliance with regulatory requirements 3. Compliance with supplier policies 4. Integrate the BOM of homogeneous products to reduce HSF-related control costs	· Quarterly review report or meeting. · Fixed annual audit procedures. · Carry out environmental safety and CSR related cooperation plan with suppliers from time to time.	The Quality Assurance Department carries out the supplier audit (including QSA/QPA/HSF) every year. A total of 16 suppliers performed audits this year.

Objects	Major concerns	Demands/expectations	Communication channels and frequencies	2022 actual performance
Governmental agencies	1. Occupational safety and health 2. Ecological conservation 3. Environmental management	1. Jointly maintain the work environment 2. Compliance with laws and regulations 3. Compliance with HSF-related laws and regulations	· Participate in the functional organization and operation of park and Bureau of Science and Management regularly. · Actively participate in public hearings of regulations and seminars held by competent authorities.	1. Participated in the joint meeting of the Board of Directors and Supervisors of the Park Association and related seminars for 3 times. 2. Participated in 15 government-related public hearings, seminars and information sessions. 3. Sent employees to participate in the 2022 Technology Industry Integrity Governance and Trade Secret Protection Summit Forum. 4. Send employees to participate in the 2022 Online Seminar on Intellectual Property Rights to understand the latest developments of patent law and related patent issues. 5. Actively conducted the relevant counseling and personnel education training for ISO14001 environmental management system verification, and completed the external verification from December 28 to 29, 2022.
Community (school) association	1. Public welfare 2. Industry-academy cooperation	1. Talent recruitment 2. Talent cultivation	· Actively participate in community activities or seminars. · Actively participate in industry-academy cooperation. · Public welfare activities.	1. Donated to the Department of Electrophysics of National Yang Ming Chiao Tung University to establish the Research Center for Advanced Electrophysics. 2. Provide international humanitarian assistance to Ukrainian refugees through donation to the Disaster Relief Foundation under the Ministry of Health and Welfare. 3. Sponsored Wind Music in World Music Festival from October 14~16, 2022. 4. Chairman Lin participated in the final evaluation of the 19th Golden Root Award.
Media	1. Operational performance 2. Corporate Governance 3. Sustainable development strategy	1. Company product release 2. Major topics	· Publish press releases/material information on the Market Observation Post System and the company's external website. · Hold at least two investor conferences a year and publish brief reports on the Market Observation Post System and the	1. The Company publishes 24 pieces of corporate information on its external website. 2. This year, 24 pieces of Chinese and English information were posted on the Market Observation Post System. 3. Two public investor conferences were held on March 14, 2022 and August 25, 2022 respectively.

Objects	Major concerns	Demands/expectations	Communication channels and frequencies	2022 actual performance
			Company's external website.	
Cooperation partners	1. Sustainable development strategy 2. Risk management 3. Client services	1. Compliance with laws and regulations 2. Compliance with client requirements	• Discuss at irregular meetings according to client requirements. • The relevant product information and technical support on the Company's website is updated from time to time.	1. Conducted ISO9001 regular external audit from August 17~18, 2022, and passed without any defects. 2. Conducted QC080000 regular external audit from August 17~18, 2022, and passed without any defects. 3. Conducted the relevant counseling and training for ISO14001 environmental management system verification, and completed the external verification from December 28 to 29, 2022. 4. Actively participated in various seminars related to ESG-related carbon reduction plans and promoted the relevant environmental policies. 5. The Company announced its latest environmental policy in November 1, 2022 On November 1, 2022.11, the Company announced its latest environmental policy. In accordance with the plan, ISO14001 verification and internal greenhouse gas inventory were actively carried out.

(IV) If the Company has the Remuneration committee, it shall disclose its composition, duties and operation:

(1) Information on members of the Remuneration Committee

Title	Criteria / Name	Professional qualifications and experience	Status of independence	Number of other public companies in which the individual concurrently serves as a member of the Remuneration Committee
Independent Director (Convener)	Gerald Kuo	Please refer to P.13 to P.14 of the Annual Report for information on professional qualifications of directors and independence of independent directors.		2
Independent Director	Wei-Kun Yeh			0
Independent Director	Wen-Tsung Hsu			1

(2) Information on the operation of the Remuneration Committee

I. The Remuneration Committee has three members.

II. Term of office: July 4, 2022 to June 22, 2025. The Remuneration Committee held two meetings in the most recent year. The attendance is as follows:

Title	Name	Attendance in Person (B)	Proxy Attendances	Attendance Rate (%) (B. A)	Note
Convener	Gerald Kuo	2	-	100%	Serve for another term of office
Committee Member	Wei-Kun Yeh	2	-	100%	Serve for another term of office
Committee Member	Wen-Tsung Hsu	1	-	100%	Newly-appointed
Committee Member	Chien-Cheng Lin	1	-	100%	Predecessor

Other matters:

I. In the case that the Board of Directors modifies or declines to adopt a recommendation of the Remuneration Committee, it shall specify the date of the meeting, session, content of motions, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinions (e.g., the remuneration passed by the Board of Directors is higher than that recommended by the Remuneration Committee, the circumstances and cause for the difference shall be specified): N/A.

II. Where there is any resolution of the Remuneration Committee to which a member objects or on which a member has a qualified opinion, and such objection or qualified opinion is documented or reduced to a written statement, it is required to disclose the meeting date, session, content of motions, opinions of all members and the response thereto: N/A.

III. Reasons for discussion and results of decisions of the Remuneration Committee, and the Company's handling of members' comments

Compensation Committee	Content of the motion and subsequent handling	Resolutions	The Company's actions in response to opinions from the Remuneration Committee
2022.3.3 8th meeting of 4th term	1. Reviewed the Remuneration Allocation Plan for the Company's managers for 2020. 2. Reviewed the Mid-Autumn Bonus Plan for the Company's managers for 2021. 3. Reviewed the Year-end Bonus Plan for the Company's managers for 2021. 4. Reviewed the proposal of the Company's compensation to employees and remuneration to directors and supervisors for 2021. 5. Reviewed the proposed transfer of the Company's treasury shares to employees with director or manager status.	Approved by all members of the Remuneration Committee.	Except for Motion 5 where Chairman Sam Lin, Director JC Liu, Director Cindy Guo and Director Tony Lin stated that they were concurrently employed employees of the Company and shall recuse from the discussion and resolution of this motion, due to the conflict of interest, other directors present had no objections to the recommendation of the Remuneration Committee

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2022.8.9 1st meeting of 5th term	1. Reviewed the proposal for the remuneration of newly-appointed president. 2. Reviewed the proposal for the remuneration of newly-appointed COO. 3. Reviewed the proposal for the remuneration of newly-appointed vice president. 4. Reviewed the proposal for the compensation distribution plan of directors, supervisors, managers, and employees for 2021. 5. Reviewed the proposal for the compensation adjustment of managers for 2022. 6. Reviewed the proposed transfer of the Company's treasury shares to employees with manager status. 7. Reviewed the amendment to Regulations Governing Remuneration for Directors, Supervisors and Managers	Approved by all members of the Remuneration Committee.	All motions were unanimously approved by the directors present without any objection to the recommendation of the Remuneration Committee.
The function of the Remuneration Committee is to evaluate the remuneration policies and systems of the directors, supervisors and managers of the Company in a professional and objective manner. The Remuneration Committee shall hold at least 2 meetings a year and make recommendations to the Board of Directors for their decision making. It shall regularly review the Organizational Regulations of the Remuneration Committee, put forward suggestions for amendments, formulate and regularly review the performance evaluation standards, annual and long-term performance goals, and salary and compensation policies, systems, standards and structures for directors, supervisors and managers of the Company.			

Note: The Company re-elected Remuneration Committee on July 4, 2022.

(V) Implementation of sustainable development, deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons therefore:

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
I. Has the Company established a governance structure to achieve sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to handle senior management, and supervised by the Board of Directors?	✓		The inter-departmental working group for promoting sustainable development is composed of 12 members from the Executive Office of the President, Finance Department, Human Resources Department, and Quality Assurance Department, and it is responsible for the planning and promotion of related projects. The head of Human Resources Department serves as the convener, and the Board of Directors delegates the authority to senior management to report on the promotion and execution of sustainable development in the previous year at the Board of Directors' meeting in the first quarter of each year. The working group prepares a sustainable development promotion plan at the beginning of the year and reports the contents of the plan to the supervisor. With the approval of the supervisor, the promotion unit explains the plan contents and communicates the promotion methods to the relevant departments, and reports to the supervisor regularly and reviews the effectiveness of the operation. The responsibilities of the working group include formulating and reviewing sustainable development policies, systems or related management guidelines, collecting stakeholders' views and responding appropriately to their concerns, reporting annually to the Board of Directors on the promotion and implementation of sustainable development, and communicating with stakeholders. In addition to reviewing the implementation of the strategy and goal setting, the Board of Directors reviews the implementation of the measures and makes recommendations and improvement plans to the management team if necessary.	No deviation
II. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to corporate operations according to the principle of materiality, and formulated relevant risk management policies or strategies?	✓		The risk assessment for 2022 focuses on Weltrend Semiconductor and takes into account the relevance of the business and the degree of impact on major themes, including its subsidiary Sentelic Corporation. The Company has conducted risk assessments on environmental, social and corporate governance issues related to corporate operations according to the principle of materiality, and formulated relevant risk management policies or strategies for the reference of the Company's risk management and business strategies. (I) Environment: Risk assessment strategies for climate changes In response to global climate change and environmental protection, as well as the	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			continued international attention to environmental protection and energy saving, the Company attach great importance to energy-saving technology. In terms of product design, the Company develops energy-saving and carbon-reducing green products. It also reduces energy consumption of clients' products and improves energy utilization, to achieve environmental friendliness and sustainable development. Besides, the Company has established a qualified supplier system to ensure that materials do not contain harmful substances, with a view to forming a green supply chain with suppliers. (II) Society: Risk assessment strategies for product liabilities The Company is committed to continuous reduction of hazardous substances to meet client and regulatory requirements. In accordance with the environmental protection laws and regulations across the world, the Company has formulated regulations for the management of hazardous substances for all green products. Moreover, the Company has been certified by the IECQ QC080000 management system and requires suppliers to promote joint compliance with environmental protection laws and regulations to safeguard the global environment and reduce the impact on the ecosystem. 1. Environmental management substances We refer to RoHS2.0, EU REACH, China RoHS and other environmental management substances regulated by our clients. These harmful substances exist in direct materials, packaging materials, products, manufacturing process, manufacturing process accessory materials or may enter the products. It is necessary to control whether these harmful substances are contained in the product, the amount contained, the site of use, and the purpose, etc. 2. Prohibited substances Prohibited substances refer to substances that are prohibited from being used in the manufacturing process of parts or components, whether they are intentionally added or naturally present. The minimum concentration limits and test methods for these substances are regulated in the relevant legal regulations. All prohibited substances are not allowed to be added intentionally, even if the	

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			added content does not exceed the regulatory limit. 3. Green products All of our existing halogen-free products comply with regulations and client specifications. (III) Corporate governance: Risk assessment strategies for regulatory compliance Through the establishment of corporate governance-related regulations and a promotion team, and the implementation of internal control mechanisms, the Company ensures that all employees comply with the relevant laws and regulations.	
III. Environmental issues (I) Has the Company established proper environmental management systems based on the characteristics of their industries?	✓		The Company is engaged in product R&D, design and sales. The wafer and IC packaging developed by the Company are all produced by relevant cooperative suppliers. Supplier management and hazardous substance control are performed in accordance with the Company's Supplier Management Regulations and HSF Management Procedures. The Company has been certified by ISO 14001 Environmental Management System and IECQ QC 080000 Hazardous Substance Process Management. The Company conducts annual certification audit by the accredited firm and has obtained validity certificate for certification system. Our commitments and practices are as follows: (I) Product R&D, design, manufacturing and sales: 1. All products comply with the following international regulations: (1) EU RoHS. (2) Halogen Free. (3) PFOS and PFOA control. (4) EU REACH SVHC. 2. Our products are tested by a third-party accredited firm (a laboratory accredited by ISO 17025) to monitor and manage suppliers' materials to meet the regulations for the management of hazardous substances. 3. Constantly promote and hold educational training to make all employees fully understand the meaning and responsibility of eliminating harmful substances. 4. Establish a qualified supplier system to ensure that materials do not contain hazardous substances. (II) Supplier management:	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			1. The supplier shall comply with the Company's Supplier Management Regulations and HSF Management Procedures, and ensure that it conforms to the Company's definition of green products. 2. The third-party accredited firm (a laboratory accredited by ISO 17025) shall provide regular test reports on the use of materials. 3. Review the material safety data report of raw materials.	
(II) Has the Company endeavored to utilize all resources more efficiently and used renewable materials which have low impact on the environment?	✓		Environmental protection is a pivotal part of sustainable development. The Company is committed to improving energy efficiency and using recycled materials with low impact on the environment, and incorporating the concept of environmental protection into operating procedures to reduce environmentally harmful substances and materials, relieve the burden and impact on the environment, and enable the sustainable use of global resources. The specific measures are as follows: 1. Reduce the discharge of pollutants, toxic substances and waste, and dispose of waste properly. 2. Improve the recyclability and reuse of products. 3. Prolong the shelf life and durability of products. 4. Improve product efficiency. 5. Promote e-form sign-off system to save paper consumption. 6. Recycle packaging cushioning materials (such as foam, bubble cloth) for shipping operations to reduce the use of plastic products. 7. Recycle IC tubes and trays for the loading of defective products to increase the recycling rate of plastic products. 8. Implement resource classification and recycling, reduce the use of single-use appliances such as paper cups and disposable cutlery to alleviate the burden and impact on the environment.	No deviation
(III) Has the Company assessed the potential risks and opportunities of climate change on its present and future operation, and taken	✓		(I) Substantial risks arising from climate changes: The Company is engaged in IC design industry and has no wafer fabs. In case of risks caused by climate changes, apart from the cost increase due to the increase of electricity and water demand for air conditioning and office lighting, the extreme climate triggered by global warming may increase the frequency and severity of	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
measures to respond to climate-related issues?			natural disasters. As a result, it may lead to power failure and water outage due to disasters, which may indirectly increase the operating costs of the Company. Additionally, clients and other stakeholders may require that the products and services provided by the Company meet requirements related to energy conservation, low pollution, no use of prohibited substances and raw materials, or ask the Company to obtain carbon and water footprint verification. (II) Business exposure to climate change-related regulations: The Company is not one of the enterprises included in "the first batch of emission sources that shall be inventoried to register greenhouse gas emissions" as announced in the Greenhouse Gas Reduction and Management Act, and has no risk of violating the regulations. However, to realize the goal of Net-Zero by 2050 set by the government, the Company will follow the greenhouse gas inventory and verification schedule of TWSE/GTSM listed companies stipulated by the government and the carbon reduction plan of the government, and gradually promote the relevant greenhouse gas inventory and carbon reduction plan of the Company to achieve the goal of sustainable development. (III) The sustainable development plan for ESG is as follows: 1. 2022: (1) Greenhouse gas inventory: In the initial stage, only Category 1 (direct greenhouse gas emission sources, such as refrigerant) and Category 2 (indirect greenhouse gas emission sources, such as purchased electricity) of the Company (including subsidiaries) will be investigated. The Company has conducted the inventory and calculation of greenhouse gas emissions in 2021 and established a database with 2016 as the base year to reduce carbon emissions by 3% as the target. Reasonable carbon reduction target shall be based on business turnover. Therefore, the Company will examine the sources of greenhouse gas emissions in Categories 1 and 2 in 2022 as the basis for setting the carbon reduction target.	

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			(2) Carbon footprint inventory: This part is for product inventory. All suppliers shall be included in the inventory. The carbon footprint inventory plan has been formulated and announced to the suppliers to assist in the investigation. (3) Collect CSR and ESG reports by suppliers. (4) Results: The Company initialed the training on the ISO 14001 Environmental Management System in 2022, completed the audit review by the accredited firm in December 2022, and obtained the ISO 14001 certification in March 2023. 2. 2023: (1) Adjust the base year and redefine the carbon reduction target. (2022 will takes 2016 as the base year) (2) Category 3 (other indirect greenhouse gas emission sources, e.g. employee commuting, transportation) shall be included in the inventory to facilitate the Company's data collection of greenhouse gas emissions. (3) Supplier carbon footprint inventory: The size of the supplier determines the difficulty of carbon footprint inventory. At the present stage (2022-2023), the Company will discuss with the supplier on how to collect relevant data. (4) Complete the training on ISO14064-1 greenhouse gas inventory, and obtain the greenhouse gas emission inspection statement by the accredited firm. 3. 2024: (1) Plan the training on ISO 14067 carbon footprint.	
(IV) Has the Company conducted assessment on greenhouse gas, water consumption and waste for the last two years, and established strategies for energy conservation and carbon reduction, greenhouse gas reduction, water saving and waste management?	✓		(I) However, to realize the goal of Net-Zero by 2050 set by the government, the Company will follow the greenhouse gas inventory and verification schedule of TWSE/GTSM listed companies stipulated by the government and the carbon reduction plan of the government, and gradually promote the relevant greenhouse gas inventory and carbon reduction plan of the Company to achieve the goal of sustainable development. Given the growth of the operating performance and the increase in the proportion of electricity consumption, the Company takes 2016 as the base year and aims to achieve the target of 3% carbon reduction for revenue per unit (NT$ thousand) in 2023.	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			(II) The Company is not one of the enterprises included in "the first batch of emission sources that shall be inventoried to register greenhouse gas emissions" as announced in the Greenhouse Gas Reduction and Management Act. Currently, the Company has conducted greenhouse gas emission inventory according to ISO14064-1, without external verification. According to the self-inspection results, the main source of greenhouse gas emissions in 2022 was the indirect greenhouse gas emissions (Category 2) from electricity consumption, which was about 1,416 metric tons of carbon dioxide equivalent, followed by air conditioners, fire fighting devices, and water dispensers (Category 1), which was about 44 metric tons of carbon dioxide equivalent, totaling 1,460 metric tons of carbon dioxide equivalent. Overall, electricity consumption (Category 2) accounts for about 97% of total emissions; Only 3% of the gas directly emitted from fixed equipment such as air conditioners, fire fighting devices and water dispensers (Category 1). The Company will complete the training on ISO 14064-1 greenhouse gas inventory, and obtain the greenhouse gas emission inspection statement by the accredited firm in 2023. (III) To comply with the requirements for corporate greenhouse gas inventory, the total greenhouse gas emissions in 2022 and 2021 were approximately 1,460 and 1,050 metric tons of carbon dioxide equivalent respectively. The carbon emissions in 2022 are 39% higher than in 2021. The total electricity consumption in 2022 and 2021 was 2,855,283 kWh and 2,072,088 kWh respectively, with an increase of 38%. The difference between 2022 and 2021 is mainly due to the rapid increase in market demand in 2021, the expansion of factories and the addition of new testing equipment and machines. As a consequence, it causes an increase in total electricity consumption and carbon emissions in 2022. If we convert the greenhouse gas emission intensity into carbon emission data per unit (NT$ thousand) of revenue based on the actual turnover of the Company, the carbon emission per unit (NT$ thousand) in 2022 and 2021 was 0.00051and 0.00029 metric tons of carbon dioxide equivalent, respectively. (IV) All water used by our Hsinchu plant is the water for people's livelihood. The total	

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			annual emissions of indirect greenhouse gases caused by water use in 2022 and 2021 were about 0.943 and 0.852 metric tons of carbon dioxide equivalent, respectively, with an increase of 10.68%. The water consumption in 2022 and 2021 was 6,213 m^3 and 5,652 m^3 respectively, with an increase of 9.92%, mainly due to the increase of air conditioners in the plant expansion. The wastes generated by the Company include hazardous wastes (scrap integrated circuits) and general wastes (plastic, paper). In 2022 and 2021, 189 kg and 329 kg of hazardous wastes (scrap integrated circuits) were generated respectively, and 1,619 kg and 2,570 kg of general wastes (plastic, paper) were generated respectively. The waste removal contractors have been authorized by the competent authorities to remove and treat such wastes, and the Company has not violated any laws and regulations. (V) The Company's strategy on climate change or greenhouse gas management We understand that corporate operations, including product development, client services and business activities, may affect the entire environment. To alleviate the impact on the environment, we have established a qualified supplier system to ensure that materials do not contain harmful substances, so as to form a green supply chain with suppliers. We are also committed to energy conservation, major waste recycling, hazardous material management, pollution prevention, energy and water conservation and waste management. Additionally, we educate our staff on the importance of implementing green product plans and enhance their awareness of the sustainable corporate development. Specific measures include: Air conditioning temperature control and energy efficiency control in summer, timely turn off lighting equipment in unmanned areas, replace lamps in the factory with LED T5 tubes, establish an electronic system to reduce paper usage, build video equipment in each office for staff communication, make good use of remote meetings, reduce the carbon emissions caused by business trips, replace part of air conditioners with frequency-conversion air conditioners in each office to achieve energy saving, check water equipment regularly, repair damaged equipment in a timely manner, encourage colleagues to report to the Company at any time for repair, constantly promote energy saving, water saving, car	

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			sharing and the use of public transportation system, remind colleagues to cultivate the habit of saving energy, perform supplier management, and require the manufacturing process and finished product IC provided by the supplier to conform to the green products defined by the Company.	
IV. Social issues (I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		I. Respect for human rights and labor rights: (I) Bills of human rights 1. The Company provides fair opportunities for recruitment, appointment and career development without discrimination on the basis of gender, race, age, or other factors. We follow the spirit of the Universal Declaration of Human Rights, the United Nations Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work and other important human rights conventions, and internationally recognized human rights standards, and treat our employees, contract staff and interns fairly. 2. The Company adheres to the universally recognized principles of fundamental labor rights, including freedom of association, the right to collective bargaining, the prohibition of child labor, the elimination of various forced labor, the elimination of discrimination in employment, and harm to workers. 3. The Company prohibits discrimination on any human rights, including race, color, age, gender, sexual orientation, ethnicity, physical or mental disability, religion, political identity, organizational status, place of birth and marital status. (II) Administration of human rights: To make all employees know that the Company is committed to human rights, the Code of Ethics for Employees and Work Rules formulated by the Company clearly stipulate that the Company provides fair opportunities for recruitment, appointment and career development without discrimination on the basis of gender, race, age, or other factors. The Work Rules stipulate that the employment of child labor is prohibited, any type of discrimination or harassment (including sexual harassment) or threatening language is prohibited within the workplace, and the interaction between colleagues shall be based on the rational principle of mutual respect. (III) Communication channels for the implementation of human rights:	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			1. Publicity of legal compliance: The Company conducts quarterly publicity of legal compliance through intranet or announcements, and carries out anti-discrimination, anti-sexual harassment, anti-bullying and other education and training to create a high-quality workplace environment that safeguards human rights. 2. Employee mailbox and whistle-blowing system: The Articles of Association of the Company specify the rights and interests of employees and set up THE employee mailbox, so that each employee has direct access to express opinions (or complaints) to the senior management. We also require suppliers to uphold the above principles to treat their employees with the same standards. The external website also has a whistle-blowing system for violations of professional ethics. 3. Labor-management meetings: The Company has established a good communication channel and holds quarterly labor-management meetings to ensure the rights and interests of both parties. 4. Human rights and labor related education and training: In 2022, the Company regularly conducted the Promotion of Respect for Human Rights and Labor Rights on the Company's intranet in May, July and October, with 100% attendance. The Company sent its employees to take courses related to labor rights and interests, such as the Seminar on Amendment to Labor Health Protection Regulation, Analysis and Countermeasures of the Revision of Labor Laws and Regulations, Seminar on Labor Standards Act by Ministry of Labor, Regulation Briefing on Labor Insurance and Occupational Accident Insurance by Ministry of Labor, and On-the-job Education and Training for Supervisors of Occupational Safety and Health. The Company arranged relevant labor law compliance education and training for new recruits. 24 trainees have completed the training, and 30 trainees have participated in the above related courses, totaling 42 hours. 5. Mitigation measures for violations of human rights: The Company has formulated relevant mitigation measures for violations of human rights such as Sexual Harassment Prevention Measures, Complaints and Punishment Measures to	

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			protect employees' work rights and provide a working environment free from sexual harassment. In cases of sexual harassment, appropriate preventive, corrective and punitive measures shall be taken.	
(II) Has the Company formulated and implemented reasonable measures for employee benefits (including remuneration, vacation and other benefits, etc.), and appropriately reflected operating performance or results in employee compensation?	✓		(I) The Company has formulated and implemented reasonable employee benefits. In terms of salary, we attach great importance to the treatment and benefits of employees. The salary of employees is determined according to their professional ability, personal performance, academic experience and background, as well as the company's operating performance and future risks. We implement the concept of gender equality in the workplace, and the salary of staff at all levels does not differ due to gender Although the company is engaged in the electronics, it is committed to diversity and equality in the workplace. Currently, females account for about 40% of the employees and 14% of the senior executives. (II) With respect to employee remuneration, it is paid according to the Company's annual operation and employee performance. It is stipulated in Article 20 of the Articles of Association that the Company shall allocate 11% to 13% of the Company's pre-tax profit of the current period before deducting the employees' remuneration and Directors' remuneration of the year as employees' remuneration and no more than 3% as Directors' remuneration. However, if the Company has accumulated losses (including adjustment on non-distributed earnings), the Company shall set aside a part of the profit first to make up for the losses. In terms of leave, special leave, sick leave, maternity leave, leave without pay, etc. are granted in accordance with the provisions of Labor Standards Act. For other benefits, please refer to P.102 to P.103 of this Annual Report.	No deviation
(III) Has the Company provided a healthy and safe working environment and organized training on health and safety for its employees on a regular basis?	✓		(I) The Company is committed to providing a safe and healthy working environment for employees. In terms of employee health, regular health lectures are held and health education information is provided, so that employees can know their health status and acquire the knowledge and methods of health management. The Company has also built a fitness center for employees to offer a variety of sports and fitness equipment them to use, so that employees have leisure and fitness space in their spare time. Regarding the safe workplace, courses on fire safety training and work	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			safety are held regularly to cultivate staff's ability to respond to disasters and maintain environmental safety. The safety of employees in the workplace is one of our most important responsibilities. In 2022, the number of occupational accidents of our employees was 0. (II) To provide a healthy and safe working environment for all employees and protect the Company's assets, the implementation of environmental health and safety is as follows: 1. Provide education and training to enhance staff's awareness of environmental safety and the relevant labor safety and health regulations. 2. Provide health information and health check every year to ensure the physical and mental health of staff. 3. Conduct company-wide fire safety equipment inspection and repair every year, and implement fire safety training for employees every six months. 4. Conduct biennial safety inspections of fire and refuge facilities and equipment in buildings. 5. Conduct quarterly inspection of drinking water. 6. Conduct the working environment inspection every six months, such as: organic solvent concentration measurement, carbon dioxide concentration measurement, noise measurement, etc. All of which have passed the inspection. 7. Strengthen employees' concept of green quality and sustainable management. 8. The safety of employees in the workplace is the Company's most important responsibility. 9. Access control system management: Employees have to use access control cards as identification when entering and exiting. This system serves as a security management mechanism for personnel entering and exiting.	
(IV) Has the Company provided its employees with career development and training plans?	✓		According to ISO9001, the Company has formulated the Management Procedures for Employee Education and Training. The Human Resources Department is responsible for the overall planning and promotion of the Company's education and training. Through the implementation of education and training, employees improve work performance and cultivate the necessary competencies, facilitating their career development. Meanwhile, the	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			Company actively enhances employees' knowledge of HSF regulations to meet clients' needs for products and services. Education training includes internal education training, external education training, as well as the selection and training of new personnel. In 2022, a total of 1,281 person-times with 3,538 hours of educational training were held throughout the year. More than 85% of the planned courses were completed in 2022.	
(V) Has the Company complied with relevant regulations and international standards on the health and safety of clients, client privacy, marketing and labeling of products and services, and formulated relevant policies and complaint procedures to protect the rights and interests of clients and clients?	✓		To ensure the quality of products and services, the marketing and labeling of our products and services conform to RoHS and the relevant specifications of halogen-free and green products specified by clients. The Company provides products and follow-up services that meet clients' quality requirements, formulates sales return and client complaint handling plans, and conducts an annual client satisfaction survey. It also sets up a special section for stakeholders on the intranet to provide channels for client communication, complaints and suggestions to protect clients' rights and interests. Client services: (I) Actively participate in seminars on environmental issues held by clients. (II) Maintain the validity of the client's green product recognition system platform. (III) Study relevant environmental laws and regulations to continuously improve HSF operating system and strive to be a reliable green partner of clients. Relevant laws and regulations are as follows: 1. EU RoHS. 2. Halogen Free. 3. PFOS and PFOA control. 4. EU REACH SVHC. 5. Sony Green Partner。	No deviation
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? If so, how is the	✓		(I) Supplier management policies: The company has long perceived suppliers as important partners and maintained long-term cooperative relationships with them. In addition to ensuring the quality, delivery time, price and service capability, suppliers are required to implement environmental protection policies, improve labor safety and health, pay attention to work and human rights, fulfill their corporate social responsibilities, and assist and urge upstream and downstream manufacturers to enhance green competitiveness and risk management, thus creating sustainable business opportunities. The Quality	No deviation

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
implementation status?			Assurance Department carries out the supplier audit (including QSA/QPA/HSF) every year. A total of 16 suppliers performed audits this year. (II) Supply chain management: 1. Evaluation of new manufacturers: Suppliers who meet our requirements in terms of quality, finance, price, process, technical aspects, and labor and human rights can be our suppliers. 2. Evaluation and grading of qualified suppliers: In accordance with the Supplier Management Regulations, the Company implements a grading system based on the evaluation results, to provide reference for procurement. For suppliers whose scores are lower than the Company's requirements, the Company requires them to improve until they meet the requirements. In serious cases, the Company may stop purchasing or cancel the qualification of qualified suppliers. 3. Supplier workflow change management: The supplier shall notify the Company in advance and obtain the consent of the Company before changing its workflow. 4. Supplier risk management: The Company requires suppliers to have contingency plans and procedures for the products and services they provide to ensure continuous operation and alleviate the impact of shortage of materials on the Company. 5. Hazardous substances management: The Company is committed to continuous reduction of hazardous substances to meet client and regulatory requirements. In accordance with the environmental protection laws and regulations across the world, the Company has formulated regulations for the management of hazardous substances for all green products. Moreover, the Company has been certified by the IECQ QC080000 management system and requires suppliers to promote joint compliance with environmental protection laws and regulations to safeguard the global environment and reduce the impact on the ecosystem. (1) Environmental management substances:	

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			We refer to RoHS2.0, EU REACH, China RoHS and other environmental management substances regulated by our clients. These harmful substances exist in direct materials, packaging materials, products, manufacturing process, manufacturing process accessory materials or may enter the products. It is necessary to control whether these harmful substances are contained in the product, the amount contained, the site of use, and the purpose, etc. (2) Prohibited substances: Prohibited substances refer to substances that are prohibited from being used in the manufacturing process of parts or components, whether they are intentionally added or naturally present. The minimum concentration limits and test methods for these substances are regulated in the relevant legal regulations. All prohibited substances are not allowed to be added intentionally, even if the added content does not exceed the regulatory limit. (3) Green products: All of our existing halogen-free products comply with regulations and client specifications.	
II. Has the Company compiled corporate social responsibility reports or reports that disclose the Company's non-financial information based on international CSR compiling standard or guidelines? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company has not yet prepared a sustainability report or other reports that disclose its non-financial information.	These reports will be prepared in due course according to the actual needs of the Company .

<table>
<tr><th rowspan="2">Action item</th><th colspan="3">Implementation status (Note 1)</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">III. Differences between the Company’s implementation of sustainable development and the Sustainable Development Best Practice Principles if the Company has established its own sustainable development best practice principles in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies:
The Company has formulated its Code of Practice for Sustainable Development in accordance with the Code of Practice for Sustainable Development of TWSE/GTSM Listed Companies. The differences between the Company's operation and the Code are as follows:
(I) Implementation of corporate governance: The salary and remuneration policy applicable to general employees has not been established, nor has the appraisal system for employee performance been integrated with the sustainable development policy of the Company. It will be handled in time according to the actual needs.</td></tr>
<tr><td colspan="5">IV. Other important information that can help establish an understanding of the implementation of sustainable development at the Company:
(I) The Company was rated as Top 20% of the 3rd Governance Evaluation of TWSE/GTSM Listed Companies and won the Best Progress Award.
(II) Selected as one of the "Top 10 Consumer Electronics Solution Provider in APAC – 2019" by Embedded Advisor.
(III) The Company has been certified by IECQ QC 080000 Hazardous Substance Process Management. The Company conducts annual certification audit by the accredited firm and has obtained validity certificate for certification system.
Our commitments and practices are as follows:
1. Continuous attention is paid to improving and eliminating harmful substances to comply with international standards and regulations and to meet client requirements.
2. Constantly promote and hold educational training to make all employees fully understand the meaning and responsibility of eliminating harmful substances.
3. Establish a qualified supplier system to ensure that materials do not contain hazardous substances.
4. Continuously improve HSF operating system and strive to be a reliable green partner of clients.
(IV) Social contribution and service: The Company has participated in the following activities in recent years to make contributions to the society.
1. Donated to the Tainan Traditional Chinese Culture College Foundation to promote Confucianism, Buddhism, Taoism in the hope of rebuilding social values and establishing a harmonious society.
2. Donated to the Disaster Relief Foundation: Out of humanitarian spirit and in response to the government (Taiwan Can Help), the Company made donations to the Disaster Relief Foundation under the Ministry of Health and Welfare to contribute to the international aid work for the refugees in Ukraine. The funds were used to provide medical assistance, accommodation and supplies for Ukrainian refugees.
3. Donated to the Department of Electrophysics of National Yang Ming Chiao Tung University to establish the Research Center for Advanced Electrophysics.
4. Sponsored Wind Music in World Music Festival: World Music Festival @ Taiwan is the largest outdoor music festival with the theme of world music in Taiwan. Since its inception in 2016, the three-day music festival has been held every year on the third weekend of October at Dajia Riverside Park in</td></tr>
</table>

Action item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			Taipei City. The festival is organized by the Bureau of Audiovisual and Music Industry Development, MOC, and hosted by Wind Music, which brings together world music, pop crossover and diverse ethnic groups throughout the world, with Taiwan as the base and a platform for world music. In 2022, the theme is Music is Everywhere, which aims to bring people closer to each other through music and expand the vision of the "heart" of world music together. More than 60,000 people participated in the festival.	

Note 1. If "Yes" is checked, please specify the important policies, strategies, measures adopted and the implementation situation; If "No" is checked, please explain the circumstances and reasons for the differences in the field of Circumstances and Reasons for Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and propose the plan to adopt relevant policies, strategies and measures in the future. However, in relation to the promotion of Items 1 and 2, TWSE/TPEx Listed Companies shall clarify the governance and supervisory framework for sustainable development, including but not limited to management policies, strategy and target setting, review measures, etc. It shall also describe the corporate risk management policies or strategies for environmental, social and corporate governance issues related to operations, and its assessment status.

