

Weltrend Semiconductor, Inc. and Its
Subsidiaries

Consolidated Financial Statements and
Independent Auditor's Report
For the Three Months Ended March 31, 2023 and 2022

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Independent Auditor's Review Report

To Weltrend Semiconductor, Inc. and Its Subsidiaries,

Introduction

We have reviewed the accompanying consolidated balance sheets of Weltrend Semiconductor, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the three months ended March 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the three months then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Statement 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for those described in the paragraph of basis of a qualified conclusion, we conducted the review in accordance with the "Review of Financial Statements" of the Auditing Standard No. 2410. A review of consolidated financial statements consists of making inquiries (primarily of persons responsible for financial and accounting matters), and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

As mentioned in Note 12 to the consolidated financial statements, the non-material subsidiaries' financial statements for the same period included in the above consolidated financial statements have not been reviewed by us, and their total assets as at March 31, 2023 and 2022 were NT\$359,928 thousand and NT\$425,229 thousand, respectively, accounting for 6% and 8% of the total consolidated assets, respectively; total liabilities were NT\$14,604 thousand and NT\$5,521 thousand, respectively, representing 1% of the total consolidated liabilities in both periods; total consolidated comprehensive income for the three months ended March 31, 2023 and 2022 was NT\$29,873 thousand and NT\$(13,545) thousand respectively, accounting for 26% and (14)% of the total consolidated comprehensive income, respectively.

Qualified conclusion

According to our review results, except that the financial statements of non-material subsidiaries described in the Basis of qualified conclusion paragraph may result in adjustment to the consolidated financial statements if reviewed by us, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC, with a fair presentation of the Group’s consolidated financial position as of March 31, 2023 and 2022 as well as consolidated financial performance and consolidated cash flows for three months ended March 31, 2023 and 2022.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 8, 2023

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Balance Sheet
As of March 31, 2023, December 31, 2022, and March 31, 2022

Unit: NT\$ thousand

Code	Assets	March 31, 2023 (reviewed)		December 31, 2022 (audited)		March 31, 2022 (reviewed)		Code	Liabilities and equity	March 31, 2023 (reviewed)		December 31, 2022 (audited)		March 31, 2022 (reviewed)	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
	Current assets								Current liabilities						
1100	Cash and cash equivalents (Notes 6 and 28)	\$ 846,702	15	\$ 708,313	12	\$ 538,511	10	2100	Short-term borrowings (Notes 18 and 28)	\$ 1,280,120	22	\$ 1,537,680	26	\$ 487,183	9
1110	Financial assets at fair value through profit or loss - current (Notes 7, 28 and 33)	357,909	6	581,616	10	1,170,909	22	2150	Notes payable (Notes 19 and 28)	476	-	1,279	-	118	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 8 and 28)	355,820	6	442,809	7	716,893	14	2170	Accounts payable (Notes 19 and 28)	162,644	3	240,640	4	470,072	9
1136	Financial assets at amortized cost - current (Notes 9 and 28)	332,668	6	167,472	3	-	-	2206	Remuneration payable to employees and directors and supervisors (Note 25)	53,301	1	49,264	1	145,423	3
1150	Notes receivable (Notes 10 and 28)	24,454	-	25,510	-	27,350	1	2209	Other payables (Notes 20 and 28)	40,020	1	96,113	1	23,357	1
1170	Accounts receivable, net (Notes 10, 24 and 28)	655,417	11	758,045	13	1,173,242	23	2216	Dividends payable (Note 23)	39,438	1	-	-	-	-
1200	Other receivables (Notes 10 and 28)	73,245	1	17,936	-	129,817	2	2230	Current tax liabilities (Notes 4 and 26)	64,603	1	58,513	1	109,682	2
130X	Inventory (Note 11)	1,427,827	25	1,590,085	26	967,018	19	2250	Liabilities - current (Note 21)	8,709	-	8,756	-	6,583	-
1410	Prepayments (Note 17)	35,892	1	36,302	1	17,856	-	2280	Lease liabilities - current (Notes 14 and 28)	18,522	-	12,100	-	10,936	-
11XX	Total current assets	<u>4,109,934</u>	<u>71</u>	<u>4,328,088</u>	<u>72</u>	<u>4,741,596</u>	<u>91</u>	2300	Other current liabilities (Notes 20 and 24)	<u>6,495</u>	<u>-</u>	<u>6,843</u>	<u>-</u>	<u>5,250</u>	<u>-</u>
	Noncurrent assets							21XX	Total current liabilities	<u>1,674,328</u>	<u>29</u>	<u>2,011,188</u>	<u>33</u>	<u>1,258,604</u>	<u>24</u>
1510	Financial assets at fair value through profit or loss - non-current (Notes 7 and 28)	71,636	2	71,098	1	45,621	1		Noncurrent liabilities						
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28)	65,155	1	62,528	1	69,421	1	2570	Deferred tax liabilities (Note 4 and 26)	136,301	2	143,352	3	18,810	-
1535	Financial assets at amortized cost - non-current (Notes 9, 28 and 33)	10,401	-	15,397	-	100	-	2580	Lease liabilities - non-current (Notes 14 and 28)	42,221	1	17,525	-	14,724	-
1600	Property, plant and equipment (Notes 13 and 33)	284,231	5	295,660	5	303,879	6	2640	Net defined benefit liability - noncurrent (Notes 4 and 22)	<u>54,971</u>	<u>1</u>	<u>54,895</u>	<u>1</u>	<u>73,685</u>	<u>2</u>
1755	Right-of-use assets (Note 14)	60,480	1	29,442	1	25,393	1	25XX	Total noncurrent liabilities	<u>233,493</u>	<u>4</u>	<u>215,772</u>	<u>4</u>	<u>107,219</u>	<u>2</u>
1780	Intangible assets (Notes 16 and 29)	695,888	12	718,743	12	11,863	-	2XXX	Total liabilities	<u>1,907,821</u>	<u>33</u>	<u>2,226,960</u>	<u>37</u>	<u>1,365,823</u>	<u>26</u>
1805	Goodwill (Notes 15 and 29)	447,603	8	447,603	8	-	-		Equity attributable to owners of the Company (Note 23)						
1840	Deferred tax assets (Notes 4 and 26)	6,980	-	7,449	-	-	-	3110	Common stock	<u>1,780,100</u>	<u>31</u>	<u>1,780,100</u>	<u>30</u>	<u>1,780,100</u>	<u>34</u>
1915	Prepayments for equipment	248	-	-	-	5,755	-	3200	Capital surplus	<u>72,704</u>	<u>1</u>	<u>69,026</u>	<u>1</u>	<u>69,026</u>	<u>1</u>
1920	Guarantee deposits paid (Note 28)	6,525	-	6,542	-	5,506	-		Retained earnings						
1990	Other non-current assets	8,110	-	9,065	-	-	-	3310	Legal reserve	633,441	11	633,441	11	547,112	11
15XX	Total noncurrent assets	<u>1,657,257</u>	<u>29</u>	<u>1,663,527</u>	<u>28</u>	<u>467,538</u>	<u>9</u>	3320	Special reserve	32,053	1	32,053	1	10,883	-
								3350	Unappropriated earnings	<u>947,521</u>	<u>16</u>	<u>909,856</u>	<u>15</u>	<u>1,609,997</u>	<u>31</u>
								3300	Total retained earnings	<u>1,613,015</u>	<u>28</u>	<u>1,575,350</u>	<u>27</u>	<u>2,167,992</u>	<u>42</u>
								3400	Other equity	(78,368)	(1)	(167,949)	(3)	(69,453)	(1)
								3500	Treasury stock	(89,133)	(2)	(103,164)	(2)	(110,503)	(2)
								31XX	Total equity attributable to owners of the Parent	3,298,318	57	3,153,363	53	3,837,162	74
								36XX	Non-controlling interests (Note 23)	<u>561,052</u>	<u>10</u>	<u>611,292</u>	<u>10</u>	<u>6,149</u>	<u>-</u>
								3XXX	Total equity	<u>3,859,370</u>	<u>67</u>	<u>3,764,655</u>	<u>63</u>	<u>3,843,311</u>	<u>74</u>
1XXX	Total assets	<u>\$ 5,767,191</u>	<u>100</u>	<u>\$ 5,991,615</u>	<u>100</u>	<u>\$ 5,209,134</u>	<u>100</u>		Total liabilities and equity	<u>\$ 5,767,191</u>	<u>100</u>	<u>\$ 5,991,615</u>	<u>100</u>	<u>\$ 5,209,134</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 8, 2023)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2023 and 2022
(Reviewed only, not audited in accordance with the auditing standards.)

