

**Weltrend Semiconductor, Inc. and Its
Subsidiaries**

**Consolidated Financial Statements and
Independent Auditor's Report**
For the Six Months Ended June 30, 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") as of June 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months and the six months then ended, the consolidated statements of changes in equity and cash flows for the six months then ended, as well as relevant notes to the consolidated statements, 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 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 of June 30, 2023 and 2022 were NT\$362,096 thousand and NT\$355,143 thousand, respectively, accounting for 6% and 7% of the total consolidated assets, respectively; total liabilities were NT\$6,146 thousand and NT\$4,697 thousand, respectively, representing 0.3% of the total consolidated liabilities; total consolidated comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 was NT\$7,911 thousand, NT\$(55,032) thousand, NT\$37,784 thousand, and NT\$(68,577) thousand respectively, accounting for 14%, 36%, 22%, and 126% 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 June 30, 2023 and 2022 as well as consolidated financial performance and consolidated cash flows for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 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

August 7, 2023

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Balance Sheet
As of June 30, 2023, December 31, 2022, and June 30, 2022

Unit: NT\$ thousand

Code	Assets	June 30, 2023		December 31, 2022		June 30, 2022		Code	Liabilities and equity	June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
	Current assets								Current liabilities						
1100	Cash and cash equivalents (Notes 6 and 31)	\$ 1,173,552	20	\$ 708,313	12	\$ 418,054	8	2100	Short-term borrowings (Notes 18, 31 and 33)	\$ 1,280,120	22	\$ 1,537,680	26	\$ 571,378	12
1110	Financial assets at fair value through profit or loss - current (Notes 7, 31, and 33)	287,132	5	581,616	10	1,022,239	21	2150	Notes payable (Notes 19 and 31)	492	-	1,279	-	826	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 8 and 31)	304,147	5	442,809	7	714,471	14	2170	Accounts payable (Notes 19 and 31)	214,713	4	240,640	4	393,725	8
1136	Financial assets at amortized cost - current (Notes 9 and 31)	315,920	5	167,472	3	-	-	2206	Remuneration payable to employees and directors and supervisors (Note 25)	42,804	1	49,264	1	79,936	2
1150	Notes receivable (Notes 10 and 31)	22,406	-	25,510	-	27,133	1	2209	Other payables (Notes 20 and 31)	39,041	1	96,113	1	26,379	-
1170	Accounts receivable, net (Notes 10, 24 and 31)	786,648	14	758,045	13	891,043	18	2216	Dividends payable (Note 23)	212,399	4	-	-	529,530	11
1200	Other receivables (Notes 10 and 31)	33,823	1	17,936	-	75,146	1	2230	Current tax liabilities (Notes 4 and 26)	21,682	-	58,513	1	59,231	1
130X	Inventory (Note 11)	1,205,752	21	1,590,085	26	1,314,013	27	2250	Liabilities - current (Note 21)	8,777	-	8,756	-	6,583	-
1410	Prepayments (Note 17)	33,723	1	36,302	1	26,847	1	2280	Lease liabilities - current (Notes 14 and 31)	19,263	-	12,100	-	8,982	-
11XX	Total current assets	<u>4,163,103</u>	<u>72</u>	<u>4,328,088</u>	<u>72</u>	<u>4,488,946</u>	<u>91</u>	2300	Other current liabilities (Notes 20 and 24)	<u>5,833</u>	<u>-</u>	<u>6,843</u>	<u>-</u>	<u>8,173</u>	<u>-</u>
	Noncurrent assets							21XX	Total current liabilities	<u>1,845,124</u>	<u>32</u>	<u>2,011,188</u>	<u>33</u>	<u>1,684,743</u>	<u>34</u>
1510	Financial assets at fair value through profit or loss - non-current (Notes 7 and 31)	76,839	1	71,098	1	48,228	1		Noncurrent liabilities						
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	65,717	1	62,528	1	65,728	1	2570	Deferred tax liabilities (Note 4 and 26)	137,228	2	143,352	3	8,369	-
1535	Financial assets at amortized cost - non-current (Notes 9, 31, and 33)	10,401	-	15,397	-	100	-	2580	Lease liabilities - non-current (Notes 14 and 31)	39,531	1	17,525	-	13,915	-
1600	Property, plant and equipment (Notes 13 and 33)	276,124	5	295,660	5	300,110	6	2640	Net defined benefit liability - noncurrent (Notes 4 and 22)	<u>55,054</u>	<u>1</u>	<u>54,895</u>	<u>1</u>	<u>73,693</u>	<u>2</u>
1755	Right-of-use assets (Note 14)	58,400	1	29,442	1	22,653	1	25XX	Total noncurrent liabilities	<u>231,813</u>	<u>4</u>	<u>215,772</u>	<u>4</u>	<u>95,977</u>	<u>2</u>
1780	Intangible assets (Notes 16 and 29)	668,004	12	718,743	12	7,781	-	2XXX	Total liabilities	<u>2,076,937</u>	<u>36</u>	<u>2,226,960</u>	<u>37</u>	<u>1,780,720</u>	<u>36</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)	3,923	-	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>36</u>
1915	Prepayments for equipment	433	-	-	-	3,915	-		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 31)	6,522	-	6,542	-	5,509	-	3200	Retained earnings						
1990	Other non-current assets	7,179	-	9,065	-	-	-	3310	Legal reserve	640,592	11	633,441	11	633,441	13
15XX	Total noncurrent assets	<u>1,621,145</u>	<u>28</u>	<u>1,663,527</u>	<u>28</u>	<u>454,024</u>	<u>9</u>	3320	Special reserve	167,949	3	32,053	1	32,053	1
								3350	Unappropriated earnings	<u>666,166</u>	<u>12</u>	<u>909,856</u>	<u>15</u>	<u>992,703</u>	<u>20</u>
								3300	Total retained earnings	<u>1,474,707</u>	<u>26</u>	<u>1,575,350</u>	<u>27</u>	<u>1,658,197</u>	<u>34</u>
								3400	Other equity	(<u>104,105</u>)	(<u>2</u>)	(<u>167,949</u>)	(<u>3</u>)	(<u>239,770</u>)	(<u>5</u>)
								3500	Treasury stock	(<u>89,133</u>)	(<u>2</u>)	(<u>103,164</u>)	(<u>2</u>)	(<u>110,503</u>)	(<u>2</u>)
								31XX	Total equity attributable to owners of the Parent	3,134,273	54	3,153,363	53	3,157,050	64
								36XX	Non-controlling interests (Note 23)	<u>573,038</u>	<u>10</u>	<u>611,292</u>	<u>10</u>	<u>5,200</u>	<u>-</u>
								3XXX	Total equity	<u>3,707,311</u>	<u>64</u>	<u>3,764,655</u>	<u>63</u>	<u>3,162,250</u>	<u>64</u>
1XXX	Total assets	<u>\$ 5,784,248</u>	<u>100</u>	<u>\$ 5,991,615</u>	<u>100</u>	<u>\$ 4,942,970</u>	<u>100</u>		Total liabilities and equity	<u>\$ 5,784,248</u>	<u>100</u>	<u>\$ 5,991,615</u>	<u>100</u>	<u>\$ 4,942,970</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 August 7, 2023)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended June 30, 2023 and 2022 and for the Six Months Ended June 30, 2023 and 2022

