

Weltrend Semiconductor, Inc. and
Its Subsidiaries

Consolidated Financial Statements
and Independent Auditor's Report
For the Three Months Ended March 31, 2022
and 2021

Address: 2F, No. 24, Industrial East 9th Road, Hsinchu
Science Park, Hsinchu County

Tel.: (03)578-0241

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Independent auditor's review report

To Weltrend Semiconductor, Inc. and Its Subsidiaries,

Introduction

We have reviewed the accompanying consolidated balance sheets of Weltrend Semiconductor, Inc. (the "Company") and its subsidiaries (collectively, the "Group") for the three months ended March 31, 2022 and 2021 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the three months then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Statement 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for those described in the paragraph of basis of qualified conclusion, we concluded our reviews in accordance with Statements of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries (primarily of persons responsible for financial and accounting matters), and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

As mentioned in Note 12 to the consolidated financial statements, the non-material subsidiaries' financial statements for the same period included in the above consolidated financial statements have not been reviewed by us, and their total assets as at March 31, 2022 and 2021 were NT\$425,229,000 and NT\$403,677,000, respectively, accounting for 8% and 9% of the total consolidated assets, respectively; total liabilities were NT\$5,521,000 and NT\$5,398,000, respectively, representing 1% of the total consolidated liabilities in both periods; total consolidated comprehensive income for the three months ended March 31, 2022 and 2021 was NT\$(13,545),000 and NT\$12,359,000 respectively, accounting for (14)% and 5% of the total consolidated comprehensive income, respectively.

Qualified conclusion

According to our review results, except that the financial statements of non-material subsidiaries described in the Basis of qualified conclusion paragraph may result in adjustment to the consolidated financial statements if reviewed by us, we have determined that the foregoing consolidated financial statements have been prepared in all material respects in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC, with a fair presentation of the Group’s consolidated financial position as of March 31, 2022 and 2021 as well as consolidated financial performance and consolidated cash flows for three months ended March 31, 2022 and 2021.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

May 5, 2022

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Balance Sheet
As of March 31, 2022, December 31, 2021, and March 31, 2021

Unit: NT\$ thousand

Code	Assets	March 31, 2022 (reviewed)		December 31, 2021 (reviewed)		March 31, 2021 (reviewed)		Code	Liabilities and equity	March 31, 2022 (reviewed)		December 31, 2021 (reviewed)		March 31, 2021 (reviewed)	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
	Current assets								Current liabilities						
1100	Cash and cash equivalents (Notes 6 and 28)	\$ 538,511	10	\$ 1,077,602	21	\$ 627,187	14	2100	Short-term borrowings (Notes 17 and 28)	\$ 487,183	9	\$ 567,819	11	\$ 319,657	7
1110	Financial assets at fair value through profit or loss - current (Notes 7, 28, and 30)	1,170,909	22	1,189,020	23	1,480,290	34	2150	Notes payable (Notes 18 and 28)	118	-	720	-	822	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 8 and 28)	716,893	14	544,590	10	558,960	13	2170	Accounts payable (Notes 18 and 28)	470,072	9	562,372	11	354,710	8
1150	Notes receivable (Notes 10 and 28)	27,350	1	25,278	-	25,503	-	2206	Remuneration payable to employees and directors and supervisors (Notes 22 and 24)	145,423	3	155,701	3	71,935	2
1170	Accounts receivable, net (Notes 10 and 28)	1,173,242	23	1,147,185	22	868,273	20	2209	Other payables (Notes 19 and 28)	23,357	1	114,523	2	15,908	1
1200	Other receivables (Notes 10 and 28)	129,817	2	83,745	2	72,656	2	2230	Current tax liabilities (Notes 4 and 25)	109,682	2	73,230	1	24,342	1
130X	Inventory (Note 11)	967,018	19	761,145	14	358,890	8	2250	Liabilities - current (Note 20)	6,583	-	6,583	-	9,854	-
1410	Prepayments (Note 16)	17,856	-	23,764	-	16,178	-	2280	Lease liabilities - current (Notes 14 and 28)	10,936	-	9,868	-	12,778	-
11XX	Total current assets	4,741,596	91	4,852,329	92	4,007,937	91	2300	Other current liabilities (Note 19)	5,250	-	4,148	-	7,059	-
	Noncurrent assets							21XX	Total current liabilities	1,258,604	24	1,494,964	28	817,065	19
1510	Financial assets at fair value through profit or loss - non-current (Notes 7 and 28)	45,621	1	-	-	435	-		Noncurrent liabilities						
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28)	69,421	1	70,717	2	68,407	2	2570	Deferred tax liabilities (Note 4 and 25)	18,810	-	24,363	1	29,552	1
1535	Financial assets at amortized cost - non-current (Notes 9, 28, and 30)	100	-	100	-	100	-	2580	Lease liabilities - non-current (Notes 14 and 28)	14,724	-	401	-	7,009	-
1600	Property, plant and equipment (Note 13)	303,879	6	291,266	6	280,355	6	2640	Net defined benefit liability - noncurrent (Note 4 and 21)	73,685	2	73,677	1	68,334	1
1755	Right-of-use assets (Note 14)	25,393	1	9,963	-	19,305	-	25XX	Total noncurrent liabilities	107,219	2	98,441	2	104,895	2
1780	Intangible assets (Note 15)	11,863	-	15,106	-	23,851	1		Total liabilities	1,365,823	26	1,593,405	30	921,960	21
1915	Prepayments for equipment	5,755	-	14,535	-	2,000	-		Equity attributable to owners of the Company (Note 22)						
1920	Guarantee deposits paid (Note 28)	5,506	-	5,496	-	5,517	-	3110	Common stock	1,780,100	34	1,780,100	34	1,780,100	40
15XX	Total noncurrent assets	467,538	9	407,183	8	399,970	9	3200	Capital surplus	69,026	1	39,555	1	39,555	1
									Retained earnings						
								3310	Legal reserve	547,112	11	547,112	11	503,583	11
								3320	Special reserve	10,883	-	10,883	-	32,482	1
								3350	Unappropriated earnings	1,609,997	31	1,475,374	28	1,151,499	26
								3300	Total retained earnings	2,167,992	42	2,033,369	39	1,687,564	38
								3400	Other equity	(69,453)	(1)	(32,053)	(1)	(4,474)	-
								3500	Treasury stock	(110,503)	(2)	(161,278)	(3)	(23,043)	-
								31XX	Total equity attributable to owners of the Parent	3,837,162	74	3,659,693	70	3,479,702	79
								36XX	Non-controlling interests (Note 22)	6,149	-	6,414	-	6,245	-
								3XXX	Total equity	3,843,311	74	3,666,107	70	3,485,947	79
1XXX	Total assets	5,209,134	100	5,259,512	100	4,407,907	100		Total liabilities and equity	5,209,134	100	5,259,512	100	4,407,907	100

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 5, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2022 and 2021
(Reviewed only, not audited in accordance with generally accepted auditing standards.)
Unit: Thousands of NTD; except for earnings per share in NTD

