

Weltrend Semiconductor, Inc. and Its
Subsidiaries

Consolidated Financial Statements and
Independent Auditor's Report
For the Six Months Ended June 30, 2022 and 2021

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Independent Auditor’S Review Report

To Weltrend Semiconductor, Inc. and Its Subsidiaries,

Introduction

We have reviewed the accompanying consolidated balance sheets of Weltrend Semiconductor, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”) as of June 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months and the six months then ended, the consolidated statements of changes in equity and cash flows for the six months then ended, as well as relevant notes to the consolidated statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Statement 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for those described in the paragraph of basis of 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 June 30, 2022 and 2021 were NT\$355,143 thousand and NT\$446,960 thousand, respectively, accounting for 7% and 9% of the total consolidated assets, respectively; total liabilities were NT\$4,697 thousand and NT\$35,594 thousand, respectively, representing 0.3% and 2% of the total consolidated liabilities, respectively; total consolidated comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 was NT\$(55,032) thousand, NT\$9,956 thousand, NT\$(68,577) thousand, and NT\$22,315 thousand respectively, accounting for 36%, 4%, 126%, 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 June 30, 2022 and 2021 as well as consolidated financial performance and consolidated cash flows for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 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

August 9, 2022

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Balance Sheet
As of June 30, 2022, December 31, 2021, and June 30, 2021

Unit: NT\$ thousand

| Code | Assets | June 30, 2022 (reviewed) | | December 31, 2021 (reviewed) | | June 30, 2021 (reviewed) | | Code | Liabilities and equity | June 30, 2022 (reviewed) | | December 31, 2021 (reviewed) | | June 30, 2021 (reviewed) | |
|------|---|-----------------------------|-----|---------------------------------|-----|-----------------------------|-----|------|---|-----------------------------|------|---------------------------------|------|-----------------------------|-----|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| | Current assets | | | | | | | | Current liabilities | | | | | | |
| 1100 | Cash and cash equivalents (Notes 6 and 28) | \$ 418,054 | 8 | \$ 1,077,602 | 21 | \$ 576,472 | 12 | 2100 | Short-term borrowings (Notes 17, 28 and 30) | \$ 571,378 | 12 | \$ 567,819 | 11 | \$ 343,193 | 7 |
| 1110 | Financial assets at fair value through profit or loss - current (Notes 7, 28 and 30) | 1,022,239 | 21 | 1,189,020 | 23 | 1,471,306 | 30 | 2150 | Notes payable (Notes 18 and 28) | 826 | - | 720 | - | 803 | - |
| 1120 | Financial assets at fair value through other comprehensive income - current (Notes 8 and 28) | 714,471 | 14 | 544,590 | 10 | 828,630 | 17 | 2170 | Accounts payable (Notes 18 and 28) | 393,725 | 8 | 562,372 | 11 | 516,207 | 11 |
| 1150 | Notes receivable (Notes 10 and 28) | 27,133 | 1 | 25,278 | - | 31,608 | - | 2206 | Remuneration payable to employees and directors and supervisors (Notes 22 and 24) | 79,936 | 2 | 155,701 | 3 | 83,020 | 2 |
| 1170 | Accounts receivable, net (Notes 10, 23 and 28) | 891,043 | 18 | 1,147,185 | 22 | 989,759 | 20 | 2209 | Other payables (Notes 19 and 28) | 26,379 | - | 114,523 | 2 | 100,612 | 2 |
| 1200 | Other receivables (Notes 10 and 28) | 75,146 | 1 | 83,745 | 2 | 134,405 | 3 | 2216 | Dividends payable (Note 22) | 529,530 | 11 | - | - | 283,453 | 6 |
| 130X | Inventory (Note 11) | 1,314,013 | 27 | 761,145 | 14 | 480,281 | 10 | 2230 | Current tax liabilities (Notes 4 and 25) | 59,231 | 1 | 73,230 | 1 | 22,363 | - |
| 1410 | Prepayments (Note 16) | 26,847 | 1 | 23,764 | - | 19,143 | - | 2250 | Liabilities - current (Note 20) | 6,583 | - | 6,583 | - | 9,854 | - |
| 11XX | Total current assets | 4,488,946 | 91 | 4,852,329 | 92 | 4,531,604 | 92 | 2280 | Lease liabilities - current (Notes 14 and 28) | 8,982 | - | 9,868 | - | 11,807 | - |
| | | | | | | | | 2300 | Other current liabilities (Note 19 and 23) | 8,173 | - | 4,148 | - | 6,756 | - |
| | | | | | | | | 21XX | Total current liabilities | 1,684,743 | 34 | 1,494,964 | 28 | 1,378,068 | 28 |
| | Noncurrent assets | | | | | | | | Noncurrent liabilities | | | | | | |
| 1510 | Financial assets that are measured at fair value through profit or loss – noncurrent (Notes 7 and 28) | 48,228 | 1 | - | - | - | - | 2570 | Deferred tax liabilities (Note 4 and 25) | 8,369 | - | 24,363 | 1 | 27,423 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28) | 65,728 | 1 | 70,717 | 2 | 71,402 | 2 | 2580 | Lease liabilities - non-current (Notes 14 and 28) | 13,915 | - | 401 | - | 4,581 | - |
| 1535 | Financial assets at amortized cost – non-current (Notes 9, 28 and 30) | 100 | - | 100 | - | 100 | - | 2640 | Net defined benefit liability - noncurrent (Note 4 and 21) | 73,693 | 2 | 73,677 | 1 | 68,342 | 1 |
| 1600 | Property, plant and equipment (Note 13) | 300,110 | 6 | 291,266 | 6 | 284,319 | 6 | 25XX | Total noncurrent liabilities | 95,977 | 2 | 98,441 | 2 | 100,346 | 2 |
| 1755 | Right-of-use assets (Note 14) | 22,653 | 1 | 9,963 | - | 15,958 | - | 2XXX | Total liabilities | 1,780,720 | 36 | 1,593,405 | 30 | 1,478,414 | 30 |
| 1780 | Intangible assets (Note 15) | 7,781 | - | 15,106 | - | 16,905 | - | | Equity attributable to owners of the Company (Note 22) | | | | | | |
| 1915 | Prepayments for equipment | 3,915 | - | 14,535 | - | 6,312 | - | 3110 | Common stock | 1,780,100 | 36 | 1,780,100 | 34 | 1,780,100 | 36 |
| 1920 | Guarantee deposits paid (Note 28) | 5,509 | - | 5,496 | - | 5,484 | - | 3200 | Capital surplus | 69,026 | 1 | 39,555 | 1 | 39,555 | 1 |
| 15XX | Total noncurrent assets | 454,024 | 9 | 407,183 | 8 | 400,480 | 8 | | Retained earnings | | | | | | |
| | | | | | | | | 3310 | Legal reserve | 633,441 | 13 | 547,112 | 11 | 547,112 | 11 |
| | | | | | | | | 3320 | Special reserve | 32,053 | 1 | 10,883 | - | 10,883 | - |
| | | | | | | | | 3350 | Unappropriated earnings | 992,703 | 20 | 1,475,374 | 28 | 1,084,316 | 22 |
| | | | | | | | | 3300 | Total retained earnings | 1,658,197 | 34 | 2,033,369 | 39 | 1,642,311 | 33 |
| | | | | | | | | 3400 | Other equity | (239,770) | (5) | (32,053) | (1) | 8,378 | - |
| | | | | | | | | 3500 | Treasury stock | (110,503) | (2) | (161,278) | (3) | (23,043) | - |
| | | | | | | | | 31XX | Total equity attributable to owners of the Parent | 3,157,050 | 64 | 3,659,693 | 70 | 3,447,301 | 70 |
| | | | | | | | | 36XX | Non-controlling interests (Note 22) | 5,200 | - | 6,414 | - | 6,369 | - |
| | | | | | | | | 3XXX | Total equity | 3,162,250 | 64 | 3,666,107 | 70 | 3,453,670 | 70 |
| 1XXX | Total assets | 4,942,970 | 100 | 5,259,512 | 100 | 4,932,084 | 100 | | Total liabilities and equity | 4,942,970 | 100 | 5,259,512 | 100 | 4,932,084 | 100 |