Note 2. Materiality principle refers to environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(VI) Implementation of corporate governance as well as deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related reasons

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs (I) Has the Company established ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies? (II) Has the Company established a risk assessment mechanism against unethical conduct and does it analyze and assess on a regular basis business activity within its business scope which are at a higher risk of being involved in unethical conduct and establish prevention programs accordingly, which shall at least include the preventive measures specified in Article 7-2 of the Ethical Corporate Management Best Practice Principles	✓ ✓		(I) The Company has established the Ethical Corporate Management Best Practice Principles approved by the Board of Directors. The management shall operate business on the principle of integrity and creates benefits for employees and shareholders. Specifically, the management shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Regulations on the Crime of Embezzlement, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, relevant regulations on TWSE/TPEx, or other relevant laws and regulations on business behaviors, as the basic premise of implementing the ethical corporate management. With respect to the commitment of the Board of Directors and senior management to actively implement the management policy, the Chairman of the Board of Directors has stated the policy of ethical corporate management in the CSR, and the Board of Directors and senior management have actively implemented the policy with a high degree of self-discipline and prudence. (II) In the Ethical Corporate Management Procedures and Code of Conduct, the Company specifically regulates the matters that should be paid attention to by our staff in the execution of business, and adopts preventive measures for business activities with high risk of unethical behaviors, including prohibiting unethical behaviors such as bribery and accepting of bribes, providing non-political donations, improper charitable donations or sponsorship. Before entering into a business relationship with others, the Company should first assess the legality, ethical corporate management policy of its agents, suppliers, clients or other business partners and whether they have been involved in unethical behaviors to ensure that their business practices are fair, transparent and do not ask for, offer or	No deviation

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
for TWSE/GTSM Listed Companies? (III) Has the Company established policies to prevent unethical conduct with clear statements regarding relevant procedures, code of conduct, punishments for violation, rules of appeal, and commitments to implementation of these policies? Has the Company regularly reviewed and amended these policies?	✓		accept bribes. In the process of business activities, the Company shall explain its ethical corporate management policy and relevant regulations to the transaction parties, and clearly refuse to directly or indirectly provide, promise, demand or accept any improper benefits in any form or name. Personnel of the Company shall refrain from engaging in business transactions with agents, suppliers, clients or other business partners involved in unethical behaviors. If unethical behaviors are found in business dealings or cooperative partners, the Company shall immediately stop business dealings with them and list them as the object of refusal. To strengthen internal ethical corporate management, the Company sent staff to participate in relevant education and training held by the government in 2022, such as 2022 Summit Forum for Ethical Corporate Management and Business Secret Protection in Technology Industry and other courses. The Company arranged "ethical corporate management" related legal compliance education and training for new employees. In 2022, 24 newcomer trainings were completed, and 25 employees participated in the above related courses for a total of 28 hours. In 2022, due to the pandemic, many of the offline courses were changed to online to promote the concept of ethical corporate management. In February, May, July and October of 2022, the Company disseminates its ethical corporate management policy online on the intranet. The Company constantly promotes the ethical corporate management policy internally and has the obligation to help clients, partners, suppliers, service providers, agents, and consultants understand its policy and follow it together. (III) The Company has established the Code of Ethical Corporate Management, the Code of Ethical Conduct and the Ethical Corporate Management Procedures and Code of Conduct, and has specified a disciplinary and grievance system in them. The Company adopts preventive measures for business activities with high risk of	

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			unethical behaviors, including prohibiting unethical behaviors such as bribery and accepting of bribes, providing non-political donations, improper charitable donations or sponsorship. Personnel of the Company shall not directly or indirectly provide, promise, demand or accept any improper benefits or commit any other unethical behaviors in violation of good faith, illegal or breach of fiduciary duties. The personnel who violate the provisions of ethical corporate management will be punished according to the disciplinary measures set by the Company. The Company also has an appeal system to provide the means of relief for the violators according to the relevant provisions. Human Resources Department is responsible for the revision, implementation, interpretation, advisory services and notification of the operating procedure and Code of Conduct and supervises its implementation. The Board of Directors shall report its implementation status to the directors regularly in the fourth quarter of each year.	
II. Implementation of ethical corporate management (I) Has the Company assessed the ethics records of anyone with whom it has a business relationship and included business conduct and ethics-related clauses in business contracts? (II) Has the Company set up a unit dedicated to promoting the Company's ethical standards reporting regularly (at least once a year) to the Board of Directors on the implementation of	✓ ✓		(I) Before business dealings, The Company shall consider the legitimacy of its agents, suppliers, clients or other business counterparties and whether they are involved in unethical behaviors, and shall avoid entering into transactions with those involved in unethical behaviors. The contents of the contract signed with the business counterparties shall include compliance with the ethical corporate management policy. If the business counterparties are involved in unethical behaviors. the terms of a contract may be terminated or dissolved at any time. When evaluating business counterparties, the Company conducts appropriate investigation and examines its business counterparties to ascertain their ethical corporate management in the following matters: 1. The country, place of operation, organizational structure, business policy and	No deviation

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company formulated policies to prevent conflicts of interest, provided appropriate communication and complaint channels, and implemented such policies properly? (IV) Has the Company established effective accounting and internal control systems for the implementation of ethical corporate management? Has its internal audit unit devised relevant audit plans based on the assessment results of the risk of involvement in unethical conduct, and checked the compliance with the prevention programs or entrusted CPAs to conduct such an audit? (V) Has the Company provided internal and external ethical conduct training programs on a regular basis?	✓ ✓ ✓		place of payment of the counterparty. 2. Whether the counterparty has established an ethical corporate management policy and its implementation status. 3. Whether the counterparty operates in a country with a high risk of corruption. 4. Whether the counterparty operates in a industry with high risk of bribery. 5. The long-term business status and goodwill of the counterparty. 6. Ask business partners for their opinions on the counterparty. 7. Whether the counterparty has a history of unethical behaviors such as bribery or illegal political donations. When entering into contracts with counterparties, the Company shall fully understand the ethical corporate management of counterparties, and incorporate the compliance with the Company's ethical corporate management policy into the terms of the contract, as follows: 1. If either party knows that a person has violated the terms of the contract prohibiting the acceptance of commissions, kickbacks or other illegitimate benefits, it shall immediately and truthfully inform the other party of the identity of such a person, the manner, amount or other illegitimate benefits offered, promised, demanded or received, and provide relevant evidence and cooperate with the other party's investigation. f one party suffers any damage as a result, it may claim damages from the other party and deduct the amount from the contract price payable. 2. If either party is involved in unethical behaviors, the other party may unconditionally terminate or rescind the contract at any time. 3. Set out clear and reasonable terms of payment, including the place and method of payment and the relevant tax legislation to be complied with. (II) The working group for promoting ethical corporate management is composed of	

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			five members from the Executive Office of the President, Finance Department and Human Resources Department. The director of Human Resources Department acts as the convener, who is responsible for promoting ethical corporate management. In the fourth quarter of each year, the Board of Directors reports to the directors the policy of ethical corporate management and the plan to prevent unethical behaviors, and supervise the implementation regularly. In accordance with the Ethical Corporate Management Procedures and Code of Conduct adopted by the Board of Directors, Human Resources Department is responsible for the revision, implementation, interpretation, advisory services and notification of the operating procedure and Code of Conduct and supervises its implementation. (III) The Company's Code of Ethical Conduct and Code of Ethics for Employees have formulated provisions to prevent conflicts of interest. The personnel of the Company shall not use their positions to obtain improper benefits for themselves, their spouses, parents, children or relatives within the second degree of kinship. In the event that the Company has any loan or guarantee, major asset transaction or import (sale) transaction with the related enterprises of the foregoing personnel, the relevant personnel of the Company shall take the initiative to explain to the Company whether there is any potential conflict of interest with the Company and handle the matter according to the code of conduct of the Company to prevent the conflict of interest. (IV) The Company has established an effective accounting system and internal control system for the business activities and operating procedures with high potential risk of unethical behaviors, and reviews them at any time to ensure the design and implementation of the systems is sustainable and effective. The internal auditing unit includes the two systems in the risk assessment for regular inspection and	

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			check the compliance with the systems on a regular basis. (V) The unit that promotes the ethical corporate management regularly conducts internal education, training and publicity on the ethical corporate management for the Company's personnel. The Company sent staff to participate in relevant education and training held by the government in 2022, such as 2022 Summit Forum for Ethical Corporate Management and Business Secret Protection in Technology Industry and other courses. The Company arranged "ethical corporate management" related legal compliance education and training for new employees. In 2022, 24 newcomer trainings were completed, and 25 employees participated in the above related courses for a total of 28 hours. In 2022, due to the pandemic, many of the offline courses were changed to online to promote the concept of ethical corporate management. In February, May, July and October of 2022, the Company disseminates its ethical corporate management policy online on the intranet. At least once a year, the Company conducts legal education for directors, managers and employees to prevent insider trading, and provide the relevant education for new directors and managers within one month of their appointment. In 2022, in addition to arranging 2 directors to attend the Publicity Meeting on Preventing Insider Trading held by the competent authority in October, the current 10 directors received a total of 3.5 hours of training and publicity in the fourth quarter of 2022, covering the confidential operation of major information, the prohibition of insider trading, the open operation and the treatment of violations. The Company arranged education and training on prevention of insider trading for new employees. In 2022, 24 newcomer trainings were completed. In November, 2022, the Company held the publicity on prevention of insider	

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			trading in the internal system and published the relevant education and training briefing in the internal staff system for online training of all employees for a month. The Company carries out quarterly publicity of corporate confidential information protection policy, personal data protection, information security, and reveals the content of the publicity on its intranet and sends e-mails to all employees. The Company constantly promotes the ethical corporate management policy internally and has the obligation to help clients, partners, suppliers, service providers, agents, and consultants understand its policy and follow it together.	
III. Operation of the whistleblowing system (I) Has the Company established specific whistle-blowing and reward systems, set up conveniently accessible whistle-blowing channels, and designated responsible individuals to handle the person(s) being reported? (II) Has the Company established standard operating procedures for investigating reported misconduct, follow-up measures to be taken after investigations, and related confidentiality mechanisms? (III) Has the Company adopted proper measures to protect whistle blowers from retaliation for their actions?	✓ ✓ ✓		(I) The Company has established a whistle-blowing system, including the "whistle-blowing system for the violation of professional ethics behaviors" in the external website and the "employee mailbox" in the internal website. The whistle-blowing system and employee mailbox provide direct access to the senior management unit. Once the whistle-blowing is received, the senior management unit will work with the relevant human resources and auditing units to investigate and handle it. If it is illegal or serious, it will be transferred to the relevant government units. (II) The Company has set out the standard operating procedure for accepting the complaint and the follow-up measures to be taken after the investigation. It has stipulated the detailed operating procedure and schedule from the receipt of the complaint to the conclusion of the case. If it is proved that the person being reported has violated the relevant laws and regulations or the Company's policies and regulations on ethical corporate management, the person shall be immediately requested to stop the relevant behavior and dispose of it appropriately. When necessary, the Company shall report to the competent authorities, transfer the person to the judicial authorities for investigation, or claim compensation through	No deviation

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
			legal procedures to protect the reputation and rights of the Company. In addition, the Company has established the principle of confidentiality, and senior management, human resources and auditing units that receive reports and conduct investigations shall be carefully manage the matters or secrets they know from their positions. Unless disclosed by the Company or provided for the performance of duties, it shall not be disclosed to others, and the obligation of confidentiality shall be strictly observed no matter during the service period or after resignation. (III) The Company shall properly handle the identity and contents of the whistle blowers in a confidential and responsible manner, and protect them from being threatened.	
IV. Enhancing information disclosure Has the Company disclosed, on its website or on the Market Observation Post System, its ethical corporate management policies and the effectiveness of the promotion thereof?	✓		The Company has disclosed the Code of Ethical Corporate Management, the Code of Ethical Conduct and the Ethical Corporate Management Procedures and Code of Conduct, and the Code of Ethics for Employees on its website, and the Code of Ethical Corporate Management and the Code of Ethical Conduct on the Market Observation Post System .	No deviation
V. If the Company has established ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation between the policies and their implementation: None. The Company has formulated its Code of Practice for Ethical Corporate Management in accordance with the Code of Practice for Ethical Corporate Management of TWSE/GTSM Listed Companies. The differences between the Company's operation and the Code are as follows: (I) Education, training and assessment: The Company has not included the ethical corporate management policy in the employee performance assessment system. It will be handled in due course according to actual needs. (II) Information disclosure: The Company has not collected quantitative data to promote ethical corporate management. It will be handled in due course according to actual needs.				
VI. Other important information that facilitates a better understanding of the Company's ethical corporate management policy (e.g., review and amend its policy): The Company has established the Code of Ethical Corporate Management and the Ethical Corporate Management Procedures and Code of Conduct. The				

Assessment item	Status of implementation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and related reasons
	Yes	No	Summary	
latter was amended on March 12, 2020 with the approval of the Board of Directors and the former was amended on April 6, 2022 with the approval of the Board of Directors.				

(VII) If the Company has a corporate governance code and related regulations, it shall disclose the method of inquiry. Please refer to the Market Observation Post System (https://mops.twse.com.tw) or visit our website at www.weltrend.com.tw.

(VIII) Other important information that may be disclosed to enhance understanding of corporate governance operations: For information on the Company's corporate governance practices, please visit the Market Observation Post System(https://mops.twse.com.tw) or our website(http://www.weltrend.com.tw).

(IX) The implementation of the internal control system shall disclose the following matters:

1. Internal control statement: Please refer to Page 82.
2. Those who entrust CPAs to conduct special audit of internal control systems shall disclose the audit reports of CPAs: None.

(X) Any legal penalty incurred by the Company and its internal personnel or any penalty inflicted by the Company on its internal personnel for non-compliance with the internal control system that may have a significant impact on shareholder equity or securities price, the content of such penalties, major non-compliances, and relevant improvement measures in the most recent fiscal year and as of the date of publication of this report: None.

(XI) Major resolutions of Shareholders' Meeting and Board Meetings as of the most recent fiscal year and as of the publication date of this report:

1. Major resolutions and implementations from the Shareholders' Meeting in 2022:

(1) Ratified the proposal for the 2021 Business Report and Financial Statements.

(2) Ratified the proposal for 2021 Earnings Distribution.

Implementation status: Set September 7, 2022 as the base date for distribution, and September 30, 2022 as the payout date for distribution, with a cash dividend of NT$ 3 per share.

(3) Proposed amendment to the Articles of Association:

Implementation status: It was approved and registered by the Administration Bureau of Hsinchu Science Park, the Ministry of Science and Technology on July 8, 2022, and the updated Articles of Association was uploaded to the Company's external website.

(4) Proposed amendment to the Process of Obtaining or Disposal of Assets.

Implementation status: The Company has handled it in accordance with the revised procedure. After the update, the Process of Obtaining or Disposal of Assets was uploaded to the Company's external website and Market Observation Post System.

(5) Proposed amendment to the Process of Loans to Others

Implementation status: The Company has handled it in accordance with the revised procedure. After the update, the Process of Loans to Others was uploaded to the Company's external website and Market Observation Post System.

(6) Proposed amendment to the Process of Endorsement Guarantee

Implementation status: The Company has handled it in accordance with the revised procedure. After the update, the Process of Endorsement Guarantee was uploaded to the Company's external website and Market Observation Post System.

(7) Election of the 12th term of directors (including independent directors). The list of winners is as follows:

Directors: Sam Lin, James Chou, Paul Liao, JC Liu, Cindy Guo, Tony Lin, Jeff Tsai

Independent director: Gerald Kuo, Wei-Kun Yeh, Wen-Tsung Hsu

Implementation status: It was approved and registered by the Administration Bureau of Hsinchu Science Park, the Ministry of Science and Technology on July 8, 2022, and the list of winners was uploaded to the Company's website.

(8) Proposed removal of the Company’s Non-compete Clause for directors (including independent directors)

Implementation status: On June 23, 2022, the Shareholders' Meeting approved the removal of the Company’s Non-compete Clause for three independent directors, namely, Gerald Kuo, Wei-Kun Yeh, Wen-Tsung Hsu.

2. Major resolutions of Board Meetings as of 2022 and as of the publication date of this report: ：

(1) 21st meeting of the 11th term of the Board of Directors

Adopted the report on the implementation of the Company's treasury stocks.

Adopted the report on the promotion and implementation of Company's corporate social responsibility.

Adopted the 2021 Annual Report on the Performance Evaluation Results of the Company's Board of Directors and the Functional Committee

Adopted the Company's operating plan for 2022.

Adopted the proposal of the Company's compensation to employees and remuneration to directors and supervisors for 2021.

Adopted the financial report of the Company for 2021.

Adopted the distribution of earnings of the Company for 2021.

Adopted the proposed transfer of the Company's treasury shares to employees

Adopted the report on the reference items for the judgment of the effectiveness of the Company's internal control system for 2021 and the report on the statement of internal control system for 2021.

Adopted the appointment and dismissal of CPAs and the independent assessment of CPAs in 2022.

(2) 22nd meeting of the 11th term of the Board of Directors

Adopted the report on the insurance status of Company's directors and supervisors.

Adopted the operating report of the Company for 2021.

Adopted the amendment to the Articles of Association

Adopted the amendment to the Measures for the Election of Directors and Supervisors.

Adopted the amendment to the Rules of Procedure for the Shareholders' Meeting

Adopted the amendment to the Process of Obtaining or Disposal of Assets.

Adopted the amendment to the Process of Loans to Others

Adopted the amendment to the Process of Endorsement Guarantee

Adopted the amendment to the Procedures for Acquisition or Disposal of Derivative Products

Adopted the amendment to the Self-regulation of Disclosure of M&A Information

Adopted the amendment to the Rules of Procedure for the Shareholders' Meeting

Adopted the amendment to the Organizational Regulations of the Remuneration Committee

Adopted the amendment to the Organizational Regulations of the Audit Committee

Adopted the amendment to the Corporate Governance Best Practice Principles

Adopted the amendment to the Code of Ethical Conduct

Adopted the amendment to the Code of Ethical Corporate Management

Adopted the amendment to the Corporate Social Responsibility Best Practice Principles

Adopted the re-election proposal of the 12th term of directors of the Company.

Adopted the list of candidates for directors (including independent directors) proposed by the Company and approved by the Board of Directors.

Adopted the removal of the Company’s Non-compete Clause for directors

Adopted the date and place of the 2022 Annual Shareholders' Meeting and the acceptance of shareholder proposals and nomination rights.

(3) 23rd meeting of the 11th term of the Board of Directors

Adopted the list of candidates for directors (including independent directors) proposed by the Company.

(4) 24th meeting of the 11th term of the Board of Directors

Adopted the financial report of the Company for Q1 2022.

(5) 1st meeting of the 12th term of the Board of Directors

Adopted election proposal of the Chairman of the Company.

(6) 2nd meeting of the 12th term of the Board of Directors

Adopted the appointment of the 5th term of Remuneration Committee of the Company.

Adopted the appointment of the President.

Adopted the appointment of the COO.

Adopted the appointment of the Vice President.

(7) 3rd meeting of the 12th term of the Board of Directors

Adopted the motion of reviewing the Company's proposed public acquisition of ordinary shares of Sentelic Corporation.

(8) 4th meeting of the 12th term of the Board of Directors

Adopted the financial report of the Company for Q2 2022.

Adopted the greenhouse gas inventory and verification schedule plan.

Adopted the proposed transfer of the Company's treasury shares to employees

Adopted the proposal to set the ex-dividend base date for this year's cash dividends.

(9) 5th meeting of the 12th term of the Board of Directors

Adopted the financial report of the Company for Q3 2022.

Adopted the implementation report on the greenhouse gas inventory and verification schedule plan.

Adopted the report on intelligent property for 2022.

Adopted the report on information security governance for 2022.

Adopted the implementation report on the Code of Ethical Corporate Management

Adopted the report on the communication between the Company and various stakeholders.

Adopted the Rules of Procedure for Handling Material Internal Information.

Adopted the amendment to the Rules of Procedure for the Shareholders' Meeting

Adopted the Rules of Procedure for Information Security Operations

Adopted the amendment to the Performance Evaluation Results of the Company's Board of Directors and the Functional Committee

Adopted the Company's internal audit plan for 2023.

(10) 6th meeting of the 12th term of the Board of Directors

Adopted the implementation report on the greenhouse gas inventory and verification schedule plan of the Company

and the greenhouse gas inventory and verification schedule plan of all subsidiaries in the group..

Adopted the report on the promotion and implementation of Company's sustainable development.

Adopted the 2022 Annual Report on the Performance Evaluation Results of the Company's Board of Directors and the Functional Committee

Adopted the Company's operating plan for 2023.

Adopted the proposal of the Company's compensation to employees and remuneration to directors for 2022.

Adopted the operating report and financial statement of the Company for 2022.

Adopted the distribution of earnings of the Company for 2022.

Adopted the amendment to the Articles of Association

Adopted the amendment to the Process of Obtaining or Disposal of Assets.

Adopted the amendment to the Sustainable Development Best Practice Principles.

Adopted the removal of the Company’s Non-compete Clause for directors and managers.

Adopted the amendment to the Company's Measures for Repurchasing Shares and Transferring Them to Employees.

Adopted the date and place of the 2023 Annual Shareholders' Meeting and the acceptance of shareholder proposal rights.

Adopted the Code of Conduct for Financial Operations between Related Parties.

Adopted the amendment to the Corporate Governance Best Practice Principles

Adopted the proposed transfer of the Company's treasury shares to employees

Adopted the change of CPAs.

Adopted the report on the reference items for the judgment of the effectiveness of the Company's internal control system for 2022 and the report on the statement of internal control system for 2022.

Adopted the appointment and dismissal of CPAs and the independent and suitability assessment of CPAs in 2023.

Adopted the general principles of the Company's pre-approval of the non-conviction services.

(XII) Major contents of any dissenting opinions on record or stated in a written statement made by directors or supervisors against major resolutions of the Board of Directors in the most recent fiscal year and as of the publication date of this report: None.

(XIII) Summary of the resignation and dismissal of personnel including chairman, president, accounting supervisors, finance supervisors, internal auditing supervisors, chief corporate governance officer, and R&D supervisors in the most recent fiscal year and as of the publication date of this report: None.

Summary of resignation and dismissal of personnel

April 17, 2023

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
President	Sam Lin	1989.5.20	2022.7.4	Job adjustment
Accounting supervisor	Cindy Guo	1999.9.16	2023.2.24	Job adjustment

V. Information on CPA fees:

(I) The audit fees and non-audit fees paid to CPAs and their firms and affiliated companies and the content of non-audit services shall be disclosed. Specifically, the following items shall be disclosed:

Information on CPA fees

Unit: NT$ thousands

Name of Accounting Firm	**Name of CPA**	**Audit period**	**Audit fees**	**Non-audit fees**	**Total**	**Remark**
Deloitte Taiwan	Pan-Fa Wang	January 1, 2022 to December 31, 2022	2,700	685	3,385	-
	Cheng-Chih Lin	January 1, 2022 to December 31, 2022				

Non-audit fees: The non-audit fees refer to the Company's payment of tax case and document typing fees to CPAs.

1. If the accounting firm is changed and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: None.
2. If the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: None.

(II) The audit fees mentioned in the preceding paragraph refer to the fees paid by the Company to CPAs to check, review and verify the financial report and financial forecast.

VI. Information on replacement of CPAs: If there is any change of CPAs in the last two years or the period thereafter, the following items shall be disclosed.

(I) About former CPAs:

<table>
<tr><td>Date of change</td><td colspan="5">March 31, 2023</td></tr>
<tr><td>Reason for change and description</td><td colspan="5">Internal business change</td></tr>
<tr><td rowspan="3">Describe whether the appointment is terminated or not accepted by the appointer or accountant</td><td colspan="3">Parties involved
Status</td><td>Certified Public Accountant/ CPA</td><td>Appointer</td></tr>
<tr><td colspan="3">Proactively terminate appointment</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">No longer accept (continue) appointment</td><td>-</td><td>-</td></tr>
<tr><td>Opinions and reasons for audit reports other than unqualified opinions issued within the latest two years</td><td colspan="5">Issued unqualified opinions in 2021 and 2022</td></tr>
<tr><td rowspan="7">Is there any different opinion from the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Scope or steps of review</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">ˇ</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other disclosures
(Items 4 to 7 of Article 10-6-1 of this Code shall be disclosed)</td><td colspan="5">None</td></tr>
</table>

(II) About current CPAs:

Accounting Firm	Deloitte Taiwan
Name of CPA	Cheng-Chih Lin and Pan-Fa Wang
Date of appointment	March 31, 2023
Consultation on opinions and results of accounting treatment methods or accounting principles for specific transactions and possible issuance of financial reports before appointment	Not applicable
Written opinion of the current CPAs on matters with different opinions from the former CPAs	Not applicable

(III) Reply from the former CPAs to Paragraph 6-1 and Paragraph 6-2-3 of Article 10 of the Code.

VII. If the chairman, president, or finance or accounting managers of the Company worked in the CPA firm or an affiliate thereof within the most recent fiscal year, it shall disclose the name, title and the period of working in the CPA firm or its affiliate. An affiliate of the CPA firm refers to a company or organization in which the CPA of the CPA firm holds more than 50% of the shares or a majority of the directorships, or a company or organization listed as an affiliate in the information published or printed by the CPA firm: None.

VIII. Changes in transfer or pledge of shares made by directors, supervisors, managers, and major shareholders holding more than 10% of Company shares in the most recent fiscal year and as of the publication date of this report: If the party of the share transfer or pledge is a related party, the name of such party, its relationship with the company, directors, supervisors, managers and shareholders holding more than 10% of the shares, and the number of shares acquired or pledged shall be disclosed.

(I) Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders:

Title	Name	2022		As of April 4 of the current year	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman and CEO	Sam Lin (Note 1)	58,000 (37,000)	0	(51,000)	0
Director	James Chou	0	0	0	0
Director	Paul Liao (Note 2)	21,470	0	0	0
Director	Jeff Tsai (Note 2)	0	0	0	0
Director and Chief R&D Officer	JC Liu	20,000	0	0	0
Director and CFO	Cindy Guo (Note 3)	20,000	0	10,000	0
Director and President	Tony Lin (Note 4)	20,000	0	10,000	0
Independent Director	Gerald Kuo	0	0	0	0
Independent Director	Wei-Kun Yeh	0	0	0	0
Independent Director	Wen-Tsung Hsu (Note 5)	0	0	0	0
Supervisor	Paul Liao (Note 2)	0	0	0	0
Supervisor	Jeff Tsai (Note 2)	0	0	0	0
Supervisor	Ken Huang (Note 6)	(26,000)	0	0	0

Title	Name	2022		As of April 4 of the current year	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Senior Vice President of Business	DS Lin	15,000	0	10,000	0
Vice President of Manufacturing	Jesse Lu	15,000 (15,000)	0	0	0
Chief Operation Officer/COO	Robby Tsai	269,000	0	0	0
Vice President of R&D	ST Kuo	12,000	0	10,000	0
Vice President of Product Development and Technology Application Engineering	Wayne Lo (Note 7)	15,000	0	10,000	0
Vice President of R&D	Vincent Lu (Note 7)	0	0	35,000	0
Accounting Supervisor	Wei-Hao Wang (Note 8)	0	0	5,000	0

Note 1. Sam Lin stepped down from his role as President on July 4, 2022 and remains as CEO.
Note 2. Paul Liao and Jeff Tsai changed from supervisors to directors after the re-election on June 23, 2022.
Note 3. Cindy Guo stepped down from her role as President on February 24, 2022
Note 4. Tony Lin took office as President on July 4, 2022.
Note 5. Wen-Tsung Hsu took office on June 23, 2022. The information prior to his appointment will not be disclosed.
Note 6. Ken Huang left his position on June 23, 2022. The information after his resignation will not be disclosed.
Note 7. Wayne Lo and Vincent Lu took office on July 4, 2022. The information prior to their appointment will not be disclosed.
Note 8. Wei-Hao Wang took office on February 24, 2023. The information prior to his appointment will not be disclosed.

(II) Information on share transfer:

Name (Note 1)	Reasons for share transfer (Note 2)	Date of transaction	Business counterparties	The relationship between the business counterparties and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of Shares	Trading Price
Sam Lin	Disposal	2022.06.17	Nathan	Father and son	37,000	64.20
Sam Lin	Disposal	2023.03.27	Nathan	Father and son	51,000	47.25
Paul Liao	Acquisition	2022.07.05	Hsiu-ching Liao Chen	Mother and son	1,470	26.95

Note 1: The names of directors, supervisors, managers and shareholders holding more than 10% of the shares
Note 2: Acquisition and disposal of shares.

(II) Information on share pledge: None.

IX. Information on top 10 major shareholders who are related to one another or are related as spouses or within the second degree of kinship.

Information on the relationship among the top 10 major shareholders

Name (note 1)	Personal shareholding		Shares held by spouses and minors		Shares held in the name of others		Names and relationship between the top 10 major shareholders or spouses/relatives within the second degree of kinship (note 3)		Note
	Number of shares	Percentage (%)	Number of shares	Percentage (%)	Number of shares	Percentage (%)	Name	Relationship	
Fufeng Investment Co., Ltd.	4,783,049	2.69%	-	-	-	-	-	-	-
Company representative: Paul Liao	1,078,468	0.61%	-	-	-	-	-	-	-
Sam Lin	4,446,000	2.50%	455,982	0.26%	-	-	-	-	-
James Chou	2,433,829	1.37%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	2,187,567	1.23%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,978,182	1.11%	-	-	-	-	-	-	-
Chongyou Investment Co., Ltd.	1,930,000	1.08%	-	-	-	-	-	-	-
JC Liu	1,808,013	1.02%	-	-	-	-	-	-	-
Cindy Guo	1,270,200	0.71%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the special investment accounts of J.P. Morgan Asset Management	1,264,598	0.71%	-	-	-	-	-	-	-
Paul Liao	1,078,468	0.61%	799	-	-	-	-	-	-

Note 1. All the top ten shareholders shall be listed. If they are corporate shareholders, their name and the names of their representatives shall be listed separately.

Note 2. The calculation of the percentage of shareholding refers to the percentage of shareholding in the name of oneself, one's spouse, one's minors, or in the name of others, respectively.

Note 3. The shareholders listed above include both legal and natural persons. The relationships between them shall be disclosed in accordance with the Rules Governing the Preparation of Financial Reports by Issuers.

X. The number of shares held by the Company, its directors, supervisors, managers and businesses directly or indirectly controlled by the Company in the same reinvestment business and the percentage of shareholding are calculated as follows:

Unit: thousand shares; %

Reinvestment business (Note)	Investment by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Portfolio investment	
	Number of shares	%	Number of shares	%	Number of shares	%
Weltrend International Co., (BVI) Ltd.	8,164	100%	-	-	8,164	100%
Yingquan Investment Co., Ltd.	32,416	98%	567	2%	32,983	100%
Dongguan Prosil Electronics Co., Ltd.	-	100%	-	-	-	100%
Sentelic Corporation	15,324	51%	-	-	15,324	51%
Sentelic Holding Co.,Ltd.	625	100%	-	-	625	100%

Note: The Company employed the equity method for long-term investments on December 31, 2022.

Weltrend Semiconductor, Inc.

Statement of internal control system

Date: February 24, 2023

Based on the self-evaluation results of internal control system in 2022, Weltrend Semiconductor hereby states as follows:

I. The Company acknowledges that the establishment, implementation, and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has established such a system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. The internal control system has inherent constraints. No matter how perfect the design, an effective internal control system can only reasonably ensure the achievement of the above three objectives; Moreover, the effectiveness of the internal control system may change due to changes in the environment and circumstances. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereafter "the Regulations"). The criteria adopted by the Regulations identify five key components of internal control system: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) supervision of operations. Each constituent element includes a certain number of items. Kindly refer to the Regulations for more details on the aforesaid items.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the Regulations.

V. Based on the assessment results, the Company believes that, as of December 31, 2022, it has maintained, in all material respects, an effective internal control system (involving the supervision and management of its subsidiaries) to provide reasonable assurance over its operational effectiveness and efficiency, the reliability, timeliness, and transparency of its reporting, and its compliance with applicable rulings, laws, and regulations.

VI. This Statement is an integral part of the Company's Annual Report and prospectus, and will be made public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement was adopted by the Board of Directors in their meeting held on February 24, 2023, with all 10 directors present having no dissenting opinions and affirming the content of this Statement.

Weltrend Semiconductor, Inc.
Chairman: Sam Lin
President: Tony Lin

Chapter 4. Capital Overview

I. Capital and shares of the Company

(I) Sources of capital

Date	Issue price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital increase by assets other than cash	Date of approval and document No.
1989.6	10	8,000,000	80,000,000	3,600,000	36,000,000	Establishment	Technology pricing: NT$ 3,600,000	1989.7.5 (78) Yuan-Jing-Zi No. 07331
1990.5	10	8,000,000	80,000,000	8,000,000	80,000,000	Issuance of common stock for cash: 44,000,000	Technology pricing: NT$ 4,400,000	1990.5.29 (79) Yuan-Jing-Zi No. 05560
1991.4	11	20,000,000	200,000,000	12,000,000	120,000,000	Issuance of common stock for cash: NT$ 40,000,000	None	1991.5.3 (80) Yuan-Jing-Zi No. 04640
1995.6	10	20,000,000	200,000,000	17,680,000	176,800,000	Surplus profit distributed in the form of new shares: 48,000,000 Capitalization of employee bonus: 8,800,000	None	1995.7.4 (84) Yuan-Shang-Zi No. 09476
1996.5	10	60,000,000	600,000,000	30,200,000	302,000,000	Surplus profit distributed in the form of new shares: 109,616,000 Capitalization of employee bonus: 15,584,000	None	1996.6.18 (85) Yuan-Shang-Zi No. 09625
1997.6	10	60,000,000	600,000,000	40,000,000	400,000,000	Capitalization of employee bonus: 13,440,000	None	1997.7.17 (86) Yuan-Shang-Zi No. 13772
1997.6	53	60,000,000	600,000,000	50,000,000	500,000,000	Issuance of common stock for cash: NT$ 100,000,000		
1998.6	10	120,000,000	1,200,000,000	72,000,000	720,000,000	Surplus profit distributed in the form of new shares: 115,000,000 Capital surplus transferred to common stock: 85,000,000 Capitalization of employee bonus: 20,000,000	None	1998.7.13 (87) Yuan-Shang-Zi No. 016810
1999.7	10	120,000,000	1,200,000,000	88,000,000	880,000,000	Surplus profit distributed in the form of new shares: 72,000,000 Capital surplus transferred to common stock: 72,000,000 Capitalization of employee bonus: 16,000,000	None	1999.8.13 (88) Yuan-Shang-Zi No. 017381
2000.8	10	120,000,000	1,200,000,000	117,700,000	1,177,000,000	Surplus profit distributed in the form of new shares: 220,000,000 Capital surplus transferred to common stock: 44,000,000 Capitalization of employee bonus: 33,000,000	None	2000.8.17 (89) Yuan-Shang-Zi No. 017790
2000.10	10	158,000,000	1,580,000,000	121,100,000	1,211,000,000	Capital increase in connection with a merger: 34,000,000	None	2000.10.16 (89) Yuan-Shang-Zi No. 023334

Date	Issue price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital increase by assets other than cash	Date of approval and document No.
2001.7	10	219,600,000	2,196,000,000	161,400,000	1,614,000,000	Surplus profit distributed in the form of new shares: 339,080,000 Capitalization of employee bonus: 63,920,000	None	2001.7.20 (90) Yuan-Shang-Zi No. 018238
2002.9	10	219,600,000	2,196,000,000	189,600,000	1,896,000,000	Surplus profit distributed in the form of new shares: 193,680,000 Capital surplus transferred to common stock: 48,420,000 Capitalization of employee bonus: 39,900,000	None	2002.9.10 (91) Yuan-Shang-Zi No. 0910022422
2003.8	10	219,600,000	2,196,000,000	216,300,000	2,163,000,000	Surplus profit distributed in the form of new shares: 189,600,000 Capital surplus transferred to common stock: 37,920,000 Capitalization of employee bonus: 39,480,000	None	2003.8.15 (92) Yuan-Shang-Zi No. 0920022569
2004.8	10	273,200,000	2,732,000,000	233,000,000	2,330,000,000	Surplus profit distributed in the form of new shares: 129,780,000 Capitalization of employee bonus: 37,220,000	None	2004.8.12 (93) Yuan-Shang-Zi No. 0930022213
2004.11	-	273,200,000	2,732,000,000	225,000,000	2,250,000,000	Buying-back of shares for capital reduction: NT$ 80,000,000	None	2004.11.29 (93) Yuan-Shang-Zi No. 0930033041
2005.3	-	273,200,000	2,732,000,000	220,000,000	2,200,000,000	Buying-back of shares for capital reduction: NT$ 50,000,000	None	2005.3.4 (94) Yuan-Shang-Zi No. 0940005059
2007.4	-	273,200,000	2,732,000,000	217,000,000	2,170,000,000	Buying-back of shares for capital reduction: NT$ 30,000,000	None	2007.4.4 (96) Yuan-Shang-Zi No. 0960008049
2007.8	-	273,200,000	2,732,000,000	223,510,000	2,235,100,000	Capital surplus transferred to common stock: 65,100,000	None	2007.8.28 (96) Yuan-Shang-Zi No. 0960023210
2008.8	10	330,000,000	3,300,000,000	246,800,000	2,468,000,000	Surplus profit distributed in the form of new shares: 201,159,000 Capitalization of employee bonus: 31,741,000	None	2008.8.28 (97) Yuan-Shang-Zi No. 0970023940
2013.2	-	330,000,000	3,300,000,000	246,000,000	2,460,000,000	Buying-back of shares for capital reduction: 8,000,000	None	2013.2.5 (102) Yuan-Shang-Zi No. 1020004410
2013.8		330,000,000	3,300,000,000	221,400,000	2,214,000,000	Capital reduction: NT$ 246,000,000	None	2013.8.15 (102) Yuan-Shang-Zi No. 1020024483
2016.8	-	330,000,000	3,300,000,000	222,020,000	2,220,200,000	Restricted stock for employees: 6,200,000	None	2016.8.18 (105) Zhu-Shang-Zi No. 1050023044
2017.4	-	330,000,000	3,300,000,000	222,600,000	2,226,000,000	Restricted stock for employees: 5,800,000	None	2017.4.27 (106) Zhu-Shang-Zi No. 1060010911
2017.11	-	330,000,000	3,300,000,000	222,573,000	2,225,730,000	Cancel the restricted stock for employees: 270,000	None	2017.11.16 (106) Zhu-Shang-Zi No. 1060031382
2018.5	-	330,000,000	3,300,000,000	222,559,000	2,225,590,000	Cancel the restricted stock for employees: 140,000	None	2018.5.14 (107) Zhu-Shang-Zi No. 1070014167

Date	Issue price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital increase by assets other than cash	Date of approval and document No.
2018.8	-	330,000,000	3,300,000,000	178,044,400	1,780,444,000	Capital reduction: NT$ 445,146,000	None	2018.8.14 (107) Zhu-Shang-Zi No. 1070023478
2019.5	-	330,000,000	3,300,000,000	178,014,441	1,780,144,410	Cancel the restricted stock for employees: 299,590	None	2019.5.13 (108) Zhu-Shang-Zi No. 1080012988
2020.3	-	330,000,000	3,300,000,000	178,009,961	1,780,099,610	Cancel the restricted stock for employees: 44,800	None	2020.3.3 (109) Zhu-Shang-Zi No. 1090005867

Information on the general reporting system: None.

Type of shares	Authorized capital			Remark
	Issued shares	Unissued shares	Total	
Common stock	178,009,961	151,990,039	330,000,000	Listed company stock

(II) Shareholding structure:

April 4, 2023 (Based on the register of shareholders) Unit: Share

Shareholding structure: / Amount	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and foreigners	Treasury stock	Total
Number of shareholders	0	3	186	58,432	116	1	58,738
Number of shares held	0	555,999	8,732,332	155,305,852	12,404,778	1,011,000	178,009,961
Shareholding ratio	0.00%	0.31%	4.91%	87.24%	6.97%	0.57%	100%

(III) Shareholding Distribution Status

1. Common stock

<u>Common stock</u>

April 4, 2023

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1~99	22,842	3,061,018	1.72%
1,000~5,000	30,889	59,094,508	33.21%
5,001~10,000	3,111	24,055,092	13.51%
10,001~15,000	723	9,267,625	5.21%
15,001~20,000	415	7,638,498	4.29%
20,001~30,000	309	7,960,502	4.47%
30,001~40,000	146	5,186,548	2.91%
40,001~50,000	76	3,474,366	1.95%
50,001~100,000	126	8,521,930	4.79%
100,001~200,000	49	6,682,417	3.75%
200,001~400,000	22	6,392,554	3.59%
400,001~600,000	12	6,173,066	3.47%
600,001~800,000	2	1,408,987	0.79%
800,001~1,000,000	3	2,852,582	1.60%
Above 1,000,001	13	26,240,268	14.74%
Total	58,738	178,009,961	100.00%

2. Preferred Shares: None.

(IV) List of Major Shareholders

April 4, 2023

Shares / Name of major shareholder	Number of shares held	Shareholding ratio
Fufeng Investment Co., Ltd.	4,783,049	2.69%
Sam Lin	4,446,000	2.50%
James Chou	2,433,829	1.37%
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	2,187,567	1.23%
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,978,182	1.11%
Chongyou Investment Co., Ltd.	1,930,000	1.08%
JC Liu	1,808,013	1.02%
Cindy Guo	1,270,200	0.71%
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the special investment accounts of J.P. Morgan Asset Management	1,264,598	0.71%
Paul Liao	1,078,468	0.61%

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

Information on market price per share, net worth, earnings, dividends

Item			Year 2021	2022	As of March 31, 2023 (Note 8)
Market price per share (Note 1)	Highest		115.50	98.5	52.8
	Lowest		41.55	36.45	42
	Average		72.77	62.32	48.96
Net worth per share (Note 2)	Before distribution		20.83	17.85	-
	After distribution		17.83	-	-
Earnings per share (NTD)	Weighted average number of shares (thousand shares)		176,817	177,309	-
	(Loss) earnings per share (before adjustment) (Note 3)		4.25	0.83	-
	Earnings per share (after adjustment) (Note 3)		-	-	-
Dividends per share	Cash dividends		3	1.2	-
	Stock dividends	Stock dividends appropriated from earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated unpaid dividends (Note 4)		-	-	-
ROI analysis	Price–earnings ratio (Note 5)		17	75.08	-
	Price to dividend ratio (Note 6)		24.26	51.93	-
	Dividend yield (Note 7)		4.12%	1.93%	-

Note 1. List the maximum and minimum market prices of common shares in each year, and calculate the average market prices of each year based on the transaction value and volume of each year.

Note 2. Based on the number of issued shares by the end of the year and according to the distribution approved by the Board of Directors or the next year's Shareholders' Meeting.

Note 3. Earnings per share before and after adjustment shall be listed in case of retroactive adjustment due to gratuitous allotment.

Note 4. If the conditions for the issuance of equity securities stipulate that unpaid dividends for the current year may be accumulated and paid in the year with surplus, the dividends accumulated and unpaid as of the current year shall be disclosed separately.

Note 5. Price-earnings ratio = Average closing price per share/earnings per share for the current year.