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

Code		January 1, 2023 to March 31, 2023		January 1, 2022 to March 31, 2022	
		Amount	%	Amount	%
4000	Operating revenue, net (Note 24)	\$ 560,925	100	\$ 947,342	100
5000	Operating costs (Notes 11, 22, and 25)	<u>431,977</u>	<u>77</u>	<u>620,117</u>	<u>65</u>
5900	Operating gross margins	<u>128,948</u>	<u>23</u>	<u>327,225</u>	<u>35</u>
	Operating expenses (Notes 22 and 25)				
6100	Selling expenses	43,193	8	40,384	4
6200	Administrative expenses	24,983	4	28,020	3
6300	Research and Development expenses	107,927	19	91,157	10
6450	Expected credit impairment losses (gain on reversal) (Note 10)	<u>13</u>	<u>-</u>	<u>(252)</u>	<u>-</u>
6000	Total operating expenses	<u>176,116</u>	<u>31</u>	<u>159,309</u>	<u>17</u>
6900	Net operating income (loss)	<u>(47,168)</u>	<u>(8)</u>	<u>167,916</u>	<u>18</u>
	Non-operating income and expenses (Note 25)				
7100	Interest income	4,688	1	81	-
7010	Other income	1,085	-	1,076	-
7020	Other profits and losses	73,167	13	(5,740)	(1)
7050	Financial costs	<u>(6,087)</u>	<u>(1)</u>	<u>(1,714)</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>72,853</u>	<u>13</u>	<u>(6,297)</u>	<u>(1)</u>
7900	Net profit before taxation	25,685	5	161,619	17
7950	Income tax benefit (expense) (Notes 4 and 26)	<u>357</u>	<u>-</u>	<u>(30,722)</u>	<u>(3)</u>
8200	Net profits for the period	<u>26,042</u>	<u>5</u>	<u>130,897</u>	<u>14</u>

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Code		January 1, 2023 to March 31, 2023		January 1, 2022 to March 31, 2022	
		Amount	%	Amount	%
	Other comprehensive income (Note 23)				
8310	Items not reclassified to profit or loss:				
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	\$ 89,557	16	(\$ 34,993)	(4)
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	<u>200</u>	<u>-</u>	<u>1,041</u>	<u>-</u>
8300	Other comprehensive income for the period	<u>89,757</u>	<u>16</u>	<u>(33,952)</u>	<u>(4)</u>
8500	Total comprehensive income for the period	<u>\$ 115,799</u>	<u>21</u>	<u>\$ 96,945</u>	<u>10</u>
	Net profits (losses) attributable to:				
8610	Owners of the parent	\$ 37,784	7	\$ 130,974	14
8620	Non-controlling interests	(<u>11,742</u>)	(<u>2</u>)	(<u>77</u>)	-
8600		<u>\$ 26,042</u>	<u>5</u>	<u>\$ 130,897</u>	<u>14</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 127,246	23	\$ 97,223	10
8720	Non-controlling interests	(<u>11,447</u>)	(<u>2</u>)	(<u>278</u>)	-
8700		<u>\$ 115,799</u>	<u>21</u>	<u>\$ 96,945</u>	<u>10</u>
	Earnings per share (Note 27)				
9750	Basic	<u>\$ 0.21</u>		<u>\$ 0.74</u>	
9850	Diluted	<u>\$ 0.21</u>		<u>\$ 0.74</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 8, 2023)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2023 and 2022
(Reviewed only, not audited in accordance with the auditing standards.)

Unit: In NT\$ thousand unless otherwise specified

		Equity attributable to owners of the Parent											
							Other equity						
		Common stock		Retained earnings			Exchange differences on translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interests	Total equity	
Code		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Special reserve							Unappropriated earnings
A1	Balance as at January 1, 2022	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
D1	Net income (loss) from January 1, 2022 to March 31, 2022	-	-	-	-	-	130,974	-	-	-	130,974	(77)	130,897
D3	Other comprehensive income from January 1, 2022 to March 31, 2022	-	-	-	-	-	-	1,041	(34,792)	-	(33,751)	(201)	(33,952)
D5	Total comprehensive income from January 1, 2022 to March 31, 2022	-	-	-	-	-	130,974	1,041	(34,792)	-	97,223	(278)	96,945
F3	Transfer of treasury shares	-	-	29,471	-	-	-	-	-	50,775	80,246	13	80,259
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,649	-	(3,649)	-	-	-	-
Z1	Balance as at March 31, 2022	178,010	\$ 1,780,100	\$ 69,026	\$ 547,112	\$ 10,883	\$ 1,609,997	(\$ 902)	(\$ 68,551)	(\$ 110,503)	\$ 3,837,162	\$ 6,149	\$ 3,843,311
A1	Balance as at January 1, 2023	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
D1	Net income (loss) from January 1, 2023 to March 31, 2023	-	-	-	-	-	37,784	-	-	-	37,784	(11,742)	26,042
D3	Other comprehensive income from January 1, 2023 to March 31, 2023	-	-	-	-	-	-	200	89,262	-	89,462	295	89,757
D5	Total comprehensive income from January 1, 2023 to March 31, 2023	-	-	-	-	-	37,784	200	89,262	-	127,246	(11,447)	115,799
F3	Transfer of treasury shares	-	-	3,678	-	-	-	-	-	14,031	17,709	2	17,711
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(39,438)	(39,438)
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	643	643
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(119)	-	119	-	-	-	-
Z1	Balance as at March 31, 2023	178,010	\$ 1,780,100	\$ 72,704	\$ 633,441	\$ 32,053	\$ 947,521	(\$ 1,371)	(\$ 76,997)	(\$ 89,133)	\$ 3,298,318	\$ 561,052	\$ 3,859,370

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 8, 2023)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2023 and 2022
(Reviewed only, not audited in accordance with the auditing standards.)