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated August 9, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Comprehensive Income

For the Three Months Ended June 30, 2022 and 2021 and for the Six Months Ended June 30, 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 | | April 1, 2022 to June 30, 2022 | | April 1, 2021 to June 30, 2021 | | January 1, 2022 to June 30, 2022 | | January 1, 2021 to June 30, 2021 | |
|------|---|--------------------------------|-----------|--------------------------------|-----------|----------------------------------|-----------|----------------------------------|-----------|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Operating revenue, net (Note 23) | \$ 663,669 | 100 | \$ 903,621 | 100 | \$ 1,611,011 | 100 | \$ 1,656,213 | 100 |
| 5000 | Operating costs (Notes 11, 21, and 24) | <u>452,217</u> | <u>68</u> | <u>634,285</u> | <u>70</u> | <u>1,072,334</u> | <u>67</u> | <u>1,201,675</u> | <u>73</u> |
| 5900 | Operating gross margins | <u>211,452</u> | <u>32</u> | <u>269,336</u> | <u>30</u> | <u>538,677</u> | <u>33</u> | <u>454,538</u> | <u>27</u> |
| | Operating expenses (Notes 21 and 24) | | | | | | | | |
| 6100 | Selling expenses | 36,073 | 5 | 39,781 | 4 | 76,457 | 5 | 79,310 | 5 |
| 6200 | Administrative expenses | 17,303 | 3 | 26,305 | 3 | 45,323 | 3 | 55,102 | 3 |
| 6300 | Research and Development expenses | 64,279 | 10 | 88,344 | 10 | 155,436 | 9 | 185,151 | 11 |
| 6450 | Expected credit impairment losses (gain) (Note 10) | <u>98</u> | <u>-</u> | <u>(51)</u> | <u>-</u> | <u>(154)</u> | <u>-</u> | <u>170</u> | <u>-</u> |
| 6000 | Total operating expenses | <u>117,753</u> | <u>18</u> | <u>154,379</u> | <u>17</u> | <u>277,062</u> | <u>17</u> | <u>319,733</u> | <u>19</u> |
| 6900 | Net operating profits | <u>93,699</u> | <u>14</u> | <u>114,957</u> | <u>13</u> | <u>261,615</u> | <u>16</u> | <u>134,805</u> | <u>8</u> |
| | Non-operating income and expenses (Note 24) | | | | | | | | |
| 7100 | Interest income | 158 | - | 65 | - | 239 | - | 238 | - |
| 7010 | Other income | 67,557 | 10 | 8,840 | 1 | 68,633 | 4 | 12,730 | 1 |
| 7020 | Other profits and losses | (117,020) | (17) | 91,092 | 10 | (122,760) | (7) | 265,284 | 16 |
| 7050 | Financial costs | (1,412) | - | (938) | - | (3,126) | - | (2,039) | - |
| 7000 | Total non-operating income and expenses | (50,717) | (7) | <u>99,059</u> | <u>11</u> | (57,014) | (3) | <u>276,213</u> | <u>17</u> |
| 7900 | Net profit before taxation | 42,982 | 7 | 214,016 | 24 | 204,601 | 13 | 411,018 | 25 |
| 7950 | Income tax expense (Notes 4 and 25) | (11,055) | (2) | (12,106) | (2) | (41,777) | (3) | (23,340) | (1) |
| 8200 | Net profits for the period | <u>31,927</u> | <u>5</u> | <u>201,910</u> | <u>22</u> | <u>162,824</u> | <u>10</u> | <u>387,678</u> | <u>24</u> |
| | 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 | (182,919) | (28) | 49,408 | 6 | (217,912) | (13) | 104,361 | 6 |
| 8360 | Items that may subsequently be reclassified to profit or loss: | | | | | | | | |
| 8361 | Exchange differences on the translation of financial statements of foreign operations | (539) | - | (142) | - | <u>502</u> | - | (231) | - |
| 8300 | Other comprehensive income for the period | (183,458) | (28) | <u>49,266</u> | <u>6</u> | (217,410) | (13) | <u>104,130</u> | <u>6</u> |
| 8500 | Total comprehensive income for the period | (\$ 151,531) | (23) | <u>\$ 251,176</u> | <u>28</u> | (\$ 54,586) | (3) | <u>\$ 491,808</u> | <u>30</u> |
| | Net profits (losses) attributable to: | | | | | | | | |
| 8610 | Owners of the parent | \$ 32,182 | 5 | \$ 201,780 | 22 | \$ 163,156 | 10 | \$ 387,454 | 23 |
| 8620 | Non-controlling interests | (255) | - | <u>130</u> | - | (332) | - | <u>224</u> | - |
| 8600 | | <u>\$ 31,927</u> | <u>5</u> | <u>\$ 201,910</u> | <u>22</u> | <u>\$ 162,824</u> | <u>10</u> | <u>\$ 387,678</u> | <u>23</u> |
| | Comprehensive income attributable to: | | | | | | | | |
| 8710 | Owners of the parent | (\$ 150,582) | (23) | \$ 251,052 | 28 | (\$ 53,359) | (3) | \$ 491,492 | 30 |
| 8720 | Non-controlling interests | (949) | - | <u>124</u> | - | (1,227) | - | <u>316</u> | - |
| 8700 | | (\$ 151,531) | (23) | <u>\$ 251,176</u> | <u>28</u> | (\$ 54,586) | (3) | <u>\$ 491,808</u> | <u>30</u> |
| | Earnings per share (Note 26) | | | | | | | | |
| 9750 | Basic | <u>\$ 0.18</u> | | <u>\$ 1.14</u> | | <u>\$ 0.93</u> | | <u>\$ 2.19</u> | |
| 9850 | Diluted | <u>\$ 0.18</u> | | <u>\$ 1.13</u> | | <u>\$ 0.92</u> | | <u>\$ 2.18</u> | |