Note 6. Price to dividend ratio = Average closing price per share/cash dividend per share for the current year.

Note 7. Dividend yield = Cash dividend per share/average closing price per share for the current year.

Note 8. The fields of net value per share and earnings per share shall be filled with the information audited (reviewed) by CPAs in the most recent quarter up to the publication date of the Annual Report; The rest fields shall be filled with the current year's data as of the publication date of the Annual Report.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy:

The Company must consider the soundness and stability of its financial structure for the distribution of dividends. It shall also determine the ratio of the cash dividends and stock dividends distributed in the current year based on requirements for the Company's growth. The distribution of earnings for the current year shall be based on the principle of no less than fifty percent (50%) of the accumulated distributable earnings, and the distribution ratio of cash dividends shall no less than ten percent (10%) of the total dividends.

2. Proposed dividend distribution for the current year:

The Company's 2022 distribution plan for earnings was adopted by the board meeting on February 24, 2023. The Board of Directors, in accordance with the provisions of the Company's Articles of Association, resolved to distribute a cash dividend of NT$ 1.2 per share, totaling NT$ 212,398,754.

(VII) The impact of the gratuitous allotment of shares proposed at this Shareholders' Meeting on the Company's operating performance and earnings per share: None.

(VIII) Remuneration for employees and directors:

1. Percentage or range of remuneration for employees and directors as set out in the Articles of Association:

The Company shall allocate 11% to 13% of the Company's pre-tax profit of the current period before deducting the employees' remuneration and Directors' remuneration of the year as employees' remuneration and no more than 3% as Directors' remuneration. However, if the Company has accumulated losses (including adjustment on non-distributed earnings), the Company shall set aside a part of the profit first to make up for the losses.

The remuneration in the preceding paragraph shall be in stock or cash and shall include the employees of the subsidiaries who meet the conditions set by the Board of Directors. The Directors' remuneration specified in the preceding paragraph shall only be distributed in cash.

The procedures in the two preceding paragraphs must be approved by the Board of Directors and reported to the shareholders' meeting.

2. Basis for estimating the amount of remuneration for employees and directors, basis for calculating the number of shares to be distributed as stock dividends, and accounting treatment for any differences between the actual amounts distributed and the estimated amounts:

If there is a significant change in the amount of payment resolved by the Board of Directors prior to the date of approval of the annual financial report, the change shall be considered as the annual expense. If there is still a change in the amount after the date of approval of the annual financial report, the change shall be treated as a change in accounting estimate and recorded in the following year.

The estimated amount of employee bonuses and directors' compensation at the end of 2022 is the same as the amount resolved by the Board of Directors on February 24, 2023.

3. The distribution of remuneration approved by the Board of Directors:

(1) Distribute employees and directors' compensation in cash or stock. If there is any discrepancy between the amount recognized and the amount estimated in the year of expense recognition, the amount of the discrepancy, the reason for the discrepancy, and the treatment therefore shall be disclosed:

On February 24, 2023, the Board of Directors decided to allocate NT$ 27,731,919 to employees and NT$ 6,932,980 to directors. There are no discrepancies between the employees' remuneration and Directors' remuneration and the amount estimated in 2022.

(2) Amount of Employee Compensation Distributed in Stock and its Proportion to the Aggregate Amount of Net Income After Tax and Total Employee Compensation in the Parent Company Only or Individual Financial Statements for the Period: None.

4. Information on Distribution of Compensation of Employees, Directors, and Supervisors (With an Indication of the Number of Distributed Shares, Monetary Amount, and Stock Price) And, If There Is Any Discrepancy Between the Actual Distribution and the Recognized Employee, Director, or Supervisor Compensation, Additionally the Discrepancy, Cause, and How It Is Treated:

In 2021, the Company allotted NT$125,234,723 in cash dividends to employees and NT$29,351,888 in remuneration to directors and supervisors. The actual allotment was not different from the proposed allotment approved by the Board of Directors.

(IX) Share Repurchases:

1. Shares repurchased:

Term of buyback	8th (term)
Purpose of buyback	Transfer of shares to employees
Buyback period	2019.8.7~2019.10.3
Range of price	21~35
Type and number of shares repurchased	Common shares: 3,000,000
Amount of shares repurchased	81,102,995
Percentage of repurchased quantity to scheduled repurchase quantity (%)	100%
Number of shares eliminated and transferred	2,938,000 shares
Cumulative number of shares	62,000 shares
Ratio of cumulative number of shares held to total number of shares issued (%)	0.03%

Term of buyback	9th (term)
Purpose of buyback	Transfer of shares to employees
Buyback period	2021.11.8~2021.12.30
Range of price	65~110
Type and number of shares repurchased	Common shares: 1,500,000
Amount of shares repurchased	138,234,997
Percentage of repurchased quantity to scheduled repurchase quantity (%)	100%
Number of shares eliminated and transferred	551,000 shares
Cumulative number of shares	949,000 shares
Ratio of cumulative number of shares held to total number of shares issued (%)	0.53%

2. Shares under repurchase: None.

II. Issuance of corporate bonds (including overseas corporate bonds): None.

III. Issuance of preferred shares: None.

IV. Global depositary receipts: None.

V. Issuance of employee stock options: None.

VI. Restricted stock for employees: None.

VII. New share issuance in connection with mergers and acquisitions

VIII. Implementation of capital allocation plan:

(I) Content of capital allocation plan:

As of one quarter prior to the publication date of the Annual Report, previous offerings or private placements of securities have not been completed, or have been completed within the last three years and the planned benefits have not been realized: None.

(II) Implementation status: None.

Chapter 5. Operation overview

I. Business activities

(I) Scope of business

1. Main content of the Company's business:

   Research, develop, manufacture, test and sell integrated circuit products for various applications.

2. Proportion of main product sales:

Unit: NT$ thousand

Main products	Amount of operating revenue in 2022	Proportion of Business
Power and Analog	1,352,582	47%
Smart Applications	456,265	16%
Distribution of electronic components	1,079,306	37%
Total	2,888,153	100%

3. Current products (services) :

   (1) Self-developed, produced and sold products: power management and analog ICs, smart application ICs.

   (2) Concurrent business: integrated application and distribution of electronic components from internationally renowned brands.

4. Planned new products (services) :

   (1) Power management and analog ICs: USB Type-C PD (Power Delivery), Qualcomm® Quick ChargeTM 3+/4/4+/5, UFCS, and other protocol controllers, primary-side PWM power control ICs, and synchronous rectification control ICs for USB Type-C wall chargers, car chargers, and power banks. USB Type-C PD, Qualcomm Quick Charge 3+, UFCS, and other protocol controllers for notebook computers and mobile phones. Wireless and fast-charging control ICs for wireless charging pad. Secondary-side supervisor ICs for switched power supply (SPS).

   (2) Smart application ICs: Smart camera processing ICs with image detection and identification and AI technology for advanced driver assistance systems (ADAS), security or smart manufacturing. ISP ICs for automotive, industrial control, and consumer product lenses, ICs for highly-integrated smart fan motor driver and control, and a series of general-purpose 8-bit and 32-bit microcontrollers.

(II) Industry overview

1. Current situation and development of the industry:

   According to the statistics revealed by the Science and Technology International Strategy Center (ISTI), ITRI, the output value of Taiwan's IC industry in 2022 reached NT $4,837 billion (US$ 162.3B), an increase of 18.5% compared to 2021. Specifically, the output value of IC design industry was NT$ 1,232 billion (US$ 41.3B), up 1.4% from 2021; IC manufacturing was NT$ 2,920.3 billion (US$ 98.0B), up 31.0% from 2021, with wafer foundry reaching NT$ 2,684.7 billion (US $90.0B), up 38.3% from 2021; memory and other manufacturing was NT$ 235.6 billion (US$ 7.9B), a decline of 18.2% from 2021; the IC packaging industry was NT$ 466 billion

(US$15.6B), up 7.0% from 2021; the IC testing industry was NT$ 218.7 billion (US$ 7.3B), up 7.7% from 2021.

In 2022, the global semiconductor market achieved a total annual sales value of US$573.5 billion, up 3.2% from 2021.

This growth is much lower than the 26.7% of increase in 2021, when the pandemic drove demand for personal and household electronics and prices rose due to shortages of materials. Similarly, in the second half of 2022, due to factors such as inflation, war, and the gradual normalization of life and work after the global pandemic, Taiwan's IC design industry conducted the inventory adjustment due to a sharp drop in terminal demand. The final annual growth rate was only 1.4%, which was significantly lower than 42.4% in 2021.

The statistics and estimated output value of Taiwan's IC industry in 2022 are shown in the following table

Unit: NT$ 100 million

	2021	2022	Annual growth
Output value of IC design industry	12,147	12,320	1.4%
Output value of IC manufacturing industry	22,289	29,203	31%
Output value of IC packaging industry	4,354	4,660	7.0%
Output value of IC test industry	2,030	2,187	7.7%
Total output value	40,820	48,370	18.5%

(Source: TSIA; ISTI of ITRI, February 2023)

Looking ahead to 2023, due to the economic downturn, low demand, and high inventory level, the overall industry will continuously perform the inventory adjustment until it strikes a balance between the supply and demand. The ISTI of ITRI estimated that the output value of Taiwan's IC industry will be about NT$ 4.56 trillion in 2023, with an annual decline of -5.6%, which is higher than the global semiconductor market's decline of -4.1%.

Among them, the the output value of of the IC design industry is estimated to be NT$ 1.08 trillion, with an annual decline of 12.3%. This is the first recession we've seen in years.

2. The relationship between the upstream, mid-stream and downstream of the industry:

Taiwan has a sound division of labor system in IC industry. Its design, manufacturing, packaging, testing play a pivotal role in the supply chain of the global electronics industry. The IC design industry leads the planning, R&D, application and sales of IC products, serving as an important bridge between the semiconductor industry and the electronic product industry. The relationship between the upstream, mid-stream and downstream of the industry:

－Upstream: The upstream of IC design industry involves wafer, packaging, testing and other cooperative OEMs. Our main strategic partners are the world's leading wafer fabs. Almost all of our packaging is done by professional packaging companies in Taiwan, and most of testing is done by ourselves.

－Midstream: IC design provides product planning, development, sales and technical services. Midstream involves the application solution providers and agents, responsible for promoting IC products to the client side. Our agents are classified according to the product characteristics, and we select suitable agents based on the marketing ability, technical support and other professional abilities

－Downstream: The downstream of the IC design industry involves the clients who buy ICs, i.e. users of ICs. Usually, they are electronic product manufacturers who assemble and integrate ICs into the finished products.

3. Various development trends and competition faced by products:

In recent years, the electronics industry has shifted its focus from personal computers to smart phones, tablets and wearable devices. Hot fields include network communication, audio-visual multimedia, storage and memory devices, artificial intelligence, Internet of Things, smart power supply, sports monitoring watches and bracelets, mobile payment, advanced driver assistance systems, etc. With many years of experience, our products focus on power, video, motor control, consumer electronics and other fields. In a broad sense, our products can be categorized into the current hot fields such as power management, smart vision, and intelligent control, which are in line with the current global development trend. The specific examples are as follows:

1. Power management: Switching power supplies for desktop computers, servers, game consoles, and fast-charging chargers for mobile phones, tablets, laptops, game consoles, etc., which support USB Type-C PD or Qualcomm Quick Charge 3+/4/4+/5.
2. Smart vision: Smart camera processing ICs with image detection and identification and AI technology can be applied to advanced driver assistance systems (ADAS), security or smart production. We also have ISP ICs for automotive, industrial control, and consumer product lenses and ICs for projectors with intelligent auto adjustment function.
3. Intelligent control ICs: ICs for intelligent cooling fan motor drive and control, ICs for POS payment, and various 8-bit or 32-bit MCUs.

All of the above are the current hot areas, with large development potential. However, electronic products are rapidly evolving, and IC designers not only have to quickly develop the products required by the market, but also have to invest heavily in technical manpower and R&D material costs, making competition very fierce. With the advantages of functional differentiation, excellent quality, reasonable price, stable delivery, our products won the recognition of clients.

(III) Technology and R&D overview

1. R&d expenditures in the most recent year and up to the publication date of the Annual Report:

A total of NT$ 338,885 thousand was spent on R&D in 2022.

2. Up to now, the Company has applied for a total of 255 patents. The technologies or products that have been successfully developed are described as follows:

(1) Power and Analog

- Supervisor ICs for secondary-side of switching power supply: We provide a series of ICs for the power supplies of personal computers, servers, and game consoles. These ICs are widely used by domestic and foreign power supply manufacturers.

  The programmable function of the latest generation of digital power supervisor ICs allows clients to design more flexible products, help clients shorten development cycle and lower development risks.

- USB PD and other fast-charging control ICs: Suitable for USB Type-C chargers, support fast-charging function, the whole series of ICs have passed the USB-IF certification and have been adopted by many international manufacturers of notebook computer and mobile phones. With the evolution of USB PD specifications, we have successfully developed a series of products with the latest USB PD 3.1 specifications ahead of the industry. We also have fast-charging ICs for smart phones and tablets with specifications such as Qualcomm Quick Charge and proprietary fast-charging specifications for well-known Chinese smart phone brands. Among them, our Qualcomm Quick Charge 3+/4/4+/5 control IC was the first Qualcomm-certified and mass-produced IC in the world.

- Primary-side PWM power control ICs: We offer PWM (pulse width modulation) and synchronous rectification (SR) control ICs for power adapters, which include comprehensive power protection features and control modes to enhance system efficiency. Our ICs also support GaN co-packaging for increased performance. We have developed a series of power control ICs for USB Type-C PD and Quick Charge applications, enabling power designers to create efficient and highly reliable power products in record time. These ICs have been successfully mass-produced and are readily available.

(2) Smart Applications

- Advanced driver assistance system (ADAS): The around view monitor (AVM) and smart camera ICs are used in the vehicle safety assistance system, with the functions of 360-degree panoramic view, lan departure warning, motion detection and blind spot detection to reduce the blind spot and improve driving safety. In response to the needs of intelligent projectors, we have developed ICs for projectors with intelligent auto adjustment function.

- ISP ICs for automotive, industrial control, and consumer product lenses.

- Magnetic stripe decoder ICs, smart card interface ICs, and QR Code Reader ICs for POS devices.

- Highly-integrated intelligent fan motor driver and control ICs for servers, base stations, charging station, solar inverters, graphics cards, and other cooling fans.

- A series of general-purpose 8-bit and 32-bit MCUs: Continuous development of highly-integrated single chips for small home appliances, motors, toys, game input devices, USB keyboards, mice, etc.

(IV) Long- and Short-Term Business Development Plans

1. Continuous development of new products

Short-term: Constantly improve the function and yield of existing products to strengthen product competitiveness. In addition, our Japanese supplier for the distribution business is constantly working to develop new products that can help promote our company's growth.

Long-term: To align with the upcoming market trends, our plan is to develop a range of products that leverage our existing technology and product base. The specific plans are as follows:

– Power management and analog ICs: USB Type-C PD (Power Delivery), Qualcomm® Quick ChargeTM 3+/4/4+/5, UFCS, and other protocol controllers, primary-side PWM power control ICs, and synchronous rectification control ICs for USB Type-C charger. Wireless and fast-charging control ICs for wireless charging board. Secondary-side supervisor ICs for switching power supply.

– Smart application ICs: Smart camera processing ICs with image detection and identification and AI technology can be applied to advanced driver assistance systems (ADAS), security or smart production. ISP ICs for automotive, industrial control, and consumer product lenses.

ICs for highly-integrated smart fan motor driver and control, and a series of general-purpose 8-bit and 32-bit microcontrollers.

2. Continuous expansion of new markets

Short-term: Stabilize the existing client base, constantly introduce new models; develop new client base, and actively promote our products.

Long-term: Actively expand client base, strengthen and expand cooperation with agents, and contact more with international manufacturers.

II. Market, Production, and Marketing Overview:

(I) Market analysis:

Our products are mainly sold in Taiwan, China, South Korea, Southeast Asia. Etc. Our products cover all major international brands in the world. In the past two years, the sales proportion by region is as follows:

Unit: NT$ thousand

Year / Country/region	2021		2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Taiwan	883,998	25%	880,294	30%
China	2,265,321	63%	1,809,939	63%
Other countries	452,664	12%	197,920	7%
Total	3,601,983	100%	2,888,153	100%

In terms of self-developed products, our two product lines have been developed in a balanced manner and our product structure is quite sound. The market share and future supply and demand of the Company, its subsidiary Dongguan Prosil Electronics Co., Ltd., and the newly acquired Sentelic Corporation, are described as follows:

– Power management and analog ICs:

(1) Our secondary-side supervisor ICs hold the largest market share in the SPS industry for PCs and game consoles worldwide. The latest generation of digital power supervisor ICs offers programmable functionality, enabling clients to design more flexible products and reducing development cycles and risks.

(2) To meet the growing demand for fast charging, many international manufacturers have chosen our USB Type-C PD and other fast-charging control ICs, resulting in a leading market share. We are committed to developing fast-charging control ICs for laptops, mobile phones, tablets, game consoles, and after-sales markets.

(3) In 2019, we launched primary-side PWM power control ICs to be paired with our USB Type-C PD control ICs. Leveraging the technical advantages of this product and our strong market position in USB Type-C PD control ICs, we will continuously promote overall optimization of our total solution.

– Smart application ICs:

(1) Car manufacturers have begun mass-producing and shipping small quantities of ICs for AVM image monitoring and smart cameras.

(2) Payment-related chips, including POS magnetic stripe decoder ICs and smart card interface ICs, maintain a stable market share due to high entry barriers for new competitors and security authentication requirements. QR code reader ICs, which support multiple payment methods, are applicable to both industrial and consumer electronics.

(3) Leveraging the technology of recently acquired subsidiary, Sentelic Corporation, our smart fan motor drive and control ICs hold a market share of 10% to 20% in the server cooling fan field. They are also utilized in base stations, charging stations, solar inverters, graphics cards, and other related products.

(4) Our line of 8-bit and 32-bit general-purpose MCUs offers a comprehensive range of computing speeds and power requirements, making them suitable for various products, such as computer and gaming peripherals, small home appliances, and household healthcare devices. These MCUs have been successfully introduced by numerous clients and maintain stable shipment levels.In terms of agent products, the market share and future supply and demand of the Company and its subsidiary Dongguan Prosil Electronics Co., Ltd. are described as follows:

1. With the head office's existing R&D capabilities and actual performance, we will enhance technical support to clients and improve operational performance in key client base and important industries such as automotive, power and motor.

2. Keep abreast of client dynamics and market information, introduce complementary product lines at the proper time, strengthen our competitiveness and create more value to clients.

3. Make good use of our information system to keep abreast of the latest inventory and market trends, review the incoming and outgoing inventory regularly, maintain good stock quality, and keep the best supply condition at all times.

4. Our subsidiary Dongguan Prosil Electronics Co., Ltd has been taking over the business of Taiwanese companies transferred to Dongguan and actively promoting the mature application solutions from Taiwan to the local potential clients to generate new revenue.

The advantages and disadvantages of the Company's future development are listed as follows:

– Advantages:

1. Good professional and brand image is conducive to the development of new products.
2. The sound financial status is conducive to responding to current and unforeseen market conditions.
3. Our test factory can provide the best services to clients.
4. Deep relationships with key supply partners provide competitive supply chain advantages.
5. We are a distributor of internationally renowned brands of electronic components for integrated applications and sales, which is conducive to providing clients with total solution.
6. By gradually establishing relationships with brand manufacturers and gaining trust, we can obtain specifications early and facilitate product development.

– Disadvantages:

1. The tight production capacity of global wafer fabs and rising prices have slightly affected profits.
2. Uncertainties such as the Ukrainian-Russian war and inflation may affect end-user consumption.
3. China's supply chain is supported by national policies, making competition unfair. As a result, the market and profit margins are facing challenges.

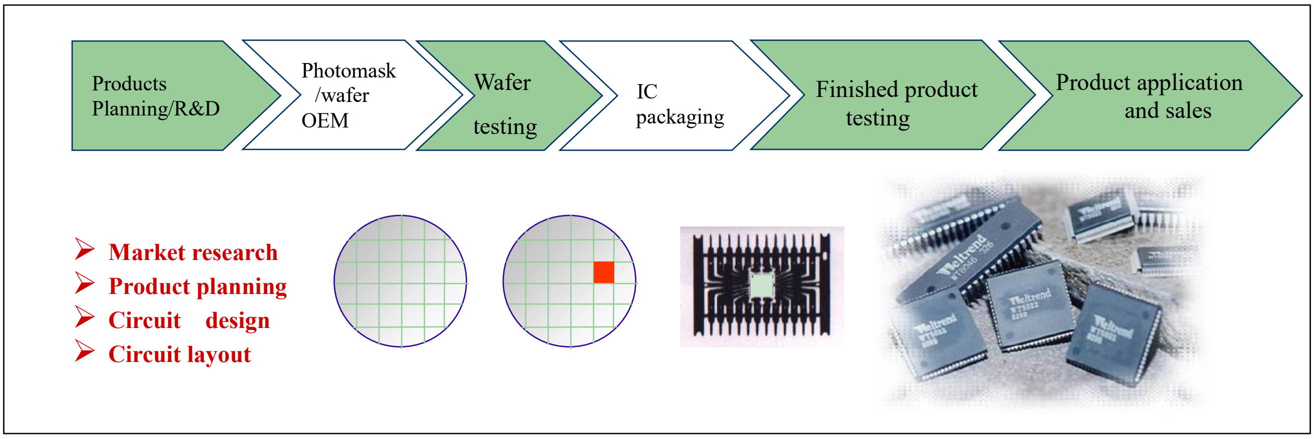
(II) Important applications and production process of major products

1. Important uses of major products

Primary uses	Product family
Power Managerment	Supervisor ICs of switched power supplies for desktop computers, servers, game consoles, and fast-charging chargers for mobile phones, tablets, laptops, game consoles, etc., which support USB Type-C PD or Qualcomm Quick Charge 3+/4/4+/5.
Imaging solution	Smart camera processing ICs with image detection and identification and AI technology can be applied to advanced driver assistance systems (ADAS), security or smart production. ISP ICs for automotive, industrial control, and consumer product lenses. ICs for projectors with intelligent auto adjustment function.
Smart Controller	Highly-integrated intelligent fan motor driver and control ICs for servers, base stations, charging stations, solar inverters, graphics cards, and other cooling fans. ICs for POS payment.

2. Manufacturing process

As shown below, the Company is positioned as a Fabless IC Company, commonly known as an IC design house. The main work includes IC product planning, R&D, testing, sales, etc. The production process is illustrated as follows:



(1) Circuit development and design process: Develop circuits based on market and product planning and client requirements, and design and simulate them with CAD.

(2) Photomask and wafer manufacturing process: They are commissioned to be manufactured by professional photomask and wafer fabs. After all processes are completed, electrical parameters will be measured and inspected before delivery.

(3) Wafer testing process:: Wafer testing and development and IC functional test are performed under a complete system.

(4) IC packaging process: After testing, wafers are assigned to the packaging factory to carry out packaging operations for required packaging types, such as DIP, SOT, SOP, QFN, QFP/LQFP, BGA/LGA, etc.

(5) Finished product testing and shipping process: After full functional testing by our factory and the outsources professional testing factories, we will carry out the shipment according to the order.

(III) Availability of major raw materials

The Company is an IC design company, also known as fabless IC company. Its core work is to develop, test, promote and sell IC products. The Company outsources the wafer fabrication and IC packaging. Therefore, the main raw materials refer to wafers and packaging.

The Company cooperates with leading wafer fabs, and its process technology, production efficiency, scheduling flexibility and production quality are second to none in the world. The Company has been able to supply on time and in full as long as a reasonable delivery schedule is given. Due to the global post-pandemic challenges and the imbalance between supply and demand of semiconductors caused by the Sino-US trade war, the inventory and capacity utilization of raw materials in the supply chain have undergone complex changes. The inventory of electronic components has remained high because of the surge of inventory in the end market and the decline in demand.

The advantage of the Company is that it has always attached importance to long-term relationships with suppliers. We have maintained good interaction and loyal partnership with wafer fabs and packaging and testing plants. Although we have previously agreed with suppliers on capacity requirements due to market changes and decreasing end-use demand in 2022, we negotiate with suppliers on capacity adjustments and effective inventory control in the face of changes in market demand. Additionally, we actively strengthen our sales efforts to reduce the inventory. Besides, in response to issues related to the supply chain arising from Sino-US trade war, the production planning of the dual supply chain is based on the subsequent production planning and layout direction to meet the requirements of the U.S. and China.

In terms of distrubiton business, we mainly provide ICs and electronic components from a Japanese supplier. The supplier's wafer fabrication and packaging and testing facilities still face high inventory levels, and digesting the inventory was the biggest challenge facing them in 2022.

(IV) Production strategy

1. Make full use of Taiwan's unique semi-conductor subcontracting capabilities and provide customization flexibility to meet the diverse and specific needs of our clients and to enhance client satisfaction.
2. Establish good partnership with wafer fabs, packaging and testing plants, and have a tacit understanding of them, to ensure production capacity and control product delivery, quality and yield, to meet client demand and service expectations.
3. Establish the long-term cooperation with wafer fabs and third-party manufacturers to increase product quality and price competitiveness.
4. Improve product process capability and take advantage of wafer fabs' new process technology and packaging technology to lower cost, improve yield and market competitiveness.
5. Maintain long-term cooperation with upstream wafer fabs, packaging and testing manufacturers, and strive to be their strategic partners to jointly develop special functional processes to lower production costs and develop competitive products.
6. Due to the changes in the supply and demand environment in 2022, we flexibly responded to market changes. Apart from negotiating production capacity planning with suppliers, we have timely adjusted production capacity and estimated medium to long-term demand based on inventory conditions, to achieve favorable operational planning for both parties. For the production capacity estimation and deployment required for future economic recovery, we coordinate with our suppliers on a rolling basis to ensure capacity planning in accordance with market changes.

(V) List of major importers and sellers in the last two years:

Names of clients who have accounted for more than 10% of the total volume of imports (sales) in any year of the recent two years, together with the amount and proportion of imports (sales) and the reasons for the changes. However, as contract stipulates that the name of the client or the counterparty shall not be disclosed, if the client is an individual and not a related party, a code shall replace the name.

Information on Major Suppliers in the Last Two Years

Unit: NT$ thousand

	2021				2022			
Items	Company Name	Amount	Ratio to Net Purchase (%)	Relationship with Issuer	Company Name	Amount	Ratio to Net Purchase (%)	Relationship with Issuer
1	Supplier A	812,987	36%	None	Supplier A	716,110	32%	None
2	Supplier B	915,045	40%	None	Supplier B	876,026	39%	None
3	Others	540,913	24%	-	Others	653,761	29%	-
	Net purchases	2,268,945	100%	-	Net purchases	2,245,897	100%	-

Note 1. In 2022, the purchase amount of Supplier A decreased due to the decline in orders from clients as a result of the industry downturn. The decrease in purchase amount of Supplier B is due to the decline in net sales revenue of power management and analog ICs.

Note 2. List the names of suppliers who have purchased more than 10% of the total amount of goods in the last two years and the amount and proportion of goods purchased. However, as contract stipulates that the name of the supplier or the counterparty shall not be disclosed, if the supplier is an individual and not a related party, a code shall replace the name.

Note 3. As of the printing date of the Annual Report, financial information of companies whose shares are listed or traded on the stock exchange shall be disclosed if they have been audited or reviewed by CPAs recently.

Information on major clients in the last two years

Unit: NT$ thousands

	2021				2022			
Items	Company Name	Amount	Ratio to Net Sales (%)	Relationship with Issuer	Company Name	Amount	Ratio to Net Sales (%)	Relationship with Issuer
1	Note 1	-	-	-	Note 1	-	-	-
2	Others	3,601,983	100%	-	Others	2,888,153	100%	-
	Net sales	3,601,983	100%	-	Net sales	2,888,153	100%	-

Note 1. In the last two years, the Company has no suppliers who have purchased more than 10% of the total amount of goods.

Note 2. As of the printing date of the Annual Report, financial information of companies whose shares are listed or traded on the stock exchange shall be disclosed if they have been audited or reviewed by CPAs recently.

(VI) Table of Production and Sales for the last two years:

1. Production in the Last Two Years

Unit: Thousand pieces/NT$ thousand

Production volume / Major products (Year)	2021			2022		
	Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Power and Analog	115,000	285,339	1,152,615	115,000	145,310	809,508
Smart Applications	50,000	73,480	315,100	50,000	42,932	209,240
Total	165,000	358,819	1,467,715	165,000	188,242	1,018,748

Note: The parts beyond the Company's production capacity will be outsourced to professional testing facilities to conduct full-function testing operations.

2. Shipments and Sales in the Last Two Years

Unit: Thousand pieces/NT$ thousand

Shipments & Sales / Major products (Year)	2021				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Power and Analog	29,246	230,700	241,074	1,641,776	17,491	174,437	126,552	1,178,145
Smart Applications	11,422	131,405	58,219	349,024	15,249	177,450	39,284	278,815
Distribution of electronic components	571,118	521,893	781,200	727,185	504,995	528,407	519,628	550,899
Total	611,786	883,998	1,080,493	2,717,985	537,735	880,294	685,464	2,007,859

III. Employees

Number of employees, average length of service, average age and education background for the last two years and as at the publication date of the Annual Report

Year		2021	2022	As of April 17, 2023
Number of employees	Administration/ finance	32	52	53
	Business	71	95	95
	Technology	209	216	217
	Total	312	363	365
Average age		44.29	44.70	45.40
Average Years of Services		11.68	11.23	11.84
Distribution of education background	Ph.D.	2%	1%	1%
	Master's degree	31%	32%	32%
	Bachelor's degree	62%	62%	62%
	Senior high school	5%	5%	5%
	Below senior high school	0%	0%	0%

IV. Environmental Expenditure Information

(I) Losses suffered as a result of environmental pollution in the most recent year and up to the publication date of the Annual Report: None.

(II) Estimated current and potential future amounts and countermeasures. If it cannot be reasonably estimated, the reasons shall be stated: None.

(III) The Company is engaged in product development, design and sales, and outsources its self-developed wafers and IC packaging to relevant suppliers. The Company conducts wafer testing, package testing and subsequent packaging and shipping internally, so it is pollution-free.

In the last two years and up to the publication date of the Annual Report, the Company's products are in line with the relevant standards of RoHS, and has not suffered any loss or punishment due to environmental pollution. Therefore, there are no future countermeasures and possible expenses.

(IV) As for the process and ICs provided by suppliers, in accordance with the Company's Supplier Management Regulations and HSF Management Procedures, suppliers shall provide material analysis reports regularly every year to confirm whether they are green products as defined by the Company. The Company also appoints a third-party certification company to test, monitor and manage the supplier's materials to comply with regulations for the management of hazardous substances, as well as the relevant regulations of ROHS and Sony GP.

(V) For defective scrapped IC products, the Company entrusts a Class-A waste removal and treatment company registered by the government to handle the disposal of these products every six months.

(VI) In 20029, the Company was certified by IECQ QC 080000 Hazardous Substance Process Management. The Company conducts annual certification audit by the accredited firm and has obtained validity certificate for certification system.

(VII) The Company initialed the training on the ISO 14001 Environmental Management System in 2022, completed the audit review by the accredited firm in December 2022, and obtained the ISO 14001 certification in March 2023.

V. Labor-management relationship

(I) Employee welfare measures, further education, training and retirement systems and the relevant implementation, as well as labor-management agreements and various employee rights protection measures:

1. In addition to general benefits such as labor insurance, health insurance, group insurance, and pension payments, the Company provides employees with annual bonuses, dividends, wedding and funeral gifts, lunch subsidies, employee education and training, libraries for study and reading, breastfeeding rooms for female employees, and flexible commuting systems.

2. We implement the concept of gender equality in the workplace, and the salary of staff at all levels does not differ due to gender. Although the company is engaged in the electronics, it is committed to diversity and equality in the workplace. Currently, females account for about 40% of the employees and 14% of the senior executives.

3. The Company establishes the Employee Benefit Committee according to law, selects committee members to handle employee benefits, and prepares the annual plan and budget every year, such as preparing festival gifts, organizing group tourism, conducting community activities, holding birthday parties, etc.

4. Employee education and training: To encourage our employees to continuously enrich their knowledge to enhance the corporate competitiveness, we provide complete education and training for new employees so that they can understand the working rules and regulations and become familiar with the work content in a short time. Besides, we provide internal and external professional training courses for existing employees to strengthen their working ability.

5. For employees applicable to the Labor Pension Act, the Company provides the retirement reserve funds at a rate of 6% of employees' monthly salary and deposits them in the labor pension individual account established by the Bureau of Labor Insurance, Ministry of Labor. According to the law, the Company regularly allocates retirement reserves and deposits them in the Bank of Taiwan, and then the Supervisory Committee of Labor Retirement Reserve is responsible for the management and use of retirement reserves.

(II) Losses suffered as a result of labor-management disputes in the most recent year and up to the publication date of the Annual Report: None.

(III) Estimated current and potential future amounts and countermeasures: None.

VI. Cyber security management:

(I) Explain the cyber-related security risk management structure, security policy, and specific management plan, and resources invested in cyber security management:

1. Cyber security risk management structure

To strengthen the risk management of information security, the Information Department is responsible for coordinating and implementing the information security policy, establishing the information security risk management structure and the process flow and specific management plan of information security incident notification, regularly reviewing the information security policy, propagating information security messages, and enhancing the employee awareness of information security to ensure information security.

2. Cyber security policy

To improve the information security governance and defense capabilities, the Company has established an internal control system. All information operations are subject to the internal control system and the risk management review by the internal and external units on a regular and daily basis. The Company strives to achieve the following goals.

(1) Ensure the confidentiality and integrity of information assets.

(2) Ensure that data access is regulated according to departmental functions.

(3) Ensure the continuous operation of information systems.

(4) Prevent unauthorized modification or use of data and systems.

(5) Perform regular security audit to ensure information security.

3. Specific management plan, and resources invested in cyber security management

(1) Cyber security control

a. Set up a firewall.

b. Set up endpoint antivirus, mail antivirus and spam systems to protect computer systems and data storage media.

c. Establish an identification system to understand the interoperation of different computers and identify abnormal developments to detect threats in advance.

d. Ensure that the use of various network services is implemented in accordance with information security policies.

e. Check the System Log of each network service item regularly to track the abnormal situation.

(2) Computer equipment security management

a. Appoint dedicated personnel to manage computer equipment and systems.

b. Equip server rooms with independent air conditioners and fire extinguishing equipment. Maintain the equipment regularly to ensure availability.

c. Equip server rooms with independent power supply devices to prevent system downtime caused by power exceptions.

d. Set up environmental control systems in server rooms and report exceptions to the management personnel.

(3) System and data access control

a. Set accounts and passwords for all systems.

b. According to functional requirements, different access rights are granted after process review and approval.

c. Set up and modify system programs. Establish records, audit and other relevant control measures in accordance with change management procedures.

d. Cancel the authority of the personnel who leave their positions.

(4) Emergency response mechanism for recovery

a. Regularly review emergency response plans.

b. Regularly exercise the system for restoration every year.

c. Establish system backup mechanism and implement remote backup.

d. Regularly review computer network security controls.

(5) Publicity and check

a. Publicize information security at any time, and set up an information security bulletin board to enhance employees' awareness of information security.

b. Information operation is subject to the Company's internal control system and risk management audit by internal and external units on a regular basis.

c. Report the information security to the Board of Directors on an annual basis to strengthen its supervision and management of the Company's operations.

4. Status of execution

The Company has no material information security incidents that cause business damage.

Continuously implement information security management policies and regularly conduct recovery plan drills to protect the security of critical systems and data.

(II) List the losses, possible impacts and measures taken as a result of material information security incidents in the most recent year and up to the date of printing of the Annual Report. If it cannot be reasonably estimated, the reasons shall be stated.

In the most recent year and up to the publication date of the Annual Report, the Company has no material information security incidents that cause business damage.

VII. Material contracts: List the parties involved, main contents, restrictive covenants and start/end dates of supply and marketing contracts, technical cooperation contracts, engineering contracts, long-term lease contracts and other important contracts affecting shareholders' rights and interests that are still in force as of the publication date of the Annual Report and expire in the most recent year.

Nature	Party involved	Start/end date	Main contents	Restrictive covenants
Lease contract	Administration Bureau of Hsinchu Science Park	2022/01/01~2026/12/31	Plant leas	None
Agent Agreement	ROHM	2023/04/01~2024/03/31	Integrated circuit sales	None
Agent Agreement	C7	2017/10/01~ automatic extension	Agent specifications Product Distribution Contract	None
Sales Contract	C1	2009/02/06 ~ automatic extension	Product sales	None
Sales Contract	C2	2011/12/30 ~ automatic extension	Product sales	None
Sales Contract	C3	2011/12/30 ~ automatic extension	Product sales	None
Sales Contract	C5	2020/05/27 ~ automatic extension	Product sales	None
Sales Contract	C8	2021/08/19 ~ automatic extension	Product sales	None
Sales Contract	C9	2022/02/16 ~ automatic extension	Product sales	None
Sales Contract	C10	2022/06/16 ~ automatic extension	Product sales	None
OEM Agreement	S1	2012/10/30 ~ automatic extension	Long-term OEM Agreement	None
OEM Agreement	S9	2021/08/26~2025/02/25	Packaging test	None
Commissioned processing	S10	2021/12/22 ~ automatic extension	Commissioned Processing Contract	None
License Agreement	S3	2018/08/10~2028/08/10	License Agreement for Software	None
License Agreement	S4	2021/03/25~2031/03/25	License Agreement for Software	None
License Agreement	S4	2021/05/04~2031/05/04	License Agreement for Software	None
Sale and Purchase Agreement	S11	2021/08/20~2024/08/20	Sale and Purchase Agreement for Software	None
Lease contract	New Foundland Global Corp.	2018/08/01~2024/10/31	House Rental	None

Chapter 6. Financial overview

I. Condensed Balance Sheets and Consolidated Income Statements for the Last Fiscal Five Years

(I) Condensed Balance Sheets and Consolidated Income Statements - International Financial Reporting Standards

1. Condensed Balance Sheet - Consolidated

Unit: NT$ thousands

Item \ Year		Financial summary for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		3,552,899	3,449,207	3,911,764	4,852,329	4,328,088
Real estate, plant and equipment (Note 2)		206,380	275,141	296,873	301,229	325,102
Intangible assets		29,053	31,004	26,135	15,106	718,743
Other assets (Note 2)		49,218	47,906	74,557	90,848	619,682
Total assets		3,837,550	3,803,258	4,309,329	5,259,512	5,991,615
Current liabilities	Before distribution	866,956	699,237	1,015,013	1,494,964	2,011,188
	After distribution	1,045,000	961,914	1,298,466	2,024,494	(Note 4)
Non-current liabilities		80,481	131,058	107,061	98,441	215,772
Total liabilities	Before distribution	947,437	830,295	1,122,074	1,593,405	2,226,960
	After distribution	1,125,481	1,092,972	1,405,527	2,122,935	(Note 4)
Equity attributable to owners of the parent company		2,884,920	2,967,148	3,180,635	3,659,693	3,153,363
Share capital		1,780,444	1,780,144	1,780,100	1,780,100	1,780,100
Capital reserve		17,543	17,129	17,067	39,555	69,026
Retained earnings	Before distribution	1,105,810	1,280,917	1,453,533	2,033,369	1,575,350
	After distribution	927,766	1,018,240	1,170,080	1,503,839	(Note 4)
Other equity		(18,877)	(32,858)	(10,883)	(32,053)	(167,949)
Treasury stock		-	(78,184)	(59,182)	(161,278)	(103,164)
Non-controlling interests		5,193	5,815	6,620	6,414	611,292
Total equity	Before distribution	2,890,113	2,972,963	3,187,255	3,666,107	3,764,655
	After distribution	2,712,069	2,710,286	2,903,802	3,136,577	(Note 4)

Note 1. The above financial information has been verified by CPAs.
Note 2. The above listed assets have not been revalued in the last two years.
Note 3. As of the printing date of the Annual Report, financial information of companies whose shares are listed or traded on the stock exchange shall be disclosed if they have been audited or reviewed by CPAs recently.
Note 4. The profit distribution plan for 2022 has not been approved by the Shareholders' Meeting.
Note 5. The above post figures shall be entered according to the resolution approved by the Board of Directors or the next year's Shareholders' Meeting.