		Unit: NT\$ thousand	
Code		January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
	Cash flows from operating activities		
A10000	Net profits before tax for the period	\$ 25,685	\$ 161,619
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	17,993	16,285
A20200	Amortization expenses	28,050	4,031
A20300	Expected credit impairment losses (gains on reversal)	13	(252)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	(77,966)	40,395
A20900	Financial costs	6,087	1,714
A21200	Interest income	(4,688)	(81)
A21300	Dividend income	(725)	(653)
A21900	Cost of share-based remuneration	4,323	29,484
A22500	Gain on disposal of property, plant and equipment	-	(95)
A23700	Losses for market price decline and obsolete inventory	20,373	2,803
A24100	Foreign exchange gains (losses), net	6,238	(31,669)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	1,057	(2,072)
A31150	Accounts receivable	96,612	11,061
A31180	Other receivables	4,607	(6,720)
A31200	Inventory	141,884	(208,676)
A31230	Prepayments	1,365	5,908
A32130	Notes payable	(803)	(602)
A32150	Accounts payable	(76,086)	(105,523)
A32990	Remuneration payable to employees and directors and supervisors	4,037	(10,278)
A32180	Other payables	(43,982)	(21,977)
A32200	Provisions	(47)	-
A32230	Other current liabilities	(349)	1,102
A32240	Net defined benefit liability	76	8
A33000	Net cash inflow (outflow) from operations	153,754	(114,188)
A33100	Interest received	4,228	81
A33300	Interests paid	(6,087)	(1,717)
A33500	Income tax received (returned)	(473)	177
AAAA	Net cash inflow (outflow) from operating activities	<u>151,422</u>	<u>(115,647)</u>

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Code		January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 118,586)	(\$ 403,266)
B00020	Disposal of financial assets at fair value through other comprehensive income	244,957	232,699
B00100	Acquisition of financial assets at fair value through profit or loss	(81,214)	(441,835)
B00200	Sale of financial assets at fair value through profit or loss	358,466	266,831
B00040	Acquisition of financial assets at amortized cost	(179,665)	-
B00050	Disposal of financial assets at amortized cost	19,465	-
B02700	Purchase of property, plant, and equipment	(1,840)	(16,638)
B02800	Proceeds from disposal of property, plant and equipment	-	95
B03700	Increase in refundable deposits	-	(10)
B03800	Decrease in refundable deposits	16	-
B04500	Acquisition of intangible assets	(5,194)	(785)
B07600	Dividend received	<u>938</u>	<u>486</u>
BBBB	Cash inflow (outflow) from investing activities	<u>237,343</u>	(<u>362,423</u>)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(257,560)	(78,680)
C04020	Principal repayment of lease liabilities	(4,897)	(3,517)
C04900	Repurchase of treasury shares	-	(36,735)
C05000	Price of disposal of treasury shares	<u>14,031</u>	<u>50,775</u>
CCCC	Net cash outflow from financing activities	(<u>248,426</u>)	(<u>68,157</u>)
DDDD	Impact of changes in exchange rate on cash and cash equivalents	(<u>1,950</u>)	<u>7,136</u>
EEEE	Net (decrease) increase in cash and cash equivalents for this period	138,389	(539,091)
E00100	Balance of cash and cash equivalents at the beginning of period	<u>708,313</u>	<u>1,077,602</u>
E00200	Balance of cash and cash equivalents at the end of period	<u>\$ 846,702</u>	<u>\$ 538,511</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 8, 2023)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended March 31, 2023 and 2022
(Reviewed only, not audited in accordance with the auditing standards.)
(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 May 8, 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 amended 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) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

<u>The new/amended/revised standards or interpretation</u>	<u>Effective date of IASB publication (Note 1)</u>
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 the above 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 IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission. The consolidated financial statements do not include all IFRSs disclosures required for the full-year financial statements.

(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) 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 3 and 4 for more information on subsidiaries' statements shareholding ratios, and main business.

(4) Other significant accounting policies

In addition to the information below, please refer to the summary of significant accounting policies in the 2022 consolidated financial statements.

1. Defined benefit post-employment benefit

The pension cost for the interim period is calculated using the actuarially determined pension cost rate as of the end of the previous fiscal year and is based on the beginning of the year to the end of the current period, adjusted for significant market fluctuations and significant plan amendments, settlements or other significant one-time events during the period.

2. Income tax expense

Income tax expense is the sum of the current income tax and deferred income tax. Income tax for the interim period is assessed on an annual basis, and is calculated using the tax rate applicable to the expected total profits for the whole year on the interim pre-tax profits.

5. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

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, when developing significant accounting estimates, has included the military conflict between Russia and Ukraine and potential impact of international sanctions on Russia on the economic environment in the estimation of cash flows, growth rates, discount rates, and profitability. The management team will continue to review such estimates and underlying assumptions.

The key sources of uncertainty in the critical accounting judgments, estimates, and assumptions adopted in these consolidated financial statements are the same as those in the 2022 consolidated financial statements.

6. Cash and Cash Equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand and working capital	\$ 809	\$ 676	\$ 616
Bank checking accounts and demand deposits	630,057	442,670	509,275
Cash equivalent			
Bank time deposits	161,385	158,393	28,620
Commercial paper	54,451	106,574	-
	<u>\$ 846,702</u>	<u>\$ 708,313</u>	<u>\$ 538,511</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets – current</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Domestic listed stocks	\$ 343,432	\$ 569,131	\$ 920,838
- Fund beneficiary certificates	<u>14,477</u>	<u>12,485</u>	<u>250,071</u>
	<u>\$ 357,909</u>	<u>\$ 581,616</u>	<u>\$ 1,170,909</u>
 <u>Financial assets – noncurrent</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Privately offered funds	<u>\$ 71,636</u>	<u>\$ 71,098</u>	<u>\$ 45,621</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Current</u>			
Domestic Investment			
Listed stocks	<u>\$ 355,820</u>	<u>\$ 442,809</u>	<u>\$ 716,893</u>
 <u>Noncurrent</u>			
Domestic Investment			
Non-listed stocks	\$ 35,513	\$ 32,633	\$ 40,801
Foreign investment			
Non-listed stocks	<u>29,642</u>	<u>29,895</u>	<u>28,620</u>
	<u>\$ 65,155</u>	<u>\$ 62,528</u>	<u>\$ 69,421</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Current</u>			
Time deposits with the initial duration of more than 3 months	\$ 250,950	\$ 152,030	\$ -
Commercial paper	<u>81,718</u>	<u>15,442</u>	<u>-</u>
	<u>\$ 332,668</u>	<u>\$ 167,472</u>	<u>\$ -</u>
<u>Noncurrent</u>			
Domestic Investment			
Certificates of deposit pledged	<u>\$ 10,401</u>	<u>\$ 15,397</u>	<u>\$ 100</u>

- (1) As of March 31, 2023, December 31, 2022, and March 31, 2022, 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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Time deposits with the initial duration of more than 3 months	1.070%~4.800%	1.070%~4.800%	-
Commercial paper	4.450%~4.600%	3.200%	-
Certificates of deposit pledged	1.440%~1.525%	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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Notes receivable</u>			
Notes receivable - from operations	\$ 24,462	\$ 25,519	\$ 27,350
Less: Allowance for losses	<u>(8)</u>	<u>(9)</u>	<u>-</u>
	<u>\$ 24,454</u>	<u>\$ 25,510</u>	<u>\$ 27,350</u>
<u>Accounts receivable</u>			
Measured at amortized cost			
Total book value	\$ 655,703	\$ 758,317	\$ 1,173,292
Less: Allowance for losses	<u>(286)</u>	<u>(272)</u>	<u>(50)</u>
	<u>\$ 655,417</u>	<u>\$ 758,045</u>	<u>\$ 1,173,242</u>

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	March 31, 2023	December 31, 2022	March 31, 2022
<u>Other receivables</u>			
Receivable from disposal of investments	\$ 63,313	\$ 3,977	\$ 104,729
Tax refund receivable	5,992	10,723	23,901
Stock dividends receivable	446	659	263
Others	<u>3,494</u>	<u>2,577</u>	<u>924</u>
	<u>\$ 73,245</u>	<u>\$ 17,936</u>	<u>\$ 129,817</u>

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. As such, the Company's management believes that the Group's credit risk has been significantly reduced.