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

Code		April 1 to June 30, 2023		April 1 to June 30, 2022		January 1 to June 30, 2023		January 1 to June 30, 2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue, net (Note 24)	\$ 708,920	100	\$ 663,669	100	\$ 1,269,845	100	\$ 1,611,011	100
5000	Operating costs (Notes 11, 22, and 25)	<u>516,036</u>	<u>73</u>	<u>452,217</u>	<u>68</u>	<u>948,013</u>	<u>75</u>	<u>1,072,334</u>	<u>67</u>
5900	Operating gross margins	<u>192,884</u>	<u>27</u>	<u>211,452</u>	<u>32</u>	<u>321,832</u>	<u>25</u>	<u>538,677</u>	<u>33</u>
	Operating expenses (Notes 22 and 25)								
6100	Selling expenses	47,243	7	36,073	5	90,436	7	76,457	5
6200	Administrative expenses	28,694	4	17,303	3	53,677	4	45,323	3
6300	Research and Development expenses	108,156	15	64,279	10	216,083	17	155,436	9
6450	Expected credit impairment losses (gain on reversal) (Note 10)	<u>220</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>233</u>	<u>-</u>	<u>(154)</u>	<u>-</u>
6000	Total operating expenses	<u>184,313</u>	<u>26</u>	<u>117,753</u>	<u>18</u>	<u>360,429</u>	<u>28</u>	<u>277,062</u>	<u>17</u>
6900	Net operating profits (losses)	<u>8,571</u>	<u>1</u>	<u>93,699</u>	<u>14</u>	<u>(38,597)</u>	<u>(3)</u>	<u>261,615</u>	<u>16</u>
	Non-operating income and expenses (Note 25)								
7100	Interest income	12,620	2	158	-	17,308	1	239	-
7010	Other income	20,884	3	67,557	10	21,969	2	68,633	4
7020	Other profits and losses	50,493	7	(117,020)	(17)	123,660	10	(122,760)	(7)
7050	Financial costs	(5,983)	(1)	(1,412)	-	(12,070)	(1)	(3,126)	-
7000	Total non-operating income and expenses	<u>78,014</u>	<u>11</u>	<u>(50,717)</u>	<u>(7)</u>	<u>150,867</u>	<u>12</u>	<u>(57,014)</u>	<u>(3)</u>
7900	Net profit before taxation	86,585	12	42,982	7	112,270	9	204,601	13
7950	Income tax expense (Notes 4 and 26)	(5,557)	(1)	(11,055)	(2)	(5,200)	-	(41,777)	(3)
8200	Net profits for the period	<u>81,028</u>	<u>11</u>	<u>31,927</u>	<u>5</u>	<u>107,070</u>	<u>9</u>	<u>162,824</u>	<u>10</u>
	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	(21,616)	(3)	(182,919)	(28)	67,941	5	(217,912)	(13)
8360	Items that may subsequently be reclassified to profit or loss:								
8361	Exchange differences on the translation of financial statements of foreign operations	(826)	-	(539)	-	(626)	-	502	-
8300	Other comprehensive income for the period	(22,442)	(3)	(183,458)	(28)	67,315	5	(217,410)	(13)
8500	Total comprehensive income for the period	<u>\$ 58,586</u>	<u>8</u>	<u>(\$ 151,531)</u>	<u>(23)</u>	<u>\$ 174,385</u>	<u>14</u>	<u>(\$ 54,586)</u>	<u>(3)</u>
	Net profits (losses) attributable to:								
8610	Owners of the parent	\$ 70,651	10	\$ 32,182	5	\$ 108,435	8	\$ 163,156	10
8620	Non-controlling interests	<u>10,377</u>	<u>1</u>	(255)	-	(1,365)	-	(332)	-
8600		<u>\$ 81,028</u>	<u>11</u>	<u>\$ 31,927</u>	<u>5</u>	<u>\$ 107,070</u>	<u>8</u>	<u>\$ 162,824</u>	<u>10</u>
	Comprehensive income attributable to:								
8710	Owners of the parent	\$ 48,354	7	(\$ 150,582)	(23)	\$ 175,600	14	(\$ 53,359)	(3)
8720	Non-controlling interests	<u>10,232</u>	<u>1</u>	(949)	-	(1,215)	-	(1,227)	-
8700		<u>\$ 58,586</u>	<u>8</u>	<u>(\$ 151,531)</u>	<u>(23)</u>	<u>\$ 174,385</u>	<u>14</u>	<u>(\$ 54,586)</u>	<u>(3)</u>
	Earnings per share (Note 27)								
9750	Basic	<u>\$ 0.40</u>		<u>\$ 0.18</u>		<u>\$ 0.61</u>		<u>\$ 0.93</u>	
9850	Diluted	<u>\$ 0.40</u>		<u>\$ 0.18</u>		<u>\$ 0.61</u>		<u>\$ 0.92</u>	

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

(Please refer to the review report by Deloitte Taiwan dated August 7, 2023)

:

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2023 and 2022

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 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
	Earnings distribution for 2021												
B1	Legal reserve	-	-	-	86,329	-	(86,329)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	21,170	(21,170)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(529,530)	-	-	-	(529,530)	-	(529,530)
D1	Net profits from January 1 to June 30, 2022	-	-	-	-	-	163,156	-	-	-	163,156	(332)	162,824
D3	Other comprehensive income from January 1, 2022 to June 30, 2022	-	-	-	-	-	-	502	(217,017)	-	(216,515)	(895)	(217,410)
D5	Total comprehensive income from January 1 to June 30, 2022	-	-	-	-	-	163,156	502	(217,017)	-	(53,359)	(1,227)	(54,586)
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	-	-	-	-	-	(8,798)	-	8,798	-	-	-	-
Z1	Balance as of June 30, 2022	178,010	\$ 1,780,100	\$ 69,026	\$ 633,441	\$ 32,053	\$ 992,703	(\$ 1,441)	(\$ 238,329)	(\$ 110,503)	\$ 3,157,050	\$ 5,200	\$ 3,162,250
A1	Balance 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
	Earnings distribution for 2022												
B1	Legal reserve	-	-	-	7,151	-	(7,151)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	135,896	(135,896)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(212,399)	-	-	-	(212,399)	-	(212,399)
D1	Net profits from January 1 to June 30, 2023	-	-	-	-	-	108,435	-	-	-	108,435	(1,365)	107,070
D3	Other comprehensive income from January 1 to June 30, 2023	-	-	-	-	-	-	(626)	67,791	-	67,165	150	67,315
D5	Total comprehensive income from January 1 to June 30, 2023	-	-	-	-	-	108,435	(626)	67,791	-	175,600	(1,215)	174,385
F3	Transfer of treasury shares	-	-	3,678	-	-	-	-	-	14,031	17,709	2	17,711
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(39,140)	(39,140)
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,099	2,099
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,321	-	(3,321)	-	-	-	-
Z1	Balance as of June 30, 2023	178,010	\$ 1,780,100	\$ 72,704	\$ 640,592	\$ 167,949	\$ 666,166	(\$ 2,197)	(\$ 101,908)	(\$ 89,133)	\$ 3,134,273	\$ 573,038	\$ 3,707,311

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated August 7, 2023)

:

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2023 and 2022

Unit: NT\$ thousand

Code		January 1 to June 30, 2023	January 1 to June 30, 2022
	Cash flows from operating activities		
A10000	Net profits before tax for the period	\$ 112,270	\$ 204,601
A20010	Income and expenses:		
A20100	Depreciation expenses	35,745	32,444
A20200	Amortization expenses	55,995	8,111
A20300	Expected credit impairment losses (gains on reversal)	233	(154)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	(95,083)	175,936
A20900	Financial costs	12,070	3,126
A21200	Interest income	(17,308)	(239)
A21300	Dividend income	(21,106)	(67,988)
A21900	Cost of share-based remuneration	5,779	29,484
A22500	Gain on disposal of property, plant and equipment	-	(95)
A23700	Losses for market price decline and obsolete inventory	43,494	6,045
A24100	Net foreign exchange gain	(21,949)	(59,957)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	3,108	(1,855)
A31150	Accounts receivable	(19,348)	324,223
A31180	Other receivables	7,317	7,693
A31200	Inventory	340,838	(558,913)
A31230	Prepayments	4,465	(3,083)
A32130	Notes payable	(787)	106
A32150	Accounts payable	(28,021)	(197,410)
A32990	Remuneration payable to employees and directors and supervisors	(6,460)	(75,765)
A32180	Other payables	(29,686)	(14,038)
A32200	Provisions	21	-
A32230	Other current liabilities	(1,010)	4,025
A32240	Net defined benefit liability	159	16
A33000	Cash inflow (outflow) from operations	380,736	(183,687)
A33100	Interest received	14,242	239
A33300	Interests paid	(12,070)	(3,129)
A33500	Income tax paid	(44,628)	(71,770)
AAAA	Net cash inflow (outflow) from operating activities	338,280	(258,347)

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Code		January 1 to June 30, 2023	January 1 to June 30, 2022
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 118,586)	(\$ 777,594)
B00020	Disposal of financial assets at fair value through other comprehensive income	324,957	440,455
B00100	Acquisition of financial assets at fair value through profit or loss	(106,820)	(559,554)
B00200	Sale of financial assets at fair value through profit or loss	459,872	484,335
B00040	Acquisition of financial assets at amortized cost	(273,605)	-
B00050	Disposal of financial assets at amortized cost	130,154	-
B02700	Purchase of property, plant, and equipment	(6,301)	(23,708)
B02800	Proceeds from disposal of property, plant and equipment	-	95
B03700	Increase in refundable deposits	-	(13)
B03800	Decrease in refundable deposits	20	-
B04500	Acquisition of intangible assets	(5,257)	(785)
B07600	Dividend received	<u>1,384</u>	<u>3,633</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>405,818</u>	<u>(433,136)</u>
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term borrowings	(257,560)	7,312
C04020	Principal repayment of lease liabilities	(10,135)	(7,030)
C04900	Repurchase of treasury shares	-	(36,735)
C05000	Price of disposal of treasury shares	14,031	50,775
C05800	Cash dividends paid to non-controlling interests	(<u>39,140</u>)	<u>-</u>
CCCC	Net cash inflow (outflow) from financing activities	<u>(292,804)</u>	<u>14,322</u>
DDDD	Impact of changes in exchange rate on cash and cash equivalents	<u>13,945</u>	<u>17,613</u>
EEEE	Net (decrease) increase in cash and cash equivalents for this period	465,239	(659,548)
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>\$ 1,173,552</u>	<u>\$ 418,054</u>

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

(Please refer to the review report by Deloitte Taiwan dated August 7, 2023)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Six Months Ended June 30, 2023 and 2022
(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 August 7, 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
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS7 and IFRS7 “Supplier Finance Arrangements”	January 1, 2024

<u>The new/amended/revised standards or interpretation</u>	<u>Effective date of IASB publication (Note 1)</u>
Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	Note 3

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.

Note 3: After the publication of this amendment, the amendment is immediately applicable to the facts of exceptions and disclosures, and will be applied retrospectively according to IAS 8. The amendment is applicable to other disclosures starting from January 1, 2023. These other disclosure requirements are not applicable to previous interim financial reports before December 31, 2023.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and working capital	\$ 736	\$ 676	\$ 544
Bank checking accounts and demand deposits	339,211	442,670	387,790
Cash equivalent			
Bank time deposits	759,655	158,393	29,720
Commercial paper	73,950	106,574	-
	<u>\$ 1,173,552</u>	<u>\$ 708,313</u>	<u>\$ 418,054</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets – current</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Domestic listed stocks	\$ 287,132	\$ 569,131	\$ 778,832
- Fund beneficiary certificates	-	12,485	243,407
	<u>\$ 287,132</u>	<u>\$ 581,616</u>	<u>\$ 1,022,239</u>
<u>Financial assets – noncurrent</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Privately offered funds	<u>\$ 76,839</u>	<u>\$ 71,098</u>	<u>\$ 48,228</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

Equity investment

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Domestic Investment			
Listed stocks	<u>\$ 304,147</u>	<u>\$ 442,809</u>	<u>\$ 714,471</u>
<u>Noncurrent</u>			
Domestic Investment			
Non-listed stocks	\$ 35,403	\$ 32,633	\$ 36,008
Foreign investment			
Non-listed stocks	30,314	29,895	29,720
	<u>\$ 65,717</u>	<u>\$ 62,528</u>	<u>\$ 65,728</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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Time deposits with the initial duration of more than 3 months	\$ 225,166	\$ 152,030	\$ -
Commercial paper	90,754	15,442	-
	<u>\$ 315,920</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 June 30, 2023, December 31, 2022, and June 30, 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits with the initial duration of more than 3 months	1.325%~4.800%	1.070%~4.800%	-
Commercial paper	5.100%~5.150%	3.200%	-
Certificates of deposit pledged	1.450%~1.575%	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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes receivable</u>			
Notes receivable - from operations	\$ 22,412	\$ 25,519	\$ 27,133
Less: Allowance for losses	(<u>6</u>)	(<u>9</u>)	-
	<u>\$ 22,406</u>	<u>\$ 25,510</u>	<u>\$ 27,133</u>

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	June 30, 2023	December 31, 2022	June 30, 2022
<u>Accounts receivable</u>			
Measured at amortized cost			
Total book value	\$ 787,156	\$ 758,317	\$ 891,191
Less: Allowance for losses	(<u>508</u>)	(<u>272</u>)	(<u>148</u>)
	<u>\$ 786,648</u>	<u>\$ 758,045</u>	<u>\$ 891,043</u>
<u>Other receivables</u>			
Stock dividends receivable	\$ 20,381	\$ 659	\$ 64,451
Receivable from disposal of investments	6,811	3,977	284
Tax refund receivable	1,641	10,723	9,960
Others	<u>4,990</u>	<u>2,577</u>	<u>451</u>
	<u>\$ 33,823</u>	<u>\$ 17,936</u>	<u>\$ 75,146</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:

June 30, 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	\$ 784,542	\$ 21,772	\$ 1,572	\$ 670	\$ 1,012	\$ -	\$ 809,568
Allowance for loss (expected credit loss of the given duration)	(481)	(19)	(8)	(1)	(5)	-	(514)
Measured at amortized cost	<u>\$ 784,061</u>	<u>\$ 21,753</u>	<u>\$ 1,564</u>	<u>\$ 669</u>	<u>\$ 1,007</u>	<u>\$ -</u>	<u>\$ 809,054</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>

June 30, 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	\$ 892,253	\$ 15,505	\$ 294	\$ 7,592	\$ -	\$ 2,680	\$ 918,324
Allowance for loss (expected credit loss of the given duration)	(5)	(3)	-	(30)	-	(110)	(148)
Measured at amortized cost	<u>\$ 892,248</u>	<u>\$ 15,502</u>	<u>\$ 294</u>	<u>\$ 7,562</u>	<u>\$ -</u>	<u>\$ 2,570</u>	<u>\$ 918,176</u>