Code		January 1, 2022 to March 31, 2022		January 1, 2021 to March 31, 2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Note 23)	\$ 947,342	100	\$ 752,592	100
5000	Operating costs (Notes 11, 21, and 24)	<u>620,117</u>	<u>65</u>	<u>567,390</u>	<u>75</u>
5900	Operating gross margins	<u>327,225</u>	<u>35</u>	<u>185,202</u>	<u>25</u>
	Operating expenses (Notes 21 and 24)				
6100	Selling expenses	40,384	4	39,529	5
6200	Administrative expenses	28,020	3	28,797	4
6300	Research and Development expenses	91,157	10	96,807	13
6450	Expected credit impairment losses (gain on reversal) (Note 10)	(<u>252</u>)	<u>-</u>	<u>221</u>	<u>-</u>
6000	Total operating expenses	<u>159,309</u>	<u>17</u>	<u>165,354</u>	<u>22</u>
6900	Net operating profits	<u>167,916</u>	<u>18</u>	<u>19,848</u>	<u>3</u>
	Non-operating income and expenses (Note 24)				
7100	Interest income	81	-	173	-
7010	Other income	1,076	-	3,890	-
7020	Other profits and losses	(5,740)	(1)	174,192	23
7050	Financial costs	(<u>1,714</u>)	<u>-</u>	(<u>1,101</u>)	<u>-</u>
7000	Total non-operating income and expenses	(<u>6,297</u>)	(<u>1</u>)	<u>177,154</u>	<u>23</u>
7900	Net profit before taxation	161,619	17	197,002	26
7950	Income tax expense (Notes 4 and 25)	(<u>30,722</u>)	(<u>3</u>)	(<u>11,234</u>)	(<u>1</u>)
8200	Net profits for the period	<u>130,897</u>	<u>14</u>	<u>185,768</u>	<u>25</u>

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Code		January 1, 2022 to March 31, 2022		January 1, 2021 to March 31, 2021	
		Amount	%	Amount	%
	Other comprehensive income (Note 22)				
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	(\$ 34,993)	(4)	\$ 54,953	7
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	<u>1,041</u>	<u>-</u>	(<u>89</u>)	<u>-</u>
8300	Other comprehensive income for the period	(<u>33,952</u>)	(<u>4</u>)	<u>54,864</u>	<u>7</u>
8500	Total comprehensive income for the period	<u>\$ 96,945</u>	<u>10</u>	<u>\$ 240,632</u>	<u>32</u>
	Net profits (losses) attributable to:				
8610	Owners of the parent	\$ 130,974	14	\$ 185,674	25
8620	Non-controlling interests	(<u>77</u>)	<u>-</u>	<u>94</u>	<u>-</u>
8600		<u>\$ 130,897</u>	<u>14</u>	<u>\$ 185,768</u>	<u>25</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 97,223	10	\$ 240,440	32
8720	Non-controlling interests	(<u>278</u>)	<u>-</u>	<u>192</u>	<u>-</u>
8700		<u>\$ 96,945</u>	<u>10</u>	<u>\$ 240,632</u>	<u>32</u>
	Earnings per share (Note 26)				
9750	Basic	<u>\$ 0.74</u>		<u>\$ 1.05</u>	
9850	Diluted	<u>\$ 0.74</u>		<u>\$ 1.05</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 5, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2022 and 2021
(Reviewed only, not audited in accordance with generally accepted auditing standards.)

Unit: In NT\$ thousand unless otherwise specified

		Equity attributable to owners of the Parent							Other equity				
		Common stock		Capital surplus	Retained earnings			Exchange differences on translation of the financial statements of foreign operations	Financial assets at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interests	Total equity
Code		Number of shares (in thousands)	Amount		Legal reserve	Special reserve	Unappropriated earnings						
A1	Balance as of January 1, 2021	178,010	\$ 1,780,100	\$ 17,067	\$ 503,583	\$ 32,482	\$ 917,468	(\$ 1,873)	(\$ 9,010)	(\$ 59,182)	\$ 3,180,635	\$ 6,620	\$ 3,187,255
D1	Net profits from January 1 to March 31, 2021	-	-	-	-	-	185,674	-	-	-	185,674	94	185,768
D3	Other comprehensive income from January 1, 2021 to March 31, 2021	-	-	-	-	-	-	(89)	54,855	-	54,766	98	54,864
D5	Total comprehensive income from January 1 to March 31, 2021	-	-	-	-	-	185,674	(89)	54,855	-	240,440	192	240,632
F3	Transfer of treasury shares	-	-	22,488	-	-	-	-	-	36,139	58,627	-	58,627
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(567)	(567)
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	48,357	-	(48,357)	-	-	-	-
Z1	Balance as of March 31, 2021	<u>178,010</u>	<u>\$ 1,780,100</u>	<u>\$ 39,555</u>	<u>\$ 503,583</u>	<u>\$ 32,482</u>	<u>\$ 1,151,499</u>	<u>(\$ 1,962)</u>	<u>(\$ 2,512)</u>	<u>(\$ 23,043)</u>	<u>\$ 3,479,702</u>	<u>\$ 6,245</u>	<u>\$ 3,485,947</u>
A1	Balance as at January 1, 2022	178,010	\$ 1,780,100	\$ 39,555	\$ 547,112	\$ 10,883	\$ 1,475,374	(\$ 1,943)	(\$ 30,110)	(\$ 161,278)	\$ 3,659,693	\$ 6,414	\$ 3,666,107
D1	Net income from January 1, 2022 through March 31, 2022	-	-	-	-	-	130,974	-	-	-	130,974	(77)	130,897
D3	Other comprehensive income from January 1, 2022 to March 31, 2022	-	-	-	-	-	-	1,041	(34,792)	-	(33,751)	(201)	(33,952)
D5	Total comprehensive income from January 1, 2022 to March 31, 2022	-	-	-	-	-	130,974	1,041	(34,792)	-	97,223	(278)	96,945
F3	Transfer of treasury shares	-	-	29,471	-	-	-	-	-	50,775	80,246	13	80,259
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,649	-	(3,649)	-	-	-	-
Z1	Balance as at March 31, 2022	<u>178,010</u>	<u>\$ 1,780,100</u>	<u>\$ 69,026</u>	<u>\$ 547,112</u>	<u>\$ 10,883</u>	<u>\$ 1,609,997</u>	<u>(\$ 902)</u>	<u>(\$ 68,551)</u>	<u>(\$ 110,503)</u>	<u>\$ 3,837,162</u>	<u>\$ 6,149</u>	<u>\$ 3,843,311</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated May 5, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2022 and 2021

(Reviewed only, not audited in accordance with generally accepted auditing standards.)

Unit: NT\$ thousand

Code		January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
	Cash flows from operating activities		
A10000	Net profits before tax for the period	\$ 161,619	\$ 197,002
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	16,285	14,226
A20200	Amortization expenses	4,031	9,812
A20300	Expected (reversal of losses) credit impairment losses	(252)	221
A20400	Net loss (gain) on financial assets at fair value through profit or loss	40,395	(181,154)
A20900	Financial costs	1,714	1,101
A21200	Interest income	(81)	(173)
A21300	Dividend income	(653)	(2,774)
A21900	Cost of share-based remuneration	29,484	22,488
A22500	Gain on disposal of property, plant and equipment	(95)	(66)
A23700	Losses for market price decline and obsolete inventory	2,803	11
A24100	Net foreign exchange gain	(31,669)	(1,107)
A29900	Lease modification gain	-	(11)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(2,072)	1,925
A31150	Accounts receivable	11,061	(15,152)
A31180	Other receivables	(6,720)	(6,750)
A31190	Finance lease receivables	-	188
A31200	Inventory	(208,676)	44,194
A31230	Prepayments	5,908	4,454
A32130	Notes payable	(602)	(271)
A32150	Accounts payable	(105,523)	29,065
A32990	Remuneration payable to employees and directors and supervisors	(10,278)	6,907
A32180	Other payables	(21,977)	(31,842)
A32230	Other current liabilities	1,102	3,533
A32240	Net defined benefit liability	8	3
A33000	Net cash inflow (outflow) from operations	(114,188)	95,830
A33100	Interest received	81	173
A33300	Interests paid	(1,717)	(1,092)
A33500	Income tax received (paid)	177	(3,099)
AAAA	Net cash inflow (outflow) from operating activities	(115,647)	91,812