The Group recognizes an allowance for losses on accounts receivable on the basis of 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:

March 31, 2023

	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	\$ 673,392	\$ 3,833	\$ 2,923	\$ 13	\$ -	\$ 4	\$ 680,165
Allowance for loss (expected credit loss of the given duration)	(280)	(12)	(2)	-	-	-	(294)
Measured at amortized cost	<u>\$ 673,112</u>	<u>\$ 3,821</u>	<u>\$ 2,921</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 679,871</u>

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	<u>\$ 774,343</u>	<u>\$ 5,592</u>	<u>\$ 3,612</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 783,555</u>

March 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	\$1,166,300	\$ 2,534	\$ 31,641	\$ 161	\$ -	\$ 6	\$1,200,642
Allowance for loss (expected credit loss of the given duration)	(5)	-	(44)	(1)	-	-	(50)
Measured at amortized cost	<u>\$1,166,295</u>	<u>\$ 2,534</u>	<u>\$ 31,597</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$1,200,592</u>

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

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Balance, beginning of year	\$ 281	\$ 302
Add: Impairment loss recognized (reversed) during this period	13	(252)
Balance, end of period	<u>\$ 294</u>	<u>\$ 50</u>

11. Inventory

	March 31, 2023	December 31, 2022	March 31, 2022
Merchandise	\$ 430,040	\$ 468,640	\$ 304,456
Finished goods	253,893	292,340	294,500
Work in process	397,313	460,260	356,813
Raw materials	346,581	368,845	11,249
	<u>\$ 1,427,827</u>	<u>\$ 1,590,085</u>	<u>\$ 967,018</u>

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

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Operating costs	<u>\$431,977</u>	<u>\$620,117</u>
Allowance for inventory write-down	<u>\$ 20,373</u>	<u>\$ 2,803</u>

12. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

Entities covered by the consolidated financial statements are as follows:

Investor name	Subsidiary name	Business nature	Shareholding			Description
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Weltrend International Co., (BVI) Ltd.	Investment	100%	100%	100%	Note 1 and 2
	Yingquan Investment Co., Ltd.	Investment	98%	98%	98%	Note 1 and 2

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Investor name	Subsidiary name	Business nature	Shareholding			Description
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Sentelic Corporation	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	51%	51%	-	Note 1, 2 and 3
Weltrend International Co., (BVI) Ltd.	Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic parts and general import and export	100%	100%	100%	Note 1 and 2
Sentelic Corporation	Sentelic Holding Co., Ltd.	General investment business	100%	100%	-	Note 1, 2 and 3

Note 1: Except for the Weltrend International Co., (BVI) Ltd. and Sentelic Corporation financial statements for the first quarter of 2023 and 2022, the subsidiaries' financial statements for the same periods have not been reviewed by a CPA.

Note 2: It is a non-material subsidiary.

Note 3: 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	
	March 31, 2023	December 31, 2022
Sentelic Corporation	49%	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	
	January 1, 2023 to March 31, 2023	Non-controlling interests December 31, 2022
Sentelic Corporation	(\$ 11,964)	\$ 555,885 \$ 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

	March 31, 2023	December 31, 2022
Current assets	\$ 685,923	\$ 717,129
Noncurrent assets	1,169,959	1,197,971
Current liabilities	(135,679)	(82,194)
Noncurrent liabilities	(140,318)	(148,726)
Equity	<u>\$ 1,579,885</u>	<u>\$ 1,684,180</u>

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	March 31, 2023	December 31, 2022
Equity attributable to:		
Owners of the parent	\$ 1,024,000	\$ 1,077,536
Non-controlling interest in Sentelic Corporation	<u>555,885</u>	<u>606,644</u>
	<u>\$ 1,579,885</u>	<u>\$ 1,684,180</u>
		January 1, 2023 to March 31, 2023
Operating revenues		<u>\$ 71,520</u>
Net loss for this period		(\$ 24,425)
Other comprehensive income		-
Total comprehensive income		<u>(\$ 24,425)</u>
Net loss attributable to:		
Owners of the parent		(\$ 12,461)
Non-controlling interest in Sentelic Corporation		<u>(11,964)</u>
		<u>(\$ 24,425)</u>
Comprehensive income attributable to:		
Owners of the parent		(\$ 12,461)
Non-controlling interest in Sentelic Corporation		<u>(11,964)</u>
		<u>(\$ 24,425)</u>
Cash flows		
Operating activities		\$ 31
Investing activities		(128,527)
Financing activities		<u>(1,277)</u>
Net cash outflow		<u>(\$129,773)</u>

13. Property, plant, and equipment

	Self-owned land	Building	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
<u>Costs</u>							
Balance as at January 1, 2023	\$ 94,720	\$ 154,585	\$ 338,697	\$ 30,925	\$ 62,073	\$ 35,479	\$ 716,479
Addition	-	-	1,252	-	-	340	1,592
Disposal	-	-	(6,964)	-	-	(50)	(7,014)
Net exchange differences	-	-	-	-	-	6	6
Balance as at March 31, 2023	<u>\$ 94,720</u>	<u>\$ 154,585</u>	<u>\$ 332,985</u>	<u>\$ 30,925</u>	<u>\$ 62,073</u>	<u>\$ 35,775</u>	<u>\$ 711,063</u>
<u>Accumulated depreciation</u>							
Balance as at January 1, 2023	\$ -	\$ 51,931	\$ 276,979	\$ 16,309	\$ 45,174	\$ 30,426	\$ 420,819
Depreciation expenses	-	1,375	8,811	994	1,323	520	13,023
Disposal	-	-	(6,964)	-	-	(50)	(7,014)
Net exchange differences	-	-	-	-	-	4	4
Balance as at March 31, 2023	<u>\$ -</u>	<u>\$ 53,306</u>	<u>\$ 278,826</u>	<u>\$ 17,303</u>	<u>\$ 46,497</u>	<u>\$ 30,900</u>	<u>\$ 426,832</u>
Net amount as of March 31, 2023	<u>\$ 94,720</u>	<u>\$ 101,279</u>	<u>\$ 54,159</u>	<u>\$ 13,622</u>	<u>\$ 15,576</u>	<u>\$ 4,875</u>	<u>\$ 284,231</u>
Net amount as at December 31, 2022 and January 1, 2023	<u>\$ 94,720</u>	<u>\$ 102,654</u>	<u>\$ 61,718</u>	<u>\$ 14,616</u>	<u>\$ 16,899</u>	<u>\$ 5,053</u>	<u>\$ 295,660</u>

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	Self-owned land	Building	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
Costs							
Balance as at January 1, 2022	\$ 94,720	\$ 154,585	\$ 311,480	\$ 30,650	\$ 45,896	\$ 31,905	\$ 669,236
Addition	-	-	11,050	2,037	12,209	122	25,418
Disposal	-	-	(5,343)	(1,743)	-	-	(7,086)
Net exchange differences	-	-	-	-	-	30	30
Balance as at March 31, 2022	<u>\$ 94,720</u>	<u>\$ 154,585</u>	<u>\$ 317,187</u>	<u>\$ 30,944</u>	<u>\$ 58,105</u>	<u>\$ 32,057</u>	<u>\$ 687,598</u>
Accumulated depreciation							
Balance as at January 1, 2022	\$ -	\$ 46,393	\$ 252,840	\$ 14,095	\$ 37,417	\$ 27,225	\$ 377,970
Depreciation expenses	-	1,397	8,535	994	1,482	401	12,809
Disposal	-	-	(5,343)	(1,743)	-	-	(7,086)
Net exchange differences	-	-	-	-	-	26	26
Balance as at March 31, 2022	<u>\$ -</u>	<u>\$ 47,790</u>	<u>\$ 256,032</u>	<u>\$ 13,346</u>	<u>\$ 38,899</u>	<u>\$ 27,652</u>	<u>\$ 383,719</u>
Net amount as at March 31, 2022	<u>\$ 94,720</u>	<u>\$ 106,795</u>	<u>\$ 61,155</u>	<u>\$ 17,598</u>	<u>\$ 19,206</u>	<u>\$ 4,405</u>	<u>\$ 303,879</u>

As there was no sign of impairment during the three months ended March 31, 2023 and 2022, 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

14. Lease agreements

(1) Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount of right-of-use assets			
Building	<u>\$ 60,480</u>	<u>\$ 29,442</u>	<u>\$ 25,393</u>
	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022	
Addition of right-of-use assets	<u>\$ 36,004</u>	<u>\$ 18,902</u>	
Depreciation expenses of right-of-use assets			
Building	<u>\$ 4,970</u>	<u>\$ 3,476</u>	

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 three months ended March 31, 2023 and 2022.