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated August 9, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Three Months Ended June 30, 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 | | Retained earnings | | | | Exchange differences on translation of the financial statements of foreign operations | Unrealized gain or loss on financial assets measured at fair value through other comprehensive income | Treasury stock | Total | Non-controlling interests | Total equity |
| Code | | Number of shares (in thousands) | Amount | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | | | | | | |
| A5 | Balance as of January 1, 2021 | 178,010 | \$ 1,780,100 | \$ 17,067 | \$ 503,583 | \$ 32,482 | \$ 917,468 | (\$ 1,873) | (\$ 9,010) | (\$ 59,182) | \$ 3,180,635 | \$ 6,620 | \$ 3,187,255 |
| | Earnings distribution for 2020 | | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 43,529 | - | (43,529) | - | - | - | - | - | - |
| B3 | Special reserve | - | - | - | - | (21,599) | 21,599 | - | - | - | - | - | - |
| B5 | Cash dividends to shareholders | - | - | - | - | - | (283,453) | - | - | - | (283,453) | - | (283,453) |
| D1 | Net profits from January 1 to June 30, 2021 | - | - | - | - | - | 387,454 | - | - | - | 387,454 | 224 | 387,678 |
| D3 | Other comprehensive income from January 1, 2021 to June 30, 2021 | - | - | - | - | - | - | (231) | 104,269 | - | 104,038 | 92 | 104,130 |
| D5 | Total comprehensive income from January 1 to June 30, 2021 | - | - | - | - | - | 387,454 | (231) | 104,269 | - | 491,492 | 316 | 491,808 |
| 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 | - | - | - | - | - | 84,777 | - | (84,777) | - | - | - | - |
| Z1 | Balance as of June 30, 2021 | <u>178,010</u> | <u>\$ 1,780,100</u> | <u>\$ 39,555</u> | <u>\$ 547,112</u> | <u>\$ 10,883</u> | <u>\$ 1,084,316</u> | (<u>\$ 2,104</u>) | <u>\$ 10,482</u> | (<u>\$ 23,043</u>) | <u>\$ 3,447,301</u> | <u>\$ 6,369</u> | <u>\$ 3,453,670</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 |
| | Earnings distribution for 2021 | | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 86,329 | - | (86,329) | - | - | - | - | - | - |
| B3 | Special reserve | - | - | - | - | 21,170 | (21,170) | - | - | - | - | - | - |
| B5 | Cash dividends to shareholders | - | - | - | - | - | (529,530) | - | - | - | (529,530) | - | (529,530) |
| D1 | Net profits from January 1 to June 30, 2022 | - | - | - | - | - | 163,156 | - | - | - | 163,156 | (332) | 162,824 |
| D3 | Other comprehensive income from January 1, 2022 to June 30, 2022 | - | - | - | - | - | - | 502 | (217,017) | - | (216,515) | (895) | (217,410) |
| D5 | Total comprehensive income from January 1 to June 30, 2022 | - | - | - | - | - | 163,156 | 502 | (217,017) | - | (53,359) | (1,227) | (54,586) |
| F3 | Transfer of treasury shares | - | - | 29,471 | - | - | - | - | - | 50,775 | 80,246 | 13 | 80,259 |
| Q1 | Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | (8,798) | - | 8,798 | - | - | - | - |
| Z1 | Balance as of June 30, 2022 | <u>178,010</u> | <u>\$ 1,780,100</u> | <u>\$ 69,026</u> | <u>\$ 633,441</u> | <u>\$ 32,053</u> | <u>\$ 992,703</u> | (<u>\$ 1,441</u>) | (<u>\$ 238,329</u>) | (<u>\$ 110,503</u>) | <u>\$ 3,157,050</u> | <u>\$ 5,200</u> | <u>\$ 3,162,250</u> |

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated August 9, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended June 30, 2022 and 2021
(Reviewed only, not audited in accordance with generally accepted auditing standards.)
Unit: NT\$ thousand

| Code | | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--------|---|-------------------------------------|-------------------------------------|
| | Cash flows from operating activities | | |
| A10000 | Net profits before tax for the period | \$ 204,601 | \$ 411,018 |
| A20010 | Income and expenses: | | |
| A20100 | Depreciation expenses | 32,444 | 28,809 |
| A20200 | Amortization expenses | 8,111 | 18,354 |
| A20300 | Expected (reversal of losses) credit impairment losses | (154) | 170 |
| A20400 | Net loss (gain) on financial assets at fair value through profit or loss | 175,936 | (280,747) |
| A20900 | Financial costs | 3,126 | 2,039 |
| A21200 | Interest income | (239) | (238) |
| A21300 | Dividend income | (67,988) | (11,228) |
| A21900 | Cost of share-based remuneration | 29,484 | 22,488 |
| A22500 | Gain on disposal of property, plant and equipment | (95) | (66) |
| A23700 | Losses on inventory valuation loss and obsolescence (gains on inventory value recovery) | 6,045 | (1,701) |
| A24100 | Foreign exchange gains (losses) – net | (59,957) | 22,690 |
| A29900 | Lease modification gain | - | (23) |
| A30000 | Net changes in operating assets and liabilities | | |
| A31130 | Notes receivable | (1,855) | (4,180) |
| A31150 | Accounts receivable | 324,223 | (156,909) |
| A31180 | Other receivables | 7,693 | (4,262) |
| A31190 | Finance lease receivables | - | 188 |
| A31200 | Inventory | (558,913) | (75,485) |
| A31230 | Prepayments | (3,083) | 1,489 |
| A32130 | Notes payable | 106 | (290) |
| A32150 | Accounts payable | (197,410) | 198,615 |
| A32990 | Remuneration payable to employees and directors and supervisors | (75,765) | 17,992 |
| A32180 | Other payables | (14,038) | (17,551) |
| A32230 | Other current liabilities | 4,025 | 3,230 |
| A32240 | Net defined benefit liability | 16 | 11 |
| A33000 | Cash inflow (outflow) from operations | (183,687) | 174,413 |
| A33100 | Interest received | 239 | 238 |
| A33300 | Interests paid | (3,129) | (1,941) |
| A33500 | Income tax paid | (71,770) | (19,313) |
| AAAA | Net cash inflow (outflow) from operating activities | (258,347) | 153,397 |

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| Code | | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--------|--|-------------------------------------|-------------------------------------|
| | Cash flows from investing activities | | |
| B00010 | Purchase of financial assets measured at fair value through other comprehensive income | (\$ 777,594) | (\$ 744,645) |
| B00020 | Disposal of financial assets at fair value through other comprehensive income | 440,455 | 561,891 |
| B00100 | Acquisition of financial assets at fair value through profit or loss | (559,554) | (566,017) |
| B00200 | Sale of financial assets at fair value through profit or loss | 484,335 | 528,685 |
| B02700 | Purchase of property, plant, and equipment | (23,708) | (37,666) |
| B02800 | Proceeds from disposal of property, plant and equipment | 95 | 743 |
| B03800 | Decrease (increase) in guarantee deposits paid | (13) | 15 |
| B04500 | Acquisition of intangible assets | (785) | (9,125) |
| B07600 | Dividend received | <u>3,633</u> | <u>3,777</u> |
| BBBB | Net cash outflow from investing activities | (<u>433,136</u>) | (<u>262,342</u>) |
| | Cash flows from financing activities | | |
| C00100 | Increase (decrease) in short-term borrowings | 7,312 | (128,582) |
| C04020 | Amortization of principal of lease liabilities | (7,030) | (7,069) |
| 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 inflow (outflow) from financing activities | <u>14,322</u> | (<u>100,079</u>) |
| DDDD | Impact of changes in exchange rate on cash and cash equivalents | <u>17,613</u> | (<u>6,601</u>) |
| EEEE | Net decrease in cash and cash equivalents in this period | (659,548) | (215,625) |
| 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>\$ 418,054</u> | <u>\$ 576,472</u> |

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the review report by Deloitte Taiwan dated August 9, 2022)

Weltrend Semiconductor, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended June 30, 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 August 9, 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) Application of IFRSs endorsed by FSC in 2023

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

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

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

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

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

- (3) 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)</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 |
| Amendment to IAS 1 "Classification of Liabilities as Current or Noncurrent" | January 1, 2023 |

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

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

4. Summary of Significant Accounting Policies

- (1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|----------------------|--------------------------|----------------------|
| Cash on hand and working capital | \$ 544 | \$ 652 | \$ 609 |
| Bank checking accounts and demand deposits | 387,790 | 993,910 | 575,863 |
| Cash equivalent | | | |
| Bank time deposits | <u>29,720</u> | <u>83,040</u> | <u>-</u> |
| | <u>\$ 418,054</u> | <u>\$ 1,077,602</u> | <u>\$ 576,472</u> |

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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|----------------------|--------------------------|----------------------|
| <u>Financial assets – current</u> | | | |
| Measured at fair values through profit and/or loss | | | |
| Non-derivative financial assets | | | |
| - Domestic listed stocks | \$ 778,832 | \$ 967,512 | \$ 1,027,105 |
| - Fund beneficiary certificates | <u>243,407</u> | <u>221,508</u> | <u>444,201</u> |
| | <u>\$ 1,022,239</u> | <u>\$ 1,189,020</u> | <u>\$ 1,471,306</u> |
| <u>Financial assets – noncurrent</u> | | | |
| Measured at fair values through profit and/or loss | | | |
| Non-derivative financial assets | | | |
| - Privately offered funds | <u>\$ 48,228</u> | <u>\$ -</u> | <u>\$ -</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