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Code		January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
	Cash flows from investing activities		
B00010	Purchase of financial assets measured at fair value through other comprehensive income	(\$ 403,266)	(\$ 243,309)
B00020	Disposal of financial assets at fair value through other comprehensive income	232,699	310,226
B00100	Acquisition of financial assets at fair value through profit or loss	(441,835)	(398,165)
B00200	Sale of financial assets at fair value through profit or loss	266,831	211,852
B02700	Purchase of property, plant, and equipment	(16,638)	(18,291)
B02800	Proceeds from disposal of property, plant and equipment	95	743
B03800	Increase in refundable deposits	(10)	(18)
B04500	Acquisition of intangible assets	(785)	(7,528)
B07600	Dividend received	<u>486</u>	<u>2,749</u>
BBBB	Net cash outflow from investing activities	(<u>362,423</u>)	(<u>141,741</u>)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(78,680)	(146,455)
C04020	Principal repayment of lease liabilities	(3,517)	(3,544)
C04900	Repurchase of treasury shares	(36,735)	-
C05000	Price of disposal of treasury shares	50,775	36,139
C05800	Cash dividends paid to non-controlling interests	<u>-</u>	(<u>567</u>)
CCCC	Net cash outflow from financing activities	(<u>68,157</u>)	(<u>114,427</u>)
DDDD	Impact of changes in exchange rate on cash and cash equivalents	<u>7,136</u>	(<u>554</u>)
EEEE	Net decrease in cash and cash equivalents in this period	(539,091)	(164,910)
E00100	Balance of cash and cash equivalents at the beginning of period	<u>1,077,602</u>	<u>792,097</u>
E00200	Balance of cash and cash equivalents at the end of period	<u>\$ 538,511</u>	<u>\$ 627,187</u>

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

(Please refer to the review report by Deloitte Taiwan dated May 5, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(Reviewed only, not audited in accordance with generally accepted auditing standards.)
(In thousands of NTD, unless otherwise specified)

1. Company History

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

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

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

2. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors on May 5, 2022.

3. Application of New and Revised Standards and Interpretation

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

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

- (2) 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
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

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<u>The new/amended/revised standards or interpretation</u>	<u>Effective date of IASB publication (Note 1)</u>
Amendment to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 3: This amendment applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning after January 1, 2023.

Note 4: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations, these amendments to transaction that occur after January 1, 2022.

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 2021 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

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

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 2021 consolidated financial statements.

6. Cash and Cash Equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and working capital	\$ 616	\$ 652	\$ 678
Bank checking accounts and demand deposits	509,275	993,910	626,509
Cash equivalent			
Bank time deposits	28,620	83,040	-
	<u>\$ 538,511</u>	<u>\$ 1,077,602</u>	<u>\$ 627,187</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets – current</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Domestic listed stocks	\$ 920,838	\$ 967,512	\$ 1,042,514
- Fund beneficiary certificates	250,071	221,508	437,776
	<u>\$ 1,170,909</u>	<u>\$ 1,189,020</u>	<u>\$ 1,480,290</u>
<u>Financial assets – noncurrent</u>			
Measured at fair values through profit and/or loss			
Non-derivative financial assets			
- Domestic non-listed stocks	\$ -	\$ -	\$ 435
- Privately offered funds	45,621	-	-
	<u>\$ 45,621</u>	<u>\$ -</u>	<u>\$ 435</u>

Please refer to Note 30 for information on investments in financial instruments at fair value through profit or loss pledged.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Current</u>			
Domestic Investment			
Listed stocks	<u>\$ 716,893</u>	<u>\$ 544,590</u>	<u>\$ 558,960</u>
<u>Noncurrent</u>			
Domestic Investment			
Non-listed stocks	<u>\$ 40,801</u>	<u>\$ 43,037</u>	<u>\$ 39,877</u>
Foreign investment			
Non-listed stocks	<u>28,620</u>	<u>27,680</u>	<u>28,530</u>
	<u>\$ 69,421</u>	<u>\$ 70,717</u>	<u>\$ 68,407</u>

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

9. Financial assets at amortized cost

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Noncurrent</u>			
Domestic Investment			
Certificates of deposit pledged	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>

(1) As of March 31, 2022, December 31, 2021, and March 31, 2021, the interest rate range of time deposits with the initial duration of more than three months was all 0.79%.

(2) Please refer to Note 28 for information on credit risk management and impairment assessment related to financial assets measured at amortized cost.

(3) Please refer to Note 30 for information on financial assets measured at amortized cost pledged.

10. Notes receivable, accounts receivable and other receivables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Notes receivable</u>			
Notes receivable - from operations	<u>\$ 27,350</u>	<u>\$ 25,278</u>	<u>\$ 25,503</u>

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	March 31, 2022	December 31, 2021	March 31, 2021
<u>Accounts receivable</u>			
Measured at amortized cost			
Total book value	\$ 1,173,292	\$ 1,147,487	\$ 868,353
Less: Allowance for losses	(<u>50</u>)	(<u>302</u>)	(<u>80</u>)
	<u>\$ 1,173,242</u>	<u>\$ 1,147,185</u>	<u>\$ 868,273</u>
<u>Other receivables</u>			
Receivable from disposal of investments	\$ 104,729	\$ 65,545	\$ 56,906
Tax refund receivable	23,901	16,197	14,454
Stock dividends receivable	263	97	-
Others	<u>924</u>	<u>1,906</u>	<u>1,296</u>
	<u>\$ 129,817</u>	<u>\$ 83,745</u>	<u>\$ 72,656</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 accounts receivable measured by the Group as per the provision matrix is as follows:

March 31, 2022

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	\$1,138,950	\$ 2,534	\$ 31,641	\$ 161	\$ -	\$ 6	\$1,173,292
Allowance for loss (expected credit loss of the given duration)	(5)	-	(44)	(1)	-	-	(50)
Measured at amortized cost	<u>\$1,138,945</u>	<u>\$ 2,534</u>	<u>\$ 31,597</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$1,173,242</u>

December 31, 2021

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	\$1,099,598	\$ 5,873	\$ 41,904	\$ 107	\$ 5	\$ -	\$1,147,487
Allowance for loss (expected credit loss of the given duration)	(93)	(3)	(200)	(6)	-	-	(302)
Measured at amortized cost	<u>\$1,099,505</u>	<u>\$ 5,870</u>	<u>\$ 41,704</u>	<u>\$ 101</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$1,147,185</u>

March 31, 2021

	Not overdue	Past due by 1–30 days	Past due by 31–60 days	Past due by 61–90 days	Past due by 91–120 days	Past due by 121 days or more	Total
Total book value	\$ 833,989	\$ 8,473	\$ 25,702	\$ 133	\$ -	\$ 56	\$ 868,353
Allowance for loss (expected credit loss of the given duration)	(6)	(1)	(62)	(2)	-	(9)	(80)
Measured at amortized cost	<u>\$ 833,983</u>	<u>\$ 8,472</u>	<u>\$ 25,640</u>	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 868,273</u>

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

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Balance, beginning of year	\$ 302	\$ 147
Add: Impairment loss recognized (reversed) in this period	(252)	221
Less: Actual write off during the period	-	(288)
Balance, end of period	<u>\$ 50</u>	<u>\$ 80</u>

11. Inventory

	March 31, 2022	December 31, 2021	March 31, 2021
Merchandise	\$ 304,456	\$ 283,381	\$ 151,434
Finished goods	294,500	194,692	75,572
Work in process	356,813	272,859	130,465
Raw materials	11,249	10,213	1,419
	<u>\$ 967,018</u>	<u>\$ 761,145</u>	<u>\$ 358,890</u>

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

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Operating costs	<u>\$620,117</u>	<u>\$567,390</u>
Allowance for inventory write-down	<u>\$ 2,803</u>	<u>\$ 11</u>

12. Subsidiary

Entities covered by the consolidated financial statements are as follows:

Investor name	Subsidiary name	Business nature	Shareholding			Description
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Weltrend International Co., (BVI) Ltd.	Investment	100%	100%	100%	Note
	Yingquan Investment Co., Ltd.	Investment	98%	98%	98%	Note
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

Note: Except for Weltrend International Co., (BVI) Ltd.'s financial statements for the first quarter of 2022 and 2021, the financial statements of other subsidiaries for the same periods have not been reviewed by a CPA; in addition, the Company's subsidiaries are not significant subsidiaries.