(2) Lease liability

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount of lease liability			
Current	\$ 18,522	\$ 12,100	\$ 10,936
Noncurrent	\$ 42,221	\$ 17,525	\$ 14,724

The discount rate range for lease liabilities is as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Building	1.7576%~2.25%	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

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Short-term lease expenses	\$ 82	\$ 49
Total cash (outflow) from lease	(\$ 5,229)	(\$ 3,674)

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

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Opening and ending balances	\$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
<u>Costs</u>					
Balance as at January 1, 2023	\$ 236,185	\$ 75,189	\$ 588,467	\$ 137,783	\$ 1,037,624
Acquired separately	2,587	2,607	-	-	5,194
Net exchange differences	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Balance as at March 31, 2023	<u>\$ 238,773</u>	<u>\$ 77,796</u>	<u>\$ 588,467</u>	<u>\$ 137,783</u>	<u>\$ 1,042,819</u>
<u>Accumulated amortization</u>					
Balance as at January 1, 2023	\$ 211,092	\$ 73,713	\$ 29,362	\$ 4,714	\$ 318,881
Amortization expenses	8,267	1,390	14,857	3,536	28,050
Balance as at March 31, 2023	<u>\$ 219,359</u>	<u>\$ 75,103</u>	<u>\$ 44,219</u>	<u>\$ 8,250</u>	<u>\$ 346,931</u>
Net amount as of March 31, 2023	<u>\$ 19,414</u>	<u>\$ 2,693</u>	<u>\$ 544,248</u>	<u>\$ 129,533</u>	<u>\$ 695,888</u>
Net amounts as at December 31, 2022 and January 1, 2023	<u>\$ 25,093</u>	<u>\$ 1,476</u>	<u>\$ 559,105</u>	<u>\$ 133,069</u>	<u>\$ 718,743</u>
<u>Costs</u>					
Balance as at January 1, 2022	\$ 198,603	\$ 72,236	\$ -	\$ -	\$ 270,839
Acquired separately	785	-	-	-	785
Net exchange differences	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
Balance as at March 31, 2022	<u>\$ 199,393</u>	<u>\$ 72,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,629</u>
<u>Accumulated amortization</u>					
Balance as at January 1, 2022	\$ 183,554	\$ 72,179	\$ -	\$ -	\$ 255,733
Amortization expenses	3,974	57	-	-	4,031
Net exchange differences	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Balance as at March 31, 2022	<u>\$ 187,530</u>	<u>\$ 72,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,766</u>
Net amount as of March 31, 2022	<u>\$ 11,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,863</u>

Except for the amortization expenses recognized, the Group did not have any significant disposal or impairment of the intangible assets during the three months ended March 31, 2023 and 2022. 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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Prepayments for reticles	\$ 28,093	\$ 21,646	\$ 11,204
Tax overpaid retained for offsetting the future tax payable	2,316	7,996	1,472
Prepayments for salary and wages	1,460	1,490	1,580
Others	<u>4,023</u>	<u>5,170</u>	<u>3,600</u>
	<u>\$ 35,892</u>	<u>\$ 36,302</u>	<u>\$ 17,856</u>

18. Short-term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Secured borrowings</u>			
Bank loans	\$ 417,120	\$ 417,120	\$ 72,183
<u>Unsecured borrowings</u>			
Credit facility borrowings	863,000	1,120,560	415,000
	<u>\$ 1,280,120</u>	<u>\$ 1,537,680</u>	<u>\$ 487,183</u>

The interest rates on bank revolving loans were 1.45%–1.78%, 1.39%–2.00%, and 0.78%–1.30% as at March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

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

19. Notes payable and accounts payable

	March 31, 2023	December 31, 2022	March 31, 2022
Notes payable- from operations	<u>\$ 476</u>	<u>\$ 1,279</u>	<u>\$ 118</u>
Accounts payable	<u>\$ 162,644</u>	<u>\$ 240,640</u>	<u>\$ 470,072</u>

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

20. Other liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
<u>Other payables</u>			
Investment payables	\$ 12,888	\$ 24,983	\$ 9,053
Salary and wages and bonuses payable	10,132	52,371	750
Pension payable under new scheme	4,850	4,900	3,956
Health insurance premiums payable	2,752	2,808	2,276
Labor insurance premiums payable	2,683	2,604	2,221
Service fee payable	1,524	1,570	876
Others	5,191	6,877	4,225
	<u>\$ 40,020</u>	<u>\$ 96,113</u>	<u>\$ 23,357</u>
<u>Other liabilities</u>			
Collection on behalf of others	\$ 4,298	\$ 4,138	\$ 3,379
Contract liabilities	2,197	2,705	1,871
	<u>\$ 6,495</u>	<u>\$ 6,843</u>	<u>\$ 5,250</u>

21. Provisions

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Current</u>			
Employee benefits	<u>\$ 8,709</u>	<u>\$ 8,756</u>	<u>\$ 6,583</u>

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

22. Post-employment benefit plans

The pension expenses related to defined benefit plans recognized for the three months ended March 31, 2023 and 2022 are calculated at the pension cost rate actuarially determined on December 31, 2022 and 2021, respectively, and the amounts were NT\$517 thousand and NT\$417 thousand, respectively.

23. Equity

(1) Common stock

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Authorized number of shares (in thousands)	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>
Authorized capital stock	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>
Number of shares issued and fully paid (in thousands)	<u>178,010</u>	<u>178,010</u>	<u>178,010</u>
Capital stock issued	<u>\$ 1,780,100</u>	<u>\$ 1,780,100</u>	<u>\$ 1,780,100</u>

(2) Capital surplus

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>For loss make-up, payment in cash or capitalization as equity (1)</u>			
Stock issuance premium	\$ 1,886	\$ 1,886	\$ 1,886
Donated assets received	81	81	81
Share premium (restricted stock awards vested)	15,026	15,026	15,026
Treasury stock transaction	55,637	51,959	51,959
<u>Only for loss make-up</u>			
Recognition of changes in ownership interest in subsidiaries (2)	<u>74</u>	<u>74</u>	<u>74</u>
	<u>\$ 72,704</u>	<u>\$ 69,026</u>	<u>\$ 69,026</u>

- 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 a Board meeting on February 24, 2023 and the general shareholders' meeting on June 23, 2022 to propose and resolve to approve the 2022 and 2021 earnings distribution proposals, respectively. The details are as follows:

	2022	2021
Legal reserve	<u>\$ 7,151</u>	<u>\$ 86,329</u>
Special reserve	<u>\$135,896</u>	<u>\$ 21,170</u>
Cash dividends	<u>\$212,399</u>	<u>\$529,530</u>
Cash dividends per share (\$NT)	<u>\$ 1.2</u>	<u>\$ 3.0</u>

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

(4) Special reserve

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Opening and ending balances	<u>\$ 32,053</u>	<u>\$ 10,883</u>

(5) Treasury stock

	Shares (in thousands)	Shares (in thousands)
	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Balance, beginning of year	1,361	2,352
Decrease in the period	(350)	(852)
Balance, end of period	<u>1,011</u>	<u>1,500</u>

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 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.

The Board of Directors, on February 24, 2023, resolved to transfer and repurchase 280 thousand and 70 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 23, 2023.