2. Condensed Consolidated Income Statement—Consolidated

Unit: NT$ thousand

Item \ Year	Financial summary for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,564,457	2,322,116	2,619,977	3,601,983	2,888,153
Gross profit	634,335	575,325	666,269	1,105,869	843,621
Operation profit and loss	176,981	56,177	126,343	459,957	243,444
Non-operating income and expenses	47,227	310,630	235,956	367,589	(103,888)
Net Profit Before Tax	224,208	366,807	362,299	827,546	139,556
Net income from continuing operations	176,265	326,122	341,504	751,344	107,870
Loss from discontinued operations	-	-	-	-	-
Net income	176,265	326,122	341,504	751,344	107,870
Other comprehensive income (after tax)	(9,126)	10,506	116,192	91,136	(211,756)
Total comprehensive income	167,139	336,628	457,696	842,480	(103,886)
Net income attributable to owners of the parent company	176,309	325,465	340,929	750,940	146,771
Net (loss) income attributable to noncontrolling interests	(44)	657	575	404	(38,901)
Total consolidated profit or loss attributable to owners of the parent company	167,275	336,024	456,891	842,119	(64,385)
Total comprehensive income attributable to non-controlling interests	(136)	604	805	361	(39,501)
Earnings per share	0.86	1.84	1.94	4.25	0.83

Note 1. The above financial information has been verified by CPAs.

Note 2. As of the printing date of the Annual Report, financial information of companies whose shares are listed or traded on the stock exchange shall be disclosed if they have been audited or reviewed by CPAs recently.

3. Condensed Balance Sheet - Parent Company

Unit: NT$ thousand

Year / Item		Financial summary for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		2,890,591	2,767,952	2,946,501	3,964,878	2,897,423
Property, plant and equipment (Note 2)		205,397	274,365	296,055	297,207	304,246
Intangible assets		29,010	30,904	26,048	15,034	18,198
Other assets (Note 2)		627,137	711,794	812,482	922,526	1,903,098
Total assets		3,752,135	3,785,015	4,081,086	5,199,645	5,122,965
Current liabilities	Before distribution	786,734	686,809	793,390	1,441,511	1,902,734
	After distribution	964,778	949,486	1,076,843	1,971,041	(Note 3)
Non-current liabilities		80,481	131,058	107,061	98,441	66,868
Total liabilities	Before distribution	867,215	817,867	900,451	1,539,952	1,969,602
	After distribution	1,045,259	1,080,544	1,183,904	2,069,482	(Note 3)
Equity attributable to owners of the parent company		2,884,920	2,967,148	3,180,635	3,659,693	3,153,363
Share capital		1,780,444	1,780,144	1,780,100	1,780,100	1,780,100
Capital reserve		17,543	17,129	17,067	39,555	69,026
Retained earnings	Before distribution	1,105,810	1,280,917	1,453,533	2,033,369	1,575,350
	After distribution	927,766	1,018,240	1,170,080	1,503,839	(Note 3)
Other equity		(18,877)	(32,858)	(10,883)	(32,053)	(167,949)
Treasury stock		-	(78,184)	(59,182)	(161,278)	(103,164)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,884,920	2,967,148	3,180,635	3,659,693	3,153,363
	After distribution	2,706,876	2,704,471	2,897,182	3,130,163	(Note 3)

Note 1. The above financial information has been verified by CPAs.
Note 2. The above listed assets have not been revalued in the last two years.
Note 3. The profit distribution plan for 2022 has not been approved by the Shareholders' Meeting.

4. Condensed Consolidated Income Statement - Parent Company

Unit: NT$ thousands

Year / Item	Financial summary for the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,556,976	2,315,605	2,612,754	3,590,255	2,771,368
Gross profit	626,933	570,375	659,777	1,091,240	867,225
Operation profit and loss	178,452	62,422	130,823	456,921	349,838
Non-operating income and expenses	45,226	304,220	227,471	366,889	(153,404)
Net Profit Before Tax	223,678	366,642	358,294	823,810	196,434
Net income from continuing operations	176,309	325,465	340,929	750,940	146,771
Loss from discontinued operations	-	-	-	-	-
Net income	176,309	325,465	340,929	750,940	146,771
Other comprehensive income (after tax)	(9,034)	10,559	115,962	91,179	(211,156)
Total comprehensive income	167,275	336,024	456,891	842,119	(64,385)
Net income attributable to owners of the parent company	-	-	-	-	-
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	0.86	1.84	1.94	4.25	0.83

Note 1. The above financial information has been verified by CPAs.

(II) CPA's opinion for the last five years

Year	Name of CPA	Name of CPA	Audit opinion
2018	Minghui Chen	Tung-Hui Yeh	Unqualified opinion
2019	Minghui Chen	Tung-Hui Yeh	Unqualified opinion
2020	Minghui Chen	Tung-Hui Yeh	Unqualified opinion
2021	Minghui Chen	Tung-Hui Yeh	Unqualified opinion
2022	Pan-Fa Wang	Cheng-Chih Lin	Unqualified opinion

II. Analysis of Financial Ratios for the Last Five Fiscal Years

1. Financial Analysis - International Financial Reporting Standards - Consolidated

Item		Financial analysis for the Last Five Fiscal Years (Note 1) 2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	24.69	21.83	26.04	30.30	37.17
	Ratio of long-term funds to real estate, plants and equipment	1,439.38	1,128.16	1,107.44	1,247.60	1,036.33
Solvency %	Current ratio	409.81	493.28	385.39	324.58	215.2
	Quick ratio	360.24	438.4	343.64	272.07	134.33
	Times interest earned	45.41	117.85	62.84	182.68	11.85
Operating performance analysis	Average collection turnover (times)	3.35	3.22	3.32	3.51	2.95
	Days sales outstanding	109	113	110	104	124
	Average inventory turnover (times)	4.62	4.54	5.13	4.29	1.74
	Average payable turnover (times)	6.41	6	6.03	5.61	5.08
	Average inventory turnover days	79	80	71	85	210
	Property, plant and equipment turnover (times)	12.55	9.64	9.16	12.04	9.22
	Total assets turnover (times)	0.63	0.61	0.65	0.75	0.51
Profitability	Return on total assets (%)	4.46	8.6	8.53	15.78	2.1
	Return on equity (%)	5.7	11.12	11.1	21.97	3.17
	Ratio of net profit before tax to paid-in capital (%)	12.59	20.61	20.35	46.49	7.84
	Net profit (loss) ratio (%)	6.87	14.04	13.03	20.86	3.73
	Earnings (loss) per share (NT$)	0.86	1.84	1.94	4.25	0.83
Cash flow	Cash flow ratio (%)	23.6	26.34	-1.58	13.13	-14.19
	Cash flow adequacy ratio (%)	28.44	50.46	38.52	33.42	10.4
	Cash reinvestment ratio (%)	2.16	0.18	-7.74	-2.12	-21.33
Leverage	Operating leverage	3.52	10.23	5.19	2.41	3.43
	Financial leverage	1.03	1.06	1.05	1.01	1.06

Please explain the reasons for the changes in financial ratios in the last two years. (If the change is less than 20%, no need for analysis)

1. Increase in debt to asset ratio: It was caused by the increase in current liabilities due to the increase in short-term borrowings in 2022.
2. Decrease in current and quick ratio: It was caused by the decrease in current assets and increase in current liabilities due to decrease in current assets and increase in short-term borrowings measured at fair value through profit and loss in 2022.
3. Decrease in times interest earned: It was caused by the decrease in pre-tax benefit and the increase in interest expense in 2022.
4. Decrease in inventory turnover (times): It was caused by the increase in inventory in 2022.
5. Increase in average inventory turnover (days): It was caused by the increase in inventory and decrease in net sales in 2022.
6. Decrease in real estate plants and equipment turnover (times) and total assets turnover (times) : It was caused by the decrease in net sales in 2022.
7. Decrease in return on assets and equities: It was caused by the decrease in net profit due to the decrease in operating gross profit and net non-operating profit of financial assets in 2022.
8. Decrease in ratio of net profit before tax to paid-in capital : It was caused by the decrease in net profit due to the decrease in operating gross profit and net non-operating profit of financial assets in 2022.
9. Decrease in net profit ratio and earnings per share: It was caused by the decrease in net profit due to the decrease in operating gross profit and net non-operating profit of financial assets.
10. Decrease in cash flow, cash flow adequacy ratio and cash re-investment ratio: It was caused by the decrease in net cash inflow from operating activities in 2022.
11. Lower operating leverage: It was caused by the reduced operating profit in 2022.

Note 1. The above financial information has been verified by CPAs

Note 2. As of the printing date of the Annual Report, financial information of companies whose shares are listed or traded on the stock exchange shall be analyzed if they have been audited or reviewed by CPAs recently.

2. Financial Analysis - International Financial Reporting Standards - Parent Company

Year / Item		Financial analysis for the Last Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	23.11	21.61	22.06	29.62	38.45
	Ratio of long-term funds to real estate, plants and equipment	1,443.74	1,129.23	1,110.50	1,264.48	1,058.43
Solvency %	Current ratio	367.42	403.02	371.38	275.05	152.28
	Quick ratio	313.7	347.91	318.67	221.23	77.66
	Times interest earned	45.3	118.03	74.60	388.31	18.59
Operating performance analysis	Average collection turnover (times)	3.35	3.22	3.32	3.52	2.95
	Days sales outstanding	109	114	110	104	124
	Average inventory turnover (times)	4.69	4.61	5.20	4.35	1.78
	Average payable turnover (times)	6.41	6	6.02	5.62	4.85
	Average inventory turnover days	78	79	70	84	205
	Property, plant and equipment turnover (times)	12.58	9.65	9.16	12.1	9.22
	Total assets turnover (times)	0.64	0.61	0.66	0.77	0.54
Profitability	Return on total assets (%)	4.51	8.7	8.77	16.22	3.02
	Return on equity (%)	5.71	11.12	11.09	21.96	4.31
	Ratio of net profit before tax to paid-in capital (%)	12.56	20.6	20.13	46.28	11.03
	Net profit ratio (%)	6.9	14.06	13.05	20.92	5.3
	Earnings per share (NTD)	0.86	1.84	1.94	4.25	0.83
Cash flow	Cash flow ratio (%)	26.69	36.7	-3.3	13.97	-13.69
	Cash flow adequacy ratio (%)	30.76	59.06	45.75	37.52	13.78
	Cash reinvestment ratio (%)	2.3	2.15	-7.9	-1.97	-22.01
Leverage	Operating leverage	3.34	9.22	5	2.4	2.52
	Financial leverage	1.03	1.05	1.04	1	1.03

Please explain the reasons for the changes in financial ratios in the last two years. (If the change is less than 20%, no need for analysis)

1. Increase in debt to asset ratio: It was caused by the increase in current liabilities due to the increase in short-term borrowings in 2022.
2. Decrease in current and quick ratio: It was caused by the decrease in current assets and increase in current liabilities due to decrease in cash and cash equivalents and increase in short-term borrowings in 2022.
3. Decrease in times interest earned: It was caused by the decrease in pre-tax benefit and the increase in interest expense in 2022.
4. Decrease in inventory turnover (times): It was caused by the increase in inventory in 2022.
5. Increase in average inventory turnover (days): It was caused by the increase in inventory and decrease in net sales in 2022.
6. Decrease in real estate plants and equipment turnover (times) and total assets turnover (times) : It was caused by the decrease in net sales in 2022.
7. Decrease in return on assets and equities: It was caused by the decrease in net profit due to the decrease in operating gross profit and net non-operating profit of financial assets in 2022.
8. Decrease in ratio of net profit before tax to paid-in capital : It was caused by the decrease in net profit due to the decrease in operating gross profit and net non-operating profit of financial assets in 2022.
9. Decrease in net profit ratio and earnings per share: It was caused by the decrease in net profit due to the decrease in operating gross profit and net non-operating profit of financial assets.
10. Decrease in cash flow, cash flow adequacy ratio and cash re-investment ratio: It was caused by the decrease in net cash inflow from operating activities in 2022.

Note 1. The above financial information has been verified by CPAs

Note 2. As of the printing date of the Annual Report, financial information of companies whose shares are listed or traded on the stock exchange shall be analyzed if they have been audited or reviewed by CPAs recently.

Note 3. The calculation formulas are as follows

1. 1 . Financial structure
   (1) Debt to asset ratio＝ Total liabilities/Total assets.
   (2) Ratio of long-term funds to real estate, plants and equipment ＝(Total equity + Non-current liabilities)/Net amount of real estate, plants and equipment
2. Solvency
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current assets – Inventories – Prepaid expenses) / Current liabilities.
   (3) Times interest earned = Net profit before income tax and interest / Interest expenses
3. Operation capacity
   (1) Average collection (including accounts receivable and notes receivable arising from operations) turnover = Net sales/Balance of average receivables (including accounts receivable and notes receivable arising from operations) for each period.
   (2) Days sales outstanding = 365/Average collection turnover.
   (3) Average inventory turnover = Cost of goods sold / Average inventory
   (4) Average payable (including accounts payable and notes payable arising from operations) turnover = Net sales/Balance of average payable (accounts payable and notes payable arising from operations) for each period.
   (5) Days sales outstanding = 365/Average inventory turnover.
   (6) Property, plant and equipment turnover = Net operating revenue / Average net property, plant and equipment
   (7) Total assets turnover = Net operating revenue / Average total assets
4. Profitability
   (1) Return on assets = [Profit and loss after tax + Interest expense x (1- Tax rate)] / Average total assets.
   (2) Return on equity = Profit and loss after tax / Average total equity.
   (3) Net profit ratio = Profit and loss after tax / Net sales.
   (4) Earnings per share = (Profit and loss attributable to owners of parent company - Dividends of preferred shares) / Weighted average number of shares issued. (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
   (2) Cash flow Adequacy Ratio = Net cash flow from operating activities in the most recent five years / Sum of capital expenditure, increase in inventories, and cash dividends in the most recent five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other non-current assets + Working capital) (Note 5)
6. Leverage
   (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating profit (Note 6).
   (2) Financial leverage = Operating profit / (Operating profit - Interest expense).

Note 4. Special attention shall be paid to the following matters when using the formula for earnings per share above:

1. Use the weighted average number of ordinary shares, not the number of shares outstanding at the end of year.
2. In the case of the issuance of common stock for cash or the trading of treasury stock, the weighted-average number of shares shall be calculated by taking into account the period of liquidity of the shares.
3. Shares from capitalization of earnings or capital reserve shall be retrospectively adjusted by the proportion of capital increase when calculating the earnings per share for previous annual and semi-annual periods. The issuance period of the capital increase does not have to be considered.

4. If the preferred shares are non-convertible cumulative ones, the dividends for the current year (whether paid or not) shall be reduced from the net profit after tax or increased by the net loss after tax. If the preferred shares are non-cumulative in nature, where net income is available, preferred stock dividends should be deducted from it. No adjustment is required if net loss is posted by the Company.

Note 5. Cash flow analysis shall be measured with special attention to the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to cash outflow from investing activities.
3. Increase in inventories is included only if the balance at the end of period is greater than the balance at the beginning of period. If it is the other way around, the number used should be zero.
4. Cash dividends include cash dividends from common and preferred shares.
5. Gross property, plant and equipment refers to the total value of property, plant and equipment minus accumulated depreciation.

Note 6. The issuer shall classify various operating costs and expenses as fixed and variable by nature. If estimates or subjective judgments are involved, attention should be paid to their rationality and consistency.

Note 7. In the case of shares issued by a company with no par value or a par value other than NT$10 per share, the calculation of the ratio of paid-in capital is changed to the ratio of equity attributable to the owners of the parent company in the balance sheet.

III. Audit Committee’s Report for the Most Recent Fiscal Year's Financial Statement

Audit Committee's Audit Report

The Board of Directors has prepared and submitted the 2022 Business Report, financial statements, and earnings distribution proposal. The financial statements have been audited by Deloitte, Taiwan, which submitted the Independent Auditors' Report. The Audit Committee has reviewed the aforementioned Business Report, financial statements, and the earnings distribution proposal and did not find any instance of noncompliance. The Audit Committee hereby submits the Audit Report for your review and perusal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2023 Annual Meeting of Shareholders

Weltrend Semiconductor Incorporated

Audit Committee Convener: Gerald Kuo

February 24, 2023

Independent Auditor's Report

The Board of Directors and Shareholders

Weltrend Semiconductor, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Weltrend Semiconductor, Inc. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022, are stated as follows

Sales revenue recognition

The consolidated operating revenue of the Group for the year 2022 amounted to NT$2,888,153 thousand. Please Notes 4 and 24 to the consolidated financial statements for accounting policies and information on revenue recognition. The Group's operating revenue mainly includes research, development, production, and sales of integrated circuits, as well as agency sales of foreign branded integrated circuits. Due to the large number of sales and dispersed nature of the Croup's customers, we listed the sales revenue which grew compared with the last year and that from counterparties who are not publicly listed companies as one of the key audit matters.

The main audit procedures were performed for the the above-mentioned areas:

1. Understanding and testing the effectiveness of the main internal control design and implementation for sales revenue.
2. Sampling and verifying sales revenue-related vouchers and payment receipts, and inquiring about the existence of the transaction party to confirm the authenticity of the sales revenue and whether there are any abnormal situations between the sales revenue and payment parties.

Business combination

As stated in Note 29 of the consolidated financial statements, Weltrend Semiconductor, Inc. acquired Sentelic Corporation and its subsidiaries in August 2022 and gained control over them. As this transaction mainly involved complex calculations of the consideration to be transferred determined by the management in the cash transaction, the fair values of the acquired assets, and the reasonability of the purchase price allocation, it is a major transaction during the year, it is considered a significant transaction for the year and is listed as a key audit matter.

The main audit procedures were performed for the above key audit matter are as follows

1. Reviewing relevant meeting minutes to confirm if the business combination proposal has been properly evaluated and approved.
2. Verifying the Company's remittance certificate for the payment to confirm if it was consistent with what was stated in the contract.
3. Reviewing and evaluating the reasonableness of the purchase price allocation report commissioned by experts appointed by the Company and the related accounting treatment for business combination on the acquisition date.

Other matter

We have also audited the parent company only financial statements of Weltrend Semiconductor, Inc. as of and for the years ended December 31, 2022 and 2021, and on both we have issued an unmodified opinion with emphasis of matter paragraph.

Responsibilities of the management and the governing bodies for the Consolidated Financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the Consolidated Financial statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance,we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Pan-fa, Wang and Cheng-Chih, Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

Unit: Unit: NT$ thousand, except for earnings per share that is in NT$

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6 and 31)	$ 708,313	12	$ 1,077,602	21
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7, 31, and 33)	581,616	10	1,189,020	23
1120	Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 31)	442,809	7	544,590	10
1136	Financial assets at amortized cost - current (Notes 9 and 31)	167,472	3	-	-
1150	Notes receivable (Notes 4, 10 and 31)	25,510	-	25,278	-
1170	Accounts receivable, net (Notes 4, 10, 24 and 31)	758,045	13	1,147,185	22
1200	Other receivables (Notes 4, 10 and 31)	17,936	-	83,745	2
130X	Inventory (Notes 4 and 11)	1,590,085	26	761,145	14
1410	Prepayments (Note 17)	36,302	1	23,764	-
11XX	Total current assets	4,328,088	72	4,852,329	92
	Noncurrent assets				
1510	Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 31)	71,098	1	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	62,528	1	70,717	2
1535	Financial assets at amortized cost - non-current (Notes 4, 9, 31, and 33)	15,397	-	100	-
1600	Property, plant and equipment (Notes 4, 13 and 33)	295,660	5	291,266	6
1755	Right-of-use assets (Notes 4 and 14)	29,442	1	9,963	-
1780	Intangible assets (Notes 4, 16 and 29)	718,743	12	15,106	-
1805	Goodwill (Notes 4, 5, 15 and 29)	447,603	8	-	-
1840	Deferred tax assets (Notes 4 and 26)	7,449	-	-	-
1915	Prepayments for equipment	-	-	14,535	-
1920	Refundable deposits	6,542	-	5,496	-
1990	Other non-current assets	9,065	-	-	-
15XX	Total noncurrent assets	1,663,527	28	407,183	8
1XXX	Total assets	$ 5,991,615	100	$ 5,259,512	100

Code	Liabilities and equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities				
2100	Short-term borrowings (Notes 4, 18 and 31)	$ 1,537,680	26	$ 567,819	11
2150	Notes payable (Notes 4, 19 and 31)	1,279	-	720	-
2170	Accounts payable (Notes 4, 19 and 31)	240,640	4	562,372	11
2206	Remuneration payable to employees and directors and supervisors (Note 25)	49,264	1	155,701	3
2209	Other payables (Notes 4, 20 and 31)	96,113	1	114,523	2
2230	Current tax liabilities (Notes 4 and 26)	58,513	1	73,230	1
2250	Liabilities - current (Notes 4 and 21)	8,756	-	6,583	-
2280	Lease liabilities - current (Notes 4, 14 and 31)	12,100	-	9,868	-
2300	Other current liabilities (Notes 4, 20 and 24)	6,843	-	4,148	-
21XX	Total current liabilities	2,011,188	33	1,494,964	28
	Noncurrent liabilities				
2570	Deferred tax liabilities (Note 4 and 26)	143,352	3	24,363	1
2580	Lease liabilities - non-current (Notes 4, 14 and 31)	17,525	-	401	-
2640	Net defined benefit liability - noncurrent (Notes 4 and 22)	54,895	1	73,677	1
25XX	Total noncurrent liabilities	215,772	4	98,441	2
2XXX	Total liabilities	2,226,960	37	1,593,405	30
	Equity attributable to owners of the Company (Notes 4, 23, 27 and 28)				
3110	Common stock	1,780,100	30	1,780,100	34
3200	Capital surplus	69,026	1	39,555	1
	Retained earnings				
3310	Legal reserve	633,441	11	547,112	11
3320	Special reserve	32,053	1	10,883	-
3350	Unappropriated earnings	909,856	15	1,475,374	28
3300	Total retained earnings	1,575,350	27	2,033,369	39
3400	Other equity	(167,949)	(3)	(32,053)	(1)
3500	Treasury stock	(103,164)	(2)	(161,278)	(3)
31XX	Total equity attributable to owners of the Parent	3,153,363	53	3,659,693	70
36XX	Non-controlling interests (Notes 4 and 23)	611,292	10	6,414	-
3XXX	Total equity	3,764,655	63	3,666,107	70
	Total liabilities and equity	$ 5,991,615	100	$ 5,259,512	100

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NTD; except for earnings per share in NTD

		2022		2021	
Code		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4 and 24)	$ 2,888,153	100	$ 3,601,983	100
5000	Operating costs (Notes 4, 11, 22, and 25)	2,044,532	71	2,496,114	69
5900	Operating gross margins	843,621	29	1,105,869	31
	Operating expenses (Notes 22 and 25)				
6100	Selling expenses	165,477	5	164,077	5
6200	Administrative expenses	96,461	3	108,655	3
6300	Research and Development expenses	338,885	12	372,737	10
6450	Expected credit impairment losses (gain on reversal) (Note 10)	(646)	-	443	-
6000	Total operating expenses	600,177	20	645,912	18
6900	Net operating profits	243,444	9	459,957	13
	Non-operating income and expenses				
7100	Interest income (Notes 4 and 25)	5,992	-	322	-
7010	Other income (Notes 4 and 25)	142,465	5	66,750	2
7020	Other profits and losses (Notes 4 and 25)	(239,481)	(8)	305,072	8
7050	Financial costs (Note 25)	(12,864)	(1)	(4,555)	-
7000	Total non-operating income and expenses	(103,888)	(4)	367,589	10
7900	Net profit before taxation	139,556	5	827,546	23
7950	Income tax expense (Notes 4 and 26)	31,686	1	76,202	2
8200	Net income for the year	107,870	4	751,344	21

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	Other comprehensive income				
8310	Items not reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	$ 11,692	-	($ 5,340)	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	(223,648)	(8)	96,546	2
8349	Income tax related to items not reclassified	(172)	-	-	-
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	372	-	(70)	-
8300	Other comprehensive income for the year	(211,756)	(8)	91,136	2
8500	Total comprehensive income for the year	($ 103,886)	(4)	$ 842,480	23
	Net profits (losses) attributable to:				
8610	Owners of the parent	$ 146,771	5	$ 750,940	21
8620	Non-controlling interests	(38,901)	(1)	404	-
8600		$ 107,870	4	$ 751,344	21
	Comprehensive income attributable to:				
8710	Owners of the parent	($ 64,385)	(2)	$ 842,119	23
8720	Non-controlling interests	(39,501)	(2)	361	-
8700		($ 103,886)	(4)	$ 842,480	23
	Earnings per share (Note 27)				
9750	Basic	$ 0.83		$ 4.25	
9850	Diluted	$ 0.83		$ 4.21	

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code		Equity attributable to owners of the Parent: Common stock: Number of shares (in thousands)	Common stock: Amount	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated earnings	Other equity: Exchange differences on translation of the financial statements of foreign operations	Other equity: Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interests	Total equity
A1	Balance as of January 1, 2021	178,010	$ 1,780,100	$ 17,067	$ 503,583	$ 32,482	$ 917,468	($ 1,873)	($ 9,010)	($ 59,182)	$ 3,180,635	$ 6,620	$ 3,187,255
	Earnings distribution for 2020												
B1	Legal reserve	-	-	-	43,529	-	(43,529)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	(21,599)	21,599	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(283,453)	-	-	-	(283,453)	-	(283,453)
D1	Net income for 2021	-	-	-	-	-	750,940	-	-	-	750,940	404	751,344
D3	Other comprehensive income for 2021	-	-	-	-	-	(5,340)	(70)	96,589	-	91,179	(43)	91,136
D5	Total comprehensive income for 2021	-	-	-	-	-	745,600	(70)	96,589	-	842,119	361	842,480
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	(138,235)	(138,235)	-	(138,235)
F3	Transfer of treasury shares	-	-	22,488	-	-	-	-	-	36,139	58,627	-	58,627
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(567)	(567)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	117,689	-	(117,689)	-	-	-	-
Z1	Balance as of December 31, 2021	178,010	1,780,100	39,555	547,112	10,883	1,475,374	(1,943)	(30,110)	(161,278)	3,659,693	6,414	3,666,107
	Earnings distribution for 2021												
B1	Legal reserve	-	-	-	86,329	-	(86,329)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	21,170	(21,170)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(529,530)	-	-	-	(529,530)	-	(529,530)
D1	Net income for 2022	-	-	-	-	-	146,771	-	-	-	146,771	(38,901)	107,870
D3	Other comprehensive income for 2022	-	-	-	-	-	11,183	372	(222,711)	-	(211,156)	(600)	(211,756)
D5	Total comprehensive income for 2022	-	-	-	-	-	157,954	372	(222,711)	-	(64,385)	(39,501)	(103,886)
F3	Transfer of treasury shares	-	-	29,471	-	-	-	-	-	58,114	87,585	13	87,598
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(283)	(283)
O1	Acquisition of increased non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	642,824	642,824
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,825	1,825
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(86,443)	-	86,443	-	-	-	-
Z1	Balance as of December 31, 2022	178,010	$ 1,780,100	$ 69,026	$ 633,441	$ 32,053	$ 909,856	($ 1,571)	($ 166,378)	($ 103,164)	$ 3,153,363	$ 611,292	$ 3,764,655

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax for 2022	$ 139,556	$ 827,546
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	68,046	59,443
A20200	Amortization expenses	46,575	33,262
A20300	Expected (reversal of losses) credit impairment losses	(646)	443
A20400	Net loss (gain) on financial assets at fair value through profit or loss	290,568	(322,484)
A20900	Financial costs	12,864	4,555
A21200	Interest income	(5,992)	(322)
A21300	Dividend income	(136,950)	(64,584)
A21900	Cost of remuneration for employee stock options	31,309	22,488
A22500	Gain on disposal of property, plant and equipment	(85)	(323)
A23700	Losses on inventory valuation loss and obsolescence (gains on inventory value recovery)	49,367	(4,612)
A29900	Lease modification gain	-	(23)
A24100	Foreign exchange gains (losses) – net	(99,197)	30,011
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	1,059	2,150
A31150	Accounts receivable	619,848	(321,426)
A31180	Other receivables	9,553	(9,177)
A31190	Finance lease receivables	-	188
A31200	Inventory	(652,019)	(353,438)
A31230	Prepayments	(1,996)	(3,132)
A32130	Notes payable	(1,141)	(373)
A32150	Accounts payable	(415,719)	246,841
A32990	Remuneration payable to employees and directors and supervisors	(123,825)	90,673
A32180	Other payables	14,406	(10,119)
A32200	Provision	(448)	(3,271)
A32230	Other current liabilities	2,182	621
A32240	Net defined benefit liability	(9,195)	6
A33000	Cash inflow (outflow) from operations	(161,880)	224,943
A33100	Interest received	6,374	322
A33300	Interests paid	(12,867)	(4,552)
A33500	Income tax paid	(116,991)	(24,368)
AAAA	Net cash inflow (outflow) from operating activities	(285,364)	196,345

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Code		2022	2021
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	($ 988,781)	($ 1,256,037)
B00020	Sale of financial assets at fair value through other comprehensive income	913,993	1,355,083
B00040	Acquisition of financial assets at amortized cost	(126,161)	-
B00050	Disposal of financial assets at amortized cost	191,385	-
B00100	Acquisition of financial assets at fair value through profit or loss	(899,886)	(1,043,679)
B00200	Sale of financial assets at fair value through profit or loss	1,165,690	1,343,488
B02200	Acquisition of subsidiary (net of cash acquired)	(900,390)	-
B02700	Purchase of property, plant, and equipment	(34,137)	(76,641)
B02800	Proceeds from disposal of property, plant and equipment	95	1,171
B03700	Increase in refundable deposits	(191)	-
B03800	Decrease in refundable deposits	-	3
B04500	Acquisition of intangible assets	(21,354)	(22,233)
B07600	Dividend received	136,387	64,537
BBBB	Net cash inflow (outflow) from investing activities	(563,350)	365,692
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	972,375	97,451
C04200	Principal repayment of lease liabilities	(16,055)	(14,192)
C04500	Cash dividends paid	(529,530)	(283,453)
C04900	Purchase of treasury shares	(36,735)	(101,500)
C05000	Price of disposal of treasury shares	58,114	36,139
C05800	Cash dividends paid to non-controlling interests	(283)	(567)
CCCC	Net cash inflow (outflow) from financing activities	447,886	(266,122)
DDDD	Impact of changes in exchange rate on cash and cash equivalents	31,539	(10,410)
EEEE	Net (decrease) increase in cash and cash equivalents for 2022	(369,289)	285,505
E00100	Opening balance of cash and cash equivalents	1,077,602	792,097
E00200	Ending balance of cash and cash equivalents	$ 708,313	$ 1,077,602

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(In thousand NTD, unless otherwise specified)

1. Company History

Weltrend Semiconductor, Inc. (the "Company") was incorporated in Hsinchu Science Park in July 1989 and entered operations in September of the same year, mainly engaging in research, development, production, testing, and sales of digital and analog hybrid special application integrated circuits, as well as digital and analog integrated circuits.

The Company's stock has been listed on the Taiwan Stock Exchange Corporation (TWSE) since September 2000.

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

2. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors on February 24, 2023.

3. Application of New and Revised Standards and Interpretation

(1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the IFRSs endorsed and issued into effect by the FSC does not have material impact on the accounting policies of the Company and entities controlled by the Company (hereinafter collectively referred to as the "Group").

(2) Application of IFRSs endorsed by FSC in 2023

The new/amended/revised standards or interpretation	Effective date of IASB publication
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This amendment will be applicable for annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations, these amendments to transaction that occur after January 1, 2022.

By the time the consolidated financial statements were approved to be released, the Group confirmed that the amendments to other standards and interpretations would not cause a material impact on its financial position and financial performance.

(3) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

The new/amended/revised standards or interpretation	Effective date of IASB publication (Note 1)
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture."	Undecided
Amendments to IFRS 16, "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the date of approving the consolidated financial statements for release, the Group had continued to evaluate the effect of the amendments to other standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

4. Summary of Significant Accounting Policies

(1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

(2) Basis of preparation

The consolidated financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligation less the fair value of plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of the related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(3) Criteria for classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(4) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the Group. In preparing the consolidated financial statements, all inter-company transactions, account balances, gains and losses have been eliminated. The total comprehensive income of the subsidiaries is attributable to owners of the parent and non-controlling interests, even if the non-controlling interests become a loss balance as a result.

See Note 12 and Tables 4 and 5 for more information on subsidiaries' statements shareholding ratios, and main business.

(5) Business combination

Business combination is handled in an acquisition method. Acquisition-related costs are recognized in expenses in the period in which the costs are incurred and the services are obtained.

Goodwill is measured with the sum of the fair value of the consideration for the transfer and the fair value of the equity in the acquiree previously held by the acquirer at the acquisition date, less the net amount of identifiable assets acquired and liabilities assumed at the acquisition date.

(6) Foreign currency

When each entity of the Group prepares financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are converted into the functional currency at the exchange rate prevailing on the transaction date.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

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

When the consolidated financial statements are prepared, the assets and liabilities of foreign operations (including subsidiaries operating in a country or using a currency different from that of the Company) were translated into New Taiwan dollars (NTD) at the exchange rate prevailing on each balance sheet date. Income and expense items are translated at the year's average exchange rate, and the resulting exchange differences are recognized in other comprehensive income.

(7) Inventory

Inventory includes raw materials, work in process, finished goods, and merchandise. The value of inventory shall be determined based on the cost or net realizable value, whichever is lower. The comparison of the cost and net realizable value is based on individual items except for inventory of the same category. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(8) Property, plant, and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost, less accumulated depreciation.

Except for self-owned land, property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Group conducts at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

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

(9) Goodwill

The cost of goodwill from business combination is the amount of goodwill recognized at the acquisition date and is subsequently measured at cost less accumulated impairment losses.

To test impairment, goodwill is allocated among each cash generating unit or a group of cash generating units (collectively "CGUs"), which is expected to benefit from the synergies of the combination.

The carrying amount and recoverable amount of the CGUs to which goodwill is allocated will be compared every year and whenever there are signs of impairment to test the impairment of the units. If the goodwill allocated to CGUs was obtained from a business combination in the year, the CGUs should be tested for impairment before the end of the year. If the recoverable amount of CGUs to which goodwill is allocated is lower than its carrying amount, the impairment loss is first deducted from the carrying amount of the goodwill of said CGUs. Next, the carrying amount of other assets within said CGUs is deducted from the carrying amount of the goodwill of said CGUs in proportion to the carrying amount of each asset. Any impairment loss is recognized in loss in the current year. Impairment loss of goodwill shall not be reversed subsequently.

(10) Intangible assets

1. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost, less accumulated amortization. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively.

2. Acquisition through business combination

Intangible assets acquired through business combination are recognized at fair value on the acquisition date and recognized separately from goodwill, and the subsequent measurement method is the same as that of intangible assets acquired separately.

3. Derecognition

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

(11) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Group assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use assets, and intangible assets at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the CGU is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the CGU, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(12) Financial instruments

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

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are those mandatorily measured at fair value through profit or loss and those designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Group to be measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, and the dividend, interest income, and gains or losses arising from remeasurement are recognized in profit or loss. Please refer to Note 31 for the method of determining fair values.

B. Financial assets at amortized cost

If the Group invests in financial assets in alignment with both of the following two criteria, such assets are classified as financial assets measured by amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

Such assets (including cash and cash equivalents, notes receivable at amortized cost, accounts receivable, other receivables, and pledged time deposits) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss after initial recognition; and any foreign currency exchange gains or losses are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

Cash equivalents include time deposits, highly liquid and readily convertible into a fixed amount of cash at any time while featuring little risk of value changes, which are used to meet short-term cash commitments.

C. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value with the subsequent movements in the fair value recognized in other comprehensive income and accumulated in other equity. Upon the disposal of an investment, the cumulative profit or loss is directly reclassified to retained earnings and is not reclassified to profit or loss.

Dividends on such investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the investment cost.

(2) Impairment of financial assets

The Group assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss at each balance sheet date.

An allowance for losses on accounts receivable is recognized based on expected credit loss over the duration of the receivables. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month expected credit loss. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss from all possible defaults in a financial instrument over the expected life of a financial instrument.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

(3) Derecognition of financial assets

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

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When an investment in equity instruments at fair value through other comprehensive income is derecognized in its entirety, the cumulative profit or loss is transferred directly to retained earnings and not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity as per the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

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

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. The carrying amounts are calculated based on the weighted average of each stock type and calculated separately based on the reasons for the repurchase. The purchase, sale, issuance, or cancellation of the Group's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All the Group's financial liabilities are measured at amortized cost in the effective interest method.

(2) Derecognition of financial liabilities

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

(13) Provisions

The amount recognized in provisions is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The provisions are measured at the discounted value of the estimated cash flows to settle the obligations.

(14) Revenue recognition

After the Group identifies its performance obligations in contracts with clients, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Merchandise sales revenue

The merchandise sales revenue is from the sales of integrated circuits (ICs). As the merchandise arrives at/is delivered to the location designated by a client based on different transaction terms, the client has the right to set the price and use the merchandise and assume the main responsibility for reselling the merchandise, while bearing the risk of obsolescence of the merchandise, upon which the Group recognizes it in revenue and accounts receivable. Advance receipts from the merchandise sales are recognized in contract liabilities before the merchandise is delivered.

(15) Leasing

The Group assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract.

1. The Group as a lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

When the Group subleases the right-of-use assets, the right-of-use assets (not the asset itself) are used to determine the classification of the sublease. However, if the main lease is a short-term lease for which the recognition exemption applies to the Group, the sublease is classified as an operating lease.

Under finance leases, lease payments include fixed payments. The net lease investment is measured at the lease receivables and presented as financial lease receivables. Finance income is allocated to each accounting period to reflect the fixed rate of return on the Group's net investment in a lease that has not expired in each period.

Under operating leases, lease payments, less lease incentives, are recognized in income on a straight-line basis over the relevant lease terms.