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

	January 1 to June 30, 2023	January 1 to June 30, 2022
Balance, beginning of year	\$ 281	\$ 302
Add: Impairment loss recognized (reversed) during this period	233	(154)
Balance, end of period	<u>\$ 514</u>	<u>\$ 148</u>

11. Inventory

	June 30, 2023	December 31, 2022	June 30, 2022
Merchandise	\$ 360,681	\$ 468,640	\$ 388,831
Finished goods	226,291	292,340	301,784
Work in process	322,841	460,260	445,794
Raw materials	295,939	368,845	177,604
	<u>\$ 1,205,752</u>	<u>\$ 1,590,085</u>	<u>\$ 1,314,013</u>

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

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Operating costs	<u>\$ 516,036</u>	<u>\$ 452,217</u>	<u>\$ 948,013</u>	<u>\$ 1,072,334</u>
Allowance for inventory write-down	<u>\$ 23,121</u>	<u>\$ 3,242</u>	<u>\$ 43,494</u>	<u>\$ 6,045</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
			June 30, 2023	December 31, 2022	June 30, 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
	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 Q2 of 2023 and 2022 financial statements of Weltrend International Co., (BVI) Ltd., Sentelic Corporation, and Sentelic Holding Co., Ltd., subsidiaries' Q2 financial statements 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	
	June 30, 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	Non-controlling interests	
		January 1 to June 30, 2023	December 31, 2022
Sentelic Corporation	(\$ 1,898)	\$ 567,705	\$ 606,644

The summarized financial information of the subsidiaries below is prepared based on the transactions between companies before the elimination of the information and is adjusted according to the impacts arising from the acquisition method when the Company made acquisitions:

Sentelic Corporation

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 645,156	\$ 717,129
Noncurrent assets	1,142,146	1,197,971
Current liabilities	(48,440)	(82,194)
Noncurrent liabilities	(136,972)	(148,726)
Equity	<u>\$ 1,601,890</u>	<u>\$ 1,684,180</u>
Equity attributable to:		
Owners of the parent	\$ 1,034,185	\$ 1,077,536
Non-controlling interest in Sentelic Corporation	<u>567,705</u>	<u>606,644</u>
	<u>\$ 1,601,890</u>	<u>\$ 1,684,180</u>
		<u>January 1 to June 30, 2023</u>
Operating revenues		<u>\$185,459</u>
Net loss for this period		(\$ 3,875)
Other comprehensive income		<u>-</u>
Total comprehensive income		(<u>\$ 3,875</u>)
Net loss attributable to:		
Owners of the parent		(\$ 1,997)
Non-controlling interest in Sentelic Corporation		(<u>1,898</u>)
		(<u>\$ 3,875</u>)
Comprehensive income attributable to:		
Owners of the parent		(\$ 1,997)
Non-controlling interest in Sentelic Corporation		(<u>1,898</u>)
		(<u>\$ 3,875</u>)
Cash flows		
Operating activities		\$ 27,991
Investing activities		(109,226)
Financing activities		(<u>83,073</u>)
Net cash outflow		(<u>\$164,308</u>)

13. Property, plant, and equipment

	Self-owned land	Buildings	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
Costs							
Balance at January 1, 2023	\$ 94,720	\$ 154,585	\$ 338,697	\$ 30,925	\$ 62,073	\$ 35,479	\$ 716,479
Addition	-	-	5,258	-	-	612	5,870
Disposal	-	-	(13,604)	-	-	(373)	(13,977)
Net exchange differences	-	-	-	-	-	(22)	(22)
Balance as of June 30, 2023	<u>\$ 94,720</u>	<u>\$ 154,585</u>	<u>\$ 330,351</u>	<u>\$ 30,925</u>	<u>\$ 62,073</u>	<u>\$ 35,696</u>	<u>\$ 708,350</u>
Accumulated depreciation							
Balance at January 1, 2023	\$ -	\$ 51,931	\$ 276,979	\$ 16,309	\$ 45,174	\$ 30,426	\$ 420,819
Depreciation expenses	-	2,751	17,055	1,988	2,549	1,058	25,401
Disposal	-	-	(13,604)	-	-	(373)	(13,977)
Net exchange differences	-	-	-	-	-	(17)	(17)
Balance as of June 30, 2023	<u>\$ -</u>	<u>\$ 54,682</u>	<u>\$ 280,430</u>	<u>\$ 18,297</u>	<u>\$ 47,723</u>	<u>\$ 31,094</u>	<u>\$ 432,226</u>
Net amount as of June 30, 2023	<u>\$ 94,720</u>	<u>\$ 99,903</u>	<u>\$ 49,921</u>	<u>\$ 12,628</u>	<u>\$ 14,350</u>	<u>\$ 4,602</u>	<u>\$ 276,124</u>
Net amount 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>
Costs							
Balance at January 1, 2022	\$ 94,720	\$ 154,585	\$ 311,480	\$ 30,650	\$ 45,896	\$ 31,905	\$ 669,236
Addition	-	-	19,698	2,037	12,209	384	34,328
Disposal	-	-	(5,343)	(1,743)	-	-	(7,086)
Net exchange differences	-	-	-	-	-	15	15
Balance as of June 30, 2022	<u>\$ 94,720</u>	<u>\$ 154,585</u>	<u>\$ 325,835</u>	<u>\$ 30,944</u>	<u>\$ 58,105</u>	<u>\$ 32,304</u>	<u>\$ 696,493</u>
Accumulated depreciation							
Balance at January 1, 2022	\$ -	\$ 46,393	\$ 252,840	\$ 14,095	\$ 37,417	\$ 27,225	\$ 377,970
Depreciation expenses	-	2,788	17,213	1,987	2,686	813	25,487
Disposal	-	-	(5,343)	(1,743)	-	-	(7,086)
Net exchange differences	-	-	-	-	-	12	12
Balance as of June 30, 2022	<u>\$ -</u>	<u>\$ 49,181</u>	<u>\$ 264,710</u>	<u>\$ 14,339</u>	<u>\$ 40,103</u>	<u>\$ 28,050</u>	<u>\$ 396,383</u>
Net as of June 30, 2022	<u>\$ 94,720</u>	<u>\$ 105,404</u>	<u>\$ 61,125</u>	<u>\$ 16,605</u>	<u>\$ 18,002</u>	<u>\$ 4,254</u>	<u>\$ 300,110</u>

As there was no sign of impairment during the six months ended June 30, 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	
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

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of right-of-use assets			
Buildings	<u>\$ 58,400</u>	<u>\$ 29,442</u>	<u>\$ 22,653</u>

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Addition of right-of-use assets			<u>\$ 39,302</u>	<u>\$ 19,644</u>
Depreciation expenses of right-of-use assets				
Buildings	<u>\$ 5,374</u>	<u>\$ 3,481</u>	<u>\$ 10,344</u>	<u>\$ 6,957</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 six months ended June 30, 2023 and 2022.