13. Property, plant, and equipment

	Self-owned land	Building	Machinery equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Property under construction	Total
<u>Cost</u>								
Balance as at January 1, 2022	\$ 94,720	\$ 154,585	\$ 311,480	\$ 30,650	\$ 45,896	\$ 31,905	\$ -	\$ 669,236
Addition	-	-	11,050	2,037	12,209	122	-	25,418
Disposal	-	-	(5,343)	(1,743)	-	-	-	(7,086)
Net exchange differences	-	-	-	-	-	30	-	30
Balance as at March 31, 2022	<u>\$ 94,720</u>	<u>\$ 154,585</u>	<u>\$ 317,187</u>	<u>\$ 30,944</u>	<u>\$ 58,105</u>	<u>\$ 32,057</u>	<u>\$ -</u>	<u>\$ 687,598</u>
<u>Accumulated depreciation</u>								
Balance as at January 1, 2022	\$ -	\$ 46,393	\$ 252,840	\$ 14,095	\$ 37,417	\$ 27,225	\$ -	\$ 377,970
Depreciation expenses	-	1,397	8,535	994	1,482	401	-	12,809
Disposal	-	-	(5,343)	(1,743)	-	-	-	(7,086)
Net exchange differences	-	-	-	-	-	26	-	26
Balance as at March 31, 2022	<u>\$ -</u>	<u>\$ 47,790</u>	<u>\$ 256,032</u>	<u>\$ 13,346</u>	<u>\$ 38,899</u>	<u>\$ 27,652</u>	<u>\$ -</u>	<u>\$ 383,719</u>
Net amount as at December 31, 2021 and January 1, 2022	<u>\$ 94,720</u>	<u>\$ 108,192</u>	<u>\$ 58,640</u>	<u>\$ 16,555</u>	<u>\$ 8,479</u>	<u>\$ 4,680</u>	<u>\$ -</u>	<u>\$ 291,266</u>
Net amount as at March 31, 2022	<u>\$ 94,720</u>	<u>\$ 106,795</u>	<u>\$ 61,155</u>	<u>\$ 17,598</u>	<u>\$ 19,206</u>	<u>\$ 4,405</u>	<u>\$ -</u>	<u>\$ 303,879</u>
<u>Cost</u>								
Balance as at January 1, 2021	\$ 94,720	\$ 149,737	\$ 287,785	\$ 19,517	\$ 40,853	\$ 30,428	\$ 4,465	\$ 627,505
Addition	-	-	7,088	8,878	-	90	235	16,291
Disposal	-	-	(1,206)	(1,134)	-	-	-	(2,340)
Reclassification	-	4,700	-	-	-	-	(4,700)	-
Net exchange differences	-	-	-	-	-	(4)	-	(4)
Balance as of March 31, 2021	<u>\$ 94,720</u>	<u>\$ 154,437</u>	<u>\$ 293,667</u>	<u>\$ 27,261</u>	<u>\$ 40,853</u>	<u>\$ 30,514</u>	<u>\$ -</u>	<u>\$ 641,452</u>
<u>Accumulated depreciation</u>								
Balance as at January 1, 2021	\$ -	\$ 40,824	\$ 237,291	\$ 13,213	\$ 34,730	\$ 25,891	\$ -	\$ 351,949
Depreciation expenses	-	1,390	7,551	870	636	367	-	10,814
Disposal	-	-	(1,206)	(457)	-	-	-	(1,663)
Net exchange differences	-	-	-	-	-	(3)	-	(3)
Balance as of March 31, 2021	<u>\$ -</u>	<u>\$ 42,214</u>	<u>\$ 243,636</u>	<u>\$ 13,626</u>	<u>\$ 35,366</u>	<u>\$ 26,255</u>	<u>\$ -</u>	<u>\$ 361,097</u>
Net as of March 31, 2021	<u>\$ 94,720</u>	<u>\$ 112,223</u>	<u>\$ 50,031</u>	<u>\$ 13,635</u>	<u>\$ 5,487</u>	<u>\$ 4,259</u>	<u>\$ -</u>	<u>\$ 280,355</u>

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

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

Buildings and equipment	
Plant main building	35–50 years
Interior design and network engineering	5 years
Machinery equipment	2–4 years
Transportation equipment	5–6 years
Leasehold improvements	5–10 years
Miscellaneous equipment	3–5 years

14. Lease agreements

(1) Right-of-use assets

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Carrying amount of right-of-use assets			
Building	<u>\$ 25,393</u>	<u>\$ 9,963</u>	<u>\$ 19,305</u>
	<u>January 1, 2022 to March 31, 2022</u>	<u>January 1, 2021 to March 31, 2021</u>	
Addition of right-of-use assets	<u>\$ 18,902</u>	<u>\$ 1,402</u>	
Depreciation expenses of right-of-use assets			
Building	<u>\$ 3,476</u>	<u>\$ 3,412</u>	

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

(2) Lease liability

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Carrying amount of lease liability			
Current	<u>\$ 10,936</u>	<u>\$ 9,868</u>	<u>\$ 12,778</u>
Noncurrent	<u>\$ 14,724</u>	<u>\$ 401</u>	<u>\$ 7,009</u>

The discount rate range for lease liabilities is as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Building	2.00%~2.25%	2.00%~2.25%	2.00%~2.25%

(3) Major lease activities and terms

The Company leased buildings from the Hsinchu Science Park of the Ministry of Science and Technology as plants, and the lease period is from 2022–2026. As per the lease agreement of the plants located in the science park, the lessee may have the amount of the rent adjusted at any time at the announced land price of the site where

the plants are located or the adjusted rent rate of state-owned land approved by the Executive Yuan. The Company has no bargain purchase option for the leased buildings at the end of the lease term.

(4) Other lease information

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Short-term lease expenses	\$ 49	\$ 39
Total cash (outflow) from lease	(\$ 3,674)	(\$ 3,693)

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. Intangible assets

	March 31, 2022	December 31, 2021	March 31, 2021
Computer software	\$ 11,863	\$ 15,049	\$ 13,436
Technology licensing	-	57	10,415
	<u>\$ 11,863</u>	<u>\$ 15,106</u>	<u>\$ 23,851</u>

Except for the amortization expenses recognized, the Group did not have any significant additions, disposal, or impairment of the intangible assets during the three months ended March 31, 2022 and 2021. Amortization expense is provided for based on a straight-line method over the following useful lives:

Computer software	1 to 5 years
Technology licensing	1 year

16. Prepayments

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Prepayments for reticles	\$ 11,204	\$ 11,656	\$ 9,763
Prepayments for salary and wages	1,580	1,610	1,800
Tax overpaid retained for offsetting the future tax payable	1,472	7,027	1,960
Others	3,600	3,471	2,655
	<u>\$ 17,856</u>	<u>\$ 23,764</u>	<u>\$ 16,178</u>

17. Short-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Secured borrowings</u>			
Bank loans	<u>\$ 72,183</u>	<u>\$ 32,819</u>	<u>\$ 264,657</u>
<u>Unsecured borrowings</u>			
Credit facility borrowings	<u>\$ 415,000</u>	<u>\$ 535,000</u>	<u>\$ 55,000</u>

The interest rates on bank revolving loans were 0.78%–1.30%, 0.78%–0.80%, and 0.83%–1.01% as at March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

Please refer to Note 30 for the Group's collateral for short-term borrowings.