2. The Group as a lessee

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

The right-of-use assets are initially measured at cost (including the initially measured amount of the lease liability) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes during the lease term or the index or rate used to determine lease payments lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets and to account for the profit or loss on the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The variable rent in a lease arrangement that is not dependent on the index or rate is recognized in income in the period, in which it is incurred.

(16) Borrowing costs

Borrowing costs are recognized in profit or loss in the year, in which they are incurred.

(17) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. Current service costs and net interest on net defined benefit liabilities are recognized in employee benefit expenses when incurred. The remeasurement (including actuarial gains and losses and plan asset remuneration net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss after the balance sheet date.

The net defined benefit liabilities are the deficit of the defined benefit pension plan.

(18) Share-based payment agreement - employee stock options

Employee stock options and restricted stock awards are recognized in expenses at the fair values of the equity instruments on the grant date and the best estimate of the number of equity instruments that will vest during the vesting period on a straight-line basis, while “capital surplus - employee stock options and other equity” is adjusted accordingly (unearned employee compensation). If it is immediately vested on the grant date, the full amount is recognized in expenses on the grant date. The Group transfers treasury shares to employees, and the date of approval by the Board of Directors is adopted as the grant date.

When the Group issues restricted stock awards, it recognizes them in other equity (unearned employee compensation) on the grant date, while “capital surplus - restricted stock awards” is adjusted accordingly.

On each balance sheet date, the Group revises the estimated number of employee stock options and restricted stock awards that are expected to be vested. In the case of a revision to the original estimated number, the effect is recognized in profit or loss, so that the cumulative expenses can reflect the revised estimate, while “capital surplus - employee stock options” and “capital surplus - restricted stock awards” are adjusted accordingly.

(19) Income tax

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

1. Income tax expenses in the current period

The Group determines the current income (loss) in accordance with the laws and regulations formulated by the authority in the jurisdiction to which an income tax turn should be filed and calculates the payable (recoverable) income tax accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are accounted for when there are likely to be taxable income to deduct temporary differences and research and development expenses.

Taxable temporary differences associated with investments in subsidiaries are recognized in deferred liabilities, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Group at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax

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

5. <u>Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties</u>

When the Group adopts accounting policies, the Group's management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources Actual results may differ from the estimates.

The Group has included the recent developments of the COVID-19 pandemic as well as the military conflicts between Russia and Ukraine, and the potential impact of international sanctions on Russia on the economic environment, in significant accounting estimates related to estimates of cash flows, growth rates, discount rates, and profitability. The management team will continue to review such estimates and underlying assumptions. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future periods.

Key Sources of Uncertainty over Estimation and Assumptions

(1) Impairment of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Such estimates are made based on the real-time market conditions and historical sales of similar products, and changes in such market conditions may significantly affect the results of such estimates.

(2) Impairment of estimated goodwill

When if goodwill is impaired is determined, it is necessary to estimate the value in use of the CGUs, to which the goodwill is apportioned. To calculate value in use, the management should estimate the future cash flows expected to be generated from the CGUs and determine an appropriate discount rate to calculate the present value. If the cash flow is less than expected, or if a change in the fact and situation causes a downward revision of the future cash flow or upward revision of the discount rate, significant impairment losses may occur.

As of December 31, 2022, the carrying amount of goodwill was NT$447,603 thousand. Please refer to Note 15.

6. Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 676	$ 652
Bank checking accounts and demand deposits	442,670	993,910
Cash equivalent		
Commercial paper	106,574	
Bank time deposits	158,393	83,040
	$ 708,313	$ 1,077,602

7. Financial Instruments Measured at Fair Value Through Profit or Loss

	December 31, 2022	December 31, 2021
Financial assets – current		
Measured at fair values through profit and/or loss		
Non-derivative financial assets		
- Domestic listed stocks	$ 569,131	$ 967,512
- Fund beneficiary certificates	12,485	221,508
	$ 581,616	$ 1,189,020
Financial assets – noncurrent		
Measured at fair values through profit and/or loss		
Non-derivative financial assets		
- Privately offered funds	$ 71,098	$ -

Please refer to Note 33 for information on investments in financial instruments at fair value through profit or loss pledged.

8. Financial assets measured at fair value through other comprehensive income

Equity investment

	December 31, 2022	December 31, 2021
Current		
Domestic Investment		
Listed stocks	$442,809	$544,590
Noncurrent		
Domestic Investment		
Non-listed stocks	$ 32,633	$ 43,037
Foreign investment		
Non-listed stocks	29,895	27,680
	$ 62,528	$ 70,717

The Group invests in domestic companies' ordinary shares for medium- and long-term strategic purposes and expects to make profits in the long-term. The management of the Group holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan; therefore, they chose to designate these investments as financial assets measured at fair value through other comprehensive income.

9. Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Current		
Time deposits with the initial duration of more than 3 months	$152,030	$ -
Commercial paper	15,442	-
	$167,472	$ -
Noncurrent		
Domestic Investment		
Certificates of deposit pledged	$ 15,397	$ 100

(1) As of December 31, 2022 and 2021, the interest rate ranges of time deposits with the initial duration of more than three months, commercial paper, and certificate of deposit pledged are as follows:

	December 31, 2022	December 31, 2021
Time deposits with the initial duration of more than 3 months	1.070%~4.800%	-
Commercial paper	3.200%	-
Certificates of deposit pledged	1.025%~1.450%	0.790%

(2) Please refer to Note 31 for information on credit risk management and impairment assessment related to financial assets measured at amortized cost.

(3) Please refer to Note 33 for information on financial assets measured at amortized cost pledged.

10. Notes receivable, accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Notes receivable		
From operations		
Total book value	$ 25,519	$ 25,278
Less: Allowance for losses	(9)	-
	$ 25,510	$ 25,278
Accounts receivable		
Measured at amortized cost		
Total book value	$ 758,317	$ 1,147,487
Less: Allowance for losses	(272)	(302)
	$ 758,045	$ 1,147,185
Other receivables		
Tax refund receivable	$ 10,723	$ 16,197
Receivable from disposal of investments	3,977	65,545
Stock dividends receivable	659	97
Others	2,577	1,906
	$ 17,936	$ 83,745

The Group's average credit period for commodity sales is net 15 to 150 days after the end of each month, without interest accrued on accounts receivable. To reduce the credit risk, the Group, before working with each new client, fills out a credit application form through a business unit, and the responsible reviews the form and has the form countersigned by relevant units, while evaluating the potential client's credit quality to set its credit limit. The client's credit limit and rating are reviewed or updated from time to time every year with reference to its operating performance, transaction amount, time, and other factors. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the Group's management believes that the Group's credit risk is significantly reduced.

The Group recognizes an allowance for losses on accounts receivable based on expected credit loss over the duration of the receivables. Lifetime expected credit losses are calculated using a provision matrix based on each client's past default record, current financial position, economic situation in the industry, and industry outlook. Since the Group's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, instead of further differentiating the customer groups, the provision matrix only sets the expected credit loss rate based on the number of days overdue on accounts receivable.

If there is evidence that the counterparty is in serious financial difficulty and the Group cannot reasonably expect to recover the amount, the Group shall directly write off the related accounts receivable but shall engage in recourse activities and recognize the amount recovered in profit or loss as a result of the recourse.

The allowance for losses on notes and accounts receivable measured by the Group as per the provision matrix is as follows:

December 31, 2022

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	$ 774,603	$ 5,606	$ 3,619	$ 5	$ 3	$ -	$ 783,836
Allowance for loss (expected credit loss of the given duration)	(260)	(14)	(7)	-	-	-	(281)
Measured at amortized cost	$ 774,343	$ 5,592	$ 3,612	$ 5	$ 3	$ -	$ 783,555

December 31, 2021

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	$1,124,876	$ 5,873	$ 41,904	$ 107	$ 5	$ -	$1,172,765
Allowance for loss (expected credit loss of the given duration)	(93)	(3)	(200)	(6)	-	-	(302)
Measured at amortized cost	$1,124,783	$ 5,870	$ 41,704	$ 101	$ 5	$ -	$1,172,463

The information on the movement in the allowances for losses on notes and accounts receivable is as follows:

	2022	2021
Opening balance	$ 302	$ 147
Add: Impairment loss recognized (reversed) during this year	(646)	443
Add: Acquisition through business combination during this year	625	-
Less: Write-offs during this year	-	(288)
Ending balance	$ 281	$ 302

11. Inventory

	December 31, 2022	December 31, 2021
Merchandise	$ 468,640	$ 283,381
Finished goods	292,340	194,692
Work in process	460,260	272,859
Raw materials	368,845	10,213
	$ 1,590,085	$ 761,145

The components of operating costs related to inventories are as follows:

	2022	2021
Operating costs	$ 2,044,532	$ 2,496,114
Losses on inventory valuation loss (gains on inventory value recovery) (Note)	$ 49,367	($ 4,612)

Note: The recovery in the net realizable value of inventories during 2021 was a result of an increase in the selling prices of inventories in specific markets.

12. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

Entities covered by the consolidated financial statements are as follows:

			Shareholding	
Investor name	Subsidiary name	Business nature	December 31, 2022	December 31, 2021
The Company	Weltrend International Co., (BVI) Ltd.	Investment	100%	100%
	Yingquan Investment Co., Ltd.	Investment	98%	98%
	Sentelic Corporation	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	51%	-
Weltrend International Co., (BVI) Ltd.	Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic parts and general import and export	100%	100%
Sentelic Corporation (Note)	Sentelic Holding Co., Ltd.	General investment business	100%	100%

Note: The Company acquired 51% equity of Sentelic Corporation in August 2022 and therefore gained control over it (Note 29).

(2) Information on subsidiaries with material non-controlling interests

Subsidiary name	Shareholding and percentage of voting rights held by non-controlling interests December 31, 2022
Sentelic Corporation	49%

Please refer to Table 4 for the information on the principal places of business and countries of incorporation.

Subsidiary name	Profit or loss allocated to non-controlling interests Acquisition date through December 31	Non-controlling interests December 31, 2022
Sentelic Corporation	($ 38,342)	$606,644

The following subsidiaries' aggregate financial information is prepared on the basis of the amounts before the inter-company transactions were eliminated:

Sentelic Corporation

	December 31, 2022
Current assets	$ 717,129
Noncurrent assets	1,197,971
Current liabilities	(82,194)
Noncurrent liabilities	(148,726)
Equity	$ 1,684,180
Equity attributable to:	
Owners of the parent	$ 1,077,536
Non-controlling interest in Sentelic Corporation	606,644
	$ 1,684,180

	Acquisition date through December 31
Operating revenues	$106,160
Net income for the year	($ 78,277)
Other comprehensive income	689
Total comprehensive income	($ 77,588)
Net income attributable to:	
Owners of the parent	($ 39,935)
Non-controlling interest in Sentelic Corporation	(38,342)
	($ 78,277)
Comprehensive income attributable to:	
Owners of the parent	$ 352
Non-controlling interest in Sentelic Corporation	337
	$ 689
Cash flows	
Operating activities	$ 5,035
Investing activities	62,921
Financing activities	(1,674)
Net cash inflow	$ 66,282

13. Property, plant, and equipment

	Land	Buildings and equipment	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Property under construction	Total
Costs								
Balance as at January 1, 2022	$ 94,720	$154,585	$311,480	$ 30,650	$ 45,896	$ 31,905	$ -	$669,236
Addition	-	-	33,452	2,037	12,366	816	-	48,671
Acquisition through business combination (Note 29)	-	-	9,121	-	3,811	2,797	-	15,729
Disposal	-	-	(15,356)	(1,762)	-	(49)	-	(17,167)
Net exchange differences	-	-	-	-	-	10	-	10
Balance as of December 31, 2022	$ 94,720	$154,585	$338,697	$ 30,925	$ 62,073	$ 35,479	$ -	$716,479
Accumulated depreciation								
Balance as at January 1, 2022	$ -	$ 46,393	$252,840	$ 14,095	$ 37,417	$ 27,225	$ -	$377,970
Depreciation expenses	-	5,538	35,499	3,976	5,323	1,776	-	52,112
Acquisition through business combination (Note 29)	-	-	3,996	-	2,434	1,454	-	7,884
Disposal	-	-	(15,356)	(1,762)	-	(39)	-	(17,157)
Net exchange differences	-	-	-	-	-	10	-	10
Balance as of December 31, 2022	$ -	$ 51,931	$276,979	$ 16,309	$ 45,174	$ 30,426	$ -	$420,819
Net amount as of December 31, 2022	$ 94,720	$102,654	$ 61,718	$ 14,616	$ 16,899	$ 5,053	$ -	$295,660
Costs								
Balance as of January 1, 2021	$ 94,720	$149,737	$287,785	$ 19,517	$ 40,853	$ 30,428	$ 4,465	$627,505
Addition	-	148	40,712	14,312	5,043	1,657	235	62,107
Disposal	-	-	(17,017)	(3,179)	-	(176)	-	(20,372)
Reclassification	-	4,700	-	-	-	-	(4,700)	-
Net exchange differences	-	-	-	-	-	(4)	-	(4)
Balance as of December 31, 2021	$ 94,720	$154,585	$311,480	$ 30,650	$ 45,896	$ 31,905	$ -	$669,236
Accumulated depreciation								
Balance as of January 1, 2021	$ -	$ 40,824	$237,291	$ 13,213	$ 34,730	$ 25,891	$ -	$351,949
Depreciation expenses	-	5,569	32,396	3,383	2,687	1,513	-	45,548
Disposal	-	-	(16,847)	(2,501)	-	(176)	-	(19,524)
Net exchange differences	-	-	-	-	-	(3)	-	(3)
Balance as of December 31, 2021	$ -	$ 46,393	$252,840	$ 14,095	$ 37,417	$ 27,225	$ -	$377,970
Net amount as of December 31, 2021	$ 94,720	$108,192	$ 58,640	$ 16,555	$ 8,479	$ 4,680	$ -	$291,266

As there was no sign of impairment during the years ended December 31, 2022 and 2021, the Group did not conduct an impairment assessment.

Depreciation expenses are calculated and recognized on a straight-line basis as per the useful lives below:

Buildings and equipment	
Plant main building	35–50 years
Interior design and network engineering	5 years
Machinery equipment	2 to 6 years
Transportation equipment	5 to 6 years
Leasehold improvements	5 to 10 years
Miscellaneous equipment	3 to 6 years

Refer to Note 33 for the amounts of land and buildings pledged as collateral for borrowings.

14. Lease agreements

(1) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Building	$ 29,442	$ 9,963

	2022	2021
Addition of right-of-use assets	$ 24,242	$ 2,775
Depreciation expenses of right-of-use assets		
Building	$ 15,934	$ 13,895

Except for the additions and depreciation expenses recognized listed above, the Group did not have any significant sublease or impairment of the right-of-use assets during the years ended December 31, 2022 and 2021.

(2) Lease liability

	December 31, 2022	December 31, 2021
Carrying amount of lease liability		
Current	$ 12,100	$ 9,868
Noncurrent	$ 17,525	$ 401

The discount rate range for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Building	1.7576%~2.25%	2.00%~2.25%

(3) Major lease activities and terms

The Company leased buildings from the Hsinchu Science Park of the Ministry of Science and Technology as plants, and the lease period is from 2022–2026. As per the lease agreement of the plants located in the science park, the lessee may have the amount of the rent adjusted at any time at the announced land price of the site where the plants are located or the adjusted rent rate of state-owned land approved by the Executive Yuan. The Company has no bargain purchase option for the leased buildings at the end of the lease term.

(4) Other lease information

	2022	2021
Short-term lease expenses	$ 276	$ 153
Total cash (outflow) from lease	($ 16,850)	($ 14,692)

The Group has elected to apply the recognition exemptions to the leases of buildings that qualify as short-term leases and does not recognize the relevant right-of-use assets and lease liabilities for such leases.

15. Goodwill

	2022
Costs	
Opening balance	$ -
Acquisition through business combination during this year (Note 29)	447,603
Ending balance	$447,603

The Group acquired Sentelic Corporation in August 2022 with 51% of its equity acquired, leading to goodwill of NT$447,603 thousand, mainly due to the benefits brought about by the expected growth of operating income from the product. Please refer to Note 29 for details.

16. Intangible assets

	Computer software	Technology licensing	Patents	Customer relations	Total
Costs					
Balance as at January 1, 2022	$ 198,603	$ 72,236	$ -	$ -	$ 270,839
Acquired separately	18,401	2,953	-	-	21,354
Acquired through business combination	19,179	-	588,467	137,783	745,429
Net exchange differences	2	-	-	-	2
Balance as of December 31, 2022	$ 236,185	$ 75,189	$ 588,467	$ 137,783	$ 1,037,624
Accumulated amortization					
Balance as at January 1, 2022	$ 183,554	$ 72,179	$ -	$ -	$ 255,733
Amortization expenses	20,517	1,534	19,810	4,714	46,575
Acquired through business combination	7,020	-	9,552	-	16,572
Net exchange differences	1	-	-	-	1
Balance as of December 31, 2022	$ 211,092	$ 73,713	$ 29,362	$ 4,714	$ 318,881
Net amount as of December 31, 2022	$ 25,093	$ 1,476	$ 559,105	$ 133,069	$ 718,743

	Computer software	Technology licensing	Total
Costs			
Balance as of January 1, 2021	$ 179,159	$ 69,447	$ 248,606
Acquired separately	19,444	2,789	22,233
Balance as of December 31, 2021	$ 198,603	$ 72,236	$ 270,839
Accumulated amortization			
Balance as of January 1, 2021	$ 166,894	$ 55,577	$ 222,471
Amortization expenses	16,660	16,602	33,262
Balance as of December 31, 2021	$ 183,554	$ 72,179	$ 255,733
Net amount as of December 31, 2021	$ 15,049	$ 57	$ 15,106

Except for the amortization expenses recognized, the Group did not have any significant disposal or impairment of the intangible assets during the years ended December 31, 2022 and 2021. The patents and customer relations acquired through the business combination are recognized in amortization expenses based on the useful lives identified in the valuation report. Please refer to Note 29.

Amortization expense is provided for based on a straight-line method over the following useful lives:

Computer software	1 to 5 years
Technology licensing	1 year
Patents	7 to 10 years
Customer relations	5 to 10 years

17. Prepayments

	December 31, 2022	December 31, 2021
Current		
Prepayments for reticles	$ 21,646	$ 11,656
Tax overpaid retained for offsetting the future tax payable	7,996	7,027
Prepayments for salary and wages	1,490	1,610
Others	5,170	3,471
	$ 36,302	$ 23,764

18. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings		
Bank loans	$ 417,120	$ 32,819
Unsecured borrowings		
Credit facility borrowings	$ 1,120,560	$ 535,000

The interest rates on bank revolving loans were 1.39%–2.00% and 0.78%–1.05% as at December 31, 2022 and 2021, respectively.

Please refer to Note 33 for the Group's collateral for short-term borrowings.

19. Notes payable and accounts payable

	December 31, 2022	December 31, 2021
Notes payable- from operations	$ 1,279	$ 720
Accounts payable	$240,640	$562,372

The Group has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

20. Other liabilities

	December 31, 2022	December 31, 2021
Current		
Other payables		
Salary and wages and bonuses payable	$ 52,371	$ 21,106
Investment payables	24,983	41,534
Pension payable under new scheme	4,900	3,932
Health insurance premiums payable	2,808	2,263
Labor insurance premiums payable	2,604	2,194
Service fee payable	1,570	
Treasury shares payable	-	36,735
Others	6,877	6,759
	$ 96,113	$114,523
Other liabilities		
Receipts under custody	$ 4,138	$ 3,338
Contract liabilities	2,705	810
	$ 6,843	$ 4,148

21. Provisions

	December 31, 2022	December 31, 2021
Current		
Employee benefits	$ 8,756	$ 6,583

Provision for employee benefit liabilities is an estimate of employees' leave entitlements.

22. Post-employment benefit plans

(1) Defined contribution pension plan

The Group adopted a pension scheme under the Labor Pension Act, which is a government-managed defined contribution plan. Under the act, the Company makes monthly contributions, equal to 6% of their monthly salary and wages, to employees' individual pension accounts under the Bureau of Labor Insurance.

(2) Defined benefit plan

The pension scheme adopted by the Group in accordance with the Labor Standards Act of R.O.C. is a government-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the six months prior to the approved retirement date. The Group makes a contribution, equal to 2% of the total monthly employee salaries, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits to employees who meet the retirement requirements in the following year, the Group will make a contribution to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence its investment management strategy.

The amounts included in the consolidated balance sheets in respect of such defined benefit plans are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$134,664	$136,801
Fair value of plan assets	(79,769)	(63,124)
Net defined benefit liability	$ 54,895	$ 73,677

The movements in the net defined benefit liability are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2022	$ 136,801	($ 63,124)	$ 73,677
Service costs	1,325	-	1,325
Interest expense (income)	690	(339)	351
Recognized in profit or loss	2,015	(339)	1,676
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	(5,402)	(5,402)
Actuarial loss - changes in financial assumptions	(8,923)	-	(8,923)
Actuarial gain - experience adjustments	2,633	-	2,633
Recognized in other comprehensive income	(6,290)	(5,402)	(11,692)
Employer's contributions	-	(10,795)	(10,795)
Benefit payment	(3,676)	3,676	-
Business combination	5,814	(3,785)	2,029
December 31, 2022	$ 134,664	($ 79,769)	$ 54,895
January 1, 2021	$ 130,961	($ 62,630)	$ 68,331
Service costs	1,303	-	1,303
Interest expense (income)	634	(318)	316
Recognized in profit or loss	1,937	(318)	1,619
Remeasurement			
Return on plan assets (except for the amount included in the net interest)	-	(677)	(677)
Actuarial loss - changes in demographic assumptions	3,465	-	3,465

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Actuarial gain - experience adjustments	$ 2,552	$ -	$ 2,552
Recognized in other comprehensive income	6,017	(677)	5,340
Employer's contributions	-	(1,613)	(1,613)
Benefit payment	(2,114)	2,114	-
December 31, 2021	$ 136,801	($ 63,124)	$ 73,677

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for two-year time deposits.
2. Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.125%~1.500%	0.375%~0.500%
Expected salary increase percentage	2.500%~2.750%	2.500%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 2,759)	($ 3,139)
Decrease by 0.25%	$ 2,849	$ 3,249
Expected salary increase percentage		
Increase by 0.25%	$ 2,764	$ 3,132
Decrease by 0.25%	($ 2,690)	($ 3,042)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
The expected contributions to the plan for the following year	$ 1,781	$ 1,638
The weighted average duration of the defined benefit obligations	3.7 years–11.6 years	4.1 years–10.1 years

23. Equity

(1) Common stock

	December 31, 2022	December 31, 2021
Authorized number of shares (in thousands)	330,000	330,000
Authorized capital stock	$ 3,300,000	$ 3,300,000
Number of shares issued and fully paid (in thousands)	178,010	178,010
Capital stock issued	$ 1,780,100	$ 1,780,100

(2) Capital surplus

	December 31, 2022	December 31, 2021
For loss make-up, payment in cash or capitalization as equity (1)		
Stock issuance premium	$ 1,886	$ 1,886
Donated assets received	81	81
Share premium (restricted stock awards vested)	15,026	15,026
Treasury stock transaction	51,959	22,488
Only for loss make-up		
Recognition of changes in ownership interest in subsidiaries (2)	74	74
	$ 69,026	$ 39,555

1. Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of shares in a subsidiary, or adjustments to the

capital surplus for the Company's subsidiaries accounted for using the equity method.

(3) Retained Earnings and Dividend Policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit (including the adjusted amount of undistributed earnings), setting aside 10% of the remaining profit as a legal reserve as per law unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations. Then, any remaining profit, together with any undistributed retained earnings at the beginning of the period (including the adjusted amount of undistributed earnings), shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution of dividends to shareholders. Please refer to Note 25(7) for the policy on the remuneration to employees and directors and supervisors stipulated the Articles of Incorporation.

In addition, according to the Company's Articles of Incorporation, the Company shall consider the soundness and stability of the financial structure for the distribution of stock dividends and set the ratio of cash dividends to stock dividends for the year as per the Company's growth needs. The ratio of cash dividends shall not be less than 10% of the total dividends.

The legal reserve shall be set aside until the balance reaches the amount of the Company's total paid-in capital. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company held the general shareholders' meetings on June 23, 2022 and July 7, 2021 to resolve to approve the 2021 and 2020 earnings distribution proposals, respectively. The details are as follows:

	2021	2020
Legal reserve	$ 86,329	$ 43,529
Special reserve	$ 21,170	($ 21,599)
Cash dividends	$529,530	$283,453
Cash dividends per share ($NT)	$ 3.0	$ 1.6

The 2022 earnings distribution proposal made by the Board of Directors on February 24, 2023 is as follows:

	2022
Legal reserve	$ 7,151
Special reserve	$135,896
Cash dividends distributed	$212,399
Cash dividends per share ($NT)	$ 1.2

The 2022 earnings distribution proposal is pending a resolution by the shareholders' meeting expected to be held on June 2, 2023.

(4) Special reserve

	2022	2021
Opening balance	$ 10,883	$ 32,482
Provision (reversal) of a special reserve	21,170	(21,599)
Ending balance	$ 32,053	$ 10,883

(5) Treasury stock

	Shares (in thousands)	
Reason for repurchase	2022	2021
Opening balance	2,352	2,189
Increase during this year	-	1,500
Decrease during this year	(991)	(1,337)
Ending balance	1,361	2,352

The Board of Directors resolved, on August 6, 2019, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. Between August 6, 2019 to October 3, 2019, it repurchased the Company's 3,000 thousand shares. Within five years from the date of repurchase, the shares shall be transferred to employees once or in several times, and the average repurchase shall be the transfer price at NT$27.03.

The Board of Directors resolved, on November 5, 2021, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. From November 5, 2021 to December 30, 2021, it repurchased the Company's 1,500 thousand shares. Within five years from the date of repurchase, the shares shall be transferred to employees once or in several times, and the average repurchase shall be the transfer price at NT$92.16.

The Board of Directors, on March 9, 2021, resolved to transfer and repurchase 1,337 thousand treasury shares to employees at a transfer price of NT$27.03. The employee stock subscription record date was the resolution date, and the date of delivering the shares to employees was March 31, 2021.

The Board of Directors, on March 3, 2022, resolved to transfer and repurchase 426 thousand and 426 thousand treasury shares to employees at the transfer prices of NT$27.03 and NT$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was March 28, 2022.

The Board of Directors, on August 9, 2022, resolved to transfer and repurchase 84 thousand and 55 thousand treasury shares to employees at the transfer prices of NT$27.03 and NT$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was September 7, 2022.

Remuneration costs recognized for the transfer of treasury shares to employees during 2022 and 2021 were NT$29,484 thousand and NT$22,488 thousand respectively.

The treasury shares held by the Company are to be transferred to employees and shall not be pledged in accordance with the Securities and Exchange Act nor shall they be entitled to rights, such as receipt of dividends and voting rights.

(6) Other equity

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

	2022	2021
Opening balance	($ 1,943)	($ 1,873)
Exchange differences on the translation of financial statements of foreign operations	372	(70)
Ending balance	($ 1,571)	($ 1,943)

2. Unrealized gain or loss on financial assets measured at fair value through other comprehensive income

	2022	2021
Opening balance	($ 30,110)	($ 9,010)
Incurred during the year		
Unrealized gain or loss		
Equity instruments	(222,711)	96,589
Other comprehensive income for the year	(222,711)	96,589
Disposal of investments in equity instruments at fair value through other comprehensive income	86,443	(117,689)
Ending balance	($166,378)	($ 30,110)

(7) Non-controlling interests

	2022	2021
Opening balance	$ 6,414	$ 6,620
Share attributable to non-controlling interests		
Net income (loss) in this period	(38,901)	404
Other comprehensive income for the period		
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(937)	(43)
Remeasurement of defined benefit plans	337	-
Treasury stock transaction	13	-
Cash dividends issued by subsidiaries	(283)	(567)

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	2022	2021
Non-controlling interests related to the outstanding vested stock options held by employees of Sentelic Corporation (Note 28)	$ 1,825	$ -
Acquisition of increased non-controlling interests in subsidiaries (Note 29)	642,824	-
Ending balance	$611,292	$ 6,414

24. Operating revenues

	2022	2021
Sales income - integrated circuits	$ 1,804,147	$ 2,343,584
Trading of integrated circuits	1,079,206	1,249,078
Design and testing income	4,800	9,321
	$ 2,888,153	$ 3,601,983

(1) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (Note 10)	$ 758,045	$ 1,147,185	$ 851,956
Contract liabilities – current (accounted for in other liabilities)			
Merchandise sales	$ 2,705	$ 810	$ 432

The change in contract liabilities mainly arises from the difference between the point at which performance obligations are satisfied and the point at which customers pay.

The amounts of the opening balance of contract liabilities and the performance obligations previously fulfilled recognized in revenue are as follows:

	2022	2021
Opening balance of contract liabilities		
Merchandise sales	$ 810	$ 432

(2) Details of net operating income

Region	2022	2021
Mainland China	$ 1,809,939	$ 2,265,321
Taiwan	880,294	883,998
Others	197,920	452,664
	$ 2,888,153	$ 3,601,983

25. Net income for the year

(1) Interest income

	2022	2021
Interest income from cash in banks	$ 4,386	$ 322
Others	1,606	-
	$ 5,992	$ 322

(2) Other income

	2022	2021
Income from cash dividends	$136,950	$ 64,584
Other income	5,515	2,166
	$142,465	$ 66,750

(3) Other profits and losses

	2022	2021
Net foreign exchange loss	$ 51,537	($ 16,758)
Net gain on financial assets		
Financial assets at fair value through profit or loss (Note 7)	(290,568)	322,484
Other losses	(450)	(654)
	($239,481)	$305,072

(4) Financial costs

	2022	2021
Interest from bank borrowings	$ 12,345	$ 4,208
Interest on lease liabilities	519	347
	$ 12,864	$ 4,555

(5) Depreciation and amortization

	2022	2021
Summary of depreciation expenses by function		
Operating costs	$ 38,942	$ 33,679
Operating expenses	29,104	25,764
	$ 68,046	$ 59,443
Summary of amortization expenses by function		
Operating costs	$ 256	$ 220
Operating expenses	46,319	33,042
	$ 46,575	$ 33,262

(6) Employee benefit expenses

	2022	2021
Short-term employee benefits	$425,227	$507,263
Post-employment benefits (Note 22)		
Defined contribution pension plan	17,223	15,311
Defined benefit plan	1,676	1,619
Share-based payment		
Settlement of equity interests	31,309	22,488
Total employee benefit expenses	$475,435	$546,681
Summary by function		
Operating costs	$ 73,693	$ 76,180
Operating expenses	401,742	470,501
	$475,435	$546,681

(7) Remuneration for employees, directors and supervisors

The Company, as per the Articles of Incorporation, allocates 11%–13% of net income before tax before the remuneration to employees, directors, and supervisors is deducted for the year as remuneration to employees and no more than 3% as the remuneration to directors and supervisors, respectively. The 2022 and 2021 remuneration to employees and directors and supervisors resolved by the Board of Directors on February 24, 2023 and March 3, 2022, respectively, is as follows:

Estimate percentage

	2022	2021
Remuneration for employees	12%	12.8%
Remuneration for directors and supervisors	3%	3%

Amount

	2022		2021	
	Cash	Stock	Cash	Stock
Remuneration for employees	$ 27,732	$ -	$ 125,235	$ -
Remuneration for directors and supervisors	$ 6,933	$ -	$ 29,352	$ -

If there is a change in the amount after the annual consolidated financial statements are approved and released, the change will be accounted for as a change in accounting estimate and will be recorded an adjustment in the following year.

There is no difference between the amounts of remuneration paid out to employees and directors and supervisors for 2021 and 2020 and the amounts recognized in the 2021 and 2020 consolidated financial statements.

For information on 2022 and 2021 remuneration to employees and directors and supervisors resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

26. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

	2022	2021
Income tax expenses in the current period		
Incurred during this year	$ 79,989	$ 74,256
Surtax on undistributed earnings	510	4,075
Adjustment to the prior years	(2,072)	3,060
	78,427	81,391
Deferred tax		
Incurred during this year	(46,741)	(5,189)
Income tax recognized in profit or loss	$ 31,686	$ 76,202

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

	2022	2021
Net profit before taxation	$139,556	$827,546
Income tax expense for net income before tax calculated at the domestic income tax rates that apply to relevant countries	$ 31,080	$172,380
Non-deductible expenses for tax	18,408	-
Tax-free income	(23,378)	(60,004)
Basic tax difference payable	-	10,371
Unrecognized (recognized) deductible temporary differences	31,632	(53,680)
Unrecognized investment tax credit	(8,000)	-
Surtax on undistributed earnings	510	4,075
Acquired through business combination	(16,494)	-
This year's adjustments to income tax expenses from prior years	(2,072)	3,060
Income tax recognized in profit or loss	$ 31,686	$ 76,202

(2) Income tax recognized in other comprehensive income

	December 31, 2022	December 31, 2021
Deferred tax		
Incurred during this year		
Remeasurement of defined benefit plans	$ 172	$ -

(3) Current tax liabilities

	December 31, 2022	December 31, 2021
Current tax liabilities		
Income tax payable	$ 58,513	$ 73,230

(4) Current tax liabilities - deferred tax assets and liabilities

Movements in deferred tax assets and liabilities are as follows:

2022

Deferred tax assets	Opening balance	Acquired through business combination	Recognized in profit or loss	Ending balance
Temporary differences				
Inventory valuation loss	$ -	$ 2,573	$ 4,382	$ 6,955
Paid leave payable	-	523	(29)	494
	$ -	$ 3,096	$ 4,353	$ 7,449

Deferred tax liabilities	Opening balance	Acquired through business combination	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences					
Financial assets at fair value through profit or loss	$ 24,363	$ -	($ 24,363)	$ -	$ -
Defined benefit pension plan	-	186	10	172	368
Unrealized exchange gain	-	4,760	(1,541)	-	3,219
Business combination	-	156,259	(16,494)	-	139,765
	$ 24,363	$ 161,205	($ 42,388)	$ 172	$ 143,352

2021

Deferred tax liabilities	Opening balance	Recognized in profit or loss	Ending balance
Temporary differences			
Financial assets at fair value through profit or loss	$ 29,552	($ 5,189)	$ 24,363

(5) Deductible temporary differences not recognized as deferred tax assets in the consolidated balance sheet

	December 31, 2022	December 31, 2021
Deductible temporary differences	$129,894	$ 95,855

(6) The state of income tax assessment

The Company's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2019.

Both Yingquan Investment Co., Ltd.'s and Sentelic Corporation's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2020.

27. Earnings per shares

Unit: NTD per share

	2022	2021
Basic earnings per share	$ 0.83	$ 4.25
Diluted earnings per share	$ 0.83	$ 4.21

The earnings and weighted average number of ordinary shares used to calculate the earnings per share are as follows:

Net income for the year

	2022	2021
Net income attributable to owners of the Company	$146,771	$750,940

Number of Shares

Unit: Thousand shares

	2022	2021
Weighted average number of shares of common stock used to calculate basic earnings per share	176,404	176,817
Impact of potential common stock with dilutive effect:		
Remuneration for employees	905	1,511
Weighted average common stock shares used to calculate diluted earnings per share	177,309	178,328

If the Group may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilution effect of these potential ordinary shares will also continue to be considered when the diluted earnings per share is calculated before the following year's shareholders' meeting resolves a decision on the number of shares distributed for employee remuneration.

28. Share-based payment

Restricted stock awards

The shareholders' meeting of Sentelic Corporation resolved, on May 24, 2019, to issue a total of 800 thousand shares of restricted stock awards in the amount of NT$8,000 thousand free of charge and grant them to employees at Sentelic Corporation who have been employed on the day when the restricted stock awards are granted. The above resolution was filed to the FSC and enforced on October 4, 2019, and the restricted stock awards were issued with the approval of the board of directors on July 31, 2020. The record date for the capital increase through the restricted stock awards was August 10, 2020, and the fair value of the shares on the grant date was NT$39.50 per share. After employees were granted the awards, they could vest 40% of them if they have worked for one full year from the grant date; if they have worked for two full years from the grant date, they could vest another 30% of them; if they have worked for three full years from the grant date, they could vest the remaining 30%. From the grant date to the reporting date, 63 thousand shares of the awards became invalid due to employees' resignation or failure to meet the vesting conditions during the vesting period. They were canceled after the resolution was adopted by the Board of Directors. The unvested awards as of December 31, 2022 totaled 217 thousand shares.

The movements in the accounts related to the above restricted stock awards are aggregated as follows:

	Common stock	Capital surplus - restricted stock awards	Capital surplus - stock issuance premium	Other equity - Unearned employee compensation
Restricted stock award grant date: July 31, 2020	$ 8,000	$ 18,188	$ -	($ 26,188)
Cost of share-based remuneration recognized	(130)	130	-	6,728
Adjustment for changes in turnover rate	-	(2,477)	-	2,477
Balance as of December 31, 2020	7,870	15,841	-	(16,983)
Cost of share-based remuneration recognized	(304)	304	-	13,658
Vested restricted stock awards	-	(8,956)	8,956	-
Adjustment for changes in turnover rate	-	2,290	-	(2,290)
Balance as of December 31, 2021	7,566	9,479	8,956	(5,615)
Cost of share-based remuneration recognized	(198)	198	-	6,382
Vested restricted stock awards	-	(6,390)	6,390	-
Adjustment for changes in turnover rate	-	2,268	-	(2,268)
Balance as of December 31, 2022	$ 7,368	$ 5,555	$ 15,346	($ 1,501)

The restricted rights of employees' unvested restricted stock awards are as follows:

(1) Employees shall not sell, transfer, donate, pledge, dispose of the awards or in other means except for inheritance after being granted before vesting them.

(2) The rights to attend, make proposals, speak, and vote at shareholders' meetings shall be handled in accordance with the trust custody agreements.

(3) In addition to the provisions of the trust custody agreements in the preceding paragraph, the rights attached to the restricted stock awards granted to employees according to these rules are the same as ordinary shares issued by Sentelic Corporation except for the right to subscribe for new shares in cash capital increase and the right to receive stock or cash dividends before the vesting conditions are met.

(4) After employees are granted restricted stock awards, they should deliver the awards to the trust immediately and shall not require the trustee to return said awards for any reason or in any method before meeting the vesting conditions.

(5) From Sentelic Corporation's book closure date for stock dividends, book closure date for cash dividends, book closure date for cash capital increase and share subscription, book closure period for the shareholders' meeting stipulated in Article 165, paragraph 3 of the Company Act, or other legal book closure periods that occur as per facts through the record date of rights distribution, employees who meet the vesting conditions during this period still do not have the right to vote, subscribe for shares, receive stock or cash dividends with their vested awards.

29. Business combination

(1) Acquisition of subsidiary

	Principal business	Acquisition date	Ownership interests with voting rights / % acquired	Consideration for transfer
Sentelic Corporation	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	August 24, 2022	51	$ 1,117,120

The Group acquired Sentelic Corporation in August 2022 to continue to expand its business scale.