Equity investment

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---------------------|----------------------|------------------------------|----------------------|
| <u>Current</u> | | | |
| Domestic Investment | | | |
| Listed stocks | <u>\$ 714,471</u> | <u>\$ 544,590</u> | <u>\$ 828,630</u> |
| <u>Noncurrent</u> | | | |
| Domestic Investment | | | |
| Non-listed stocks | \$ 36,008 | \$ 43,037 | \$ 43,542 |
| Foreign investment | | | |
| Non-listed stocks | <u>29,720</u> | <u>27,680</u> | <u>27,860</u> |
| | <u>\$ 65,728</u> | <u>\$ 70,717</u> | <u>\$ 71,402</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>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|------------------------------------|----------------------|------------------------------|----------------------|
| <u>Noncurrent</u> | | | |
| Domestic Investment | | | |
| Certificates of deposit pledged | <u>\$ 100</u> | <u>\$ 100</u> | <u>\$ 100</u> |

- (1) As of June 30, 2022, December 31, 2021, and June 30, 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>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---------------------------------------|----------------------|------------------------------|----------------------|
| <u>Notes receivable</u> | | | |
| Notes receivable - from operations | <u>\$ 27,133</u> | <u>\$ 25,278</u> | <u>\$ 31,608</u> |

(Continued on next page)

(Continued from previous page)

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|-------------------|----------------------|-------------------|
| <u>Accounts receivable</u> | | | |
| Measured at amortized cost | | | |
| Total book value | \$ 891,191 | \$ 1,147,487 | \$ 989,788 |
| Less: Allowance for losses | (<u>148</u>) | (<u>302</u>) | (<u>29</u>) |
| | <u>\$ 891,043</u> | <u>\$ 1,147,185</u> | <u>\$ 989,759</u> |
| <u>Other receivables</u> | | | |
| Stock dividends receivable | \$ 64,451 | \$ 97 | \$ 7,501 |
| Tax refund receivable | 9,960 | 16,197 | 12,911 |
| Receivable from disposal of investments | 284 | 65,545 | 113,716 |
| Others | <u>451</u> | <u>1,906</u> | <u>277</u> |
| | <u>\$ 75,146</u> | <u>\$ 83,745</u> | <u>\$ 134,405</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:

June 30, 2022

| | Not overdue | Past due by 1–30 days | Past due by 31–60 days | Past due by 61–90 days | Past due by 91–120 days | Past due by 121 days or more | Total |
|---|-------------------|--------------------------|---------------------------|---------------------------|----------------------------|------------------------------------|-------------------|
| Total book value | \$ 865,120 | \$ 15,505 | \$ 294 | \$ 7,592 | \$ - | \$ 2,680 | \$ 891,191 |
| Allowance for loss (expected credit loss of the given duration) | (5) | (3) | - | (30) | - | (110) | (148) |
| Measured at amortized cost | <u>\$ 865,115</u> | <u>\$ 15,502</u> | <u>\$ 294</u> | <u>\$ 7,562</u> | <u>\$ -</u> | <u>\$ 2,570</u> | <u>\$ 891,043</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> |

June 30, 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 | \$ 967,604 | \$ 17,589 | \$ 3,657 | \$ 905 | \$ 8 | \$ 25 | \$ 989,788 |
| Allowance for loss (expected credit loss of the given duration) | (10) | (8) | (4) | (4) | - | (3) | (29) |
| Measured at amortized cost | <u>\$ 967,594</u> | <u>\$ 17,581</u> | <u>\$ 3,653</u> | <u>\$ 901</u> | <u>\$ 8</u> | <u>\$ 22</u> | <u>\$ 989,759</u> |

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

| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-------------------------------------|-------------------------------------|
| Balance, beginning of year | \$ 302 | \$ 147 |
| Add: Impairment loss recognized (reversed) in this period | (154) | 170 |
| Less: Actual write off during the period | - | (288) |
| Balance, end of period | <u>\$ 148</u> | <u>\$ 29</u> |

11. Inventory

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------|---------------------|----------------------|-------------------|
| Merchandise | \$ 388,831 | \$ 283,381 | \$ 190,835 |
| Finished goods | 301,784 | 194,692 | 120,826 |
| Work in process | 445,794 | 272,859 | 167,285 |
| Raw materials | 177,604 | 10,213 | 1,335 |
| | <u>\$ 1,314,013</u> | <u>\$ 761,145</u> | <u>\$ 480,281</u> |

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

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Operating costs | <u>\$ 452,217</u> | <u>\$ 634,285</u> | <u>\$ 1,072,334</u> | <u>\$ 1,201,675</u> |
| Losses on inventory valuation loss (gains on inventory value recovery) (Note) | <u>\$ 3,242</u> | <u>(\$ 1,712)</u> | <u>\$ 6,045</u> | <u>(\$ 1,701)</u> |

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

12. Subsidiary

Entities covered by the consolidated financial statements are as follows:

| Investor name | Subsidiary name | Business nature | Shareholding | | | Description |
|--|--|---|---------------|-------------------|---------------|-------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 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 second 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>Costs</u> | | | | | | | | |
| Balance as at January 1, 2022 | \$ 94,720 | \$ 154,585 | \$ 311,480 | \$ 30,650 | \$ 45,896 | \$ 31,905 | \$ - | \$ 669,236 |
| Addition | - | - | 19,698 | 2,037 | 12,209 | 384 | - | 34,328 |
| Disposal | - | - | (5,343) | (1,743) | - | - | - | (7,086) |
| Net exchange differences | - | - | - | - | - | 15 | - | 15 |
| Balance as of June 30, 2022 | <u>\$ 94,720</u> | <u>\$ 154,585</u> | <u>\$ 325,835</u> | <u>\$ 30,944</u> | <u>\$ 58,105</u> | <u>\$ 32,304</u> | <u>\$ -</u> | <u>\$ 696,493</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 | - | 2,788 | 17,213 | 1,987 | 2,686 | 813 | - | 25,487 |
| Disposal | - | - | (5,343) | (1,743) | - | - | - | (7,086) |
| Net exchange differences | - | - | - | - | - | 12 | - | 12 |
| Balance as of June 30, 2022 | <u>\$ -</u> | <u>\$ 49,181</u> | <u>\$ 264,710</u> | <u>\$ 14,339</u> | <u>\$ 40,103</u> | <u>\$ 28,050</u> | <u>\$ -</u> | <u>\$ 396,383</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 as of June 30, 2022 | <u>\$ 94,720</u> | <u>\$ 105,404</u> | <u>\$ 61,125</u> | <u>\$ 16,605</u> | <u>\$ 18,002</u> | <u>\$ 4,254</u> | <u>\$ -</u> | <u>\$ 300,110</u> |
| <u>Costs</u> | | | | | | | | |
| Balance as of January 1, 2021 | \$ 94,720 | \$ 149,737 | \$ 287,785 | \$ 19,517 | \$ 40,853 | \$ 30,428 | \$ 4,465 | \$ 627,505 |
| Addition | - | - | 19,732 | 11,093 | - | 294 | 235 | 31,354 |
| Disposal | - | - | (1,206) | (1,134) | - | - | - | (2,340) |
| Reclassification | - | 4,700 | - | - | - | - | (4,700) | - |
| Net exchange differences | - | - | - | - | - | (10) | - | (10) |
| Balance as of June 30, 2021 | <u>\$ 94,720</u> | <u>\$ 154,437</u> | <u>\$ 306,311</u> | <u>\$ 29,476</u> | <u>\$ 40,853</u> | <u>\$ 30,712</u> | <u>\$ -</u> | <u>\$ 656,509</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance as of January 1, 2021 | \$ - | \$ 40,824 | \$ 237,291 | \$ 13,213 | \$ 34,730 | \$ 25,891 | \$ - | \$ 351,949 |
| Depreciation expenses | - | 2,780 | 15,542 | 1,584 | 1,272 | 733 | - | 21,911 |
| Disposal | - | - | (1,206) | (457) | - | - | - | (1,663) |
| Net exchange differences | - | - | - | - | - | (7) | - | (7) |
| Balance as of June 30, 2021 | <u>\$ -</u> | <u>\$ 43,604</u> | <u>\$ 251,627</u> | <u>\$ 14,340</u> | <u>\$ 36,002</u> | <u>\$ 26,617</u> | <u>\$ -</u> | <u>\$ 372,190</u> |
| Net as of June 30, 2021 | <u>\$ 94,720</u> | <u>\$ 110,833</u> | <u>\$ 54,684</u> | <u>\$ 15,136</u> | <u>\$ 4,851</u> | <u>\$ 4,095</u> | <u>\$ -</u> | <u>\$ 284,319</u> |