18. Notes payable and accounts payable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes payable- from operations	<u>\$ 118</u>	<u>\$ 720</u>	<u>\$ 822</u>
Accounts payable	<u>\$ 470,072</u>	<u>\$ 562,372</u>	<u>\$ 354,710</u>

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

19. Other liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Other payables			
Investment payables	\$ 9,053	\$ 41,534	\$ 1,332
Pension payable under new scheme	3,956	3,932	3,782
Health insurance premiums payable	2,276	2,263	2,438
Labor insurance premiums payable	2,221	2,194	2,171
Treasury shares payable	-	36,735	-
Bonuses payable	750	21,106	-
Others	<u>5,101</u>	<u>6,759</u>	<u>6,185</u>
	<u>\$ 23,357</u>	<u>\$ 114,523</u>	<u>\$ 15,908</u>
Other liabilities			
Collection on behalf of others	\$ 3,379	\$ 3,338	\$ 4,178
Contract liabilities	<u>1,871</u>	<u>810</u>	<u>2,881</u>
	<u>\$ 5,250</u>	<u>\$ 4,148</u>	<u>\$ 7,059</u>

20. Provision

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Employee benefits	<u>\$ 6,583</u>	<u>\$ 6,583</u>	<u>\$ 9,854</u>

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

21. Post-employment benefit plans

The pension expenses related to defined benefit plans recognized for the three months ended March 31, 2022 and 2021 are calculated at the pension cost rate actuarially determined on December 31, 2021 and 2020, respectively, and the amounts were NT\$417,000 and NT\$405,000, respectively.

22. Equity

(1) Common stock

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

(2) Capital surplus

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>For loss make-up, payment in cash or capitalization as equity (1)</u>			
Stock issuance premium	\$ 1,886	\$ 1,886	\$ 1,886
Donated assets received	81	81	81
Share premium (restricted stock awards vested)	15,026	15,026	15,026
Treasury stock transaction	51,959	22,488	22,488
<u>Only for loss make-up</u>			
Recognition of changes in ownership interest in subsidiaries (2)	<u>74</u>	<u>74</u>	<u>74</u>
	<u>\$ 69,026</u>	<u>\$ 39,555</u>	<u>\$ 39,555</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 24(7) for the policy on the remuneration to employees and directors and supervisors stipulated the Articles of Incorporation.

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

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

The Company held a Board meeting on March 3, 2022 and the general shareholders' meeting on July 7, 2021 to propose and resolve to approve the 2021 and 2020 earnings distribution proposals, respectively. The details are as follows:

	<u>2021</u>	<u>2020</u>
Legal reserve	<u>\$ 86,329</u>	<u>\$ 43,529</u>
Special reserve	<u>\$ 21,169</u>	<u>(\$ 21,599)</u>
Cash dividends	<u>\$529,530</u>	<u>\$283,453</u>
Cash dividends per share (\$NT)	<u>\$ 3.0</u>	<u>\$ 1.6</u>

The 2021 earnings distribution proposal is pending a resolution at the shareholders' meeting expected to be held on June 23, 2022.

(4) Special reserve

	<u>January 1, 2022 to March 31, 2022</u>	<u>January 1, 2021 to March 31, 2021</u>
Opening and ending balances	<u>\$ 10,883</u>	<u>\$ 32,482</u>

(5) Treasury stock

	<u>Shares (in thousands)</u>	<u>Shares (in thousands)</u>
	<u>January 1, 2022 to March 31, 2022</u>	<u>January 1, 2021 to March 31, 2021</u>
Balance, beginning of year	2,352	2,189
Decrease in the period	(852)	(1,337)

Balance, end of period	<u>1,500</u>	<u>852</u>
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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 6, 2019 to October 3, 2019, it repurchased the Company's 3,000,000 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.

The Board of Directors resolved, on November 5, 2021, to transfer the repurchased treasury shares to employees to motivate employees and enhance their commitment. From November 5, 2021 to December 30, 2021, it repurchased the Company's 1,500,000 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.

The Board of Directors, on March 9, 2021, resolved to transfer and repurchase 1,337,000 treasury shares to employees at a transfer price of NT\$27.03. The employee stock subscription record date was the resolution date, and the date of delivering the shares to employees was March 31, 2021.

The Board of Directors, on March 3, 2022, resolved to transfer and repurchase 426,000 and 426,000 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.

Remuneration costs recognized for the transfer of treasury shares to employees on January 1 and March 31, 2022 and 2021 were NT\$29,484,000 and NT\$22,488,000 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 Are 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, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Balance, beginning of year	(\$ 1,943)	(\$ 1,873)
Generated during the period		
Exchange difference of		
foreign operating		
institutions	<u>1,041</u>	(<u>89</u>)
Balance, end of period	(\$ <u>902</u>)	(\$ <u>1,962</u>)

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

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Balance, beginning of year	<u>(\$ 30,110)</u>	<u>(\$ 9,010)</u>
Generated during the period		
Unrealized gains or losses on equity instruments	(<u>34,792</u>)	<u>54,855</u>
Other comprehensive income for the period	(<u>34,792</u>)	<u>54,855</u>
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings	(<u>3,649</u>)	(<u>48,357</u>)
Balance, end of period	<u>(\$ 68,551)</u>	<u>(\$ 2,512)</u>

(7) Non-controlling interests

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Balance, beginning of year	<u>\$ 6,414</u>	<u>\$ 6,620</u>
Share attributable to non-controlling interests		
Net income (loss) in this period	(77)	94
Other comprehensive income for the period		
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(201)	98
Treasury stock transaction	13	-
Cash dividends issued by subsidiaries	<u>-</u>	(<u>567</u>)
Balance, end of period	<u>\$ 6,149</u>	<u>\$ 6,245</u>

23. Operating revenues

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Sales income - integrated circuits	<u>\$655,644</u>	<u>\$472,834</u>
Trading of integrated circuits	<u>289,127</u>	<u>279,758</u>
Design and testing income	<u>2,571</u>	<u>-</u>
	<u>\$947,342</u>	<u>\$752,592</u>

(1) Contract balance

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Accounts receivable (Note 10)	<u>\$ 1,173,242</u>	<u>\$ 1,147,185</u>	<u>\$ 868,273</u>	<u>\$ 851,956</u>
Contract liabilities (accounted for in other liabilities)				
Merchandise sales	<u>\$ 1,871</u>	<u>\$ 810</u>	<u>\$ 2,881</u>	<u>\$ 432</u>

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

(2) Details of net operating income

Region	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Mainland China	\$571,419	\$474,017
Taiwan	291,715	180,516
Others	<u>84,208</u>	<u>98,059</u>
	<u>\$947,342</u>	<u>\$752,592</u>

24. Net income in this period

(1) Interest income

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Interest income from cash in banks	<u>\$ 81</u>	<u>\$ 173</u>

(2) Other income

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Income from cash dividends	\$ 653	\$ 2,774
Other income	<u>423</u>	<u>1,116</u>
	<u>\$ 1,076</u>	<u>\$ 3,890</u>