(2) Consideration for transfer

	Sentelic Corporation
Cash	$ 1,117,120

Based on the expert opinion issued by an independent expert in July 2022, the Group purchased 15,324 thousand shares of Sentelic Corporation at a price of NT$72.9 per share. The total purchase price was NT$1,117,120 thousand as a consideration for the acquisition of Sentelic Corporation.

(3) Assets acquired and liabilities assumed on acquisition date

	Sentelic Corporation
Current assets	
Cash and Cash Equivalents	$ 216,730
Financial assets at fair value through profit or loss	13,725
Financial assets at amortized cost	231,011
Accounts receivable and other receivables	132,248
Inventory	226,288
Other current assets	8,675
Noncurrent assets	
Financial assets at amortized cost	15,298
Property, plant, and equipment	7,845
Right-of-use assets	11,166
Other non-current assets	14,978
Identifiable intangible assets	728,857
Current liabilities	
Contract liabilities	(69)
Accounts payable and other payables	(95,549)
Lease liability	(4,232)
Other current liabilities	(24,559)
Noncurrent liabilities	
Lease liability	(6,933)
Deferred tax liabilities	(161,205)
Other non-current liabilities	(1,933)
	$ 1,312,341

For taxation purposes, the initial accounting treatment of the acquisition of Sentelic Corporation should be re-determined based on the market value of such assets on the balance sheet date. Before the release date of these consolidated financial statements, the market value and other calculations required for the issuance of a valuation report have been completed, so it is accounted for at fair value as the taxable value.

(4) Non-controlling interests

The non-controlling interest in Sentelic Corporation (49% of ownership interest) is measured in proportion to its share of the identifiable net assets on the acquisition date. In addition, the restricted stock awards granted by Sentelic Corporation to its employees are the unearned remuneration of the unvested shares, so they are all recognized in non-controlling interests. Please refer to Note 28 Share-based payment for details.

(5) Goodwill arising from the acquisition

	Sentelic Corporation
Consideration for transfer	$ 1,117,120
Add: Non-controlling interests (Sentelic Corporation's 49% ownership interests)	642,824
Less: Fair value of identifiable net assets acquired	(1,312,341)
Goodwill arising from the acquisition	$ 447,603

The goodwill arising from the acquisition of Sentelic Corporation mainly comes from the control premium. In addition, the consideration paid for the business combination includes the expected synergy of the combination, revenue growth, future market development, and values of Sentelic Corporation's employees. However, such benefits do not meet the criteria for being recognized in identifiable intangible assets, so they are not recognized separately.

Goodwill arising from the business combination is expected not to be tax deductible.

(6) Net cash outflow from the acquisition of the subsidiary

	Sentelic Corporation
A consideration paid in cash	$ 1,117,120
Less: Balance of cash and cash equivalents received	(216,730)
	$ 900,390

30. Capital Risk Management

The Group engages in capital management to ensure that the Group's enterprises can maximize shareholder returns by optimizing debt and equity balances while continuing to operate. There has been no change in the Group's overall strategy.

The Group's capital structure consists of the Group's equity attributable to the owners of the Company (i.e. share capital, capital surplus, retained earnings, and other equity).

31. Financial instruments

(1) Fair value information – Financial instruments that are not measured at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities not at fair value approximate their fair values or their fair values cannot be measured reliably.

(2) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 569,131	$ -	$ -	$ 569,131
Fund beneficiary certificates	12,485	-	-	12,485
Privately offered funds	-	-	71,098	71,098
	$ 581,616	$ -	$ 71,098	$ 652,714
Financial assets measured at fair value through other comprehensive income				
Equity investment				
- Domestic listed stocks	$ 442,809	$ -	$ -	$ 442,809
- Domestic non-listed stocks	-	-	32,633	32,633
- Foreign non-listed stocks	-	-	29,895	29,895
	$ 442,809	$ -	$ 62,528	$ 505,337

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 967,512	$ -	$ -	$ 967,512
Fund beneficiary certificates	221,508	-	-	221,508
	$ 1,189,020	$ -	$ -	$ 1,189,020
Financial assets measured at fair value through other comprehensive income				
Equity investment				
- Domestic listed stocks	$ 544,590	$ -	$ -	$ 544,590
- Domestic non-listed stocks	-	-	43,037	43,037
- Foreign non-listed stocks	-	-	27,680	27,680
	$ 544,590	$ -	$ 70,717	$ 615,307

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

2. Reconciliation of financial instruments measured at fair value in Level 3

2022

Financial assets	Equity instruments: Financial assets at fair value through profit or loss	Equity instruments: Financial assets measured at fair value through other comprehensive income	Total
Opening balance	$ -	$ 70,717	$ 70,717
Purchase	67,530	-	67,530
Recognized in profit or loss (other gains and losses)	3,568	-	3,568
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	(3,754)	(3,754)
Disposal	-	(4,435)	(4,435)
Ending balance	$ 71,098	$ 62,528	$ 133,626

2021

Financial assets	Equity instruments: Financial assets at fair value through profit or loss	Equity instruments: Financial assets measured at fair value through other comprehensive income	Total
Opening balance	$ 659	$ 67,574	$ 68,233
Recognized in profit or loss (other gains and losses)	(659)	-	(659)
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	5,157	5,157
Disposal	-	(2,014)	(2,014)
Ending balance	$ -	$ 70,717	$ 70,717

3. Valuation techniques and input values for Level 3 fair value measurement

The aggregate value of the individual assets and individual liabilities in the investments in domestic unlisted equity was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at fair values through profit and/or loss		
Mandatorily at fair value through profit	$ 652,714	$ 1,189,020
Financial assets at amortized cost (Note 1)	1,699,215	2,339,406
Financial assets at fair value through other comprehensive income - investments in equity instruments	505,337	615,307
Financial liabilities		
Measured at amortize cost (Note 2)	1,875,712	1,246,548

Note 1: The balance includes financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, and guarantee deposits paid.

Note 2: The balance includes financial liabilities at amortized cost, including short-term borrowings, notes payable, accounts payable, and other payables.

(4) Purpose and policy of financial risk management

The Group's main financial instruments include equity investments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's financial management department provides services to each business unit, coordinates the operations of investments in the domestic and international financial markets, and supervises and manages the financial risks related to the Group's operations by analyzing the internal risk reports on the exposure as per the breadth and depth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial management department regularly reports to the Group's Board of Directors.

1. Market Risk

The main financial risks to the Group's operating activities are the risk of foreign exchange rate fluctuations (see (1) below) and the risk of changes in interest rates (see (2) below).

There have been no changes in the Group's exposure to financial instrument market risks and its method to managing and measuring such exposure.

(1) Exchange rate risk

Some of the Group's cash inflows and outflows are in foreign currencies with the effect of natural hedging; the Group's management of the exchange rate risk aims to hedge rather than making profits.

Refer to Note 34 for the carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items in non-functional currencies that have been eliminated in the consolidated financial statements) on the balance sheet date.

Sensitivity analysis

The Group is mainly affected by the fluctuations in the exchange rates of USD.

The table below details the Group's sensitivity analysis when the NTD (functional currency) increases and decreases by 1% against each relevant foreign currency. In the sensitivity analysis, the outstanding monetary items in foreign currencies were taken into account, and the translation of such items at the end of the year was adjusted as per 1% change in exchange rates. The positive numbers in the following table represent the increase in net profits before tax if the New Taiwan dollar weakens by 1% against the respective currencies, and the negative numbers for the same amount represent the decrease in net profits before tax if the NT dollar strengthens by 1% against the respective currencies.

	Impact of USD	
	2022	2021
Profit or loss	$ 9,020	$ 9,489

The Group's sensitivity to the USD decreased in this year, mainly due to the decrease in its foreign currency assets.

The management believes that the sensitivity analysis cannot represent the inherent exchange rate risk as foreign currency exposures on the balance sheet date cannot reflect the interim exposures.

(2) Interest rate risk

Interest rate exposures arise as entities under the Group hold assets and liabilities at both fixed and floating rates.

The carrying amount of financial assets and liabilities of the Group under interest rate exposure on balance sheet date is as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
– Financial assets	$ 432,836	$ 83,823
– Financial liabilities	29,625	10,269
With cash flow interest rate risk		
– Financial assets	457,209	993,879
– Financial liabilities	1,537,680	567,819

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. The analysis of assets at floating rates is based on the assumption that the amount of assets outstanding at the balance sheet date was outstanding throughout the reporting period.

If the annual rate of interest increased/decreased by 1%, with all other variables remaining unchanged, the Group's net income before tax for 2022 and 2021 would have increased/decreased by NT$10,805 thousand and NT$4,261 thousand, respectively, mainly due to the Group's exposure to the risk of the net assets at floating interest rates.

The Group's sensitivity to interest rates decreased in this year, mainly due to the increase in the financial liabilities at floating interest rates.

(3) Other price risks

The Group is exposed to the equity price risk due to the listed equity securities held. The equity investments are not held for trading and are strategic investments. The Group is not actively trading these equity securities. The Group's equity price risk is mainly concentrated in the equity instruments in the electronic industry traded in stock exchanges and over-the-counter markets in Taiwan.

Sensitivity analysis

The sensitivity analysis below was performed based on the equity price exposure on the balance sheet date.

If the securities price increased/decreased by 1%, the profit or loss before tax for 2022 and 2021 would have increased/decreased by NT$6,527 thousand and NT$11,890 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

If the securities price increased/decreased by 1%, the other comprehensive income before tax for 2022 and 2021 would have increased/decreased by NT$5,053 thousand and NT$6,153 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through other comprehensive income.

The Group's sensitivity to price risk decreased in this period, mainly due to the decrease in the Group's investment in financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income.

2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk of financial loss due to non-performance by counter-parties is mainly from the carrying amount of financial assets recognized in consolidated balance sheets.

To mitigate credit risk, the Group has formulated credit and accounts receivable management measures to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the Group's management believes that the Group's credit risk is significantly reduced.

The Group has a wide range of clients across different industries and geographic regions for accounts receivables. The Group continuously evaluates the financial position of clients with accounts receivable.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. When the transaction counterparties are affiliates, the Group defines them as transaction counterparties with similar characteristics.

3. Liquidity Risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Group's management monitors the use of bank financing facilities and ensures compliance with the terms of the borrowing agreements.

Bank loans are a source of liquidity for the Group. Please refer to the description of (2) financing facilities below for the Group's bank financing facilities undrawn as of December 31, 2022 and 2021.

(1) Table of liquidity and interest rate risk of non-derivative financial liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities has been prepared based on the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Group can be required to make repayment. Therefore, bank borrowings that the Group may be required to repay immediately are shown in the table below for the earliest period, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2022

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
Non-derivative financial assets					
No interest-bearing liabilities	$ 193,474	$ 141,926	$ 2,628	$ 4	$ 338,032
Floating rate instruments	70,000	206,060	677,120	-	953,180
Fixed rate instruments	150,000	434,500	-	-	584,500
Lease liability	1,077	2,155	9,321	17,993	30,546
	$ 414,551	$ 784,641	$ 689,069	$ 17,997	$ 1,906,258

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	$ 12,553	$ 9,243	$ 4,398	$ 4,352

December 31, 2021

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
Non-derivative financial assets					
No interest-bearing liabilities	$ 434,109	$ 243,276	$ 226	$ 4	$ 677,615
Floating rate instruments	32,819	135,000	400,000	-	567,819
Lease liability	878	1,756	7,346	470	10,450
	$ 467,806	$ 380,032	$ 407,572	$ 474	$ 1,255,884

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	$ 9,980	$ 29	$ 29	$ 412

(2) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facility		
- Borrowing facilities used	$ 1,120,560	$ 535,000
- Borrowing facilities unused	213,940	473,400
	$ 1,334,500	$ 1,008,400

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	December 31, 2022	December 31, 2021
Secured bank overdraft facility		
- Borrowing facilities used	$ 417,120	$ 32,819
- Borrowing facilities unused	1,554,180	947,581
	$ 1,971,300	$ 980,400

32. Related Party Transactions

Transactions, account balances, income and expenses between the Company and its subsidiaries (which are the Company's related parties) were all eliminated upon consolidation, so they are not disclosed in this note. Except for those disclosed in other notes, transactions between the Group and other related parties are as follows.

(1) Remuneration for key management

	2022	2021
Short-term employee benefits	$ 39,147	$ 50,866
Share-based payment	12,392	8,365
Post-employment benefits	749	690
	$ 52,288	$ 59,921

The remuneration for directors and other key management is determined by the Board of Directors based on individual performance and market trends.

33. Pledged Assets

The assets below have been pledged as collateral for borrowings from banks and to customs:

	December 31, 2022	December 31, 2021
Certificates of deposit pledged (under financial assets at amortized cost - non-current)	$ 15,397	$ 100
Fund beneficiary certificates pledged (under financial assets at fair value through profit or loss - current)	-	221,508
Securities pledged (under financial assets at fair value through profit or loss - current)	177,168	-
Property, plant, and equipment	143,503	-
	$336,068	$221,608

34. Information on foreign currency assets and liabilities with significant effect:

The information below is aggregated and presented in foreign currencies other than the functional currencies of the entities under the Group. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The information on foreign currency assets and liabilities with significant effect is as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
Financial assets						
Monetary items						
USD	$ 36,530	30.71 (USD: NTD)	$ 1,121,836	$ 52,116	27.68 (USD: NTD)	$ 1,442,571
Non-monetary items						
USD	973	30.71 (USD: NTD)	$ 29,881	9,002	27.68 (USD: NTD)	$ 249,175
Financial liabilities						
Monetary items						
USD	6,815	30.71 (USD: NTD)	$ 209,289	17,225	27.68 (USD: NTD)	$ 476,788
USD	342	6.97 (USD: CNY)	10,503	611	6.38 (USD: CNY)	16,912
			$ 219,792			$ 493,700

The Group is mainly exposed to the foreign currency exchange rate risk of USD and CNY. The following information is presented in aggregate for the functional currencies of the individual entity holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presenting currency. Foreign currency translation gains and losses (realized and unrealized) with significant effect are as follows:

	2022		2021	
Functional currency	Functional currency exchanged to presenting currency	Net exchange gain or loss	Functional currency exchanged to presenting currency	Net exchange gain or loss
NTD	1 (NTD: NTD)	$ 53,934	1 (NTD: NTD)	($ 17,153)
CNY	4.43 (CNY: NTD)	(2,396)	4.34 (CNY: NTD)	396
		$ 51,538		($ 16,757)

35. Additional Disclosures

(1) Information on Material Transactions and (2) Information on Investees:

1. The Loaning of Funds: None.
2. Endorsements and guarantees for others: None.
3. Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures): Table 1.
4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital: Table 2.
5. Acquisition of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.

7. Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.

8. Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.

9. Trading in Derivative Instruments: None.

10. Business Relations and Important Transactions between Parent Company and Subsidiaries and Among Subsidiaries and Amounts: Table 3.

11. Information on Investees: Table 4.

(3) Information on investment in Mainland China:

1. Information on investees in Mainland China, including the name, main business and products, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the Mainland China area: Table 5.

2. The following significant transactions with investees in Mainland China, directly or indirectly through third regions, and their prices, payment terms, and unrealized gains or losses: Table 6.

   (1) The amount and percentage of purchases and the related ending balance and percentage of payables.

   (2) The amount and percentage of sales and the related ending balance and percentage of receivables.

   (3) The amount of property transactions and the amount of resulting gains or losses.

   (4) The ending balance of endorsement guarantee of bills or the provision of collateral and its purpose.

   (5) The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation

   (6) Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.

(4) Information on Major Shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held: Table 7.

36. Segment Information

The Group’s information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The financial reporting information is measured on the same basis as that for these consolidated financial statements. The Group’s reportable segments are its self-owned product segment and product agency segment.

(1) Revenue and operating results of segments

	Segment revenues			
	2022		2021	
	External revenue	Inter-segment revenues	External revenue	Inter-segment revenues
Self-owned product segment	$ 1,808,947	$ -	$ 2,352,906	$ -
Product agency segment	1,079,206	81,830	1,249,077	78,321
	$ 2,888,153	$ 81,830	$ 3,601,983	$ 78,321

	Segment profits or losses	
	2022	2021
Self-owned product segment	$184,277	$381,219
Product agency segment	59,178	78,749
Total reportable segments' profit	243,455	459,968
Inter-segment profit eliminated	(11)	(11)
	243,444	459,957
Unallocated amount:		
Non-operating income and expenses	(103,888)	367,589
Net profit before taxation	$139,556	$827,546

Segments' profit refers to the profit earned by each segment, excluding non-operating income and expenses that should be allocated. This measure is provided to the chief operating decision maker to allocate resources to segments and to measure their performance.

(2) Segments' total assets

Segments' assets	December 31, 2022	December 31, 2021
Self-owned product segment	$ 5,570,437	$ 4,841,907
Product agency segment	421,178	417,605
Total segment assets	5,991,615	5,259,512
Unallocated assets	-	-
Total consolidated assets	$ 5,991,615	$ 5,259,512

All assets are allocated to reportable segments. Assets shared by reportable segments are allocated based on income earned by each reportable segment.

(3) Revenue from main products and services

The analysis of the revenue from the Group's main products and services is as follows:

	2022	2021
Sales income - integrated circuits	$ 1,804,147	$ 2,343,584
Trading of integrated circuits	1,079,206	1,249,078
Design and testing income	4,800	9,321
	$ 2,888,153	$ 3,601,983

(4) Information by region

The Group mainly operates business in Taiwan and mainland China.

The Group's revenue from external clients classified by region where business is operated and the information on non-current assets classified by locations of the assets are stated below:

	Revenue from external clients		Noncurrent assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	$ 880,294	$ 883,998	$ 1,499,775	$ 330,484
Mainland China	1,809,939	2,265,321	738	386
Others	197,920	452,664	-	-
	$ 2,888,153	$ 3,601,983	$ 1,500,513	$ 330,870

Non-current assets exclude financial instruments and deferred tax assets

(5) Information on main clients

During 2022 and 2021, there was no revenue from a single client accounting for 10% or more of the Group's total revenue.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable securities held at the end of the period

December 31, 2022

Table 1

Unit: In thousand NTD and thousand shares, unless otherwise specified

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Stock							
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	5,411	$ 259,728	-	$ 259,728	$ 177,168
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	20	8,970	-	8,970	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	2,330	94,831	-	94,831	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	3,108	89,200	-	89,200	-
	E Ink Holdings Inc.	—	Financial assets at fair value through other comprehensive income - current	200	32,200	-	32,200	-
	AU Optronics Corporation	—	Financial assets at fair value through other comprehensive income - current	1,900	28,500	-	28,500	-
	MediaTek Inc.	—	Financial assets at fair value through other comprehensive income - current	30	18,750	-	18,750	-
	Evergreen Marine Corporation	—	Financial assets at fair value through other comprehensive income - current	100	16,300	-	16,300	-
	Delta Electronics, Inc.	—	Financial assets at fair value through other comprehensive income - current	50	14,325	-	14,325	-
	Shin Zu Shing Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	73	5,990	-	5,990	-
	Altek Corporation	—	Financial assets at fair value through other comprehensive income - current	100	3,310	-	3,310	-
	Ho Ta Industrial Mfg. Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	40	2,680	-	2,680	-
	Yang Ming Marine Transport Corporation	—	Financial assets at fair value through other comprehensive income - current	11	721	-	721	-
	Coremate Technical Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	161	-	2%	-	-
	WELTREND KOREA CO., LTD.	—	Financial assets at fair value through other comprehensive income - non-current	10	-	-	-	-
	Xinglongfa Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	10	-	-	-	-

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Silicongear Corporation	–	Financial assets at fair value through other comprehensive income - non-current	1	$ -	-	$ -	$ -
	AETAS TECHNOLOGY INC.	–	Financial assets at fair value through other comprehensive income - non-current	36	-	Preferred Series B	-	-
	AETAS TECHNOLOGY INC.	–	Financial assets at fair value through other comprehensive income - non-current	7	-	Preferred Series C	-	-
	AETAS TECHNOLOGY INC.	–	Financial assets at fair value through other comprehensive income - non-current	3	-	Preferred Series D	-	-
	Privately offered funds							
	Zoyi Venture Capital Co., Ltd.	–	Financial assets at fair value through profit or loss – noncurrent	-	71,098	-	71,098	-
Weltrend International Co., (BVI) Ltd.	Stock							
	Greatek Electronics Inc.	–	Financial assets at fair value through profit or loss - current	2,053	98,544	-	98,544	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	–	Financial assets at fair value through profit or loss - current	240	107,640	-	107,640	-
	United Microelectronics Corporation	–	Financial assets at fair value through other comprehensive income - current	300	12,210	-	12,210	-
	China Metal Products Co., Ltd.	–	Financial assets at fair value through other comprehensive income - current	1,164	33,407	-	33,407	-
	Kneron Holding Corporatin (Cayman)	–	Financial assets at fair value through other comprehensive income - non-current	201	29,895	Preferred Series A	29,895	-
	IDIIL INTERNATIONAL, INC.	–	Financial assets at fair value through other comprehensive income - non-current	250	-	-	-	-
Yingquan Investment Co., Ltd.	Stock							
	Acer Incorporated	–	Financial assets at fair value through profit or loss - current	991	23,338	-	23,338	-
	Greatek Electronics Inc.	–	Financial assets at fair value through profit or loss - current	1,197	57,456	-	57,456	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	–	Financial assets at fair value through profit or loss - current	30	13,455	-	13,455	-
	Merry Electronics Co., Ltd.	–	Financial assets at fair value through other comprehensive income - current	348	27,735	-	27,735	-
	Yamazaki Co., Ltd.	–	Financial assets at fair value through other comprehensive income - current	165	9,388	-	9,388	-
	United Microelectronics Corporation	–	Financial assets at fair value through other comprehensive income - current	780	31,746	-	31,746	-
	Evergreen Marine Corporation	–	Financial assets at fair value through other comprehensive income - current	132	21,516	-	21,516	-

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
Yingquan Investment Co., Ltd.	U.S.A. GOTRUSTID Inc. Taiwan Branch	–	Financial assets at fair value through profit or loss – noncurrent	500	$ -	3%	$ -	$ -
	Anqing Innovation Investment Co., Ltd.	–	Financial assets at fair value through other comprehensive income - non-current	3,114	19,117	6%	19,117	-
	Chongyou Investment Co., Ltd.	–	Financial assets at fair value through other comprehensive income - non-current	655	9,180	9%	9,180	-
	Baycom Opto-Electronics Technology Co., Ltd.	–	Financial assets at fair value through other comprehensive income - non-current	401	4,336	1%	4,336	-
Sentelic Corporation	<u>Stock</u>							
	Lavod Corporation (Note 2)	–	Financial assets at fair value through profit or loss – noncurrent	252	-	8.48%	-	-
	<u>Funds</u>							
	Cathay Taiwan 5G Plus ETF	–	Financial assets at fair value through profit or loss - current	500	6,775	-	6,775	-
	SinoPac Taiwan Electric Vehicle Supply Chain ETF	–	Financial assets at fair value through profit or loss - current	400	4,560	-	4,560	-
	Fubon MSCI ACWI IMI Select Future Mobility Top 30 Capped ETF	–	Financial assets at fair value through profit or loss - current	100	1,150	-	1,150	-

Note 1: The securities listed are restricted for use as they are pledged for borrowings.

Note 2: Lavod Corporation’s shares held have all been recognized in impairment.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2022

Table 2

Unit: In thousand NTD and thousand shares, unless otherwise specified

Buyer/Seller	Types and names of marketable securities	Account in the book	Counterparty	Relations	Beginning Balance		Acquistion		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling price	Book cost	Gain or loss on disposal	Shares	Amount
Weltrend Semiconductor Incorporated	Sentelic Corporation	Investments using the equity method	—	—	-	$ -	15,324	$ 1,117,120	-	$ -	$ -	$ -	15,324	$ 1,117,120

Note 1: The securities in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the above items.

Note 2: The Company acquired 51% of Sentelic Corporation’s shares in cash on August 24, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Business relationships, significant transactions and amounts between parent company and subsidiaries and among subsidiaries.

For the Year Ended December 31, 2022

Table 3

Unit: NT$ thousand

No.	Trader name	Counterparty	Relations with trader (Note 4)	Transactions			
				Account	Amount	Trading conditions	As a percentage of consolidated total revenue or total assets
0	The Company	Dongguan Prosil Electronics Co., Ltd.	1	Net operating income	$ 81,830	Note 1	3%
				Accounts receivable	10,511	Note 2	-
		Yingquan Investment Co., Ltd.	1	Rental incomes	11	Note 1	-
		Sentelic Corporation	1	Other income	640	Note 1	-
				Accounts receivable	3	Note 3	-
				Other receivables	1,226	Note 3	-

Note 1: It is based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

Note 2: It is mainly net 90 days at the end of each month for collection (payment).

Note 3: It is mainly net 30 days at the end of each month for collection (payment).

Note 4: 1 represents a transaction between the parent company and a subsidiary.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on the investee, location, etc. (excluding investees in China)

For the Year Ended December 31, 2022

Table 4

Unit: NT$ thousand

Investor name	Investee	Location	Principal business	Original investment amount		Holding, end of period			Profits (losses) of the investee for the period	Investment incomes (losses) recognized in the period	Remarks
				End of the period	End of last year	Shares (in thousands)	Percentage (%)	Carrying amount			
The Company	Weltrend International Co., (BVI) Ltd.	British Virgin Islands	Investment	$ 265,000	$ 265,000	8,164	100	$ 483,269	($ 41,041)	($ 41,041)	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	265,530	(32,481)	(31,923)	Note 1
	Sentelic Corporation	Taiwan	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	1,117,120	-	15,324	51	1,077,536	(12,299)	(39,935)	Note 1 and 3
Sentelic Corporation	Sentelic Holding Co., Ltd.	Republic of Mauritius.	Investment	18,782	18,782	625	100	22	(1)	(1)	Note 1

Note 1: It was calculated based on the financial reports for the same periods audited by CPAs.

Note 2: Please refer to Table 5 for the relevant information on the investees in Mainland China.

Note 3: The Company acquired 51% of Sentelic Corporation’s shares in cash on August 24, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on investment in Mainland China

For the Year Ended December 31, 2022

Table 5

Unit: In thousand NTD, unless otherwise specified

Names of investees in Mainland China	Principal business	Paid-in capital	Type of investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of the investee for the period (Note 2)	Shareholding in direct or indirect investment	Investment income (loss) recognized in this period (Note 2)	Book value of investments at the end of the period	Investment income remitted back as of the end of the period
					Outward remittance	Recover						
Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic components and general import and export	RMB 8,048 thousand (USD 1,200 thousand)	Note 1	USD 1,200 thousand ($ 36,852)	$ -	$ -	USD 1,200 thousand ($ 36,852)	$ 2,257	100%	$ 2,257	$ 29,268	$ -

Accumulated amount of investment from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, MOEA	Investment quota for Mainland China as stipulated by the Investment Commission, MOEA
US$1,200 thousand ($36,852)	US$1,200 thousand ($36,852)	$1,892,018

Note 1: The Company invests in Weltrend International Co., (BVI) Ltd. and then invests in companies through Mainland China through said company. The investments have been approved by the Investment Commission, Ministry of Economic Affairs. The investment amount approved is US$1,200 thousand.

Note 2: It was calculated based on the financial report for the same period audited by a CPA.

Note 3: The amounts were converted at an exchange rate of USD to NTD on December 31, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Major Transactions with Investees in Mainland China Through Direct or Indirect Investment Through a Third Region, and the Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information

For the Year Ended December 31, 2022

Table 6

Unit: NT$ thousand

Names of investees in Mainland China	Type of transaction	Purchase or sale		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
Dongguan Prosil Electronics Co., Ltd.	Operating revenues	$ 81,830	3%	—	$ 10,511	2%	$ -	—

Note: Sales with related parties are determined based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on major shareholders

December 31, 2022

Table 7

Information on major shareholders	Shares	
	Number of shares held (shares)	Shareholding percentage
The Group has no shareholders holding more than 5% of the shares individually.	-	-

Note: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by the CPA

Independent Auditor's Report

The Board of Directors and Shareholders

Weltrend Semiconductor, Inc.

Opinion

We have audited the accompanying financial statements of Weltrend Semiconductor, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying 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 cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2022, are stated as follows

Sales revenue recognition

The operating revenue of the Company for the year 2022 amounted to NT$2,771,368 thousand. Please Notes 4 and 23 to the financial statements for accounting policies and information on revenue recognition. The Company's operating revenue mainly includes research, development, production, and sales of integrated circuits, as well as agency sales of foreign branded integrated circuits. Due to the large number of sales and dispersed nature of the Company's customers, we listed the sales revenue which grew compared with the last year and that from counterparties who are not publicly listed companies as one of the key audit matters.

The main audit procedures were performed for the the above-mentioned areas:

1. Understanding and testing the effectiveness of the main internal control design and implementation for sales revenue.
2. Sampling and verifying sales revenue-related vouchers and payment receipts, and inquiring about the existence of the transaction party to confirm the authenticity of the sales revenue and whether there are any abnormal situations between the sales revenue and payment parties.

Business combination

Weltrend Semiconductor, Inc. acquired Sentelic Corporation and its subsidiaries in August 2022 and gained control over them. As this transaction mainly involved complex calculations of the consideration to be transferred determined by the management in the cash transaction, the fair values of the acquired assets, and the reasonability of the purchase price allocation, it is a major transaction during the year, it is considered a significant transaction for the year and is listed as a key audit matter.

The main audit procedures were performed for the above key audit matter are as follows

1. Reviewing relevant meeting minutes to confirm if the business combination proposal has been properly evaluated and approved.
2. Verifying the Company's remittance certificate for the payment to confirm if it was consistent with what was stated in the contract.
3. Reviewing and evaluating the reasonableness of the purchase price allocation report commissioned by experts appointed by the Company and the related accounting treatment for business combination on the acquisition date.

Responsibilities of the management and the governing bodies for the 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement arising from fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatement can arise from frauds or errors 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 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 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 entities or business activities within the Group to express an opinion on the 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 financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Pan-fa, Wang and Cheng-Chih, Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Weltrend Semiconductor Incorporated

Parent Company Only Balance Sheet

December 31, 2022 and 2021

Unit: NT$ thousand

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6 and 28)	$ 169,047	3	$ 866,149	17
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7, 28, and 30)	268,698	5	753,076	14
1120	Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 28)	306,807	6	355,764	7
1150	Notes receivable (Notes 4, 10 and 28)	23,778	1	25,278	1
1170	Accounts receivable (Notes 4, 10, 23 and 28)	683,865	14	1,121,290	22
1180	Accounts receivable - related party (Notes 4, 28, 29, and 31)	10,514	-	16,912	-
1190	Other accounts receivable - related party (Notes 4, 28, 29, and 31)	1,226	-	-	-
1200	Other receivables (Notes 4, 19 and 28)	13,732	-	50,590	1
130X	Inventory (Notes 4 and 11)	1,390,584	27	752,326	14
1410	Prepayments (Note 16)	29,172	1	23,493	-
11XX	Total current assets	2,897,423	57	3,964,878	76
	Noncurrent assets				
	Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 28)	71,098	1	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 28)	-	-	1,201	-
1535	Financial assets at amortized cost - non-current (Notes 4, 9, 28, and 30)	100	-	100	-
1550	Investments using the equity method (Notes 4 and 12)	1,826,335	36	901,308	18
1600	Property, plant and equipment (Notes 4, 13 and 30)	284,813	6	287,416	6
1755	Right-of-use assets (Notes 4 and 14)	19,433	-	9,791	-
1780	Intangible assets (Notes 4 and 15)	18,198	-	15,034	-
1915	Prepayments for equipment	-	-	14,535	-
1920	Guarantee deposits paid (Note 28)	5,565	-	5,382	-
15XX	Total noncurrent assets	2,225,542	43	1,234,767	24
1XXX	Total assets	$ 5,122,965	100	$ 5,199,645	100

Code	Liabilities and equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities				
2100	Short-term borrowings (Notes 4, 17, 28 and 30)	$ 1,537,680	30	$ 535,000	10
2150	Notes payable (Notes 4, 18 and 28)	1,279	-	720	-
2170	Accounts payable (Notes 4, 18 and 28)	220,622	4	562,372	11
2206	Remuneration payable to employees and directors and supervisors (Note 24)	34,665	1	154,587	3
2209	Other payables (Notes 4, 19 and 28)	48,829	1	98,093	2
2230	Current tax liabilities (Notes 4 and 25)	42,576	1	70,343	2
2250	Liabilities - current (Notes 4 and 20)	6,283	-	6,583	-
2280	Lease liabilities - current (Notes 4, 14 and 28)	6,574	-	9,693	-
2300	Other current liabilities (Notes 4, 19 and 23)	4,226	-	4,120	-
21XX	Total current liabilities	1,902,734	37	1,441,511	28
	Noncurrent liabilities				
2570	Deferred tax liabilities (Note 4 and 25)	-	-	24,363	1
2580	Lease liabilities - non-current (Notes 4, 14 and 28)	12,995	-	401	-
2640	Net defined benefit liability - noncurrent (Note 4 and 21)	53,873	1	73,677	1
25XX	Total noncurrent liabilities	66,868	1	98,441	2
2XXX	Total liabilities	1,969,602	38	1,539,952	30
	Equity (Notes 4, 22, and 28)				
3110	Common stock	1,780,100	35	1,780,100	34
3200	Capital surplus	69,026	1	39,555	1
	Retained earnings				
3310	Legal reserve	633,441	12	547,112	11
3320	Special reserve	32,053	1	10,883	-
3350	Unappropriated earnings	909,856	18	1,475,374	28
3300	Total retained earnings	1,575,350	31	2,033,369	39
3400	Other equity	(167,949)	(3)	(32,053)	(1)
3500	Treasury stock	(103,164)	(2)	(161,278)	(3)
3XXX	Total equity	3,153,363	62	3,659,693	70
	Total liabilities and equity	$ 5,122,965	100	$ 5,199,645	100

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

Weltrend Semiconductor Incorporated

Parent Company Only Statement of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

Unit: Thousands of NTD; except for earnings per share in NTD

		2022		2021	
Code		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4, 23 and 29)	$ 2,771,368	100	$ 3,590,255	100
5000	Operating costs (Notes 4, 11 and 24)	1,904,143	69	2,499,015	69
5900	Operating gross margins	867,225	31	1,091,240	31
	Operating expenses (Note 24)				
6100	Selling expenses	145,001	5	158,121	5
6200	Administrative expenses	81,034	3	103,018	3
6300	Research and Development expenses	291,653	10	372,737	10
6450	Expected credit impairment losses (gain on reversal) (Note 10)	(301)	-	443	-
6000	Total operating expenses	517,387	18	634,319	18
6900	Net operating profits	349,838	13	456,921	13
	Non-operating income and expenses				
7100	Interest income (Notes 4 and 24)	1,219	-	288	-
7010	Other income (Notes 4, 24 and 29)	114,262	4	48,412	1
7020	Other profits and losses (Note 24)	(144,817)	(5)	202,473	6
7050	Financial costs (Note 24)	(11,169)	(1)	(2,127)	-
7070	Share of profit on subsidiaries using the equity method (Notes 4 and 12)	(112,899)	(4)	117,843	3
7000	Non-operating income and expenses, net	(153,404)	(6)	366,889	10

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7900	Net profit before taxation	$ 196,434	7	$ 823,810	23
7950	Income tax expense (Notes 4 and 25)	49,663	2	72,870	2
8200	Net income for the year	146,771	5	750,940	21
	Other comprehensive income				
8310	Items not reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	10,832	1	(5,340)	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	(158,254)	(6)	85,173	2
8330	Share of other comprehensive income of subsidiaries using the equity method	(64,106)	(2)	11,416	-
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	372	-	(70)	-
8300	Other comprehensive income for the year	(211,156)	(7)	91,179	2
8500	Total comprehensive income for the year	($ 64,385)	(2)	$ 842,119	23
	Earnings per share (Note 26)				
9750	Basic	$ 0.83		$ 4.25	
9850	Diluted	$ 0.83		$ 4.21	

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

Weltrend Semiconductor Incorporated

Parent Company Only Statement of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

		Common stock			Retained earnings			Other equity			
Code		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of the financial statements of foreign operations	Unrealized gain or loss on measured at fair value through other comprehensive income	Treasury stock	Total equity
A1	Balance as of January 1, 2021	178,010	$ 1,780,100	$ 17,067	$ 503,583	$ 32,482	$ 917,468	($ 1,873)	($ 9,010)	($ 59,182)	$ 3,180,635
	Earnings distribution for 2020										
B1	Legal reserve	-	-	-	43,529	-	(43,529)	-	-	-	-
B3	Special reserve	-	-	-	-	(21,599)	21,599	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(283,453)	-	-	-	(283,453)
D1	Net income for 2021	-	-	-	-	-	750,940	-	-	-	750,940
D3	Other comprehensive income for 2021	-	-	-	-	-	(5,340)	(70)	96,589	-	91,179
D5	Total comprehensive income for 2021	-	-	-	-	-	745,600	(70)	96,589	-	842,119
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	(138,235)	(138,235)
F3	Transfer of treasury shares	-	-	22,488	-	-	-	-	-	36,139	58,627
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	117,689	-	(117,689)	-	-
Z1	Balance as of December 31, 2021	178,010	1,780,100	39,555	547,112	10,883	1,475,374	(1,943)	(30,110)	(161,278)	3,659,693
	Earnings distribution for 2021										
B1	Legal reserve	-	-	-	86,329	-	(86,329)	-	-	-	-
B3	Special reserve	-	-	-	-	21,170	(21,170)	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(529,530)	-	-	-	(529,530)
D1	Net income for 2022	-	-	-	-	-	146,771	-	-	-	146,771
D3	Other comprehensive income for 2022	-	-	-	-	-	11,183	372	(222,711)	-	(211,156)
D5	Total comprehensive income for 2022	-	-	-	-	-	157,954	372	(222,711)	-	(64,385)
F3	Transfer of treasury shares	-	-	29,471	-	-	-	-	-	58,114	87,585
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(86,443)	-	86,443	-	-
Z1	Balance as of December 31, 2022	178,010	$ 1,780,100	$ 69,026	$ 633,441	$ 32,053	$ 909,856	($ 1,571)	($ 166,378)	($ 103,164)	$ 3,153,363

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

Weltrend Semiconductor Incorporated

Parent Company Only Statement of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax for 2022	$ 196,434	$ 823,810
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	64,286	58,196
A20200	Amortization expenses	18,034	33,247
A20300	Expected (reversal of losses) credit impairment losses	(301)	443
A20400	Net loss (gain) on financial assets at fair value through profit or loss	210,928	(226,174)
A20900	Financial costs	11,169	2,127
A21200	Interest income	(1,219)	(288)
A21300	Dividend income	(108,181)	(46,439)
A21900	Cost of remuneration for employee stock options	28,722	22,488
A22400	Share of loss (profit) on subsidiaries using the equity method	112,899	(117,843)
A22500	Gain on disposal of property, plant and equipment	(95)	(323)
A23700	Losses on inventory valuation loss and obsolescence (gains on inventory value recovery)	27,456	(4,612)
A24100	Foreign exchange gains (losses), net	(93,316)	26,943
A29900	Lease modification gain	-	(23)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	1,500	2,150
A31150	Accounts receivable	539,036	(316,572)
A31160	Accounts receivable - related party	8,005	1,444
A31170	Other receivables	6,415	(7,584)
A31180	Other receivable - related party	(1,226)	-
A31190	Finance lease receivables	-	188
A31200	Inventory	(665,714)	(349,957)
A31230	Prepayments	(5,679)	(3,036)
A32130	Notes payable	559	(373)
A32150	Accounts payable	(381,337)	246,859
A32990	Remuneration payable to employees and directors and supervisors	(119,922)	91,296
A32180	Other payables	11,894	(9,836)
A32200	Provisions	(300)	(3,271)
A32230	Other current liabilities	106	807
A32240	Net defined benefit liability	(8,973)	6
A33000	Cash inflow (outflow) from operations	(148,820)	223,673
A33100	Interest received	1,219	288
A33300	Interests paid	(11,169)	(2,127)
A33500	Income tax paid	(101,793)	(20,493)
AAAA	Net cash inflow (outflow) from operating activities	(260,563)	201,341

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Code		2022	2021
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	($ 711,230)	($ 721,428)
B00020	Disposal of financial assets at fair value through other comprehensive income	612,465	884,540
B00100	Acquisition of financial assets at fair value through profit or loss	(366,974)	(341,775)
B00200	Sale of financial assets at fair value through profit or loss	566,097	455,754
B02200	Acquisition of subsidiaries	(1,117,120)	-
B02700	Purchase of property, plant, and equipment	(33,322)	(72,188)
B02800	Proceeds from disposal of property, plant and equipment	95	1,171
B03700	Increase in refundable deposits	(183)	-
B03800	Decrease in refundable deposits	-	20
B04500	Acquisition of intangible assets	(21,198)	(22,233)
B07600	Other dividends received	108,195	46,420
B09900	Dividends from subsidiaries received	16,208	32,417
BBBB	Net cash inflow (outflow) from investing activities	(946,967)	262,698
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	1,002,680	250,000
C04200	Principal repayment of lease liabilities	(13,993)	(13,810)
C04500	Cash dividends paid	(529,530)	(283,453)
C04900	Purchase of treasury shares	(36,735)	(101,500)
C05000	Price of disposal of treasury shares	58,114	36,139
CCCC	Net cash inflow (outflow) from financing activities	480,536	(112,624)
DDDD	Impact of changes in exchange rate on cash and cash equivalents	29,892	(10,303)
EEEE	Net (decrease) increase in cash and cash equivalents for 2022	(697,102)	341,112
E00100	Opening balance of cash and cash equivalents	866,149	525,037
E00200	Ending balance of cash and cash equivalents	$ 169,047	$ 866,149

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

Weltrend Semiconductor Incorporated

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2022 and 2021

(In thousand NTD, unless otherwise specified)

1. Company History

Weltrend Semiconductor, Inc. (the "Company") was incorporated in Hsinchu Science Park in July 1989 and entered operations in September of the same year, mainly engaging in research, development, production, testing, and sales of digital and analog hybrid special application integrated circuits, as well as digital and analog integrated circuits.