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

| | |
|---|-------------|
| Building | |
| 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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------------|--------------------------------|----------------------------------|
| Carrying amount of right-of-use assets | | | |
| Building | <u>\$ 22,653</u> | <u>\$ 9,963</u> | <u>\$ 15,958</u> |
| Addition of right-of-use assets | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 |
| | | | January 1, 2021 to June 30, 2021 |
| | | | |
| Depreciation expenses of right-of-use assets | | | |
| Building | <u>\$ 3,481</u> | <u>\$ 3,486</u> | <u>\$ 6,957</u> |
| | | | <u>\$ 6,898</u> |

Except for the additions and depreciation expenses recognized listed above, the Group did not have any significant sublease or impairment of the right-of-use assets during the six months ended June 30, 2022 and 2021.

(2) Lease liability

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------------------------|------------------|----------------------|------------------|
| Carrying amount of lease liability | | | |
| Current | <u>\$ 8,982</u> | <u>\$ 9,868</u> | <u>\$ 11,807</u> |
| Noncurrent | <u>\$ 13,915</u> | <u>\$ 401</u> | <u>\$ 4,581</u> |

The discount rate range for lease liabilities is as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------|---------------|----------------------|---------------|
| 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

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Short-term lease expenses | \$ 66 | \$ 17 | \$ 115 | \$ 56 |
| Total cash (outflow) from lease | (\$ 3,693) | (\$ 3,635) | (\$ 7,367) | (\$ 7,328) |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------|-----------------|----------------------|------------------|
| Computer software | \$ 7,781 | \$ 15,049 | \$ 10,924 |
| Technology licensing | - | 57 | 5,981 |
| | <u>\$ 7,781</u> | <u>\$ 15,106</u> | <u>\$ 16,905</u> |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|------------------|----------------------|------------------|
| <u>Current</u> | | | |
| Tax overpaid retained for offsetting the future tax payable | \$ 12,420 | \$ 7,027 | \$ 6,197 |
| Prepayments for reticles | 8,987 | 11,656 | 8,714 |
| Prepayments for salary and wages | 1,550 | 1,610 | 1,733 |
| Others | 3,890 | 3,471 | 2,499 |
| | <u>\$ 26,847</u> | <u>\$ 23,764</u> | <u>\$ 19,143</u> |

17. Short-term borrowings

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------------|---------------|----------------------|---------------|
| <u>Secured borrowings</u> | | | |
| Bank loans | \$ 74,878 | \$ 32,819 | \$ 258,193 |
| <u>Unsecured borrowings</u> | | | |
| Credit facility borrowings | \$ 496,500 | \$ 535,000 | \$ 85,000 |

The interest rates on bank revolving loans were 0.78%–2.09%, 0.78%–0.80%, and 0.78%–0.98% as at June 30, 2022, December 31, 2021, and June 30, 2021, respectively.

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

18. Notes payable and accounts payable

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--------------------------------|---------------|----------------------|---------------|
| Notes payable- from operations | \$ 826 | \$ 720 | \$ 803 |
| Accounts payable | \$ 393,725 | \$ 562,372 | \$ 516,207 |

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

19. Other liabilities

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------------------|------------------|----------------------|-------------------|
| <u>Current</u> | | | |
| <u>Other payables</u> | | | |
| Bonuses payable | \$ 8,563 | \$ 21,106 | \$ 14,527 |
| Investment payables | 4,102 | 41,534 | 71,698 |
| Pension payable under new scheme | 4,062 | 3,932 | 3,743 |
| Health insurance premiums payable | 2,328 | 2,263 | 2,696 |
| Labor insurance premiums payable | 2,257 | 2,194 | 2,145 |
| Service fee payable | 851 | - | 721 |
| Treasury shares payable | - | 36,735 | - |
| Others | 4,216 | 6,759 | 5,082 |
| | <u>\$ 26,379</u> | <u>\$ 114,523</u> | <u>\$ 100,612</u> |
| <u>Other liabilities</u> | | | |
| Collection on behalf of others | \$ 3,549 | \$ 3,338 | \$ 4,074 |
| Contract liabilities | 4,624 | 810 | 2,682 |
| | <u>\$ 8,173</u> | <u>\$ 4,148</u> | <u>\$ 6,756</u> |

20. Provision

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------------|---------------|----------------------|---------------|
| <u>Current</u> | | | |
| Employee benefits | \$ 6,583 | \$ 6,583 | \$ 9,854 |

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

21. Post-employment benefit plans

The pension expenses related to defined benefit plans recognized for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 are calculated at the pension cost rate actuarially determined on December 31, 2021 and 2020, respectively, and the amounts were NT\$416 thousand, NT\$405 thousand, NT\$833 thousand, and NT\$810 thousand, respectively.

22. Equity

(1) Common stock

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------------|----------------------|---------------------|
| Authorized number of shares (in thousands) | <u>330,000</u> | <u>330,000</u> | <u>330,000</u> |
| Authorized capital stock | <u>\$ 3,300,000</u> | <u>\$ 3,300,000</u> | <u>\$ 3,300,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>178,010</u> | <u>178,010</u> | <u>178,010</u> |
| Capital stock issued | <u>\$ 1,780,100</u> | <u>\$ 1,780,100</u> | <u>\$ 1,780,100</u> |

(2) Capital surplus

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|------------------|----------------------|------------------|
| <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> |

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

(3) Retained Earnings and Dividend Policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit (including the adjusted amount of undistributed earnings), setting aside 10% of the remaining profit as a legal reserve as per law unless it has reached the total amount of the Company's paid-in capital, setting aside an amount for or reversing a special reserve in accordance with the laws and regulations. Then, any remaining profit, together with any undistributed retained earnings at the beginning of the period (including the adjusted amount of undistributed earnings), shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution of dividends to shareholders. Please refer to Note 24(7) for the policy on the remuneration to employees and directors and supervisors stipulated the Articles of Incorporation.

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

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

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

| | 2021 | 2020 |
|---|-------------------------------------|-------------------------------------|
| Legal reserve | <u>\$ 86,329</u> | <u>\$ 43,529</u> |
| Special reserve | <u>\$ 21,170</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> |
| (4) Special reserve | | |
| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
| Balance, beginning of year | \$ 10,883 | \$ 32,482 |
| Provision (reversal) of a special reserve | <u>21,170</u> | <u>(21,599)</u> |
| Balance, end of period | <u>\$ 32,053</u> | <u>\$ 10,883</u> |
| (5) Treasury stock | | |
| | Shares (in thousands) | Shares (in thousands) |
| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
| Balance, beginning of year | 2,352 | 2,189 |
| Decrease in the period | <u>(852)</u> | <u>(1,337)</u> |
| Balance, end of period | <u>1,500</u> | <u>852</u> |

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

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

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

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

Remuneration costs recognized for the transfer of treasury shares to employees on January 1 and June 30, 2022 and 2021 were NT\$29,484 thousand and NT\$22,488 thousand respectively.