(2) Lease liability

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of lease liability			
Current	<u>\$ 19,263</u>	<u>\$ 12,100</u>	<u>\$ 8,982</u>
Noncurrent	<u>\$ 39,531</u>	<u>\$ 17,525</u>	<u>\$ 13,915</u>

The discount rate range for lease liabilities is as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings	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

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Short-term lease expenses	<u>\$ 78</u>	<u>\$ 66</u>	<u>\$ 160</u>	<u>\$ 115</u>
Total cash (outflow) from lease	<u>(\$ 5,631)</u>	<u>(\$ 3,693)</u>	<u>(\$ 10,860)</u>	<u>(\$ 7,367)</u>

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 to June 30, 2023	January 1 to June 30, 2022
Opening and ending balances	<u>\$447,603</u>	<u>\$447,603</u>

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 at January 1, 2023	\$ 236,185	\$ 75,189	\$ 588,467	\$ 137,783	\$ 1,037,624
Acquired separately	2,650	2,607	-	-	5,257
Disposal	(37)	-	-	-	(37)
Net exchange differences	(3)	-	-	-	(3)
Balance as of June 30, 2023	<u>\$ 238,795</u>	<u>\$ 77,796</u>	<u>\$ 588,467</u>	<u>\$ 137,783</u>	<u>\$ 1,042,841</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2023	\$ 211,092	\$ 73,713	\$ 29,362	\$ 4,714	\$ 318,881
Amortization expenses	16,428	2,780	29,715	7,072	55,995
Disposal	(37)	-	-	-	(37)
Net exchange differences	(2)	-	-	-	(2)
Balance as of June 30, 2023	<u>\$ 227,481</u>	<u>\$ 764,943</u>	<u>\$ 59,077</u>	<u>\$ 11,786</u>	<u>\$ 374,837</u>
Net amount as of June 30, 2023	<u>\$ 11,314</u>	<u>\$ 1,303</u>	<u>\$ 529,390</u>	<u>\$ 125,997</u>	<u>\$ 668,004</u>
Net amount 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 at January 1, 2022	\$ 198,603	\$ 72,236	\$ -	\$ -	\$ 270,839
Acquired separately	785	-	-	-	785
Net exchange differences	2	-	-	-	2
Balance as of June 30, 2022	<u>\$ 199,390</u>	<u>\$ 72,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,626</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2022	\$ 183,554	\$ 72,179	\$ -	\$ -	\$ 255,733
Amortization expenses	8,054	57	-	-	8,111
Net exchange differences	1	-	-	-	1
Balance as of June 30, 2022	<u>\$ 191,609</u>	<u>\$ 72,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,845</u>
Net as of June 30, 2022	<u>\$ 7,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,781</u>

Except for the amortization expenses recognized, the Group did not have any significant additions, disposal, or impairment of the intangible assets during the six months ended June 30, 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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Prepayments for reticles	\$ 26,121	\$ 21,646	\$ 8,987
Tax overpaid retained for offsetting the future tax payable	2,647	7,996	12,420
Prepayments for salary and wages	1,430	1,490	1,550
Others	3,525	5,170	3,890
	<u>\$ 33,723</u>	<u>\$ 36,302</u>	<u>\$ 26,847</u>

18. Short-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Secured borrowings</u>			
Bank loans	\$ 417,120	\$ 417,120	\$ 74,878
<u>Unsecured borrowings</u>			
Credit facility borrowings	863,000	1,120,560	496,500
	<u>\$ 1,280,120</u>	<u>\$ 1,537,680</u>	<u>\$ 571,378</u>

The interest rates on bank revolving loans were 1.45%–1.93%, 1.39%–2.00%, and 0.78%–2.09% at June 30, 2023, December 31, 2022, and June 30, 2022, respectively.

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

19. Notes payable and accounts payable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes payable- from operations	<u>\$ 492</u>	<u>\$ 1,279</u>	<u>\$ 826</u>
Accounts payable	<u>\$ 214,713</u>	<u>\$ 240,640</u>	<u>\$ 393,725</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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Other payables			
Salary and wages and bonuses payable	\$ 21,193	\$ 52,371	\$ 8,563
Pension payable under new scheme	4,826	4,900	4,062
Health insurance premiums payable	2,990	2,808	2,328
Labor insurance premiums payable	2,658	2,604	2,257
Service fee payable	1,156	1,570	851
Investment payables	-	24,983	4,102
Others	6,218	6,877	4,216
	<u>\$ 39,041</u>	<u>\$ 96,113</u>	<u>\$ 26,379</u>
Other liabilities			
Collection on behalf of others	\$ 4,074	\$ 4,138	\$ 3,549
Contract liabilities	1,759	2,705	4,624
	<u>\$ 5,833</u>	<u>\$ 6,843</u>	<u>\$ 8,173</u>

21. Provisions

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Employee benefits	<u>\$ 8,777</u>	<u>\$ 8,756</u>	<u>\$ 6,583</u>

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

22. Post-employment benefit plans

The pension expenses related to defined benefit plans recognized for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 are calculated at the pension cost rate actuarially determined on December 31, 2022 and 2021, respectively, and the amounts were NT\$516 thousand, NT\$416 thousand, NT\$1,033 thousand, and NT\$833 thousand, respectively.

23. Equity

(1) Common stock

	June 30, 2023	December 31, 2022	June 30, 2022
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

	June 30, 2023	December 31, 2022	June 30, 2022
<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)	74	74	74
	<u>\$ 72,704</u>	<u>\$ 69,026</u>	<u>\$ 69,026</u>

1. Such capital surplus may be used to make up for losses or, when the Company has no losses, to distribute cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.
2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of shares in a subsidiary, or adjustments to the capital surplus for the Company's subsidiaries accounted for using the equity method.

(3) Retained Earnings and Dividend Policy

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

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

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

The Company held the general shareholders' meetings on June 2, 2023 and June 23, 2022 to 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>

(4) Special reserve

	January 1 to June 30, 2023	January 1 to June 30, 2022
Balance, beginning of year	<u>\$ 32,053</u>	<u>\$ 10,883</u>
Special reserve	<u>135,896</u>	<u>21,170</u>
Balance, end of period	<u>\$167,949</u>	<u>\$ 32,053</u>

(5) Treasury stock

	Shares (in thousands)	Shares (in thousands)
	January 1 to June 30, 2023	January 1 to June 30, 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. From August 7, 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 8, 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\$27.068 and NT\$92.1567. 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 for the six months ended June 30, 2023 and 2022 were NT\$5,779 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 to June 30, 2023	January 1 to June 30, 2022
Balance, beginning of year	(\$ 1,571)	(\$ 1,943)
Generated during the period		
Exchange difference of foreign operating institutions	(626)	502
Balance, end of period	(\$ 2,197)	(\$ 1,441)

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

	January 1 to June 30, 2023	January 1 to June 30, 2022
Balance, beginning of year	(\$166,378)	(\$ 30,110)
Generated during the period		
Unrealized gains or losses on equity instruments	67,791	(217,017)
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings	(3,321)	8,798
Balance, end of period	(\$101,908)	(\$238,329)

(7) Non-controlling interests

	January 1 to June 30, 2023	January 1 to June 30, 2022
Balance, beginning of year	\$611,292	\$ 6,414
Share attributable to non-controlling interests		
Net loss for this period	(1,365)	(332)
Other comprehensive income for the period		
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	150	(895)
Treasury stock transaction	2	13
Cash dividends issued by subsidiaries	(39,140)	-
Non-controlling interests related to the outstanding vested stock options held by employees of Sentelic Corporation (Note 28)	2,099	-
Balance, end of period	<u>\$573,038</u>	<u>\$ 5,200</u>

24. Operating revenues

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Sales income - integrated circuits	\$ 468,507	\$ 385,671	\$ 781,031	\$ 1,041,315
Trading of integrated circuits	240,167	277,201	486,144	566,328
Design and testing income	246	797	2,670	3,368
	<u>\$ 708,920</u>	<u>\$ 663,669</u>	<u>\$ 1,269,845</u>	<u>\$ 1,611,011</u>