The Company's stock has been listed on the Taiwan Stock Exchange Corporation (TWSE) since September 2000.

The parent company only financial statements are presented in the Company's functional currency, New Taiwan dollar (NTD).

2. Date and Procedures for Approval of Financial Statements

The parent company only financial statements were approved by the Board of Directors on February 24, 2023.

3. Application of New and Revised Standards and Interpretation

(1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of the IFRSs endorsed and issued into effect by the FSC does not have material impact on the accounting policies of the Company.

(2) Application of IFRSs endorsed by FSC in 2023

The new/amended/revised standards or interpretation	Effective date of IASB publication
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This amendment will be applicable for annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations, these amendments to transaction that occur after January 1, 2022.

By the time the parent company only financial statements were approved to be released, the Company confirmed that the amendments to other standards and interpretations would not cause a material impact on its financial position and financial performance.

(3) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

The new/amended/revised standards or interpretation	Effective date of IASB publication (Note 1)
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture.”	Undecided
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the date of approving the parent company only financial statements for release, the Company had continued to evaluate the effect of the amendments to other standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

4. Summary of Significant Accounting Policies

(1) Compliance Statement

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

The parent company only financial statements were prepared on the historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligation less the fair value of plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of the related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

When the Company prepared the parent company only financial statements, it adopted the equity method to account for the investments in its subsidiaries. To enable the amounts of this year's profit or loss, other comprehensive income, and equity in the parent company only financial statements to be the same as the ones attributable to the owners of the Company, other comprehensive income, and equity in the consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidation basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss of subsidiaries using the equity method, the share of other comprehensive income of subsidiaries using the equity method, as well as relevant equity items, as appropriate.

(3) Criteria for classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(4) Business combination

Business combination is handled in an acquisition method. Acquisition-related costs are recognized in expenses in the period in which the costs are incurred and the services are obtained.

Goodwill is measured with the sum of the fair value of the consideration for the transfer and the fair value of the equity in the acquiree previously held by the acquirer at the acquisition date, less the net amount of identifiable assets acquired and liabilities assumed at the acquisition date.

(5) Foreign currency

When the Company prepares the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are converted into the functional currency at the exchange rate prevailing on the transaction date.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

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

(6) Inventory

Inventory includes raw materials, work in process, finished goods, and merchandise. The value of inventory shall be determined based on the cost or net realizable value, whichever is lower. The comparison of the cost and net realizable value is based on individual items except for inventory of the same category. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(7) Investment in subsidiaries

The Company adopts the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss, other comprehensive income, and profit margins of the subsidiaries. Moreover, the Company recognizes the movements in its share of other equity of subsidiaries based on the shareholding ratio.

Movements in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount of investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the parent company only financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(8) Property, plant, and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost, less accumulated depreciation.

Except for self-owned land, property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Company conducts at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

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

(9) Intangible assets

1. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost, less accumulated amortization. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively.

2. Derecognition

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

(10) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Company assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use assets, and intangible assets at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the CGU is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the CGU, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(11) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Company are those measured at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are those mandatorily measured at fair value through profit or loss and those designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated by the Company to be measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, and the dividend, interest income, and gains or losses arising from remeasurement are recognized in profit or loss. Please refer to Note 28 for the method of determining fair values.

B. Financial assets at amortized cost

If the Company invests in financial assets in alignment with both of the following two criteria, such assets are classified as financial assets measured by amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

Such assets (including cash and cash equivalents, notes receivable at amortized cost, accounts receivable, other receivables, and pledged time deposits) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss after initial recognition; and any foreign currency exchange gains or losses are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

Cash equivalents include time deposits, highly liquid and readily convertible into a fixed amount of cash at any time while featuring little risk of value changes, which are used to meet short-term cash commitments.

C. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value with the subsequent movements in the fair value recognized in other comprehensive income and accumulated in other equity. Upon the disposal of an investment, the cumulative profit or loss is directly reclassified to retained earnings and is not reclassified to profit or loss.

Dividends on such investments in equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the investment cost.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss at each balance sheet date.

An allowance for losses on accounts receivable is recognized based on expected credit loss over the duration of the receivables. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month expected credit loss. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss from all possible defaults in a financial instrument over the expected life of a financial instrument.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

(3) Derecognition of financial assets

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

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When an investment in equity instruments at fair value through other comprehensive income is derecognized in its entirety, the cumulative profit or loss is transferred directly to retained earnings and not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity as per the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All the Company's financial liabilities are measured at amortized cost in the effective interest method.

(2) Derecognition of financial liabilities

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

(12) Provisions

The amount recognized in provisions is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The provisions are measured at the discounted value of the estimated cash flows to settle the obligations.

(13) Revenue recognition

After the Company identifies its performance obligations in contracts with clients, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Merchandise sales revenue

The merchandise sales revenue is from the sales of integrated circuits (ICs). As the merchandise arrives at/is delivered to the location designated by a client based on different transaction terms, the client has the right to set the price and use the merchandise and assume the main responsibility for reselling the merchandise, while bearing the risk of obsolescence of the merchandise, upon which the Company recognizes it in revenue and accounts receivable. Advance receipts from the merchandise sales are recognized in contract liabilities before the merchandise is delivered.

(14) Leasing

The Company assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract.

1. The Company as a lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

When the Company subleases the right-of-use assets, the right-of-use assets (not the asset itself) are used to determine the classification of the sublease. However, if the main lease is a short-term lease for which the recognition exemption applies to the Company, the sublease is classified as an operating lease.

Under finance leases, lease payments include fixed payments. The net lease investment is measured at the lease receivables and presented as financial lease receivables. Finance income is allocated to each accounting period to reflect the fixed rate of return on the Company's net investment in a lease that has not expired in each period.

Under operating leases, lease payments, less lease incentives, are recognized in income on a straight-line basis over the relevant lease terms.

2. The Company as a lessee

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

The right-of-use assets are initially measured at cost (including the initially measured amount of the lease liability) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes during the lease term or the index or rate used to determine lease payments lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets and to account for the profit or loss on the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the parent company only balance sheets.

The variable rent in a lease arrangement that is not dependent on the index or rate is recognized in income in the period, in which it is incurred.

(15) Borrowing costs

Borrowing costs are recognized in profit or loss in the year, in which they are incurred.

(16) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. Current service costs and net interest on net defined benefit liabilities are recognized in employee benefit expenses when incurred. The remeasurement (including actuarial gains and losses and plan asset remuneration net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss after the balance sheet date.

The net defined benefit liabilities are the deficit of the defined benefit pension plan.

(17) Share-based payment agreement - employee stock options

<u>Employee stock options for employees and others who provide similar services</u>

Employee stock options are recognized in expenses at the fair values of the equity instruments on the grant date and the best estimate of the number of equity instruments that will vest during the vesting period on a straight-line basis, while “capital surplus - employee stock options” is adjusted accordingly. If it is immediately vested on the grant date, the full amount is recognized in expenses on the grant date. The Company transfers treasury shares to employees, and the date of approval by the Board of Directors is adopted as the grant date.

On each balance sheet date, the Company revises the estimated number of employee stock options that are expected to be vested. In the case of a revision to the original estimated number, the effect is recognized in profit or loss, so that the cumulative expenses can reflect the revised estimate, while “capital surplus - employee stock options” is adjusted accordingly.

(18) Income tax

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

1. Income tax expenses in the current period

The Company determines the current income (loss) in accordance with the laws and regulations formulated by the authority in the jurisdiction to which an income tax turn should be filed and calculates the payable (recoverable) income tax accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are accounted for when there are likely to be taxable income to deduct temporary differences and research and development expenses.

Taxable temporary differences associated with investments in subsidiaries are recognized in deferred liabilities, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Company at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax

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

5. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

When the Company adopts accounting policies, the management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources Actual results may differ from the estimates.

The Company has included the recent developments of the COVID-19 pandemic in our country as well as the military conflicts between Russia and Ukraine, and the potential impact of international sanctions on Russia on the economic environment, in significant accounting estimates related to estimates of cash flows, growth rates, discount rates, and profitability. The management team will continue to review such estimates and underlying assumptions. If a revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which it is revised and in the future periods.

Key Sources of Uncertainty over Estimation and Assumptions

(1) Impairment of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Such estimates are made based on the real-time market conditions and historical sales of similar products, and changes in such market conditions may significantly affect the results of such estimates.

(2) Impairment of goodwill included in investment subsidiaries

When if the goodwill included in the investment in subsidiaries is impaired is determined, the goodwill acquired from business combination is apportioned to the Company's CGUs that are expected to benefit from the synergy of the combination and the value in use of the CGUs, to which the goodwill is apportioned, is estimated on the acquisition date. To calculate value in use, the management should estimate the future cash flows expected to be generated from the CGUs, to which the goodwill is apportioned, and determine an appropriate discount rate to calculate the present value. If the cash flow is less than expected, or if a change in the fact and situation causes a downward revision of the future cash flow or upward revision of the discount rate, significant impairment losses may occur.

6. Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 337	$ 652
Bank checking accounts and demand deposits	168,710	782,457
Cash equivalent		
Bank time deposits	-	83,040
	$169,047	$866,149

7. Financial Instruments Measured at Fair Value Through Profit or Loss

	December 31, 2022	December 31, 2021
Financial assets – current		
Measured at fair values through profit and/or loss		
Non-derivative financial assets		
- Domestic listed stocks	$268,698	$753,076
Financial assets – noncurrent		
Measured at fair values through profit and/or loss		
Non-derivative financial assets		
- Privately offered funds	$ 71,098	$ -

Please refer to Note 30 for information on investments in financial instruments at fair value through profit or loss pledged.

8. Financial assets measured at fair value through other comprehensive income

Equity investment

	December 31, 2022	December 31, 2021
Current		
Domestic Investment		
Listed stocks	$306,807	$355,764
Noncurrent		
Domestic Investment		
Non-listed stocks	$ -	$ 1,201

The Company invests in domestic companies' ordinary shares for medium- and long-term strategic purposes and expects to make profits in the long-term. The management of the Company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan; therefore, they chose to designate these investments as financial assets measured at fair value through other comprehensive income.

9. Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Noncurrent		
Domestic Investment		
Certificates of deposit pledged	$ 100	$ 100

(1) As of December 31, 2022 and 2021, the interest rate ranges of time deposits with the initial duration of more than three months are 1.45% and 0.79%, respectively.

(2) Please refer to Note 28 for information on credit risk management and impairment assessment related to financial assets measured at amortized cost.

(3) Please refer to Note 30 for information on financial assets measured at amortized cost pledged.

10. Notes receivable, accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Notes receivable		
Measured at amortized cost		
Total book value	$ 23,778	$ 25,278
Accounts receivable		
Measured at amortized cost		
Total book value	$ 683,866	$ 1,121,592
Less: Allowance for losses	(1)	(302)
	$ 683,865	$ 1,121,290
Other receivables		
Tax refund receivable	$ 9,522	$ 15,936
Receivable from disposal of investments	3,977	34,406
Dividend income receivable	55	69
Others	178	179
	$ 13,732	$ 50,590

The Company's average credit period for commodity sales is net 15 to 150 days after the end of each month, without interest accrued on accounts receivable. To reduce the credit risk, the Company, before working with each new client, fills out a credit application form through a business unit, and the responsible reviews the form and has the form countersigned by relevant units, while evaluating the potential client's credit quality to set its credit limit. The client's credit limit and rating are reviewed or updated from time to time every year with reference to its operating performance, transaction amount, time, and other factors. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. As such, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company recognizes an allowance for losses on accounts receivable based on expected credit loss over the duration of the receivables. Lifetime expected credit losses are calculated using a provision matrix based on each client's past default record, current financial position, economic situation in the industry, and industry outlook. Since the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, therefore, instead of further differentiating the customer groups, the provision matrix only sets the expected credit loss rate based on the number of days overdue on accounts receivable.

If there is evidence that the counterparty is in serious financial difficulty and the Company cannot reasonably expect to recover the amount, the Company shall directly write off the related accounts receivable but shall engage in recourse activities and recognize the amount recovered in profit or loss as a result of the recourse.

The allowance for losses on notes and accounts receivable measured by the Company as per the provision matrix is as follows:

December 31, 2022

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	$ 702,574	$ 2,752	$ 2,310	$ 5	$ 3	$ -	$ 707,644
Allowance for loss (expected credit loss of the given duration)	(1)	-	-	-	-	-	(1)
Measured at amortized cost	$ 702,573	$ 2,752	$ 2,310	$ 5	$ 3	$ -	$ 707,643

December 31, 2021

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	$ 1,099,785	$ 5,873	$ 41,100	$ 107	$ 5	$ -	$ 1,146,870
Allowance for loss (expected credit loss of the given duration)	(93)	(3)	(200)	(6)	-	-	(302)
Measured at amortized cost	$ 1,099,692	$ 5,870	$ 40,900	$ 101	$ 5	$ -	$ 1,146,568

The information on the movement in the allowances for losses on notes and accounts receivable is as follows:

	2022	2021
Opening balance	$ 302	$ 147
Add: Impairment loss recognized (reversed) during this year	(301)	443
Less: Write-offs during this year	-	(288)
Ending balance	$ 1	$ 302

11. Inventory

	December 31, 2022	December 31, 2021
Merchandise	$ 451,122	$ 274,562
Finished goods	231,846	194,692
Work in process	413,844	272,859
Raw materials	293,772	10,213
	$ 1,390,584	$ 752,326

The components of operating costs related to inventories are as follows:

	2022	2021
Operating costs	$ 1,904,143	$ 2,499,015
Losses on inventory valuation loss (gains on inventory value recovery) (Note)	$ 27,456	($ 4,612)

Note: The recovery in the net realizable value of inventories during 2021 was a result of an increase in the selling prices of inventories in specific markets.

12. Subsidiary

	December 31, 2022	December 31, 2021
Investment in subsidiaries		
Weltrend International Co., (BVI) Ltd.	$ 483,269	$ 534,852
Yingquan Investment Co., Ltd.	265,530	366,456
Sentelic Corporation	1,077,536	-
	$ 1,826,335	$ 901,308

	Ownership interest and voting rights (%)	
	December 31, 2022	December 31, 2021
Yingquan Investment Co., Ltd.	98%	98%
Weltrend International Co., (BVI) Ltd.	100%	100%
Sentelic Corporation (Note)	51%	-

Note: The Company acquired Sentelic Corporation in August 2022 with 51% equity in it and gained control over it. Please refer to Note 29 to the Company's 2022 consolidated financial statements for the details of the acquisition of Sentelic Corporation.

Please refer to Note 32 for the details of the investments in the subsidiaries indirectly owned by the Company.

The shares of profit and loss and other comprehensive income of subsidiaries using the equity method for 2022 and 2021 were recognized based on the subsidiaries' financial statements for the same periods audited by CPAs.

13. Property, plant, and equipment

	Land	Buildings and equipment	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Property under construction	Total
Costs								
Balance as at January 1, 2022	$ 94,720	$ 154,585	$ 311,480	$ 24,142	$ 45,896	$ 31,081	$ -	$ 661,904
Addition	-	-	32,647	2,037	12,366	807	-	47,857
Disposal	-	-	(15,356)	(1,762)	-	-	-	(17,118)
Balance as of December 31, 2022	$ 94,720	$ 154,585	$ 328,771	$ 24,417	$ 58,262	$ 31,888	$ -	$ 692,643
Accumulated depreciation								
Balance as at January 1, 2022	$ -	$ 46,393	$ 252,839	$ 11,295	$ 37,419	$ 26,542	$ -	$ 374,488
Depreciation expenses	-	5,538	34,980	3,234	5,111	1,597	-	50,460
Disposal	-	-	(15,356)	(1,762)	-	-	-	(17,118)
Balance as of December 31, 2022	$ -	$ 51,931	$ 272,463	$ 12,767	$ 42,530	$ 28,139	$ -	$ 407,830
Net amount as of December 31, 2022	$ 94,720	$ 102,654	$ 56,308	$ 11,650	$ 15,732	$ 3,749	$ -	$ 284,813
Costs								
Balance as of January 1, 2021	$ 94,720	$ 149,737	$ 287,785	$ 17,459	$ 40,853	$ 29,604	$ 4,465	$ 624,623
Addition	-	148	40,712	9,862	5,043	1,653	235	57,653
Disposal	-	-	(17,017)	(3,179)	-	(176)	-	(20,372)
Reclassification	-	4,700	-	-	-	-	(4,700)	-
Balance as of December 31, 2021	$ 94,720	$ 154,585	$ 311,480	$ 24,142	$ 45,896	$ 31,081	$ -	$ 661,904
Accumulated depreciation								
Balance as of January 1, 2021	$ -	$ 40,824	$ 237,290	$ 11,241	$ 34,732	$ 25,242	$ -	$ 349,329
Depreciation expenses	-	5,569	32,396	2,555	2,687	1,476	-	44,683
Disposal	-	-	(16,847)	(2,501)	-	(176)	-	(19,524)
Balance as of December 31, 2021	$ -	$ 46,393	$ 252,839	$ 11,295	$ 37,419	$ 26,542	$ -	$ 374,488
Net amount as of December 31, 2021	$ 94,720	$ 108,192	$ 58,641	$ 12,847	$ 8,477	$ 4,539	$ -	$ 287,416

As there was no sign of impairment during the years ended December 31, 2022 and 2021, the Company did not conduct an impairment assessment.

Depreciation expenses are calculated and recognized on a straight-line basis as per the useful lives below:

Buildings and equipment	
Plant main building	35–50 years
Interior design and network engineering	5 years
Machinery equipment	2–4 years
Transportation equipment	5 to 6 years
Leasehold improvements	5 to 10 years
Miscellaneous equipment	3–5 years

Refer to Note 30 for the amounts of land and buildings pledged as collateral for borrowings.

14. Lease agreements

(1) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Building	$ 19,433	$ 9,791

	2022	2021
Addition of right-of-use assets	$ 23,468	$ 2,775
Depreciation expenses of right-of-use assets		
Building	$ 13,826	$ 13,513

Except for the additions and depreciation expenses recognized listed above, the Company did not have any significant sublease or impairment of the right-of-use assets during the years ended December 31, 2022 and 2021.

(2) Lease liability

	December 31, 2022	December 31, 2021
Carrying amount of lease liability		
Current	$ 6,574	$ 9,693
Noncurrent	$ 12,995	$ 401

The discount rate range for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Building	2.00%	2.00%

(3) Major lease activities and terms

The Company leased buildings from the Hsinchu Science Park of the Ministry of Science and Technology as plants, and the lease period is from 2022–2026. As per the lease agreement of the plants located in the science park, the lessee may have the amount of the rent adjusted at any time at the announced land price of the site where the plants are located or the adjusted rent rate of state-owned land approved by the Executive Yuan. The Company has no bargain purchase option for the leased buildings at the end of the lease term.

(4) Other lease information

	2022	2021
Short-term lease expenses	$ 99	$ 48
Total cash (outflow) from lease	($ 14,544)	($ 14,196)

The Company has elected to apply the recognition exemptions to the leases of buildings that qualify as short-term leases and does not recognize the relevant right-of-use assets and lease liabilities for such leases.

15. Intangible assets

	Computer software	Technology licensing	Total
Costs			
Balance as at January 1, 2022	$ 198,447	$ 72,236	$ 270,683
Acquired separately	18,245	2,953	21,198
Balance as of December 31, 2022	$ 216,692	$ 75,189	$ 291,881
Accumulated amortization			
Balance as at January 1, 2022	$ 183,470	$ 72,179	$ 255,649
Amortization expenses	16,501	1,533	18,034
Balance as of December 31, 2022	$ 199,971	$ 73,712	$ 273,683
Net amount as of December 31, 2022	$ 16,721	$ 1,477	$ 18,198
Costs			
Balance as of January 1, 2021	$ 179,003	$ 69,447	$ 248,450
Acquired separately	19,444	2,789	22,233
Balance as of December 31, 2021	$ 198,447	$ 72,236	$ 270,683
Accumulated amortization			
Balance as of January 1, 2021	$ 166,825	$ 55,577	$ 222,402
Amortization expenses	16,645	16,602	33,247
Balance as of December 31, 2021	$ 183,470	$ 72,179	$ 255,649
Net amount as of December 31, 2021	$ 14,977	$ 57	$ 15,034

Except for the amortization expenses recognized, the Company did not have any significant additions to, disposal, or impairment of the intangible assets during the years ended December 31, 2022 and 2021. Amortization expense is provided for based on a straight-line method over the following useful lives:

Computer software	1 to 5 years
Technology licensing	1 year

16. Prepayments

	December 31, 2022	December 31, 2021
Current		
Prepayments for reticles	$ 18,329	$ 11,656
Tax overpaid retained for offsetting the future tax payable	6,267	7,027
Prepayments to suppliers	2,236	1,718
Prepayments for salary and wages	1,490	1,610
Others	850	1,482
	$ 29,172	$ 23,493

17. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings		
Bank loans	$ 417,120	$ -
Unsecured borrowings		
Credit facility borrowings	$ 1,120,560	$ 535,000

The interest rates on bank revolving loans were 1.39%–2.00% and 0.78%–1.05% as at December 31, 2022 and 2021, respectively.

Please refer to Note 30 for the Company's collateral for short-term borrowings.

18. Notes payable and accounts payable

	December 31, 2022	December 31, 2021
Notes payable- from operations	$ 1,279	$ 720
Accounts payable	$220,622	$562,372

The Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

19. Other liabilities

	December 31, 2022	December 31, 2021
Current		
Other payables		
Bonuses payable	$ 33,060	$ 20,923
Pension payable under new scheme	4,040	3,915
Health insurance premiums payable	2,320	2,254
Labor insurance premiums payable	2,185	2,189
Investment payables	1,020	25,551
Treasury shares payable	-	36,735
Others	6,204	6,526
	$ 48,829	$ 98,093
Other liabilities		
Receipts under custody	$ 3,643	$ 3,332
Contract liabilities	583	788
	$ 4,226	$ 4,120

20. Provisions

	December 31, 2022	December 31, 2021
Current		
Employee benefits	$ 6,283	$ 6,583

Provision for employee benefit liabilities is an estimate of employees' leave entitlements.

21. Post-employment benefit plans

(1) Defined contribution pension plan

The Company adopted a pension scheme under the Labor Pension Act, which is a government-managed defined contribution plan. Under the act, the Company makes monthly contributions, equal to 6% of their monthly salary and wages, to employees' individual pension accounts under the Bureau of Labor Insurance.

(2) Defined benefit plan

The pension scheme adopted by the Company in accordance with the Labor Standards Act of R.O.C. is a government-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the six months prior to the approved retirement date. The Company makes a contribution, equal to 2% of the total monthly employee salaries, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits to employees who meet the retirement requirements in the following year, the Group will make a contribution to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence its investment management strategy.

The amounts included in the parent company only balance sheets in respect of such defined benefit plans are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$129,396	$136,801
Fair value of plan assets	(75,523)	(63,124)
Net defined benefit liability	$ 53,873	$ 73,677

The movements in the net defined benefit liability are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2022	$ 136,801	($ 63,124)	$ 73,677
Service costs	1,325	-	1,325
Interest expense (income)	661	(320)	341
Recognized in profit or loss	1,986	(320)	1,666
Remeasurement			
Return on plan asset (except for the amount included in the net interest)	-	(5,117)	(5,117)
Actuarial loss - experience adjustments	2,545	-	2,545
Actuarial gain - changes in financial assumptions	(8,260)	-	(8,260)
Recognized in other comprehensive income	(5,715)	(5,117)	(10,832)
Employer's contributions	-	(10,638)	(10,638)
Benefit payment	(3,676)	3,676	-
December 31, 2022	$ 129,396	($ 75,523)	$ 53,873
January 1, 2021	$ 130,961	($ 62,630)	$ 68,331
Service costs	1,303	-	1,303
Interest expense (income)	634	(318)	316
Recognized in profit or loss	1,937	(318)	1,619
Remeasurement			
Return on plan asset (except for the amount included in the net interest)	-	(677)	(677)
Actuarial loss - changes in demographic assumptions	3,465	-	3,465
Actuarial gain - experience adjustments	2,552	-	2,552
Recognized in other comprehensive income	6,017	(677)	5,340

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Employer's contributions	$ -	($ 1,613)	($ 1,613)
Benefit payment	(2,114)	2,114	-
December 31, 2021	$ 136,801	($ 63,124)	$ 73,677

The Company is exposed to the risks below due to the pension system under the Labor Standards Act:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for two-year time deposits.
2. Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.125%~1.500%	0.375%~0.500%
Expected salary increase percentage	2.750%	2.500%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 2,608)	($ 3,139)
Decrease by 0.25%	$ 2,693	$ 3,249
Expected salary increase percentage		
Increase by 0.25%	$ 2,612	$ 3,132
Decrease by 0.25%	($ 2,543)	($ 3,042)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
The expected contributions to the plan for the following year	$ 1,625	$ 1,638
The weighted average duration of the defined benefit obligations	3.7 years–9 years	4.1 years–10.1 years

22. Equity

(1) Common stock

	December 31, 2022	December 31, 2021
Authorized number of shares (in thousands)	330,000	330,000
Authorized capital stock	$ 3,300,000	$ 3,300,000
Number of shares issued and fully paid (in thousands)	178,010	178,010
Capital stock issued	$ 1,780,100	$ 1,780,100

(2) Capital surplus

	December 31, 2022	December 31, 2021
For loss make-up, payment in cash or capitalization as equity (1)		
Stock issuance premium	$ 1,886	$ 1,886
Donated assets received	81	81
Share premium (restricted stock awards vested)	15,026	15,026
Treasury stock transaction	51,959	22,488
Only for loss make-up		
Recognition of changes in ownership interest in subsidiaries (2)	74	74
	$ 69,026	$ 39,555

1. Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of shares in a subsidiary, or adjustments to the capital surplus for the Company's subsidiaries accounted for using the equity method.

(3) Retained Earnings and Dividend Policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit (including the adjusted amount of undistributed earnings), setting aside 10% of the remaining profit as a legal reserve as per law unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations. Then, any remaining profit, together with any undistributed retained earnings at the beginning of the period (including the adjusted amount of undistributed earnings), shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution of dividends to shareholders. Please refer to Note 24(7) for the policy on the remuneration to employees and directors and supervisors stipulated the Articles of Incorporation.

In addition, according to the Company's Articles of Incorporation, the Company shall consider the soundness and stability of the financial structure for the distribution of stock dividends and set the ratio of cash dividends to stock dividends for the year as per the Company's growth needs. The ratio of cash dividends shall not be less than 10% of the total dividends.

The legal reserve shall be set aside until the balance reaches the amount of the Company's total paid-in capital. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company held the general shareholders' meetings on June 23, 2022 and July 7, 2021 to resolve to approve the 2021 and 2020 earnings distribution proposals, respectively. The details are as follows:

	2021	2020
Legal reserve	$ 86,329	$ 43,529
Special reserve	$ 21,170	($ 21,599)
Cash dividends	$529,530	$283,453
Cash dividends per share ($NT)	$ 3.0	$ 1.6

The 2022 earnings distribution proposal made by the Board of Directors on February 24, 2023 is as follows:

	2022
Legal reserve	$ 7,151
Special reserve	$135,896
Cash dividends distributed	$212,399
Cash dividends per share ($NT)	$ 1.2

The 2022 earnings distribution proposal is pending a resolution by the shareholders' meeting expected to be held on June 2, 2023.

(4) Special reserve

	2022	2021
Opening balance	$ 10,883	$ 32,482
Provision (reversal) of a special reserve	21,170	(21,599)
Ending balance	$ 32,053	$ 10,883

(5) Treasury stock

	Shares (in thousands)	
Reason for repurchase	2022	2021
Opening balance	2,352	2,189
Increase during this year	-	1,500
Decrease during this year	(991)	(1,337)
Ending balance	1,361	2,352

The Board of Directors resolved, on August 6, 2019, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. Between August 6, 2019 to October 3, 2019, it repurchased the Company's 3,000 thousand shares. Within five years from the date of repurchase, the shares shall be transferred to employees once or in several times, and the average repurchase shall be the transfer price at NT$27.03.

The Board of Directors resolved, on November 5, 2021, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. From November 5, 2021 to December 30, 2021, it repurchased the Company's 1,500 thousand shares. Within five years from the date of repurchase, the shares shall be transferred to employees once or in several times, and the average repurchase shall be the transfer price at NT$92.16.

The Board of Directors, on March 9, 2021, resolved to transfer and repurchase 1,337 thousand treasury shares to employees at a transfer price of NT$27.03. The employee stock subscription record date was the resolution date, and the date of delivering the shares to employees was March 31, 2021.

The Board of Directors, on March 3, 2022, resolved to transfer and repurchase 426 thousand and 426 thousand treasury shares to employees at the transfer prices of NT$27.03 and NT$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was March 28, 2022.

The Board of Directors, on August 9, 2022, resolved to transfer and repurchase 84 thousand and 55 thousand treasury shares to employees at the transfer prices of NT$27.03 and NT$92.16. The employee stock subscription record date was the resolution date, and the date of delivering all shares to employees was September 7, 2022.

Remuneration costs recognized for the transfer of treasury shares to employees during 2022 and 2021 were NT$28,722 thousand and NT$22,488 thousand respectively.

The treasury shares held by the Company are to be transferred to employees and shall not be pledged in accordance with the Securities and Exchange Act nor shall they be entitled to rights, such as receipt of dividends and voting rights.

(6) Other equity

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

	2022	2021
Opening balance	($ 1,943)	($ 1,873)
Exchange differences on the translation of financial statements of foreign operations	372	(70)
Ending balance	($ 1,571)	($ 1,943)

2. Unrealized gain or loss on financial assets measured at fair value through other comprehensive income

	2022	2021
Opening balance	($ 30,110)	($ 9,010)
Incurred during the year		
Unrealized gain or loss		
Equity instruments	(158,254)	85,173
Shares of affiliates using the equity method	(64,457)	11,416
Other comprehensive income for the year	(222,711)	96,589
The cumulative gain/loss from the disposal of equity instruments transferred to retained earnings	86,443	(117,689)
Ending balance	($166,378)	($ 30,110)

23. Operating revenues

	2022	2021
Sales income - integrated circuits	$ 1,722,447	$ 2,343,584
Trading of integrated circuits	1,044,121	1,237,350
Design and testing income	4,800	9,321
	$ 2,771,368	$ 3,590,255

(1) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (Note 10)	$ 683,865	$ 1,121,290	$ 830,818
Contract liabilities – current (accounted for in other liabilities)			
Merchandise sales	$ 583	$ 788	$ 227

The change in contract liabilities mainly arises from the difference between the point at which performance obligations are satisfied and the point at which customers pay.

The amounts of the opening balance of contract liabilities and the performance obligations previously fulfilled recognized in revenue are as follows:

Opening balance of contract liabilities	2022	2021
Merchandise sales	$ 788	$ 227

(2) Details of net operating income

Region	2022	2021
Mainland China	$ 1,728,755	$ 2,253,593
Taiwan	848,342	883,998
Others	194,271	452,664
	$ 2,771,368	$ 3,590,255

24. Net income for the year

(1) Interest income

	2022	2021
Interest income from cash in banks	$ 1,219	$ 288

(2) Other income

	2022	2021
Income from cash dividends	$108,181	$ 46,439
Other income	6,081	1,973
	$114,262	$ 48,412

(3) Other profits and losses

	2022	2021
Net foreign exchange gain (loss)	$ 66,540	($ 23,086)
Net gain (loss) on financial assets		
Financial assets at fair value through profit or loss (Note 7)	(210,928)	226,174
Other losses	(429)	(615)
	($144,817)	$202,473

(4) Financial costs

	2022	2021
Interest from bank borrowings	$ 10,728	$ 1,789
Interest on lease liabilities	441	338
	$ 11,169	$ 2,127

(5) Depreciation and amortization

	2022	2021
Summary of depreciation expenses by function		
Operating costs	$ 38,513	$ 33,679
Operating expenses	25,773	24,517
	$ 64,286	$ 58,196
Summary of amortization expenses by function		
Operating costs	$ 220	$ 220
Administrative expenses	2,554	2,114
Research and Development expenses	15,260	30,913
	$ 18,034	$ 33,247

(6) Employee benefit expenses

	2022	2021
Short-term employee benefits	$401,734	$502,167
Post-employment benefits (Note 21)		
Defined contribution pension plan	16,135	15,237
Defined benefit plan	1,666	1,619
Share-based payment		
Settlement of equity interests	28,722	22,488
Total employee benefit expenses	$448,257	$541,511
Summary by function		
Operating costs	$ 71,809	$ 76,179
Operating expenses	376,448	465,332
	$448,257	$541,511

(7) Remuneration for employees, directors and supervisors

The Company, as per the Articles of Incorporation, allocates 11%–13% of net income before tax before the remuneration to employees, directors, and supervisors is deducted for the year as remuneration to employees and no more than 3% as the remuneration to directors and supervisors, respectively. The 2022 and 2021 remuneration to employees and directors and supervisors resolved by the Board of Directors on February 24, 2023 and March 3, 2022, respectively, is as follows:

Estimate percentage

	2022	2021
Remuneration for employees	12%	12.8%
Remuneration for directors and supervisors	3%	3%

Amount

	2022		2021	
	Cash	Stock	Cash	Stock
Remuneration for employees	$ 27,732	$ -	$ 125,235	$ -
Remuneration for directors and supervisors	$ 6,933	$ -	$ 29,352	$ -

If there is a change in the amount after the annual parent company only financial statements are approved and released, the change will be accounted for as a change in accounting estimate and will be recorded an adjustment in the following year.

There is no difference between the amounts of remuneration paid out to employees and directors and supervisors for 2021 and 2020 and the amounts recognized in the 2021 and 2020 parent company only financial statements.

For information on 2022 and 2021 remuneration to employees and directors resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

25. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

	2022	2021
Income tax expenses in the current period		
Incurred during this year	$ 76,100	$ 71,627
Surtax on undistributed earnings	-	3,762
Adjustment to the prior years	(2,074)	2,670
	74,026	78,059
Deferred tax		
Incurred during this year	(24,363)	(5,189)
Income tax recognized in profit or loss	$ 49,663	$ 72,870

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

	2022	2021
Net profit before taxation	$196,434	$823,810
Income tax expense calculated based on statutory tax rate for pre-tax income	$ 39,287	$164,762
Non-deductible expenses for tax	18,408	-
Tax-free income	(21,637)	(54,321)
Basic tax difference payable	-	7,797
Unrecognized (recognized) deductible temporary differences	23,679	(51,800)
Unrecognized investment tax credit	(8,000)	
Surtax on undistributed earnings	-	3,762
This year's adjustments to income tax expenses from prior years	(2,074)	2,670
Income tax recognized in profit or loss	$ 49,663	$ 72,870

(2) Current tax liabilities

	December 31, 2022	December 31, 2021
Current tax liabilities		
Income tax payable	$ 42,576	$ 70,343

(3) Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities are as follows:

2022

Deferred tax liabilities	Opening balance	Recognized in profit or loss	Ending balance
Temporary differences			
Financial assets at fair value through profit or loss	$ 24,363	($ 24,363)	$ -

2021

Deferred tax liabilities	Opening balance	Recognized in profit or loss	Ending balance
Temporary differences			
Financial assets at fair value through profit or loss	$ 29,552	($ 5,189)	$ 24,363

(4) Deductible temporary differences not recognized as deferred tax assets in the balance sheet

	December 31, 2022	December 31, 2021
Deductible temporary differences	$114,795	$ 95,855

(5) The state of income tax assessment

The Company's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2019.

26. Earnings per shares

Unit: NTD per share

	2022	2021
Basic earnings per share	$ 0.83	$ 4.25
Diluted earnings per share	$ 0.83	$ 4.21

The earnings and weighted average number of ordinary shares used to calculate the earnings per share are as follows:

Net income for the year

	2022	2021
Net income used to calculate basic earnings per share	$146,771	$750,940

Number of Shares

Unit: Thousand shares

	2022	2021
Weighted average number of shares of common stock used to calculate basic earnings per share	176,404	176,817
Impact of potential common stock with dilutive effect:		
Remuneration for employees	905	1,511
Weighted average common stock shares used to calculate diluted earnings per share	177,309	178,328

If the Company may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilution effect of these potential ordinary shares will also continue to be considered when the diluted earnings per share is calculated before the following year's shareholders' meeting resolves a decision on the number of shares distributed for employee remuneration.