Remuneration costs recognized for the transfer of treasury shares to employees on January 1 and March 31, 2023 and 2022 were NT\$3,680 thousand and NT\$29,484 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

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Balance, beginning of year	<u>(\$ 1,571)</u>	<u>(\$ 1,943)</u>
Generated during the period		
Exchange difference of foreign operating institutions	<u>200</u>	<u>1,041</u>
Balance, end of period	<u>(\$ 1,371)</u>	<u>(\$ 902)</u>

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

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Balance, beginning of year	<u>(\$166,378)</u>	<u>(\$ 30,110)</u>
Generated during the period		
Unrealized gains or losses on equity instruments	89,262	(34,792)
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings	<u>119</u>	<u>(3,649)</u>
Balance, end of period	<u>(\$ 76,997)</u>	<u>(\$ 68,551)</u>

(7) Non-controlling interests

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Balance, beginning of year	<u>\$611,292</u>	<u>\$ 6,414</u>
Share attributable to non-controlling interests		
Net loss for this period	(11,742)	(77)
Other comprehensive income for the period		
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	295	(201)
Treasury stock transaction	2	13
Cash dividends issued by subsidiaries	(39,438)	-
Non-controlling interests related to the outstanding vested stock options held by employees of Sentelic Corporation (Note 29)	<u>643</u>	<u>-</u>
Balance, end of period	<u>\$561,052</u>	<u>\$ 6,149</u>

24. Operating revenues

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Sales income - integrated circuits	\$312,524	\$655,644
Trading of integrated circuits	245,977	289,127
Design and testing income	<u>2,424</u>	<u>2,571</u>
	<u>\$560,925</u>	<u>\$947,342</u>

(1) Contract balance

	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022
Accounts receivable (Note 10)	<u>\$ 655,417</u>	<u>\$ 758,045</u>	<u>\$ 1,173,242</u>	<u>\$ 1,147,185</u>
Contract liabilities (accounted for in other current liabilities)				
Merchandise sales	<u>\$ 2,197</u>	<u>\$ 2,705</u>	<u>\$ 1,871</u>	<u>\$ 810</u>

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.

(2) Details of net operating income

Region	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Mainland China	\$356,108	\$571,419
Taiwan	179,956	291,715
Others	<u>24,861</u>	<u>84,208</u>
	<u>\$560,925</u>	<u>\$947,342</u>

25. Net income in this period

(1) Interest income

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Cash in banks	\$ 3,405	\$ 81
Others	<u>1,283</u>	<u>-</u>
	<u>\$ 4,688</u>	<u>\$ 81</u>

(2) Other income

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Income from cash dividends	\$ 725	\$ 653
Others	<u>360</u>	<u>423</u>
	<u>\$ 1,085</u>	<u>\$ 1,076</u>

(3) Other profits and losses

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Net gain (loss) on financial assets		
Financial assets at fair value through profit or loss (Note 7)	\$ 77,966	(\$ 40,395)
Foreign exchange gains (losses) – net	(4,423)	35,047
Others	(376)	(392)
	<u>\$ 73,167</u>	<u>(\$ 5,740)</u>

(4) Financial costs

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Interest from bank borrowings	\$ 5,837	\$ 1,606
Interest on lease liabilities	250	108
	<u>\$ 6,087</u>	<u>\$ 1,714</u>

(5) Depreciation and amortization

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Summary of depreciation expenses by function		
Operating costs	\$ 9,445	\$ 9,692
Operating expenses	8,548	6,593
	<u>\$ 17,993</u>	<u>\$ 16,285</u>
Summary of amortization expenses by function		
Operating costs	\$ 83	\$ 55
Operating expenses	27,967	3,976
	<u>\$ 28,050</u>	<u>\$ 4,031</u>

(6) Employee benefit expenses

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Short-term employee benefits	\$116,909	\$109,445
Post-employment benefits (Note 22)		
Defined contribution pension plan	4,771	3,956
Defined benefit plan	517	417
Share-based payment		
Settlement of equity interests	4,323	29,484
Total employee benefit expenses	<u>\$126,520</u>	<u>\$143,302</u>

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	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Summary by function		
Operating costs	\$ 18,202	\$ 23,109
Operating expenses	<u>108,318</u>	<u>120,193</u>
	<u>\$126,520</u>	<u>\$143,302</u>

(7) Remuneration for employees, directors and supervisors

The Company 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 estimated remuneration to employees and directors and supervisors during the three months ended March 31, 2023 and 2022 are as follows:

Estimate percentage

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Remuneration for employees	12%	12%
Remuneration for directors and supervisors	3%	3%

Amount

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Remuneration for employees	<u>\$ 6,273</u>	<u>\$ 22,826</u>
Remuneration for directors and supervisors	<u>\$ 1,568</u>	<u>\$ 5,707</u>

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.

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:

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

There is no difference between the amounts of remuneration paid out to employees and directors and supervisors for 2022 and 2021 and the amounts recognized in the 2022 and 2021 consolidated financial statements.

For information on 2023 and 2022 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 (benefit) expense are as follows.

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Income tax expenses in the current period		
Generated during the period	\$ 6,225	\$ 36,463
Adjusted in the previous years	-	(188)
Deferred tax		
Generated during the period	(6,582)	(5,553)
Income tax (benefit) expense recognized in profit or loss	(\$ 357)	\$ 30,722

(2) 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 2020.

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

Sentelic Corporation's profit-seeking enterprise income tax returns filed have been approved by the tax authority up to 2021.

27. Earnings per shares

	January 1, 2023 to March 31, 2023	Unit: NTD per share January 1, 2022 to March 31, 2022
Basic earnings per share	\$ 0.21	\$ 0.74
Diluted earnings per share	\$ 0.21	\$ 0.74

The net income in this period and weighted average number of ordinary shares used to calculate the earnings per share are as follows:

Net profits for the period

	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Net income attributable to owners of the Company	\$ 37,784	\$130,974

<u>Number of Shares</u>	Unit: Thousand shares	
	<u>January 1, 2023 to March 31, 2023</u>	<u>January 1, 2022 to March 31, 2022</u>
Weighted average number of shares of common stock used to calculate basic earnings per share	176,763	175,869
Impact of potential common stock with dilutive effect:		
Remuneration for employees	<u>456</u>	<u>1,213</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>177,219</u>	<u>177,082</u>

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 diluting effect of these potential common shares also continues to be considered in the calculation of diluted earnings per share before the number of shares awarded to employees in the following year's resolution.

28. Share-based payment

Restricted stock awards

The shareholders' meeting of Sentelic Corporation resolved, on May 24, 2019, to issue 800 thousand shares of restricted stock awards in the amount of NT\$8,000 thousand free of charge and grant them to employees at the Company 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 March 31, 2023 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
Balance as at January 1, 2022	\$ 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	<u>-</u>	<u>2,268</u>	<u>-</u>	<u>(2,268)</u>
Balance as of December 31, 2022	7,368	5,555	15,346	(1,501)
Cost of share-based remuneration recognized	<u>-</u>	<u>-</u>	<u>-</u>	<u>643</u>
Balance as at March 31, 2023	<u>\$ 7,368</u>	<u>\$ 5,555</u>	<u>\$ 15,346</u>	<u>(\$ 858)</u>

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 the Company 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 the Company'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	<u>\$ 1,117,120</u>

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

(2) Consideration for transfer

	Sentelic Corporation
Cash	<u>\$ 1,117,120</u>

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

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	Sentelic Corporation
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)
	<u>\$ 1,312,341</u>

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	<u>\$ 447,603</u>

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)
	<u>\$ 900,390</u>

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

March 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 343,432	\$ -	\$ -	\$ 343,432
Fund beneficiary certificates	14,477	-	-	14,477
Privately offered funds	-	-	71,636	71,636
	<u>\$ 357,909</u>	<u>\$ -</u>	<u>\$ 71,636</u>	<u>\$ 429,545</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment				
- Domestic listed stocks	\$ 355,820	\$ -	\$ -	\$ 355,820
- Domestic non-listed stocks	-	-	35,513	35,513
- Foreign non-listed stocks	-	-	29,642	29,642
	<u>\$ 355,820</u>	<u>\$ -</u>	<u>\$ 65,155</u>	<u>\$ 420,975</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 569,131	\$ -	\$ -	\$ 569,131
Fund beneficiary certificates	12,485	-	-	12,485
Privately offered funds	-	-	71,098	71,098
	<u>\$ 581,616</u>	<u>\$ -</u>	<u>\$ 71,098</u>	<u>\$ 652,714</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
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
	<u>\$ 442,809</u>	<u>\$ -</u>	<u>\$ 62,528</u>	<u>\$ 505,337</u>