(3) Other profits and losses

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Net gain (loss) on financial assets		
Financial assets at fair value through profit or loss (Note 7)	(\$ 40,395)	\$181,154
Foreign exchange gains (losses) – net	35,047	(6,375)
Other gains (losses)	<u>(392)</u>	<u>(587)</u>
	<u>(\$ 5,740)</u>	<u>\$174,192</u>

(4) Financial costs

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Interest from bank borrowings	\$ 1,606	\$ 990

Interest on lease liabilities	<u>108</u> <u>\$ 1,714</u>	<u>111</u> <u>\$ 1,101</u>
(5) Depreciation and amortization		
	<u>January 1, 2022 to March 31, 2022</u>	<u>January 1, 2021 to March 31, 2021</u>
Summary of depreciation expenses by function		
Operating costs	\$ 9,692	\$ 7,811
Operating expenses	<u>6,593</u>	<u>6,415</u>
	<u>\$ 16,285</u>	<u>\$ 14,226</u>
Summary of amortization expenses by function		
Operating costs	\$ 55	\$ 55
Operating expenses	<u>3,976</u>	<u>9,757</u>
	<u>\$ 4,031</u>	<u>\$ 9,812</u>
(6) Employee benefits expenses		
	<u>January 1, 2022 to March 31, 2022</u>	<u>January 1, 2021 to March 31, 2021</u>
Short-term employee benefits	\$109,445	\$111,649
Post-employment benefits (Note 21)		
Defined contribution pension plan	3,956	3,789
Defined benefit pension plan	417	405
Share-based payment		
Settlement of equity interests	<u>29,484</u>	<u>22,488</u>
Total employee benefits expenses	<u>\$143,302</u>	<u>\$138,331</u>
Summary by function		
Operating costs	\$ 23,109	\$ 18,263
Operating expenses	<u>120,193</u>	<u>120,068</u>
	<u>\$143,302</u>	<u>\$138,331</u>
(7) Remuneration for employees, directors and supervisors		

The Company allocates 11%–13% of net income before tax before the remuneration to employees, directors, and supervisors is deducted for the year as remuneration to employees and no more than 3% as the remuneration to directors and supervisors, respectively. The estimated remuneration to employees and directors and supervisors during the three months ended March 31, 2022 and 2021 are as follows:

Estimate percentage

	<u>January 1, 2022 to March 31, 2022</u>	<u>January 1, 2021 to March 31, 2021</u>
Remuneration for employees	12%	12%

Remuneration for directors and supervisors

3%

3%

Amount

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Remuneration for employees	<u>\$ 22,826</u>	<u>\$ 27,799</u>
Remuneration for directors and supervisors	<u>\$ 5,707</u>	<u>\$ 6,950</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 changes in accounting estimate and will be recorded an adjustment in the following year.

The 2021 and 2020 remuneration to employees and directors and supervisors resolved by the Board of Directors on March 3, 2022 and March 9, 2021, respectively, is as follows:

	2021		2020	
	Cash	Stock	Cash	Stock
Remuneration for employees	\$ 125,235	\$ -	\$ 50,633	\$ -
Remuneration for directors and supervisors	29,352	-	12,658	-

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

For information on 2021 and 2020 remuneration to employees and directors and supervisors resolved by the Board of Directors, please visit the Market Observation Post System (MOPS) of Taiwan Stock Exchange.

25. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Income tax expenses in the current period		
Generated during the period	\$ 36,463	\$ 11,234
Adjusted in the previous years	(188)	-
Deferred tax		
Generated during the period	(5,553)	-
Income tax recognized in profit or loss	<u>\$ 30,722</u>	<u>\$ 11,234</u>

(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 2019.

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

26. Earnings per shares

	Unit: NTD per share	
	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Basic earnings per share	<u>\$ 0.74</u>	<u>\$ 1.05</u>
Diluted earnings per share	<u>\$ 0.74</u>	<u>\$ 1.05</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

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Net income attributable to owners of the Company	<u>\$130,974</u>	<u>\$185,674</u>

Quantity

	Unit: Thousand shares	
	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Weighted average number of shares of common stock used to calculate basic earnings per share	175,869	176,092
Impact of potential common stock with dilutive effect:		
Remuneration for employees	<u>1,213</u>	<u>1,363</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>177,082</u>	<u>177,455</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.

27. 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).

28. Financial instruments

(1) Fair value information – Financial instruments that are not measured at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities not at fair value approximate their fair values or their fair values cannot be measured reliably.

(2) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

March 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 920,838	\$ -	\$ -	\$ 920,838
Fund beneficiary certificates	250,071	-	-	250,071
Privately offered funds	-	-	45,621	45,621
	<u>\$ 1,170,909</u>	<u>\$ -</u>	<u>\$ 45,621</u>	<u>\$ 1,216,530</u>

Financial assets measured at fair value through other comprehensive income

Equity investment				
- Domestic listed stocks	\$ 716,893	\$ -	\$ -	\$ 716,893
- Domestic non-listed stocks	-	-	40,801	40,801
- Foreign non-listed stocks	-	-	28,620	28,620
	<u>\$ 716,893</u>	<u>\$ -</u>	<u>\$ 69,421</u>	<u>\$ 786,314</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 967,512	\$ -	\$ -	\$ 967,512
Fund beneficiary certificates	221,508	-	-	221,508
	<u>\$ 1,189,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,189,020</u>

Financial assets measured at fair value through other comprehensive income

Equity investment				
- Domestic listed stocks	\$ 544,590	\$ -	\$ -	\$ 544,590
- Domestic non-listed stocks	-	-	43,037	43,037
- Foreign non-listed stocks	-	-	27,680	27,680
	<u>\$ 544,590</u>	<u>\$ -</u>	<u>\$ 70,717</u>	<u>\$ 615,307</u>

March 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Domestic listed stocks	\$ 1,042,514	\$ -	\$ -	\$ 1,042,514
Domestic unlisted stocks	-	-	435	435
Fund beneficiary certificates	<u>437,776</u>	<u>-</u>	<u>-</u>	<u>437,776</u>
	<u>\$ 1,480,290</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ 1,480,725</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment				
- Domestic listed stocks	\$ 558,960	\$ -	\$ -	\$ 558,960
- Domestic non-listed stocks	-	-	39,877	39,877
- Foreign non-listed stocks	<u>-</u>	<u>-</u>	<u>28,530</u>	<u>28,530</u>
	<u>\$ 558,960</u>	<u>\$ -</u>	<u>\$ 68,407</u>	<u>\$ 627,367</u>

There were no transfers between Level 1 and Level 2 fair values during the three months ended March 31, 2022 and 2021.

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

January 1, 2022 to March 31, 2022

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

January 1, 2021 to March 31, 2021

	<u>Equity instruments</u>		
		Financial assets measured at fair value through other comprehensive income	
<u>Financial assets</u>	<u>Financial assets at fair value through profit or loss</u>		<u>Total</u>
Balance, beginning of year	\$ 659	\$ 67,574	\$ 68,233
Recognized in profit or loss (other gains and losses)	(224)	-	(224)
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	833	833
Balance, end of period	<u>\$ 435</u>	<u>\$ 68,407</u>	<u>\$ 68,842</u>

3. Valuation techniques and input values for Level 3 fair value measurement

The aggregate value of the individual assets and individual liabilities in the investments in domestic (foreign) unlisted equity and privately offered funds was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Measured at fair values through profit and/or loss			
Mandatorily at fair value through profit	\$ 1,216,530	\$ 1,189,020	\$ 1,480,725
Financial assets at amortized cost (Note 1)	1,874,526	2,339,406	1,599,235
Financial assets at fair value through other comprehensive income - investments in equity instruments	786,314	615,307	627,367
<u>Financial liabilities</u>			
Measured at amortize cost (Note 2)	980,730	1,246,548	691,097

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 31 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, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Gain or Loss	<u>\$ 7,183</u>	<u>\$ 3,909</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:

	March 31, 2022	December 31, 2021	March 31, 2021
With fair value			
interest rate risk			
– Financial assets	\$ 28,719	\$ 83,140	\$ 100
– Financial liabilities	25,660	10,269	19,787
With cash flow			
interest rate risk			
– Financial assets	509,244	993,879	626,477
– Financial liabilities	487,183	567,819	319,657

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. The analysis of assets at floating rates is based on the assumption that the amount of assets outstanding at the balance sheet date was outstanding throughout the reporting period.