27. Capital Risk Management

The Company engages in capital management to ensure that it can maximize shareholder returns by optimizing debt and equity balances while continuing to operate. There has been no change in the Company's overall strategy.

The Company's capital structure consists of the equity (i.e. share capital, capital surplus, retained earnings, and other equity items).

28. Financial instruments

(1) Fair value information – Financial instruments that are not measured at fair value

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

(2) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 268,698	$ -	$ -	$ 268,698
Privately offered funds	-	-	71,098	71,098
	$ 268,698	$ -	$ 71,098	$ 339,796
Financial assets measured at fair value through other comprehensive income				
Equity investment				
- Domestic listed stocks	$ 306,807	$ -	$ -	$ 306,807

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current				
Domestic listed stocks	$ 753,076	$ -	$ -	$ 753,076
Financial assets measured at fair value through other comprehensive income				
Equity investment				
- Domestic listed stocks	$ 355,764	$ -	$ -	$ 355,764
- Domestic non-listed stocks	$ -	$ -	$ 1,201	$ 1,201

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

2. Reconciliation of financial instruments measured at fair value in Level 3

2022

	Equity instruments	
Financial assets	Financial assets at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income
Opening balance	$ -	$ 1,201
Acquisition	67,530	-
Recognized in profit or loss (other gains and losses)	3,568	-
Disposal	-	(1,201)
Ending balance	$ 71,098	$ -

2021

	Equity instruments
Financial assets	Financial assets measured at fair value through other comprehensive income
Opening balance	$ 1,720
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	1,495
Disposal	(2,014)
Ending balance	$ 1,201

3. Valuation techniques and input values for Level 3 fair value measurement

The aggregate value of the individual assets and individual liabilities in the investments in domestic unlisted equity was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at fair values through profit and/or loss		
Mandatorily at fair value through profit	$ 339,796	$ 753,076
Financial assets at amortized cost (Note 1)	907,827	2,085,701

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	December 31, 2022	December 31, 2021
Financial assets at fair value through other comprehensive income - investments in equity instruments	$ 306,807	$ 356,965
Financial liabilities		
Measured at amortize cost (Note 2)	1,808,410	1,196,185

Note 1: The balance includes financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), and guarantee deposits paid.

Note 2: The balance includes financial liabilities at amortized cost, including short-term borrowings, notes payable, accounts payable, and other payables.

(4) Purpose and policy of financial risk management

The Company's main financial instruments include equity investments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Company's financial management department provides services to each business unit, coordinates the operations of investments in the domestic and international financial markets, and supervises and manages the financial risks related to the Company's operations by analyzing the internal risk reports on the exposure as per the breadth and depth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial management department regularly reports to the Company's Board of Directors.

1. Market Risk

The main financial risks to the Company's operating activities are the risk of foreign exchange rate fluctuations (see (1) below) and the risk of changes in interest rates (see (2) below).

There have been no changes in the Company's exposure to financial instrument market risks and its method to managing and measuring such exposure.

(1) Exchange rate risk

Some of the Company's cash inflows and outflows are in foreign currencies with the effect of natural hedging; the Company's management of the exchange rate risk aims to hedge rather than making profits.

Please refer to Note 31 for the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date.

Sensitivity analysis

The Company is mainly affected by the fluctuations in the exchange rates of USD.

The table below details the Company's sensitivity analysis when the NTD (functional currency) increases and decreases by 1% against each relevant foreign currency. In the sensitivity analysis, the outstanding monetary items in foreign currencies were taken into account, and the translation of such items at the end of the year was adjusted as per 1% change in exchange rates. The positive numbers in the following table represent the increase in net profits before tax if the New Taiwan dollar weakens by 1% against the respective currencies, and the negative numbers for the same amount represent the decrease in net profits before tax if the NT dollar strengthens by 1% against the respective currencies.

	Impact of USD	
	2022	2021
Profit or loss	$ 5,263	$ 10,121

The Company's sensitivity to the USD decreased in this year, mainly due to the decrease in its foreign currency assets.

The management believes that the sensitivity analysis cannot represent the inherent exchange rate risk as foreign currency exposures on the balance sheet date cannot reflect the interim exposures.

(2) Interest rate risk

Interest rate exposures arise as the Company hold assets and liabilities at both fixed and floating rates.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
– Financial assets	$ 100	$ 83,823
– Financial liabilities	19,569	10,094
With cash flow interest rate risk		
– Financial assets	168,679	782,426
– Financial liabilities	1,537,680	535,000

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. The analysis of assets at floating rates is based on the assumption that the amount of assets outstanding at the balance sheet date was outstanding throughout the reporting period.

If the annual rate of interest increased/decreased by 1%, with all other variables remaining unchanged, the Company's net income before tax for 2022 and 2021 would have increased/decreased by NT$13,690 thousand and NT$2,474 thousand, respectively, mainly due to the Company's exposure to the risk of the net assets at floating interest rates.

The Company's sensitivity to interest rates decreased in this year, mainly due to the decrease in the financial assets at floating interest rates.

(3) Other price risks

The Company is exposed to the equity price risk due to the investments in listed equity securities. The equity investments are not held for trading and are strategic investments. The Company is not actively trading these equity securities. The Company's equity price risk is mainly concentrated in the equity instruments in the electronic industry traded in stock exchanges and over-the-counter markets in Taiwan.

Sensitivity analysis

The sensitivity analysis below was performed based on the equity price exposure on the balance sheet date.

If the securities price increased/decreased by 1%, the profit or loss before tax for 2022 and 2021 would have decreased/increased by NT$3,398 thousand and NT$7,531 thousand respectively, mainly due to increase/decrease in the Company's financial assets at fair value through profit or loss.

The Company's sensitivity to price risk decreased in this year, mainly due to the decrease in the Company's investment in financial assets at fair value through profit or loss.

If the securities price increased/decreased by 1%, the other comprehensive income before tax for 2022 and 2021 would have increased/decreased by NT$3,068 thousand and NT$3,570 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through other comprehensive income.

The Company's sensitivity to price risk decreased in this year, mainly due to the decrease in the Company's investment in financial assets at fair value through other comprehensive income.

2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk of financial loss due to non-performance by counter-parties is mainly from the carrying amount of financial assets recognized in parent company only balance sheets.

To mitigate credit risk, the Company has formulated credit and accounts receivable management measures to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. As such, the Company’s management believes that the Company’s credit risk has been significantly reduced.

The Group has a wide range of clients across different industries and geographic regions for accounts receivables. The Company continuously evaluates the financial position of clients with accounts receivable.

The Company does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. When the transaction counterparties are affiliates, the Company defines them as transaction counterparties with similar characteristics.

3. Liquidity Risk

The Company manages and maintains sufficient cash and cash equivalents to support the Group’s operations and mitigate the impact of cash flow fluctuations. The Company's management monitors the use of bank financing facilities and ensures compliance with the terms of the borrowing agreements.

Bank loans are a source of liquidity for the Company. Please refer to the description of (2) financing facilities below for the Company’s bank financing facilities undrawn as of December 31, 2022 and 2021.

(1) Table of liquidity and interest rate risk of non-derivative financial liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities has been prepared based on the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Company can be required to make repayment. Therefore, bank borrowings that the Company may be required to repay immediately are shown in the table below for the earliest period, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2022

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
Non-derivative financial assets					
No interest-bearing liabilities	$ 138,115	$ 130,025	$ 2,586	$ 4	$ 270,730
Floating rate instruments	70,000	206,060	677,120	-	953,180
Fixed rate instruments	150,000	434,500	-	-	584,500
Lease liability	606	1,213	5,082	13,433	20,334
	$ 358,721	$ 771,798	$ 684,788	$ 13,437	$ 1,828,744

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	$ 6,901	$ 4,684	$ 4,398	$ 4,351

December 31, 2021

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
Non-derivative financial assets					
No interest-bearing liabilities	$ 417,679	$ 243,276	$ 226	$ 4	$ 661,185
Floating rate instruments	-	135,000	400,000	-	535,000
Lease liability	846	1,691	7,268	470	10,275
	$ 418,525	$ 379,967	$ 407,494	$ 474	$ 1,206,460

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	$ 9,805	$ 29	$ 29	$ 412

(2) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facility		
- Borrowing facilities used	$ 1,120,560	$ 535,000
- Borrowing facilities unused	213,940	473,400
	$ 1,334,500	$ 1,008,400
Secured bank overdraft facility		
- Borrowing facilities used	$ 417,120	$ -
- Borrowing facilities unused	632,880	150,000
	$ 1,050,000	$ 150,000

29. Related Party Transactions

Except for those disclosed in other notes, transactions between the Company and related parties are as follows.

(1) Name of related party and relations therewith

Name of related party	Relations with the Group
Yingquan Investment Co., Ltd.	Subsidiary
Weltrend International Co., (BVI) Ltd.	Subsidiary
Dongguan Prosil Electronics Co., Ltd.	Sub-subsidiary
Sentelic Corporation	Subsidiary (became de facto related party after August 24, 2022)

(2) Operating revenues

Category of related party	2022	2021
Sub-subsidiary	$ 81,830	$ 78,322

The sales between the Company and related parties are determined based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

(3) Rental incomes

Category of related party	2022	2021
Subsidiary	$ 11	$ 11

The Company's rental income (recognized in other income) from related parties is negotiated and determined in accordance with the lease agreements between both parties, and there is no other suitable transaction counterparty for comparison.

(4) Other income

Category of related party	2022	2021
Sentelic Corporation	$ 640	$ -
Yingquan Investment Co., Ltd.	585	463
	$ 1,225	$ 463

The Company's other income from subsidiaries refers to directors’ and supervisors’ remuneration and service income.

(5) Receivables from related parties

Category of related party	December 31, 2022	December 31, 2021
Sub-subsidiary	$ 10,511	$ 16,912
Subsidiary	3	-
	$ 10,514	$ 16,912

The Company did not request collateral for outstanding receivables from related parties. The Company did not recognize the receivables from related parties in bad debts for 2022 and 2021.

(6) Other receivables from related parties

Category of related party	2022	2021
Subsidiary	$ 1,226	$ -

The Company did not request collateral for outstanding other receivables from related parties.

(7) Remuneration for key management

	2022	2021
Short-term employee benefits	$ 34,656	$ 50,699
Share-based payment	12,181	8,365
Post-employment benefits	638	690
	$ 47,475	$ 59,754

The remuneration for directors and other key management is determined by the Board of Directors based on individual performance and market trends.

30. Pledged Assets

The assets below have been pledged as collateral for borrowings from banks and to customs:

	2022	2021
Certificates of deposit pledged (under financial assets at amortized cost - non-current)	$ 100	$ 100
Securities pledged (under financial assets at fair value through profit or loss - current)	177,168	-
Property, plant, and equipment	143,503	-
	$320,771	$ 100

31. Information on foreign currency assets and liabilities with significant effect:

The information below is aggregated and presented in foreign currencies other than the Company's functional currency. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The information on foreign currency assets and liabilities with significant effect is as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
Financial assets						
Monetary items						
USD	$ 23,386	30.71 (USD: NTD)	$ 718,184	$ 52,605	27.68 (USD: NTD)	$ 1,456,106
Financial liabilities						
Monetary items						
USD	6,249	30.71 (USD: NTD)	$ 191,907	16,040	27.68 (USD: NTD)	$ 443,987

Foreign currency translation gains and losses (unrealized) with significant effect are as follows:

	2022		2021	
Functional currency	Functional currency exchanged to presenting currency	Net exchange gain (loss)	Functional currency exchanged to presenting currency	Net exchange gain (loss)
USD	30.71 (USD: NTD)	($ 2,284)	27.68 (USD: NTD)	($ 3,529)

32. Additional Disclosure

(1) Information on Material Transactions and (2) Information on Investees:

1. The Loaning of Funds: None.
2. Endorsements and guarantees for others: None.
3. Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures): Table 1.
4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital: Table 2.
5. Acquisition of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
7. Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.
8. Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.
9. Trading in Derivative Instruments: None.
10. Information on Investees: Table 3.

(3) Information on investment in Mainland China:

1. Information on investees in Mainland China, including the name, main business and products, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, profit or loss for this period, recognized investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the Mainland China area: Table 4.
2. The following significant transactions with investees in Mainland China, directly or indirectly through third regions, and their prices, payment terms, and unrealized gains or losses: Table 5.

   (1) The amount and percentage of purchases and the related ending balance and percentage of payables.

   (2) The amount and percentage of sales and the related ending balance and percentage of receivables.

(3) The amount of property transactions and the amount of resulting gains or losses.

(4) The ending balance of endorsement guarantee of bills or the provision of collateral and its purpose.

(5) The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation

(6) Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.

(4) Information on Major Shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held: Table 6.

Weltrend Semiconductor Incorporated

Marketable securities held at the end of the period

December 31, 2022

Table 1

Unit: In thousand NTD and thousand shares, unless otherwise specified

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Stock							
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	5,411	$ 259,728	-	$ 259,728	$ 177,168
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	20	8,970	-	8,970	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	2,330	94,831	-	94,831	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	3,108	89,200	-	89,200	-
	E Ink Holdings Inc.	—	Financial assets at fair value through other comprehensive income - current	200	32,200	-	32,200	-
	AU Optronics Corporation	—	Financial assets at fair value through other comprehensive income - current	1,900	28,500	-	28,500	-
	MediaTek Inc.	—	Financial assets at fair value through other comprehensive income - current	30	18,750	-	18,750	-
	Evergreen Marine Corporation	—	Financial assets at fair value through other comprehensive income - current	100	16,300	-	16,300	-
	Delta Electronics, Inc.	—	Financial assets at fair value through other comprehensive income - current	50	14,325	-	14,325	-
	Shin Zu Shing Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	73	5,990	-	5,990	-
	Altek Corporation	—	Financial assets at fair value through other comprehensive income - current	100	3,310	-	3,310	-
	Ho Ta Industrial Mfg. Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	40	2,680	-	2,680	-
	Yang Ming Marine Transport Corporation	—	Financial assets at fair value through other comprehensive income - current	11	721	-	721	-
	Coremate Technical Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	161	-	2%	-	-
	WELTREND KOREA CO., LTD.	—	Financial assets at fair value through other comprehensive income - non-current	10	-	-	-	-
	Xinglongfa Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	10	-	-	-	-

(Continued on next page)

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Silicongear Corporation	—	Financial assets at fair value through other comprehensive income - non-current	1	$ -	-	$ -	$ -
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	36	-	Preferred Series B	-	-
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	7	-	Preferred Series C	-	-
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	3	-	Preferred Series D	-	-
	Privately offered funds							
	Zoyi Venture Capital Co., Ltd.	—	Financial assets at fair value through profit or loss – noncurrent	-	71,098	-	71,098	-

Note: The securities listed are restricted for use as they are pledged for borrowings.

Weltrend Semiconductor Incorporated

Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2022

Table 2

Unit: In thousand NTD and thousand shares, unless otherwise specified

Buyer/Seller	Types and names of marketable securities	Account in the book	Counterparty	Relations	Beginning Balance		Acquistion		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling price	Book cost	Gain or loss on disposal	Shares	Amount
Weltrend Semiconductor Incorporated	Sentelic Corporation	Investments using the equity method	—	—	-	$ -	15,324	$ 1,117,120	-	$ -	$ -	$ -	15,324	$ 1,117,120

Note 1: The securities in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the above items.

Note 2: The Company acquired 51% of Sentelic Corporation’s shares in cash on August 24, 2022.

Weltrend Semiconductor Incorporated

Information on the investee, location, etc.

For the Year Ended December 31, 2022

Table 3

Unit: NT$ thousand

Investor name	Investee	Location	Principal business	Original investment amount		Holding, end of period			Investee Current profit (loss)	Investment income (loss) recognized in the period	Remarks
				End of the period	End of last year	Shares (in thousands)	Percentage (%)	Carrying amount			
The Company	Weltrend International Co., (BVI) Ltd.	British Virgin Islands	Investment	$ 265,000	$ 265,000	8,164	100	$ 483,269	($ 41,041)	($ 41,041)	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	265,530	(32,481)	(31,923)	Note 1
	Sentelic Corporation	Taiwan	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	1,117,120	-	15,324	51	1,077,536	(12,299)	(39,935)	Note 1 and 3
Sentelic Corporation	Sentelic Holding Co., Ltd.	Republic of Mauritius.	Investment	18,782	18,782	625	100	22	(1)	(1)	Note 1

Note 1: It was calculated based on the financial reports for the same periods audited by CPAs.

Note 2: Please refer to Table 4 for the relevant information on the investees in Mainland China.

Note 3: The Company acquired 51% of Sentelic Corporation's shares in cash on August 24, 2022.

Weltrend Semiconductor Incorporated

Information on investment in Mainland China

For the Year Ended December 31, 2022

Table 4

Unit: In thousands of NTD, unless otherwise specified

Names of investees in Mainland China	Principal business	Paid-in capital	Type of investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of the investee for the period (Note 2)	Shareholding in direct or indirect investment	Investment income (loss) recognized in this period (Note 2)	Book value of investments at the end of the period	Investment income remitted back as of the end of the period
					Outward remittance	Recover						
Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic components and general import and export	RMB 8,048 thousand (USD 1,200 thousand)	Note 1	USD 1,200 thousand ($ 36,852)	$ -	$ -	USD 1,200 thousand ($ 36,852)	$ 2,257	100%	$ 2,257	$ 29,268	$ -

Accumulated amount of investment from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, MOEA	Investment quota for Mainland China as stipulated by the Investment Commission, MOEA
US$1,200 thousand ($36,852)	US$1,200 thousand ($36,852)	$1,892,018

Note 1: The Company invests in Weltrend International Co., (BVI) Ltd. and then invests in companies through Mainland China through said company. The investments have been approved by the Investment Commission, Ministry of Economic Affairs. The investment amount approved is US$1,200 thousand.

Note 2: It was calculated based on the financial report for the same period audited by a CPA.

Note 3: The amounts were converted at an exchange rate of USD to NTD on December 31, 2022.

Weltrend Semiconductor Incorporated

Major Transactions with Investees in Mainland China Through Direct or Indirect Investment Through a Third Region, and the Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information

For the Year Ended December 31, 2022

Table 5

Unit: In NT$ thousand unless otherwise specified

Names of investees in Mainland China	Type of transaction	Purchase or sale		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
Dongguan Prosil Electronics Co., Ltd.	Operating revenues	$ 81,830	3%	—	$ 10,511	2%	$ -	—

Note: Sales with related parties are determined based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

Weltrend Semiconductor Incorporated

Information on major shareholders

December 31, 2022

Table 6

Information on major shareholders	Shares	
	Number of shares held (shares)	Shareholding percentage
The Group has no shareholders holding more than 5% of the shares individually.	-	-

Note: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.

VI. Financial Difficulties Incurred by the Company and Subsidiaries in the Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of this Annual Report: None.

Chapter 7. Financial Status and Performance Review, Analysis, and Risks

I. Financial status: The major causes and impacts of material changes in assets, liabilities and equity in the last two years. If the impact is significant, the future response plan shall be proposed.

Unit: NT$ thousand

Item/Year	2022	2021	Change, by amount	
			Amount	%
Current assets	4,328,088	4,852,329	(524,241)	(10.80)
Non-current assets	1,663,527	407,183	1,256,344	308.55
Total assets	5,991,615	5,259,512	732,103	13.92
Current liabilities	2,011,188	1,494,964	516,224	34.53
Non-current liabilities	215,772	98,441	117,331	119.19
Total liabilities	2,226,960	1,593,405	633,555	39.76
Share capital	1,780,100	1,780,100	-	-
Capital reserve	69,026	39,555	29,471	74.51
Retained earnings	1,575,350	2,033,369	(458,019)	(22.53)
Other equity	(167,949)	(32,053)	(135,896)	423.97
Treasury stock	(103,164)	(161,278)	58,114	(36.03)
Non-controlling interests	611,292	6,414	604,878	9,430.59
Total equity	3,764,655	3,666,107	98,548	2.69

Explanation of the main reasons and impacts of 20% changes in assets, liabilities and shareholders' equity in the last two years:

1. The increase in non-current assets was due to the increase in intangible assets and goodwill caused by the public acquisition of Sentelic Corporation in 2022.
2. The increase in current liabilities was due to the increase in short-term borrowing in 2022.
3. The increase in non-current liabilities is due to an increase in deferred income tax liabilities in 2022.
4. The increase in total liabilities was due to an increase in short-term borrowings and deferred income tax liabilities in 2022.
5. The increase in capital surplus transferred to common stock was due to the transfer of treasury shares to employees in 2022.
6. The decrease in retained earnings was due to the decrease in net income in 2022.
7. The increase in the negative value of other equity was due to the increase in the unrealized loss measured at fair value through other comprehensive gains and losses in 2022.
8. The decrease in treasury shares was due to the transfer of 991 thousand of treasury shares to employees in 2022.
9. The increase in non-controlling interests was due to the public acquisition of 51% of the shares of Sentelic Corporation in 2022.

II. Financial performance: The main reasons for the significant changes in the operating revenue, net operating profit and net profit before tax in the recent two years, the expected sales volume and their basis, the possible impact on the Company's future financial business and the corresponding countermeasures.

Unit: NT$ thousands

Item/Year	2022	2021	Increase (decrease) in amount	Percentage (%)
Net operating income	2,888,153	3,601,983	(713,830)	(19.82)
Operating costs	2,044,532	2,496,114	(451,582)	(18.09)
Operating gross profit	843,621	1,105,869	(262,248)	(23.71)
Operating expenses	600,177	645,912	(45,735)	(7.08)
Net operating income	243,444	459,957	(216,513)	(47.07)
Non-operating income and expenses	(103,888)	367,589	(471,477)	(128.26)
Net Profit Before Tax	139,556	827,546	(687,990)	(83.14)
Income tax expenses	31,686	76,202	(44,516)	(58.42)
Net profit for the current year	107,870	751,344	(643,474)	(85.64)
Other comprehensive gains and losses	(211,756)	91,136	(302,892)	(332.35)
Total comprehensive gains and losses for the current year	(103,886)	842,480	(946,366)	(112.33)
Net profit attributable to owners of parent company	146,771	750,940	(604,169)	(80.46)
Total comprehensive gains and losses attributable to owners of the parent company	(64,385)	842,119	(906,504)	(107.65)

I. The reasons for the 20% change in operating income, net operating income and net income before tax:

1. The decrease in operating gross profit and net operating profit was mainly due to the decrease in operating revenue and operating gross profit.
2. The decrease in non-operating income was mainly due to the increase in net loss on financial assets measured at fair value through profit and loss.
3. The decrease in net income before tax and net income for the current year was mainly due to the decrease in net income from operations and non-operating income.
4. The decrease in income tax expense was mainly due to the decrease in net profit before tax.
5. The decrease in other comprehensive gains and losses was mainly due to the decrease in unrealized gains of equity instrument investments measured at fair value through other comprehensive gains and losses
6. The decrease in the total comprehensive gains and losses for the current year was mainly due to the decrease in net profit and other comprehensive gains and losses for the current year.
7. The decrease in the total net profit and comprehensive gains and losses attributable to the owner of the parent company for the current year was mainly due to the decrease in net profit and other comprehensive gains and losses for the current year.

II. The expected sales volume and their basis, the possible impact on the Company's future financial business and the corresponding countermeasures：

The expected sales volume is based on the estimated volume of products developed and distributed in the past year and the expected shipment volume of clients in the market. The impact on the Company's future financial operations can be found in the Report to Shareholders.

III. Cash flow: Analysis of the changes in cash flow for the most recent year, plans to improve liquidity and analysis of cash flow for the coming year.

Unit: NT$ thousand

<table>
<tr><th rowspan="2">Cash amount at the beginning of the year</th><th rowspan="2">Net cash flow from operating activities</th><th rowspan="2">Cash inflow (outflow) throughout the year</th><th rowspan="2">Cash balance (deficit)</th><th colspan="2">Remedial measures for cash inadequacy</th></tr>
<tr><th>Investment plan</th><th>Wealth management plan</th></tr>
<tr><td>1,077,602</td><td>(285,364)</td><td>(83,925)</td><td>708,313</td><td>-</td><td>-</td></tr>
<tr><td colspan="6">Analysis of cash flow changes in 2022:
1. The net cash inflow from operating activities was mainly due to the decline in revenue and the decrease in net income before tax in 2022.
2. The net cash outflow from investing activities was mainly due to the public acquisition of Sentelic Corporation in August 2022.
3. The net cash inflow from financing activities was mainly due to the increase in short-term borrowing in 2022.</td></tr>
</table>

Cash flow for the coming year

Unit: NT$ thousand

<table>
<tr><th rowspan="2">Cash amount at the beginning of the year</th><th rowspan="2">Net cash flow from operating activities</th><th rowspan="2">Cash inflow (outflow) throughout the year</th><th rowspan="2">Cash balance (deficit)</th><th colspan="2">Remedial measures for cash inadequacy</th></tr>
<tr><th>Investment plan</th><th>Wealth management plan</th></tr>
<tr><td>708,313</td><td>309,689</td><td>(656,909)</td><td>361,093</td><td>-</td><td>-</td></tr>
<tr><td colspan="6">I. Analysis of cash flow changes in 2023:
1. The net cash inflow from operating activities will be mainly due to the estimated net income for 2023.
2. The net cash inflow from investing activities will be mainly due to the receipt of dividends from reinvestment and disposal of reinvestment in 2023.
3. The net cash outflow from financing activities will be mainly due to the payment of cash dividends of NT$ 292,914 thousand from earnings distribution and repayment of bank loans in 2023.
II. Remedial measures and liquidity analysis of estimated cash deficiency: None.</td></tr>
</table>

IV. Impact of Major Capital Expenditure on Financial Operations for the Most Recent Year:

The Company's major capital expenditures in 2022 mainly include investments in production, R&D equipment, and intangible assets, which were purchased with its fund, an amount of NT$ 70,025 thousand. It was mainly used for the Company's future business expansion, which has little impact on financial business.

V. The most recent year's reinvestment policy, the main reasons for profit or loss, improvement plans and investment plans for the coming year:

1. In 2022, Weltrend International Co., (BVI) Ltd.

   And Yingquan Investment Co., Ltd. suffered investment losses due to the Russia-Ukraine war and the pandemic that affected the global economy. Due to the impact of the pandemic this year, Dongguan Prosil Electronics's revenue and profit decreased compared with last year. The Company’s public acquisition of Sentelic Corporation was incorporated in the loss from August to December. The electronics industry's destocking led to a decline in revenue and profit. Sentelic Holding Co., Ltd. suffered a small loss.

2. The Company has no major investment plans in the coming year.

VI. Risk assessment for the most recent year and up to the publication date of the Annual Report:

1. 1. Impact of interest rate, exchange rate fluctuation and inflation on the Company's profit and loss and future countermeasures:

(1) Impact of interest income and expenditure and exchange gains and losses on the Company's profits and losses:

Item/Year	2022 (NT$ thousand)
Interest income	5,992
Interest expenditure	12,864
Net foreign currency gain	51,537

In 2022, due to the depreciation of Taiwan dollar against the U.S. dollars, the Company generated a net foreign currency gain of NT$ 51,537 thousand.

(2) Impact of inflation on the Company's profit and loss and future countermeasures:

The increase in demand for raw materials in the recent year had no material impact on the Company's profit or loss.

(3) Measures to cope with changes in interest rate and exchange rate:

A. The Company's product sales are partially denominated in U.S. dollars, and raw materials are partially denominated in U.S. dollars, thus reducing the impact of changes in exchange rate on profitability. Due to sufficient working capital, changes in interest rates have little impact on the Company. Due to the small operating scale of subsidiaries, they have little impact on the interest rate and exchange rate.

B. The Company always pays attention to the information of changes in the interest rate and exchange rate to take appropriate measures in a timely manner. The appreciation of the Taiwan dollar is unfavorable to the Company.

2. Policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees, and derivative transactions, the main reasons for profit or loss, and future measures: For the year 2022 and up to the publication date of the Annual Report, the Company has not engaged in high-risk, highly leveraged investments, derivative transaction, endorsement of guarantees, nor has it loaned funds to others.

3. Future R&D plans and estimated R&D expenses:

2022 R&D plans are as follows:

(1) Power management and analog ICs:

∗ USB Type-C PD, Qualcomm Quick Charge and other fast chargers, primary-side PWM power control ICs, synchronous rectifier control ICs for power adapters charging mobile phones, tablets, notebooks, etc.

∗ Highly integrated and digitized secondary-side supervisor ICs.

∗ USB PD controllers for sink (device side).

(2) Smart application ICs:

∗ Smart camera processing ICs with image detection and identification and AI technology can be applied to advanced driver assistance systems (ADAS), security or smart production.

* ISP ICs for automotive, industrial control, and consumer product lenses.
* ICs for highly-integrated smart fan motor driver and control.
* 32-bit microcontrollers for industrial purposes.

In the future, the Company will invest in R&D for the continuous development of new products. The estimated investment amount is NT$ 425,000 thousand.

4. Impact of important domestic and foreign policies and legal changes on the Company's financial business and countermeasures:

   The management of the Company and its subsidiaries attaches great importance to the important domestic and foreign policies and legal changes and takes appropriate measures to lower the impact on the financial business of the Company.

5. Impact of technological changes (including cyber security risks) and industrial changes on the Company's financial business and countermeasures:

   Technological changes have intensified industrial competition. In addition to increasing the number of talented R&D personnel to accelerate the development of product lines and upgrade high-end processes, the Company strengthens product innovation, product quality and product diversification, introduces new R & D techniques and partners to meet the market demand, so as to lower the impact on the Company's financial business.

   In 2022, the Company established the Information Security Committee to formulate and implement the information security management system for information security risk control. Apart from preparing information security policy documents to regulate the information security, the Company conducts annual information security risk assessments and internal and external information security audits to ensure the effectiveness of the management system and compliance with legal requirements. Therefore, the information security risk is not a material operational risk for the Company. But, we cannot guarantee that its computer system can avoid the attack of network viruses initiated by third parties that may cause system paralysis. These cyber attacks illegally infiltrate our internal network systems to cause disruption to our operations or damage to our goodwill. Failure to resolve the difficult technical issues caused by these cyber attacks in a timely manner may seriously impact our financial performance and commitment to clients and other stakeholders.

6. Impact of corporate image change on corporate crisis management and countermeasures:

   The Company has always attached importance to the corporate image, steady operation, and the implementation of corporate governance, to maintain social welfare. So far, no incidents affecting the corporate image have occurred.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

   In August 2022, Weltrend Semiconductor acquired 51% equity of Sentelic Corporation with NT$ 1.12 billion. Nowadays, Sentelic Corporation is a subsidiary of Weltrend Semiconductor. The two companies are highly complementary in technology, products, client base, and supply chain.

   It also increases the market share of motor control ICs used by the two companies for server cooling fans. This merger helps tap into the fast-growing data center market. No merger has been planned in 2023 so far.

8. Expected benefits and possible risks of plant expansion and countermeasures:

   The Company has no plans to expand its plant in 2022.

9. Risks arising from concentration of purchases or sales and corresponding response measures:
   (1) The Company mainly buys goods from leading wafer fabs and Japanese manufacturers, with an emphasis on yield rate, delivery time, price, advanced manufacturing process and other factors. Due to good and long-term relationships with these manufactures, there is little risk for the Company in the short and medium term. In the long run, there are many professional wafer, packaging, and testing factories at home and abroad, so the Company has no problem to purchase products.
   (2) No single client brought the Company more than 10% of consolidated revenue in the last two years. The client structure is stable and sound, and clients are scattered in the fields of laptops, smart phones, PCs, smart fan motors, peripherals of game consoles, automotive electronics and POS machines, so the risk of sales concentration is low.
10. The impact and risks of the mass transfer or change in shareholding of directors, supervisors or substantial shareholders holding more than 10% of the shares of the Company and countermeasures:

    There is no mass transfer or change in shareholding of directors, supervisors or substantial shareholders holding more than 10% of the shares of the Company
11. Effects of, Risks Relating to and Response to the Changes in Management Rights:

    There is no change in the operating rights of the Company.
12. Litigation or non-litigation matters:

    The Company and its directors, supervisors, president, responsible persons, substantial shareholders holding more than 10% of the shares and subsidiaries have not had any major litigation, non-litigation or administrative disputes so far.
13. Other material risks and countermeasures: None.

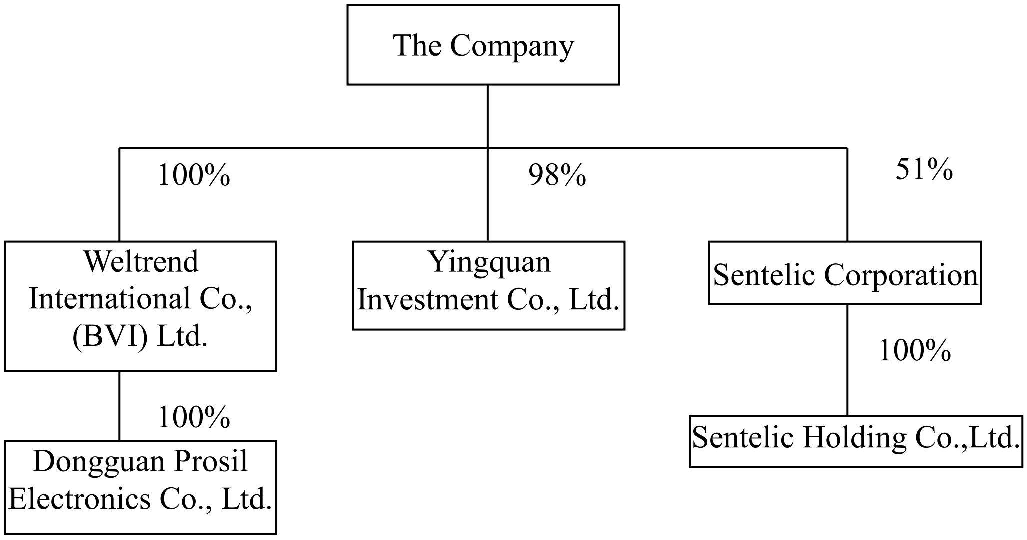
VII. Other Important Matters: None.

Chapter 8. Special Matters to Be Noted

I. Information on the Company Affiliates

(I) Consolidated Business Report

1. Organizational Chart of Affiliates:



2. Basic Information on Affiliates

Unit: NT$ thousand

Company name	Date of incorporation	Address	Paid-in capital	Scope of business
Weltrend International Co., (BVI) Ltd.	1997.04.10	Portcullis (BVI) Limited of Portcullis Chambers,4th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway, Road Town VG1110,Tortola, British Virgin Islands.	265,000	Investment
Yingquan Investment Co., Ltd.	1997.05.01	33F., No. 758, Zhongming S. Rd., South District, Taichung City 402, Taiwan	329,832	Investment
Dongguan Prosil Electronics Co., Ltd.	1998.01.09	6Floor, Block B, Guangtai Business Center, No. 3, Xin 'an Second Rd., Chang 'an Town, Dongguan City, Guangdong Province, China	37,657	Engaged in import and export of electronic components and general import and export trade
Sentelic Corporation	2000.06.29	6F., No. 88, Zhouzi St., Neihu Dist., Taipei City	300,368	Engaged in IC development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components
Sentelic Holding Co., Ltd.	2009.02.04	Level 3, Alexander House, 35 Cybercity, Ebene Mauritius	18,782	Investment

3. Information on the same shareholders who are presumed to be in a controlling and subordinate relationship: None.

4. Industry covered by the business of affiliates:

Industry type	Name of affiliate	The relationship between business operations and division of labor
Investment	Weltrend International Co., (BVI) Ltd.	-
	Yingquan Investment Co., Ltd.	-
	Sentelic Holding Co., Ltd	-
Electronics	Dongguan Prosil Electronics Co., Ltd.	Business promotion/Client services
	Sentelic Corporation	Business promotion/Client services

5. Directors, supervisors and presidents of affiliates

December 31, 2023

Company name	Title	Name or Representative	Shareholding	
			Number of shares (thousand)	Shareholding ratio
Yingquan Investment Co., Ltd.	Chairman	Weltrend Semiconductor, Inc. (Representative: Sam Lin)	32,416	98.28%
	Director	Hsi-Kun Lin	109	0.33%
	Director	Paul Liao	131	0.4%
	Supervisor	James Chou	131	0.4%
Weltrend International Co., (BVI) Ltd.	Director	Weltrend Semiconductor, Inc. (Representative: Sam Lin)	8,164	100%
Dongguan Prosil Electronics Co., Ltd.	Director	Weltrend International Co., (BVI) Ltd. (Representative: David Liu)	-	100%
	Supervisor	Weltrend International Co., (BVI) Ltd. (Representative: Cindy Guo)	-	100%
Sentelic Corporation	Chairman	Weltrend Semiconductor, Inc. (Representative: Sam Lin)	15,324	51.017%
	Director	Weltrend Semiconductor, Inc. (Representative: Cindy Guo)	15,324	51.017%
	Director	Weltrend Semiconductor, Inc. (Representative: Tony Lin)	15,324	51.017%
	Director	Yi-Cheng Chen	153	0.507%
	Director	Chun-Jen Cheng	140	0.466%
	Director	Sunny Sky International Investment Limited (Representative: Feng-Ying Chen)	1	0.003%
	Independent Director	Min-Hsiung Wu	-	0%
	Independent Director	Kuo-Hsin Chang	-	0%
	Independent Director	Shueh-Pu Lu	-	0%
Sentelic Holding Co., Ltd	Chairman	Sentelic Corporation (Representative: Sam Lin)	625	100%

6. Operation overview of affiliates

Unit: NT$ thousand

Company name	Amount of capital	Total assets	Total liabilities	Net value	Operating revenue	Operation profit and loss	Profit or loss (after tax)	Earnings per share (NT$)(after tax)
Weltrend International Co., (BVI) Ltd.	265,000	507,309	24,041	483,268	536,457	(40,480)	(41,041)	(5.03)
Yingquan Investment Co., Ltd.	329,832	271,013	835	270,178	92,595	(31,970)	(32,481)	(0.98)
Dongguan Prosil Electronics Co., Ltd.	37,657	42,571	13,303	29,268	92,455	4,929	2,257	-
Sentelic Corporation	300,368	767,802	91,155	676,647	515,585	73,555	89,141	3
Sentelic Holding Co.,Ltd	18,782	22	0	22	0	(1)	(1)	(0)

(II) Consolidated financial reports of affiliated companies

Representation Letter

Considering that the companies to be included into the consolidated financial statements of affiliates under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2022 (from January 1, 2022 to December 31, 2022), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Name of Company: Weltrend Semiconductor, Inc.

Person in Charge: Lin, Hsi-Ming

February 24, 2023

(III) Relationship report: None.

II. Private placement of marketable securities in the most recent fiscal year and up to the publication date of the Annual Report: None.

III. Shares held or disposed of by subsidiaries in the most recent fiscal year and up to the publication date of the Annual Report: none.

IV. Other supplementary information: None

Chapter 9. In the most recent fiscal year and up to the publication date of the Annual Report, if there have been events that had a significant impact on shareholders' equity or the price of securities as prescribed in Subparagraph 2 of Article 36-3 of the Securities and Exchange Act: None.

Weltrend Semiconductor, Inc.

Chairman: Sam Lin

Date of publication: April 17, 2023