(1) Contract balance

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Accounts receivable (Note 10)	<u>\$ 786,648</u>	<u>\$ 758,045</u>	<u>\$ 891,043</u>	<u>\$ 1,147,185</u>
Contract liabilities (accounted for in other current liabilities)				
Merchandise sales	<u>\$ 1,759</u>	<u>\$ 2,705</u>	<u>\$ 4,624</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	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Mainland China	\$ 512,872	\$ 414,240	\$ 868,980	\$ 985,659
Taiwan	172,747	208,490	352,703	500,205
Others	23,301	40,939	48,162	125,147
	<u>\$ 708,920</u>	<u>\$ 663,669</u>	<u>\$ 1,269,845</u>	<u>\$ 1,611,011</u>

25. Net income in this period

(1) Interest income

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Interest income from cash in banks	\$ 10,809	\$ 158	\$ 14,214	\$ 239
Others	<u>1,811</u>	<u>-</u>	<u>3,094</u>	<u>-</u>
	<u>\$ 12,620</u>	<u>\$ 158</u>	<u>\$ 17,308</u>	<u>\$ 239</u>

(2) Other income

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Income from cash dividends	\$ 20,381	\$ 67,335	\$ 21,106	\$ 67,988
Others	<u>503</u>	<u>222</u>	<u>863</u>	<u>645</u>
	<u>\$ 20,884</u>	<u>\$ 67,557</u>	<u>\$ 21,969</u>	<u>\$ 68,633</u>

(3) Other profits and losses

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Net gain (loss) on financial assets				
Financial assets at fair value through profit or loss (Note 7)	\$ 17,117	(\$ 135,541)	\$ 95,083	(\$ 175,936)
Foreign exchange gains (losses) – net	33,389	18,531	28,966	53,578
Other gains (losses)	(<u>13</u>)	(<u>10</u>)	(<u>389</u>)	(<u>402</u>)
	<u>\$ 50,493</u>	(<u>\$ 117,020</u>)	<u>\$ 123,660</u>	(<u>\$ 122,760</u>)

(4) Financial costs

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Interest from bank borrowings	\$ 5,668	\$ 1,288	\$ 11,505	\$ 2,894
Interest on lease liabilities	<u>315</u>	<u>124</u>	<u>565</u>	<u>232</u>
	<u>\$ 5,983</u>	<u>\$ 1,412</u>	<u>\$ 12,070</u>	<u>\$ 3,126</u>

(5) Depreciation and amortization

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Summary of depreciation expenses by function				
Operating costs	\$ 8,791	\$ 9,549	\$ 18,236	\$ 19,241
Operating expenses	<u>8,961</u>	<u>6,610</u>	<u>17,509</u>	<u>13,203</u>
	<u>\$ 17,752</u>	<u>\$ 16,159</u>	<u>\$ 35,745</u>	<u>\$ 32,444</u>

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	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Summary of amortization expenses by function				
Operating costs	\$ 85	\$ 55	\$ 168	\$ 110
Operating expenses	<u>27,860</u>	<u>4,025</u>	<u>55,827</u>	<u>8,001</u>
	<u>\$ 27,945</u>	<u>\$ 4,080</u>	<u>\$ 55,995</u>	<u>\$ 8,111</u>

(6) Employee benefit expenses

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Short-term employee benefits	\$ 125,611	\$ 96,571	\$ 242,520	\$ 206,016
Post-employment benefits (Note 21)				
Defined contribution pension plan	4,748	4,079	9,519	8,035
Defined benefit plan	516	416	1,033	833
Share-based payment Settlement of equity interests	<u>1,456</u>	<u>-</u>	<u>5,799</u>	<u>29,484</u>
Total employee benefit expenses	<u>\$ 132,331</u>	<u>\$ 101,066</u>	<u>\$ 258,851</u>	<u>\$ 244,368</u>
Summary by function				
Operating costs	\$ 18,531	\$ 16,156	\$ 36,733	\$ 39,265
Operating expenses	<u>113,800</u>	<u>84,910</u>	<u>222,118</u>	<u>205,103</u>
	<u>\$ 132,331</u>	<u>\$ 101,066</u>	<u>\$ 258,851</u>	<u>\$ 244,368</u>

(7) Remuneration for employees and directors

The Company, as per the Articles of Incorporation, allocates 11%–15% of net income before tax before the remuneration to employees and directors is deducted for the year as remuneration to employees and no more than 4% as the remuneration to employees and directors, respectively. The estimated remuneration to employees and directors during the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 is as follows:

Estimate percentage

	January 1 to June 30, 2023	January 1 to June 30, 2022
Remuneration for employees	12%	11%
Remuneration for directors	3%	3%

Amount

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Remuneration for employees	<u>\$ 10,821</u>	<u>\$ 3,309</u>	<u>\$ 17,094</u>	<u>\$ 26,135</u>
Remuneration for directors	<u>\$ 2,706</u>	<u>\$ 1,421</u>	<u>\$ 4,274</u>	<u>\$ 7,128</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 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	\$ 27,732	\$ -	\$ 125,235	\$ -
Remuneration for directors	\$ 6,933	\$ -	\$ 29,352	\$ -

There is no difference between the amounts of remuneration paid out to employees and directors 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 resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

26. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Income tax expenses in the current period				
Generated during the period	\$ 16,114	\$ 23,382	\$ 22,339	\$ 59,845
Surtax on undistributed earnings	17	-	17	-
Adjustment to the prior years	(14,559)	(1,886)	(14,559)	(2,074)
	1,572	21,496	7,797	57,771
Deferred tax				
Generated during the period	3,985	(10,441)	(2,597)	(15,994)
Income tax expense recognized in profit or loss	\$ 5,557	\$ 11,055	\$ 5,200	\$ 41,777

(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 2021.

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

27. Earnings per shares

	Unit: NTD per share			
	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Basic earnings per share	<u>\$ 0.40</u>	<u>\$ 0.18</u>	<u>\$ 0.61</u>	<u>\$ 0.93</u>
Diluted earnings per share	<u>\$ 0.40</u>	<u>\$ 0.18</u>	<u>\$ 0.61</u>	<u>\$ 0.92</u>

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

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Net income attributable to owners of the Company	<u>\$ 70,651</u>	<u>\$ 32,182</u>	<u>\$ 108,435</u>	<u>\$ 163,156</u>

Quantity

	Unit: Thousand shares			
	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Weighted average number of shares of common stock used to calculate basic earnings per share	177,000	176,510	176,882	176,191
Impact of potential common stock with dilutive effect:				
Remuneration for employees	<u>324</u>	<u>475</u>	<u>490</u>	<u>947</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>177,324</u>	<u>176,985</u>	<u>177,372</u>	<u>177,138</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 June 30, 2023 totaled 217 thousand shares. The board of directors made a resolution on August 3, 2023, to set the record date for capital decrease to August 7, 2023, as 15 thousand new restricted employee shares had become invalid due to employees resigning or failure to meet the vesting conditions during the vesting period.