If the annual rate of interest increased/decreased by 1%, with all other variables remaining unchanged, the Group's net income before tax for the three months ended March 31, 2022 and 2021 would have increased/decreased by NT\$55,000 and NT\$767,000, 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 three months ended March 31, 2022 and 2021 would have increased/decreased by NT\$12,165,000 and NT\$14,807,000 respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

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

If the securities price increased/decreased by 1%, the other comprehensive before tax for the three months ended March 31, 2022 and 2021 would have increased/decreased by NT\$7,863,000 and NT\$6,274,000 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 increased in this period, mainly due to the increase in the Group's investment in financial assets at fair value through other comprehensive income.

2. Credit Risk

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

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

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

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

3. Liquidity Risk

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

Bank loans are a source of liquidity for the Group. Please refer to the description of (2) financing facilities below for the Group's bank financing facilities undrawn as of March 31, 2022, December 31, 2021, and March 31, 2021.

(1) Table of liquidity and interest rate risk of non-derivative financial liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities has been prepared based on the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Group can be required to make repayment. Therefore, bank borrowings that the Group may be required to repay immediately are shown in the table below for the earliest period, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

March 31, 2022

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

Further information on maturity analysis of lease liabilities is as follows:

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	<u>\$ 11,326</u>	<u>\$ 3,998</u>	<u>\$ 3,998</u>	<u>\$ 7,350</u>

December 31, 2021

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative</u> <u>financial assets</u>					
No interest-bearing liabilities	\$ 434,109	\$ 243,276	\$ 226	\$ 4	\$ 677,615
Floating rate instruments	32,819	135,000	400,000	-	567,819
Lease liability	878	1,756	7,346	470	10,450
	<u>\$ 467,806</u>	<u>\$ 380,032</u>	<u>\$ 407,572</u>	<u>\$ 474</u>	<u>\$ 1,255,884</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>\$ 9,980</u>	<u>\$ 29</u>	<u>\$ 29</u>	<u>\$ 412</u>

March 31, 2021

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative</u> <u>financial assets</u>					
No interest-bearing liabilities	\$ 213,535	\$ 154,721	\$ 3,184	\$ -	\$ 371,440
Floating rate instruments	319,657	-	-	-	319,657
Lease liability	1,218	2,405	9,426	7,067	20,116
	<u>\$ 534,410</u>	<u>\$ 157,126</u>	<u>\$ 12,610</u>	<u>\$ 7,067</u>	<u>\$ 711,213</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>\$ 13,049</u>	<u>\$ 7,067</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Financing facilities

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank overdraft facility			
- Borrowing facilities used	\$ 415,000	\$ 535,000	\$ 55,000
- Borrowing facilities unused	598,100	473,400	757,650
	<u>\$ 1,013,100</u>	<u>\$ 1,008,400</u>	<u>\$ 812,650</u>
Secured bank overdraft facility			
- Borrowing facilities used	\$ 72,183	\$ 32,819	\$ 264,657
- Borrowing facilities unused	936,417	947,581	941,243
	<u>\$ 1,008,600</u>	<u>\$ 980,400</u>	<u>\$ 1,205,900</u>

29. 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

	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Short-term employee benefits	\$ 11,739	\$ 8,838
Share-based payment	12,181	-
Post-employment benefits	133	186
	<u>\$ 24,053</u>	<u>\$ 9,024</u>

The remuneration for directors and other key management is determined by the Remuneration Committee based on individual performance and market trends.

30. Pledged Assets

The assets below have been pledged as collateral for borrowings from banks and to customs:

	March 31, 2022	December 31, 2021	March 31, 2021
Certificates of deposit pledged (under financial assets at amortized cost - non-current)	\$ 100	\$ 100	\$ 100
Fund beneficiary certificates pledged (under financial assets at fair value through profit or loss - current)	<u>250,071</u>	<u>221,508</u>	<u>437,776</u>
	<u>\$ 250,171</u>	<u>\$ 221,608</u>	<u>\$ 437,876</u>

31. 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:

	March 31, 2022		
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 41,880	28.62 (USD: NTD)	<u>\$ 1,198,606</u>
<u>Non-monetary items</u>			
USD	9,738	28.62 (USD: NTD)	<u>\$ 278,702</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	15,665	28.62 (USD: NTD)	\$ 448,332
USD	1,116	6.36 (USD: CNY)	<u>31,940</u>
			<u>\$ 480,272</u>

December 31, 2021			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 52,116	27.68 (USD: NTD)	<u>\$ 1,442,571</u>
<u>Non-monetary items</u>			
USD	9,002	27.68 (USD: NTD)	<u>\$ 249,175</u>
 <u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	17,225	27.68 (USD: NTD)	\$ 476,788
USD	611	6.38 (USD: CNY)	<u>16,912</u>
			<u>\$ 493,700</u>
 March 31, 2021			
	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 33,983	28.53 (USD: NTD)	<u>\$ 969,535</u>
<u>Non-monetary items</u>			
USD	16,344	28.53 (USD: NTD)	<u>\$ 466,294</u>
 <u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	19,418	28.53 (USD: NTD)	\$ 553,996
USD	865	6.57 (USD: CNY)	<u>24,678</u>
			<u>\$ 578,674</u>

The Group is mainly exposed to the foreign currency exchange rate risk of USD and CNY. The following information is presented in aggregate for the functional currencies of the individual entity holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presenting currency. Foreign currency translation gains and losses (realized and unrealized) with significant effect are as follows:

Functional currency	January 1, 2022 to March 31, 2022		January 1, 2021 to March 31, 2021	
	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)	\$ 34,922	1 (NTD: NTD)	(\$ 6,211)
RMB	4.40 (RMB: NTD)	<u>125</u>	4.37 (RMB: NTD)	(<u>164</u>)
		<u>\$ 35,047</u>		(<u>\$ 6,375</u>)

32. 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, principal business activities, 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.

33. 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, 2022 to March 31, 2022		January 1, 2021 to March 31, 2021	
	External revenue	Inter-segment revenues	External revenue	Inter-segment revenues
Self-owned product segment	\$ 658,215	\$ -	\$ 472,834	\$ -
Product agency segment	<u>289,127</u>	<u>31,062</u>	<u>279,758</u>	<u>17,493</u>
	<u>\$ 947,342</u>	<u>\$ 31,062</u>	<u>\$ 752,592</u>	<u>\$ 17,493</u>

	Segment profits or losses	
	January 1, 2022 to March 31, 2022	January 1, 2021 to March 31, 2021
Self-owned product segment	\$144,796	\$ 4,415
Product agency segment	<u>23,126</u>	<u>15,439</u>
Total reportable segments' profit	167,922	19,854
Inter-segment profit eliminated	(<u>6</u>)	(<u>6</u>)
	167,916	19,848
Unallocated amount:		
Non-operating income and expenses	(<u>6,297</u>)	<u>177,154</u>
Net profit before taxation	<u>\$161,619</u>	<u>\$197,002</u>

Segments' profit refers to the profit earned by each segment, excluding non-operating income and expenses that should be allocated. This measure is provided to the chief operating decision maker to allocate resources to segments and to measure their performance.