March 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 920,838	\$ -	\$ -	\$ 920,838
Fund beneficiary certificates	250,071	-	-	250,071
Privately offered funds	-	-	45,621	45,621
	<u>\$ 1,170,909</u>	<u>\$ -</u>	<u>\$ 45,621</u>	<u>\$ 1,216,530</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment				
- Domestic listed stocks	\$ 716,893	\$ -	\$ -	\$ 716,893
- Domestic non-listed stocks	-	-	40,801	40,801
- Foreign non-listed stocks	-	-	28,620	28,620
	<u>\$ 716,893</u>	<u>\$ -</u>	<u>\$ 69,421</u>	<u>\$ 786,314</u>

There were no transfers between Level 1 and Level 2 fair values during the three months ended March 31, 2023 and 2022.

2. Reconciliation of financial instruments measured at fair value in Level 3

January 1, 2023 to March 31, 2023

	Equity instruments		
	Financial assets at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance, beginning of year	\$ 71,098	\$ 62,528	\$ 133,626
Allocation of income	(505)	-	(505)
Recognized in profit or loss (other gains and losses)	1,043	-	1,043
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	2,627	2,627
Balance, end of period	<u>\$ 71,636</u>	<u>\$ 65,155</u>	<u>\$ 136,791</u>

January 1, 2022 to March 31, 2022

	Equity instruments		
	Financial assets at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance, beginning of year	\$ -	\$ 70,717	\$ 70,717
Purchase	45,621	-	45,621
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	(1,296)	(1,296)
Balance, end of period	<u>\$ 45,621</u>	<u>\$ 69,421</u>	<u>\$ 115,042</u>

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 (foreign) unlisted equity and privately offered funds was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Measured at fair values through profit and/or loss			
Mandatorily at fair value through profit	\$ 429,545	\$ 652,714	\$ 1,216,530
Financial assets at amortized cost (Note 1)	1,949,412	1,699,215	1,874,526
Financial assets at fair value through other comprehensive income - investments in equity instruments	420,975	505,337	786,314
<u>Financial liabilities</u>			
Measured at amortize cost (Note 2)	1,483,260	1,875,712	980,730

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 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 period 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	
	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Profit or loss	<u>\$ 13,184</u>	<u>\$ 7,183</u>

The Group's sensitivity to the USD increased in this period, mainly due to the increase 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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
With fair value			
interest rate risk			
– Financial assets	\$ 442,035	\$ 432,836	\$ 28,719
– Financial liabilities	60,743	29,625	25,660
With cash flow			
interest rate risk			
– Financial assets	303,456	457,209	509,244
– Financial liabilities	1,280,120	1,537,680	487,183

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 the three months ended March 31, 2023 and 2022 would have decreased/increased by NT\$2,442 thousand and NT\$55 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 increased in this period, mainly due to the decrease in the financial assets 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 securities price exposure on the balance sheet date.

If the securities price increased/decreased by 1%, the profit or loss before tax for the three months ended March 31, 2023 and 2022 would have increased/decreased by NT\$4,295 thousand and NT\$12,165 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

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.

If the securities price increased/decreased by 1%, the other comprehensive before tax for the three months ended March 31, 2023 and 2022 would have increased/decreased by NT\$4,210 thousand and NT\$7,863 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 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 March 31, 2023, December 31, 2022, and March 31, 2022.

(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.

March 31, 2023

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial assets</u>					
No interest-bearing liabilities	\$ 107,131	\$ 93,645	\$ 2,360	\$ 4	\$ 203,140
Floating rate instruments	-	100,000	762,120	-	862,120
Fixed rate instruments	72,000	200,000	146,000	-	418,000
Lease liability	1,716	3,395	14,423	43,666	63,200
	<u>\$ 180,847</u>	<u>\$ 397,040</u>	<u>\$ 924,903</u>	<u>\$ 43,670</u>	<u>\$ 1,546,459</u>

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	<u>\$ 19,534</u>	<u>\$ 15,366</u>	<u>\$ 11,762</u>	<u>\$ 16,538</u>

December 31, 2022

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial assets</u>					
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
	<u>\$ 414,551</u>	<u>\$ 784,641</u>	<u>\$ 689,069</u>	<u>\$ 17,997</u>	<u>\$ 1,906,258</u>

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	<u>\$ 12,553</u>	<u>\$ 9,243</u>	<u>\$ 4,398</u>	<u>\$ 4,352</u>

March 31, 2022

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial assets</u>					
No interest-bearing liabilities	\$ 343,279	\$ 150,264	\$ 4	\$ -	\$ 493,547
Floating rate instruments	152,183	335,000	-	-	487,183
Lease liability	<u>1,197</u>	<u>2,362</u>	<u>7,767</u>	<u>15,346</u>	<u>26,672</u>
	<u>\$ 496,659</u>	<u>\$ 487,626</u>	<u>\$ 7,771</u>	<u>\$ 15,346</u>	<u>\$ 1,007,402</u>

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	<u>\$ 11,326</u>	<u>\$ 3,998</u>	<u>\$ 3,998</u>	<u>\$ 7,350</u>

(2) Financing facilities

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank overdraft facility			
- Borrowing facilities used	\$ 863,000	\$ 1,120,560	\$ 415,000
- Borrowing facilities unused	<u>465,375</u>	<u>213,940</u>	<u>598,100</u>
	<u>\$ 1,328,375</u>	<u>\$ 1,334,500</u>	<u>\$ 1,013,100</u>
Secured bank overdraft facility			
- Borrowing facilities used	\$ 417,120	\$ 417,120	\$ 72,183
- Borrowing facilities unused	<u>2,596,380</u>	<u>1,554,180</u>	<u>936,417</u>
	<u>\$ 3,013,500</u>	<u>\$ 1,971,300</u>	<u>\$ 1,008,600</u>

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

	<u>January 1, 2023 to March 31, 2023</u>	<u>January 1, 2022 to March 31, 2022</u>
Short-term employee benefits	\$ 12,061	\$ 11,739
Share-based payment	1,104	12,181
Post-employment benefits	<u>268</u>	<u>133</u>
	<u>\$ 13,433</u>	<u>\$ 24,053</u>

The remuneration for directors and other key management is determined by the Remuneration Committee 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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Certificates of deposit pledged (under financial assets at amortized cost - non-current)	\$ 10,401	\$ 15,397	\$ 100
Fund beneficiary certificates pledged (under financial assets at fair value through profit or loss - current)	-	-	250,071
Securities pledged (under financial assets at fair value through profit or loss - current)	196,730	177,168	-
Property, plant, and equipment	<u>142,983</u>	<u>143,503</u>	-
	<u>\$ 350,114</u>	<u>\$ 336,068</u>	<u>\$ 250,171</u>

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 foreign currency assets and liabilities with significant effect are as follows:

	<u>March 31, 2023</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 48,064	30.45 (USD: NTD)	<u>\$ 1,463,549</u>
<u>Non-monetary items</u>			
USD	973	30.45 (USD: NTD)	<u>\$ 29,628</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	4,252	30.45 (USD: NTD)	\$ 129,473
USD	516	6.87 (USD: CNY)	<u>15,712</u>
			<u>\$ 145,185</u>