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

(6) Other equity

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

| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--|-------------------------------------|-------------------------------------|
| Balance, beginning of year | <u>(\$ 1,943)</u> | <u>(\$ 1,873)</u> |
| Generated during the period | | |
| Exchange difference of foreign operating institutions | <u>502</u> | <u>(231)</u> |
| Balance, end of period | <u>(\$ 1,441)</u> | <u>(\$ 2,104)</u> |

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

| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-------------------------------------|-------------------------------------|
| Balance, beginning of year | (\$ 30,110) | (\$ 9,010) |
| Generated during the period | | |
| Unrealized gains or losses on equity instruments | (217,017) | 104,269 |
| Other comprehensive income for the period | (217,017) | 104,269 |
| The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings | 8,798 | (84,777) |
| Balance, end of period | (\$238,329) | \$ 10,482 |

(7) Non-controlling interests

| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--|-------------------------------------|-------------------------------------|
| Balance, beginning of year | \$ 6,414 | \$ 6,620 |
| Share attributable to non-controlling interests | | |
| Net income (loss) in this period | (332) | 224 |
| Other comprehensive income for the period | | |
| Unrealized gain or loss on financial assets measured at fair value through other comprehensive income | (895) | 92 |
| Treasury stock transaction | 13 | - |
| Cash dividends issued by subsidiaries | - | (567) |
| Balance, end of period | \$ 5,200 | \$ 6,369 |

23. Operating revenues

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Sales income - integrated circuits | \$ 385,671 | \$ 556,805 | \$ 1,041,315 | \$ 1,029,639 |
| Trading of integrated circuits | 277,201 | 343,316 | 566,328 | 623,074 |
| Design and testing income | 797 | 3,500 | 3,368 | 3,500 |
| | <u>\$ 663,669</u> | <u>\$ 903,621</u> | <u>\$ 1,611,011</u> | <u>\$ 1,656,213</u> |

(1) Contract balance

| | June 30, 2022 | December 31, 2021 | June 30, 2021 | January 1, 2021 |
|--|-------------------|---------------------|-------------------|-------------------|
| Accounts receivable (Note 10) | <u>\$ 891,043</u> | <u>\$ 1,147,185</u> | <u>\$ 989,759</u> | <u>\$ 851,956</u> |
| Contract liabilities – current (accounted for in other liabilities) | | | | |
| Merchandise sales | <u>\$ 4,624</u> | <u>\$ 810</u> | <u>\$ 2,682</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 | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|----------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Mainland China | \$ 414,240 | \$ 570,614 | \$ 985,659 | \$ 1,044,631 |
| Taiwan | 208,490 | 220,926 | 500,205 | 401,442 |
| Others | <u>40,939</u> | <u>112,081</u> | <u>125,147</u> | <u>210,140</u> |
| | <u>\$ 663,669</u> | <u>\$ 903,621</u> | <u>\$ 1,611,011</u> | <u>\$ 1,656,213</u> |

24. Net income in this period

(1) Interest income

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Interest income from cash in banks | <u>\$ 158</u> | <u>\$ 65</u> | <u>\$ 239</u> | <u>\$ 238</u> |

(2) Other income

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|-------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Income from cash dividends | \$ 67,335 | \$ 8,454 | \$ 67,988 | \$ 11,228 |
| Others | <u>222</u> | <u>386</u> | <u>645</u> | <u>1,502</u> |
| | <u>\$ 67,557</u> | <u>\$ 8,840</u> | <u>\$ 68,633</u> | <u>\$ 12,730</u> |

(3) Other profits and losses

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Net gain (loss) on financial assets | | | | |
| Financial assets at fair value through profit or loss (Note 7) | (\$ 135,541) | \$ 99,593 | (\$ 175,936) | \$ 280,747 |
| Foreign exchange gains (losses) – net | 18,531 | (8,504) | 53,578 | (14,879) |
| Other gains (losses) | (<u>10</u>) | <u>3</u> | (<u>402</u>) | (<u>584</u>) |
| | <u>(\$ 117,020)</u> | <u>\$ 91,092</u> | <u>(\$ 122,760)</u> | <u>\$ 265,284</u> |

(4) Financial costs

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Interest from bank borrowings | \$ 1,288 | \$ 846 | \$ 2,894 | \$ 1,836 |
| Interest on lease liabilities | <u>124</u> | <u>92</u> | <u>232</u> | <u>203</u> |
| | <u>\$ 1,412</u> | <u>\$ 938</u> | <u>\$ 3,126</u> | <u>\$ 2,039</u> |

(5) Depreciation and amortization

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Summary of depreciation expenses by function | | | | |
| Operating costs | \$ 9,549 | \$ 8,207 | \$ 19,241 | \$ 16,018 |
| Operating expenses | <u>6,610</u> | <u>6,376</u> | <u>13,203</u> | <u>12,791</u> |
| | <u>\$ 16,159</u> | <u>\$ 14,583</u> | <u>\$ 32,444</u> | <u>\$ 28,809</u> |
| Summary of amortization expenses by function | | | | |
| Operating costs | \$ 55 | \$ 55 | \$ 110 | \$ 110 |
| Operating expenses | <u>4,025</u> | <u>8,487</u> | <u>8,001</u> | <u>18,244</u> |
| | <u>\$ 4,080</u> | <u>\$ 8,542</u> | <u>\$ 8,111</u> | <u>\$ 18,354</u> |

(6) Employee benefits expenses

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Short-term employee benefits | \$ 96,571 | \$ 127,871 | \$ 206,016 | \$ 239,520 |
| Post-employment benefits (Note 21) | | | | |
| Defined contribution pension plan | 4,079 | 3,760 | 8,035 | 7,549 |
| Defined benefit pension plan | 416 | 405 | 833 | 810 |
| Share-based payment Settlement of equity interests | <u>-</u> | <u>-</u> | <u>29,484</u> | <u>22,488</u> |
| Total employee benefits expenses | <u>\$ 101,066</u> | <u>\$ 132,036</u> | <u>\$ 244,368</u> | <u>\$ 270,367</u> |
| Summary by function | | | | |
| Operating costs | \$ 16,156 | \$ 18,432 | \$ 39,265 | \$ 36,695 |
| Operating expenses | <u>84,910</u> | <u>113,604</u> | <u>205,103</u> | <u>233,672</u> |
| | <u>\$ 101,066</u> | <u>\$ 132,036</u> | <u>\$ 244,368</u> | <u>\$ 270,367</u> |

(7) Remuneration for employees, directors and supervisors

The Company, as per the Articles of Incorporation, allocates 11%–13% of net income before tax before the remuneration to employees, directors, and supervisors is deducted for the year as remuneration to employees and no more than 3% as the remuneration to directors and supervisors, respectively. The estimated remuneration to employees and directors and supervisors during the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021 is as follows:

Estimate percentage

| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-------------------------------------|-------------------------------------|
| Remuneration for employees | 11% | 12% |
| Remuneration for directors and supervisors | 3% | 3% |

Amount

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Remuneration for employees | \$ 3,309 | \$ 30,137 | \$ 26,135 | \$ 57,936 |
| Remuneration for directors and supervisors | \$ 1,421 | \$ 7,534 | \$ 7,128 | \$ 14,484 |

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

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

25. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Income tax expenses in the current period | | | | |
| Generated during the period | \$ 23,382 | \$ 22,787 | \$ 59,845 | \$ 34,021 |
| Adjustment to the prior years | (1,886) | (8,552) | (2,074) | (8,552) |
| | 21,496 | 14,235 | 57,771 | 25,469 |
| Deferred tax | | | | |
| Generated during the period | (10,441) | (2,129) | (15,994) | (2,129) |
| Income tax recognized in profit or loss or loss | \$ 11,055 | \$ 12,106 | \$ 41,777 | \$ 23,340 |

(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 | | | |
|----------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
| Basic earnings per share | \$ 0.18 | \$ 1.14 | \$ 0.93 | \$ 2.19 |
| Diluted earnings per share | \$ 0.18 | \$ 1.13 | \$ 0.92 | \$ 2.18 |