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 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	-	2,268	-	(2,268)
Balance as of December 31, 2022	7,368	5,555	15,346	(1,501)
Cost of share-based remuneration recognized	-	-	-	2,099
Adjustment for changes in turnover rate	-	835	-	(835)
Balance as of June 30, 2023	<u>\$ 7,368</u>	<u>\$ 6,390</u>	<u>\$ 15,346</u>	<u>(\$ 237)</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

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

	<u>Sentelic Corporation</u>
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

June 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 287,132	\$ -	\$ -	\$ 287,132
Fund beneficiary certificates	-	-	-	-
Privately offered funds	-	-	76,839	76,839
	<u>\$ 287,132</u>	<u>\$ -</u>	<u>\$ 76,839</u>	<u>\$ 363,971</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment				
- Domestic listed stocks	\$ 304,147	\$ -	\$ -	\$ 304,147
- Domestic non-listed stocks	-	-	35,403	35,403
- Foreign non-listed stocks	-	-	30,314	30,314
	<u>\$ 304,147</u>	<u>\$ -</u>	<u>\$ 65,717</u>	<u>\$ 369,864</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>

June 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 778,832	\$ -	\$ -	\$ 778,832
Fund beneficiary certificates	243,407	-	-	243,407
Privately offered funds	-	-	48,228	48,228
	<u>\$ 1,022,239</u>	<u>\$ -</u>	<u>\$ 48,228</u>	<u>\$ 1,070,467</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment				
- Domestic listed stocks	\$ 714,471	\$ -	\$ -	\$ 714,471
- Domestic non-listed stocks	-	-	36,008	36,008
- Foreign non-listed stocks	-	-	29,720	29,720
	<u>\$ 714,471</u>	<u>\$ -</u>	<u>\$ 65,728</u>	<u>\$ 780,199</u>

There were no transfers between Level 1 and Level 2 fair values during the six months ended June 30, 2023 and 2022.

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

January 1 to June 30, 2023

Financial assets	Equity instruments		Total
	Measured at fair values through profit and/or loss	Financial assets measured at fair value through other comprehensive income	
Balance, beginning of year	\$ 71,098	\$ 62,528	\$ 133,626
Purchase	12,718	-	12,718
Allocation of income	(505)	-	(505)
Recognized in profit or loss (other gains and losses)	(6,472)	-	(6,472)
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	3,189	3,189
Balance, end of period	<u>\$ 76,839</u>	<u>\$ 65,717</u>	<u>\$ 142,556</u>

January 1 to June 30, 2022

Financial assets	Equity instruments		Total
	Measured at fair values through profit and/or loss	Financial assets measured at fair value through other comprehensive income	
Balance, beginning of year	\$ -	\$ 70,717	\$ 70,717
Purchase	50,623	-	50,623
Recognized in profit or loss (other gains and losses)	(2,395)	-	(2,395)
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	(4,989)	(4,989)
Balance, end of period	<u>\$ 48,228</u>	<u>\$ 65,728</u>	<u>\$ 113,956</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 was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Measured at fair values through profit and/or loss			
Mandatorily at fair value through profit	\$ 363,971	\$ 652,714	\$ 1,070,467
Financial assets at amortized cost (Note 1)	2,349,272	1,699,215	1,416,985
Financial assets at fair value through other comprehensive income - investments in equity instruments	369,864	505,337	780,199
<u>Financial liabilities</u>			
Measured at amortize cost (Note 2)	1,534,366	1,875,712	992,308

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 35 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 to June 30, 2023	January 1 to June 30, 2022
Profit or loss	<u>\$ 16,207</u>	<u>\$ 4,600</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:

	June 30, 2023	December 31, 2022	June 30, 2022
With fair value interest rate risk			
– Financial assets	\$ 1,110,361	\$ 432,836	\$ 29,820
– Financial liabilities	58,794	29,625	22,897
With cash flow interest rate risk			
– Financial assets	353,750	457,209	387,759
– Financial liabilities	1,280,120	1,537,680	571,378

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 six months ended June 30, 2023 and 2022 would have increased/decreased by NT\$(4,632) thousand and NT\$(918) thousand, respectively, mainly due to the Group's exposure to the risk of the net assets at floating interest rates.

The Group's sensitivity to interest rates decreased in this 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 six months ended June 30, 2023 and 2022 would have increased/decreased by NT\$3,640 thousand and NT\$10,705 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

If the securities price increased/decreased by 1%, the other comprehensive before tax for the six months ended June 30, 2023 and 2022 would have increased/decreased by NT\$3,699 thousand and NT\$7,802 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through other comprehensive income.

The Group's sensitivity to price risk decreased in this period, mainly due to the decrease in the Group's investment in financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income.

2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk of financial loss due to non-performance by counter-parties is mainly from the carrying amount of financial assets recognized in consolidated balance sheets.

To mitigate credit risk, the Group has formulated credit and accounts receivable management measures to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the Group's management believes that the Group's credit risk is significantly reduced.

The Group has a wide range of clients across different industries and geographic regions for accounts receivables. The Group continuously evaluates the financial position of clients with accounts receivable.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. When the transaction counterparties are affiliates, the Group defines them as transaction counterparties with similar characteristics.

3. Liquidity Risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Group's management monitors the use of bank financing facilities and ensures compliance with the terms of the borrowing agreements.

Bank loans are a source of liquidity for the Group. Please refer to the description of (2) financing facilities below for the Group's bank financing facilities undrawn as of June 30, 2023, December 31, 2022, and June 30, 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.

June 30, 2023

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
No interest-bearing liabilities	\$ 136,412	\$ 111,151	\$ 6,679	\$ 4	\$ 254,246
Floating rate instruments	312,000	472,120	150,000	-	934,120
Fixed rate instruments	-	346,000	-	-	346,000
Lease liability	1,797	3,565	14,867	40,804	61,033
	<u>\$ 450,209</u>	<u>\$ 932,836</u>	<u>\$ 171,546</u>	<u>\$ 40,808</u>	<u>\$ 1,595,399</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>\$ 20,229</u>	<u>\$ 14,981</u>	<u>\$ 12,168</u>	<u>\$ 13,655</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>

June 30, 2022

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
No interest-bearing liabilities	\$ 259,634	\$ 160,673	\$ 619	\$ 4	\$ 420,930
Floating rate instruments	236,878	334,500	-	-	571,378
Lease liability	1,215	2,360	5,750	14,466	23,791
	<u>\$ 497,727</u>	<u>\$ 497,533</u>	<u>\$ 6,369</u>	<u>\$ 14,470</u>	<u>\$ 1,016,099</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>\$ 9,325</u>	<u>\$ 4,118</u>	<u>\$ 3,998</u>	<u>\$ 6,350</u>

(2) Financing facilities

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank overdraft facility			
- Borrowing facilities used	\$ 863,000	\$ 1,120,560	\$ 496,500
- Borrowing facilities unused	<u>570,550</u>	<u>213,940</u>	<u>672,100</u>
	<u>\$ 1,433,550</u>	<u>\$ 1,334,500</u>	<u>\$ 1,168,600</u>
Secured bank overdraft facility			
- Borrowing facilities used	\$ 417,120	\$ 417,120	\$ 74,878
- Borrowing facilities unused	<u>2,051,320</u>	<u>1,554,180</u>	<u>966,722</u>
	<u>\$ 2,468,440</u>	<u>\$ 1,971,300</u>	<u>\$ 1,041,600</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

	April 1 to June 30, 2023	April 1 to June 30, 2022	January 1 to June 30, 2023	January 1 to June 30, 2022
Short-term employee benefits	\$ 10,975	\$ 4,505	\$ 23,036	\$ 16,244
Share-based payment	158	-	1,262	12,181
Post-employment benefits	<u>277</u>	<u>132</u>	<u>545</u>	<u>265</u>
	<u>\$ 11,410</u>	<u>\$ 4,637</u>	<u>\$ 24,843</u>	<u>\$ 28,690</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 financing or borrowings from banks and to customs:

	June 30, 2023	December 31, 2022	June 30, 2022
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)	-	-	243,407
Securities pledged (under financial assets at fair value through profit or loss - current)	211,125	177,168	-
Property, plant, and equipment	<u>142,462</u>	<u>143,503</u>	<u>-</u>
	<u>\$ 363,988</u>	<u>\$ 336,068</u>	<u>\$ 243,507</u>

34. Significant Subsequent Events

Weltrend Company issued its first domestic unsecured convertible bonds after the board resolution on July 19, 2023. The limit of the total par value for the issuance was NT\$1,100,000 thousand, with a par value of NT\$100 thousand per bond. The issuance price is publicly underwritten using the bid auction method. The minimum bid is temporarily set at a minimum of 101% of the par value, with an issuance interest rate of 0% during the three-year issuance period.