December 31, 2022			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 36,530	30.71 (USD: NTD)	<u>\$ 1,121,836</u>
<u>Non-monetary items</u>			
USD	973	30.71 (USD: NTD)	<u>\$ 29,881</u>
 <u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	6,815	30.71 (USD: NTD)	\$ 209,289
USD	342	6.97 (USD: CNY)	<u>10,503</u>
			<u>\$ 219,792</u>
 March 31, 2022			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 41,880	28.62 (USD: NTD)	<u>\$ 1,198,606</u>
<u>Non-monetary items</u>			
USD	9,738	28.62 (USD: NTD)	<u>\$ 278,702</u>
 <u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	15,665	28.62 (USD: NTD)	\$ 448,332
USD	1,116	6.36 (USD: CNY)	<u>31,940</u>
			<u>\$ 480,272</u>

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:

Functional currency	January 1, 2023 to March 31, 2023		January 1, 2022 to March 31, 2022	
	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)	(\$ 4,564)	1 (NTD: NTD)	\$ 34,922
RMB	4.44 (RMB: NTD)	<u>142</u>	4.40 (RMB: NTD)	<u>125</u>
		(\$ 4,422)		<u>\$ 35,047</u>

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: None.
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 2.
11. 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, 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.

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			
	January 1, 2023 to March 31, 2023		January 1, 2022 to March 31, 2022	
	External revenue	Inter-segment revenues	External revenue	Inter-segment revenues
Self-owned product segment	\$ 314,948	\$ -	\$ 658,215	\$ -
Product agency segment	<u>245,977</u>	<u>15,691</u>	<u>289,127</u>	<u>31,062</u>
	<u>\$ 560,925</u>	<u>\$ 15,691</u>	<u>\$ 947,342</u>	<u>\$ 31,062</u>

	Segment profits or losses	
	January 1, 2023 to March 31, 2023	January 1, 2022 to March 31, 2022
Self-owned product segment	(\$ 59,423)	\$144,796
Product agency segment	<u>12,261</u>	<u>23,126</u>
Total reportable segments' profit	(47,162)	167,922
Inter-segment profit eliminated	(<u>6</u>)	(<u>6</u>)
	(47,168)	167,916
Unallocated amount:		
Non-operating income and expenses	<u>72,853</u>	(<u>6,297</u>)
Net profit before taxation	<u>\$ 25,685</u>	<u>\$161,619</u>

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	March 31, 2023	December 31, 2022	March 31, 2022
Self-owned product segment	\$ 5,386,216	\$ 5,570,437	\$ 4,842,634
Product agency segment	<u>380,975</u>	<u>421,178</u>	<u>366,500</u>
Total segment assets	5,767,191	5,991,615	5,209,134
Unallocated assets	<u>-</u>	<u>-</u>	<u>-</u>
Total consolidated assets	<u>\$ 5,767,191</u>	<u>\$ 5,991,615</u>	<u>\$ 5,209,134</u>

All assets are allocated to reportable segments. Assets shared by reportable segments are allocated on the basis of income earned by each reportable segment.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable securities held at the end of the period

March 31, 2023

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	<u>Stock</u>							
	Greatek Electronics Inc.	-	Financial assets at fair value through profit or loss - current	3,791	\$ 202,059	-	\$ 202,059	\$ 196,730
	AU Optronics Corporation	-	Financial assets at fair value through other comprehensive income - current	1,900	34,960	-	34,960	-
	China Metal Products Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,870	66,385	-	66,385	-
	United Microelectronics Corporation	-	Financial assets at fair value through other comprehensive income - current	1,750	92,575	-	92,575	-
	Ta Chen Stainless Pipe Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	800	36,400	-	36,400	-
	Evergreen Marine Corporation	-	Financial assets at fair value through other comprehensive income - current	100	15,850	-	15,850	-
	Shin Zu Shing Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	73	6,387	-	6,387	-
	MediaTek Inc.	-	Financial assets at fair value through other comprehensive income - current	30	23,610	-	23,610	-
	Tong Hsing Electronic.	-	Financial assets at fair value through other comprehensive income - current	15	2,978	-	2,978	-
	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	-	-	-	-
	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	-	-

(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 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	<u>Privately offered funds</u> Zoyi Venture Capital Co., Ltd.	—	Financial assets at fair value through profit or loss – noncurrent	-	\$ 71,636	-	\$ 71,636	\$ -
Weltrend International Co., (BVI) Ltd.	<u>Stock</u> Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	1,166	62,148	-	62,148	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	403	14,306	-	14,306	-
	Kneron Holding Corporatin (Cayman)	—	Financial assets at fair value through other comprehensive income - non-current	201	29,642	Preferred Series A	29,642	-
	IDIIL INTERNATIONAL, INC.	—	Financial assets at fair value through other comprehensive income - non-current	250	-	-	-	-
Yingquan Investment Co., Ltd.	<u>Stock</u> Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	902	48,077	-	48,077	-
	Acer Incorporated	—	Financial assets at fair value through profit or loss - current	650	18,298	-	18,298	-
	Chroma ATE Inc.	—	Financial assets at fair value through profit or loss - current	20	3,550	-	3,550	-
	Ememory Technology Inc.	—	Financial assets at fair value through profit or loss - current	5	9,300	-	9,300	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	350	18,515	-	18,515	-
	Merry Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	260	22,932	-	22,932	-
	Evergreen Marine Corporation	—	Financial assets at fair value through other comprehensive income - current	132	20,922	-	20,922	-
	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	19,705	6%	19,705	-
	Chongyou Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	655	11,472	9%	11,472	-
	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%	-	-

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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	
Sentelic Corporation	<u>Funds</u>							
	Cathay Taiwan 5G Plus ETF	—	Financial assets at fair value through profit or loss - current	500	\$ 7,690	-	\$ 7,690	\$ -
	SinoPac Taiwan Electric Vehicle Supply Chain ETF	—	Financial assets at fair value through profit or loss - current	400	5,272	-	5,272	-
	Fubon MSCI ACWI IMI Select Future Mobility Top 30 Capped ETF	—	Financial assets at fair value through profit or loss - current	100	1,515	-	1,515	-

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
Business relationships, significant transactions and amounts between parent company and subsidiaries and among subsidiaries.
For the Three Months Ended March 31, 2023

Table 2

Unit: NT\$ thousand

No.	Trader name	Counterparty	Relations with trader (Note 3)	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	\$ 15,691	Note 1	3%
				Accounts receivable	15,721	Note 2	-
		Yingquan Investment Co., Ltd.	1	Rental incomes	6	Note 1	-
		Sentelic Corporation	1	Net operating income	176	Note 1	-
				Other income	270	Note 1	-
				Other receivables	95	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 the transactions from parent company to subsidiary.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on the investee, location, etc.
For the Three Months Ended March 31, 2023

Table 3

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	\$ 524,906	\$ 31,070	\$ 31,070	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	295,218	12,946	12,724	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	1,117,120	15,324	51	1,024,000	(24,425)	(12,461)	Note 1 and 3
Sentelic Corporation	Sentelic Holding Co., Ltd.	Republic of Mauritius.	Investment	18,782	18,782	625	100	22	-	-	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 August 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on investment in Mainland China
For the Three Months Ended March 31, 2023

Table 4

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	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 (\$ 36,540)	\$ -	\$ -	USD 1,200 thousand (\$ 36,540)	(\$ 251)	100%	(\$ 251)	\$ 29,218	\$ -

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 (\$36,540)	US\$1,200 thousand (\$36,540)	\$1,978,991

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 investees' financial reports for the same period not reviewed by a CPA.

Note 3: The amounts in foreign currencies were converted at USD exchange rate on March 31, 2023.

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 Three Months Ended March 31, 2023

Table 5

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	\$ 15,691	3%	—	\$ 15,721	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
March 31, 2023

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.