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

Net profits for the period

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Net income attributable to owners of the Company | \$ 32,182 | \$ 201,780 | \$ 163,156 | \$ 387,454 |

Quantity

| | Unit: Thousand shares | | | |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
| Weighted average number of shares of common stock used to calculate basic earnings per share | 176,510 | 177,158 | 176,191 | 176,628 |
| Impact of potential common stock with dilutive effect: Remuneration for employees | 475 | 783 | 947 | 1,210 |
| Used to calculate the weighted average number of shares of common stock | 176,985 | 177,941 | 177,138 | 177,838 |

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

June 30, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-------------|------------------|---------------------|
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Domestic listed stocks | \$ 778,832 | \$ - | \$ - | \$ 778,832 |
| Fund beneficiary certificates | 243,407 | - | - | 243,407 |
| Privately offered funds | - | - | 48,228 | 48,228 |
| | <u>\$ 1,022,239</u> | <u>\$ -</u> | <u>\$ 48,228</u> | <u>\$ 1,070,467</u> |

Financial assets measured at fair value through other comprehensive income

| | | | | |
|------------------------------|-------------------|-------------|------------------|-------------------|
| Equity investment | | | | |
| - Domestic listed stocks | \$ 714,471 | \$ - | \$ - | \$ 714,471 |
| - Domestic non-listed stocks | - | - | 36,008 | 36,008 |
| - Foreign non-listed stocks | - | - | 29,720 | 29,720 |
| | <u>\$ 714,471</u> | <u>\$ -</u> | <u>\$ 65,728</u> | <u>\$ 780,199</u> |

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> |

June 30, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------------|-------------|------------------|---------------------|
| <u>Financial assets at fair value through profit or loss - current</u> | | | | |
| Domestic listed stocks | \$ 1,027,105 | \$ - | \$ - | \$ 1,027,105 |
| Fund beneficiary certificates | <u>444,201</u> | <u>-</u> | <u>-</u> | <u>444,201</u> |
| | <u>\$ 1,471,306</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,471,306</u> |
| <u>Financial assets measured at fair value through other comprehensive income</u> | | | | |
| Equity investment | | | | |
| - Domestic listed stocks | \$ 828,630 | \$ - | \$ - | \$ 828,630 |
| - Domestic non-listed stocks | - | - | 43,542 | 43,542 |
| - Non-listed stocks | <u>-</u> | <u>-</u> | <u>27,860</u> | <u>27,860</u> |
| | <u>\$ 828,630</u> | <u>\$ -</u> | <u>\$ 71,402</u> | <u>\$ 900,032</u> |

There were no transfers between Level 1 and Level 2 fair values during the six months ended June 30, 2022 and 2021.

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

January 1, 2022 to June 30, 2022

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

January 1, 2021 to June 30, 2021

| Financial assets | Equity instruments | | Total |
|---|--|--|------------------|
| | Measured at fair values through profit and/or loss | Financial assets measured at fair value through other comprehensive income | |
| Balance, beginning of year | \$ 659 | \$ 67,574 | \$ 68,233 |
| Recognized in profit or loss (other gains and losses) | (659) | - | (659) |
| Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income) | - | 3,828 | 3,828 |
| Balance, end of period | <u>\$ -</u> | <u>\$ 71,402</u> | <u>\$ 71,402</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 unlisted equity was evaluated in the asset method to reflect the overall value of an enterprise or business.

(3) Types of financial instruments

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|---------------|-------------------|---------------|
| <u>Financial assets</u> | | | |
| Measured at fair values through profit and/or loss | | | |
| Mandatorily at fair value through profit | \$ 1,070,467 | \$ 1,189,020 | \$ 1,471,306 |
| Financial assets at amortized cost (Note 1) | 1,416,985 | 2,339,406 | 1,737,828 |
| Financial assets at fair value through other comprehensive income - investments in equity instruments | 780,199 | 615,307 | 900,032 |
| <u>Financial liabilities</u> | | | |
| Measured at amortize cost | 992,308 | 1,246,548 | 960,815 |

(Note 2)

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 32 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 June 30, 2022 | January 1, 2021 to June 30, 2021 |
| Profit or loss | <u>\$ 4,600</u> | <u>\$ 4,470</u> |

The Group's sensitivity to the USD increased in this period, mainly due to the decrease in its foreign currency liabilities.

The management believes that the sensitivity analysis cannot represent the inherent exchange rate risk as foreign currency exposures on the balance sheet date cannot reflect the interim exposures.

(2) Interest rate risk

Interest rate exposures arise as entities under the Group hold assets and liabilities at both fixed and floating rates.

The carrying amount of financial assets and liabilities of the Group under interest rate exposure on balance sheet date is as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------------------|---------------|----------------------|---------------|
| With fair value | | | |
| interest rate risk | | | |
| – Financial assets | \$ 29,820 | \$ 83,140 | \$ 740 |
| – Financial liabilities | 22,897 | 10,269 | 16,388 |
| With cash flow | | | |
| interest rate risk | | | |
| – Financial assets | 387,759 | 993,879 | 575,832 |
| – Financial liabilities | 571,378 | 567,819 | 343,193 |

Sensitivity analysis

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

If the annual rate of interest increased/decreased by 1%, with all other variables remaining unchanged, the Group's net income before tax for the six months ended June 30, 2022 and 2021 would have increased/decreased by NT\$(918) thousand and NT\$1,163 thousand, respectively, mainly due to the Group's exposure to the risk of the net assets at floating interest rates.

The Group's sensitivity to interest rates decreased in this period, mainly due to the decrease in the financial assets at floating interest rates.

(3) Other price risks

The Group is exposed to the equity price risk due to the listed equity securities held. The equity investments are not held for trading and are strategic investments. The Group is not actively trading these equity securities. The Group's equity price risk is mainly concentrated in the equity instruments in the electronic industry traded in stock exchanges and over-the-counter markets in Taiwan.

Sensitivity analysis

The sensitivity analysis below was performed based on the securities price exposure on the balance sheet date.

If the securities price increased/decreased by 1%, the profit or loss before tax for the six months ended June 30, 2022 and 2021 would have increased/decreased by NT\$10,705 thousand and NT\$14,713 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

If the securities price increased/decreased by 1%, the other comprehensive before tax for the six months ended June 30, 2022 and 2021 would have increased/decreased by NT\$7,802 thousand and NT\$9,000 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through other comprehensive income.

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

2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk of financial loss due to non-performance by counter-parties is mainly from the carrying amount of financial assets recognized in 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 June 30, 2022, December 31, 2021, and June 30, 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.

June 30, 2022

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

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

| | <u>Less than 1 year</u> | <u>1–2 years</u> | <u>2–3 years</u> | <u>Over 3 years</u> |
|-----------------|-------------------------|------------------|------------------|---------------------|
| Lease liability | <u>\$ 9,325</u> | <u>\$ 4,118</u> | <u>\$ 3,998</u> | <u>\$ 6,350</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 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:

| | <u>Less than 1 year</u> | <u>1–2 years</u> | <u>2–3 years</u> | <u>Over 3 years</u> |
|-----------------|-------------------------|------------------|------------------|---------------------|
| Lease liability | <u>\$ 9,980</u> | <u>\$ 29</u> | <u>\$ 29</u> | <u>\$ 412</u> |

June 30, 2021

| | Repayment on demand or less than 1 month | 1–3 months | 3 months to 1 year | Over 1 year | Total |
|------------------------------------|--|-------------------|-----------------------|-----------------|--------------------|
| No interest-bearing liabilities | \$ 348,372 | \$ 551,083 | \$ 1,620 | \$ - | \$ 901,075 |
| Floating rate instruments | 343,193 | - | - | - | 343,193 |
| Lease liability | 1,206 | 2,384 | 8,427 | 4,608 | 16,625 |
| | <u>\$ 692,771</u> | <u>\$ 553,467</u> | <u>\$ 10,047</u> | <u>\$ 4,608</u> | <u>\$1,260,893</u> |