35. 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:

June 30, 2023			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 58,095	31.14(USD: NTD)	<u>\$ 1,809,078</u>
<u>Non-monetary items</u>			
USD	973	31.14(USD: NTD)	<u>\$ 30,299</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	5,430	31.14(USD: NTD)	\$ 169,090
USD	619	7.24(USD: RMB)	<u>19,276</u>
			<u>\$ 188,366</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: RMB)	<u>10,503</u>
			<u>\$ 219,792</u>

June 30, 2022			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 30,756	29.72(USD: NTD)	<u>\$ 914,068</u>
<u>Non-monetary items</u>			
USD	9,190	29.72(USD: NTD)	<u>\$ 273,127</u>
 <u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	14,663	29.72(USD: NTD)	\$ 435,784
USD	614	6.72(USD: RMB)	<u>18,248</u>
			<u>\$ 454,032</u>

The Group is mainly exposed to the foreign currency exchange rate risk of USD and RMB. 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	April 1 to June 30, 2023		April 1 to June 30, 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)	\$ 34,658	1 (NTD: NTD)	\$ 20,217
RMB	4.38 (RMB: NTD)	(<u>1,270</u>)	4.45 (RMB: NTD)	(<u>1,686</u>)
		<u>\$ 33,388</u>		<u>\$ 18,531</u>

Functional currency	January 1 to June 30, 2023		January 1 to June 30, 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)	\$ 30,094	1 (NTD: NTD)	\$ 55,139
RMB	4.41 (RMB: NTD)	(<u>1,128</u>)	4.43 (RMB: NTD)	(<u>1,561</u>)
		<u>\$ 28,966</u>		<u>\$ 53,578</u>

36. 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.

37. 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 to June 30, 2023		January 1 to June 30, 2022	
	External revenue	Inter-segment revenues	External revenue	Inter-segment revenues
Self-owned product segment	\$ 783,701	\$ -	\$ 1,044,683	\$ -
Product agency segment	<u>486,144</u>	<u>34,587</u>	<u>566,328</u>	<u>48,941</u>
	<u>\$ 1,269,845</u>	<u>\$ 34,587</u>	<u>\$ 1,611,011</u>	<u>\$ 48,941</u>

	Segment profits or losses	
	January 1 to June 30, 2023	January 1 to June 30, 2022
Self-owned product segment	(\$ 44,689)	\$218,773
Product agency segment	<u>6,098</u>	<u>42,848</u>
Total reportable segments' profit	(38,591)	261,621
Inter-segment profit eliminated	(<u>6</u>)	(<u>6</u>)
	(38,597)	261,615
Unallocated amount:		
Non-operating income and expenses	<u>150,867</u>	(<u>57,014</u>)
Net profit before taxation	<u>\$112,270</u>	<u>\$204,601</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	June 30, 2023	December 31, 2022	June 30, 2022
Self-owned product segment	\$ 5,484,650	\$ 5,570,437	\$ 4,576,495
Product agency segment	<u>299,598</u>	<u>421,178</u>	<u>366,475</u>
Total segment assets	5,784,248	5,991,615	4,942,970
Unallocated assets	<u>-</u>	<u>-</u>	<u>-</u>
Total consolidated assets	<u>\$ 5,784,248</u>	<u>\$ 5,991,615</u>	<u>\$ 4,942,970</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
June 30, 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	3,691	\$ 211,125	-	\$ 211,125	\$ 211,125
	AU Optronics Corporation	-	Financial assets at fair value through other comprehensive income - current	1,900	35,340	-	35,340	-
	China Metal Products Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,445	52,598	-	52,598	-
	United Microelectronics Corporation	-	Financial assets at fair value through other comprehensive income - current	1,750	84,875	-	84,875	-
	Ta Chen Stainless Pipe Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	800	37,920	-	37,920	-
	Evergreen Marine Corporation	-	Financial assets at fair value through other comprehensive income - current	100	9,350	-	9,350	-
	Shin Zu Shing Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	73	6,636	-	6,636	-
	MediaTek Inc.	-	Financial assets at fair value through other comprehensive income - current	30	20,640	-	20,640	-
	Tong Hsing Electronic.	-	Financial assets at fair value through other comprehensive income - current	15	2,745	-	2,745	-
	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	-	\$ 76,839	-	\$ 76,839	\$ -
Weltrend International Co., (BVI) Ltd.	<u>Stock</u> Greatek Electronics Inc.	-	Financial assets at fair value through profit or loss - current	207	11,840	-	11,840	-
	Kneron Holding Corporatin (Cayman)	-	Financial assets at fair value through other comprehensive income - non-current	201	30,314	Preferred Series A	30,314	-
	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	874	49,993	-	49,993	-
	United Microelectronics Corporation	-	Financial assets at fair value through other comprehensive income - current	350	16,975	-	16,975	-
	Merry Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	260	24,726	-	24,726	-
	Evergreen Marine Corporation	-	Financial assets at fair value through other comprehensive income - current	132	12,342	-	12,342	-
	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	19,021	6%	19,021	-
	Chongyou Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	655	12,046	9%	12,046	-
	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%	-	-
Sentelic Corporation	<u>Funds</u> Cathay Taiwan 5G Plus ETF	-	Financial assets at fair value through profit or loss - current	500	8,410	-	8,410	-
	SinoPac Taiwan Electric Vehicle Supply Chain ETF	-	Financial assets at fair value through profit or loss - current	400	5,764	-	5,764	-

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 Six Months Ended June 30, 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. Yingquan Investment Co., Ltd. Sentelic Corporation	1 1 1	Net operating income	\$ 34,587	Note 1	3%
				Accounts receivable	19,262	Note 2	-
				Rental incomes	6	Note 1	-
				Net operating income	222	Note 1	-
				Accounts receivable	49	Note 3	-
				Other income	540	Note 1	-
				Other receivables	95	Note 3	-
				Other income	1,013	Note 1	-
1	Dongguan Prosil Electronics Co., Ltd.	Sentelic Corporation	1	Other receivables	313	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 Six Months Ended June 30, 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	\$ 539,175	\$ 45,785	\$ 45,785	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	304,674	31,003	30,470	Note 2
	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	1,034,185	(3,875)	(1,997)	Note 1
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 report for the same period reviewed by a CPA.

Note 2: It was calculated based on the financial report for the same period not reviewed by a CPA.

Note 3: Please refer to Table 4 for the relevant information on the investees in Mainland China.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on investment in Mainland China
For the Six Months Ended June 30, 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 (\$ 37,368)	\$ -	\$ -	USD 1,200 thousand (\$ 37,368)	(\$ 1,960)	100%	(\$ 1,960)	\$ 26,682	\$ -

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 (\$37,368)	US\$1,200 thousand (\$37,368)	\$1,880,564

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 June 30, 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 Six Months Ended June 30, 2023

Table 5Unit: 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	\$ 34,587	3%	—	\$ 19,262	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

June 30, 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.