(2) Segments' total assets

Segments' assets	March 31, 2022	December 31, 2021	March 31, 2021
Self-owned product segment	\$ 4,842,634	\$ 4,841,907	\$ 4,079,650
Product agency segment	<u>366,500</u>	<u>417,605</u>	<u>328,257</u>
Total segment assets	5,209,134	5,259,512	4,407,907
Unallocated assets	-	-	-
Total consolidated assets	<u>\$ 5,209,134</u>	<u>\$ 5,259,512</u>	<u>\$ 4,407,907</u>

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable securities held at the end of the period

March 31, 2022

Table 1

Unit: In thousands of NTD and thousands of shares, unless specified otherwise

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	End of the period				Amount pledged (Note)
				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	7,282	\$ 540,324	-	\$ 540,324	\$ -
	Aerospace Industrial Development Corporation	-	Financial assets at fair value through profit or loss - current	3,758	110,298	-	110,298	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets at fair value through profit or loss - current	60	35,820	-	35,820	-
	China Metal Products Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	5,317	182,373	-	182,373	-
	United Microelectronics Corporation	-	Financial assets at fair value through other comprehensive income - current	1,350	72,900	-	72,900	-
	AU Optronics Corporation	-	Financial assets at fair value through other comprehensive income - current	3,400	67,490	-	67,490	-
	Evergreen Marine Corporation	-	Financial assets at fair value through other comprehensive income - current	400	54,000	-	54,000	-
	Zeng Hsing Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	144	20,088	-	20,088	-
	Altek Corporation	-	Financial assets at fair value through other comprehensive income - current	450	19,282	-	19,282	-
	MediaTek Inc.	-	Financial assets at fair value through other comprehensive income - current	20	18,100	-	18,100	-
	D-Link Corporation	-	Financial assets at fair value through other comprehensive income - current	1,000	16,850	-	16,850	-
	Chicony Power Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	102	8,446	-	8,446	-
	Cleanaway Company Limited	-	Financial assets at fair value through other comprehensive income - current	40	7,960	-	7,960	-
	Shin Zu Shing Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	60	5,020	-	5,020	-
	Richwave Technology Corp.	-	Financial assets at fair value through other comprehensive income - current	20	3,800	-	3,800	-
	Fit Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	100	3,075	-	3,075	-

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	End of the period				Amount pledged (Note)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Ananavi Technology Corporation	—	Financial assets at fair value through other comprehensive income - non-current	278	\$ 1,201	2%	\$ 1,201	\$ -
	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	-	-
	<u>Privately offered funds</u> Zoyi Venture Capital Co., Ltd.	—	Financial assets that are measured at fair value through profit or loss – noncurrent	-	45,621	-	45,621	-
Weltrend International Co., (BVI) Ltd.	<u>Stock</u> Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	1,239	91,934	-	91,934	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	20	11,940	-	11,940	-
	Acter Group Corporation Limited	—	Financial assets at fair value through other comprehensive income - current	282	57,810	-	57,810	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	900	48,600	-	48,600	-
	Kneron Holding Corporation (Cayman)	—	Financial assets at fair value through other comprehensive income - non-current	201	28,620	Preferred Series A	28,620	-
	IDIIL INTERNATIONAL, INC.	—	Financial assets at fair value through other comprehensive income - non-current	250	-	-	-	-
	<u>Funds</u> PB FUNDS DYNAMIC MULTI-ASSET FD	—	Financial assets at fair value through profit or loss - current	52	187,764	-	187,764	187,764
	USD DYNAMIC MULTI-ASSET FUND	—	Financial assets at fair value through profit or loss - current	12	33,556	-	33,556	33,556
	JPMORGAN FUNDS JPM INCOME USD DIV C	—	Financial assets at fair value through profit or loss - current	18	28,751	-	28,751	28,751
	JANUS HENDERSON CAPITAL FUNDS JAN HEN GLB LIFE SCIENCE USD ACC	—	Financial assets at fair value through profit or loss - current					

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	End of the period				Amount pledged (Note)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
Yingquan Investment Co., Ltd.	<u>Stock</u>							
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	1,168	\$ 86,665	-	\$ 86,665	\$ -
	Acer Incorporated	—	Financial assets at fair value through profit or loss - current	1,265	37,887	-	37,887	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	10	5,970	-	5,970	-
	Yamazaki Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	370	23,310	-	23,310	-
	Acter Group Corporation Limited	—	Financial assets at fair value through other comprehensive income - current	65	13,325	-	13,325	-
	Merry Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	348	29,754	-	29,754	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	670	36,180	-	36,180	-
	Chicony Power Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	100	8,280	-	8,280	-
	Evergreen Marine Corporation	—	Financial assets at fair value through other comprehensive income - current	150	20,250	-	20,250	-
	U.S.A. GOTRUSTID Inc. Taiwan Branch	—	Financial assets that are measured 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	18,351	6%	18,351	-
	Chongyou Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	655	16,913	9%	16,913	-
	Baycom Opto-Electronics Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	401	4,336	1%	4,336	-

Note: The securities listed are restricted for use as they are pledged for borrowings.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Business relationships, significant transactions and amounts between parent company and subsidiaries and among subsidiaries.
For the Three Months Ended March 31, 2022

Table 2

Unit: NT\$ thousand

No.	Trader name	Counterparty	Relations with trader (Note 3)	Transactions			
				Account	Amount	Trading conditions	As a percentage of consolidated total revenue or total assets
0	The Company	Dongguan Prosil Electronics Co., Ltd.	1	Net operating income	\$ 31,062	Note 1	3%
				Accounts receivable	31,940	Note 2	1%
		Yingquan Investment Co., Ltd.	1	Rental incomes	6	Note 1	-

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: No. 1 represents the transactions from parent company to subsidiary.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on the investee, location, etc.
For the Three Months Ended March 31, 2022

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	\$ 516,983	(\$ 10,591)	(\$ 10,591)	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	351,348	(4,498)	(4,421)	Note 2

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 Three Months Ended March 31, 2022

Table 4

Unit: In thousands of NTD, unless specified otherwise

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 8,048,000 (USD 1,200,000)	Note 1	USD 1,200,000 (\$ 34,344)	\$ -	\$ -	USD 1,200,000 (\$ 34,344)	\$ 2,590	100%	\$ 2,590	\$ 30,271	\$ -

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\$1,200,000 (\$34,344)	US\$1,200,000 (\$34,344)	\$2,302,297

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\$1,200,000.

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

Note 3: The amounts in foreign currencies were converted at USD exchange rate on March 31, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Major Transactions with Investees in Mainland China Through Direct or Indirect Investment Through a Third Region, and the Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information
For the Three Months Ended March 31, 2022

Table 5

Unit: NT\$ thousand

Names of investees in Mainland China	Type of transaction	Purchase or sale		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
Dongguan Prosil Electronics Co., Ltd.	Operating revenues	\$ 31,062	3%	—	\$ 31,940	1%	\$ -	—

Note: Sales with related parties are determined based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on major shareholders
March 31, 2022

Table 6

Information on major shareholders	Shares	
	Number of shares held (shares)	Shareholding percentage
The Group has no shareholders holding more than 5% of the shares individually.	-	-

Note: The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). The number of shares recorded in the Company's consolidated financial statements and the actual number of shares registered and delivered in non-physical form may differ depending on the basis of preparation of the calculations.