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

| | <u>Less than 1 year</u> | <u>1–2 years</u> | <u>2–3 years</u> | <u>Over 3 years</u> |
|-----------------|-----------------------------|------------------|------------------|---------------------|
| Lease liability | <u>\$ 12,017</u> | <u>\$ 4,608</u> | <u>\$ -</u> | <u>\$ -</u> |

(2) Financing facilities

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--------------------------------------|----------------------|------------------------------|----------------------|
| Unsecured bank overdraft facility | | | |
| - Borrowing facilities used | \$ 496,500 | \$ 535,000 | \$ 85,000 |
| - Borrowing facilities unused | 672,100 | 473,400 | 724,300 |
| | <u>\$ 1,168,600</u> | <u>\$ 1,008,400</u> | <u>\$ 809,300</u> |
| Secured bank overdraft facility | | | |
| - Borrowing facilities used | \$ 74,878 | \$ 32,819 | \$ 258,193 |
| - Borrowing facilities unused | 966,722 | 947,581 | 927,607 |
| | <u>\$ 1,041,600</u> | <u>\$ 980,400</u> | <u>\$ 1,185,800</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

| | April 1, 2022 to June 30, 2022 | April 1, 2021 to June 30, 2021 | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
|------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Short-term employee benefits | \$ 4,505 | \$ 5,294 | \$ 16,244 | \$ 14,132 |
| Share-based payment | - | - | 12,181 | 8,365 |
| Post-employment benefits | 132 | 185 | 265 | 371 |
| | <u>\$ 4,637</u> | <u>\$ 5,479</u> | <u>\$ 28,690</u> | <u>\$ 22,868</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 financing or borrowings from banks and to customs:

| | June 30, 2022 | December 31, 2021 | June 30, 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) | 243,407 | 221,508 | 444,201 |
| | <u>\$ 243,507</u> | <u>\$ 221,608</u> | <u>\$ 444,301</u> |

31. Significant Subsequent Events

The Company passed to acquire the ordinary shares of Sentelic Corporation by the resolution of the Board of Directors on July 27, 2022. It is estimated that the maximum number of shares will be 15,324 thousand and the minimum number will be 13,522 thousand in this takeover bid, accounting for up to 51% or no less than 45% of the Company's issued ordinary shares, with the purchase price at NT\$72.9 per share in cash. The takeover bid period is from July 29 through August 17, 2022. The Company hopes to integrate both parties' R&D capabilities, technologies, and sales channels through this takeover bid, to complement each other and improve the cost-effectiveness of the back-end processes and the packaging and testing processes.

32. Information on foreign currency assets and liabilities with significant effect:

The information below is aggregated and presented in foreign currencies other than the functional currencies of the entities under the Group. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The foreign currency assets and liabilities with significant effect are as follows:

| June 30, 2022 | | | |
|---|---------------------|-----------------|---------------------|
| | Foreign currency | Exchange rate | Carrying amount |
| <u>Foreign currency assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 30,756 | 29.72(USD: NTD) | <u>\$ 914,068</u> |
| <u>Non-monetary items</u> | | | |
| USD | 9,190 | 29.72(USD: NTD) | <u>\$ 273,127</u> |
| <u>Foreign currency liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 14,663 | 29.72(USD: NTD) | \$ 435,784 |
| USD | 614 | 6.72(USD: CNY) | <u>18,248</u> |
| | | | <u>\$ 454,032</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> |
| June 30, 2021 | | | |
| | Foreign currency | Exchange rate | Carrying amount |
| <u>Foreign currency assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 40,946 | 27.86(USD: NTD) | <u>\$ 1,140,756</u> |
| <u>Non-monetary items</u> | | | |
| USD | 16,944 | 27.86(USD: NTD) | <u>\$ 472,060</u> |

(Continued on next page)

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| Foreign currency liabilities | June 30, 2021 | | |
|------------------------------|------------------|-----------------|-------------------|
| | Foreign currency | Exchange rate | Carrying amount |
| <u>Monetary items</u> | | | |
| USD | \$ 24,194 | 27.86(USD: NTD) | \$ 674,045 |
| USD | 709 | 6.46(USD: CNY) | 19,753 |
| | | | <u>\$ 693,798</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 | April 1, 2022 to June 30, 2022 | | April 1, 2021 to June 30, 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) | \$ 20,217 | 1 (NTD: NTD) | (\$ 8,851) |
| RMB | 4.45 (RMB: NTD) | (<u>1,686</u>) | 4.33 (RMB: NTD) | <u>347</u> |
| | | <u>\$ 18,531</u> | | (<u>\$ 8,504</u>) |

| Functional currency | January 1, 2022 to June 30, 2022 | | January 1, 2021 to June 30, 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) | \$ 55,139 | 1 (NTD: NTD) | (\$ 15,062) |
| RMB | 4.43 (RMB: NTD) | (<u>1,561</u>) | 4.35 (RMB: NTD) | <u>183</u> |
| | | <u>\$ 53,578</u> | | (<u>\$ 14,879</u>) |

33. 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.

34. 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 June 30, 2022 | | January 1, 2021 to June 30, 2021 | |
| | External revenue | Inter-segment revenues | External revenue | Inter-segment revenues |
| Self-owned product segment | \$ 1,044,683 | \$ - | \$ 1,033,139 | \$ - |
| Product agency segment | <u>566,328</u> | <u>48,941</u> | <u>623,074</u> | <u>37,345</u> |
| | <u>\$ 1,611,011</u> | <u>\$ 48,941</u> | <u>\$ 1,656,213</u> | <u>\$ 37,345</u> |

| | Segment profits or losses | |
|-----------------------------------|----------------------------------|----------------------------------|
| | January 1, 2022 to June 30, 2022 | January 1, 2021 to June 30, 2021 |
| Self-owned product segment | \$ 218,773 | \$ 95,732 |
| Product agency segment | <u>42,848</u> | <u>39,079</u> |
| Total reportable segments' profit | 261,621 | 134,811 |
| Inter-segment profit eliminated | (<u>6</u>) | (<u>6</u>) |
| | 261,615 | 134,805 |
| Unallocated amount: | | |
| Non-operating income and expenses | (<u>57,014</u>) | <u>276,213</u> |
| Net profit before taxation | <u>\$ 204,601</u> | <u>\$ 411,018</u> |

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

(2) Segments' total assets

| Segments' assets | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------------|---------------------|---------------------|---------------------|
| Self-owned product segment | \$ 4,576,495 | \$ 4,841,907 | \$ 4,521,392 |
| Product agency segment | <u>366,475</u> | <u>417,605</u> | <u>410,692</u> |
| Total segment assets | 4,942,970 | 5,259,512 | 4,932,084 |
| Unallocated assets | - | - | - |
| Total consolidated assets | <u>\$ 4,942,970</u> | <u>\$ 5,259,512</u> | <u>\$ 4,932,084</u> |

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable securities held at the end of the period

June 30, 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 | \$ 454,397 | - | \$ 454,397 | \$ - |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | — | Financial assets at fair value through profit or loss - current | 170 | 80,920 | - | 80,920 | - |
| | Aerospace Industrial Development Corporation | — | Financial assets at fair value through profit or loss - current | 1,530 | 49,495 | - | 49,495 | - |
| | China Metal Products Co., Ltd. | — | Financial assets at fair value through other comprehensive income - current | 4,873 | 155,205 | - | 155,205 | - |
| | United Microelectronics Corporation | — | Financial assets at fair value through other comprehensive income - current | 2,580 | 101,007 | - | 101,007 | - |
| | Evergreen Marine Corporation | — | Financial assets at fair value through other comprehensive income - current | 930 | 78,678 | - | 78,678 | - |
| | AU Optronics Corporation | — | Financial assets at fair value through other comprehensive income - current | 3,400 | 55,420 | - | 55,420 | - |
| | Yang Ming Marine Transport Corporation | — | Financial assets at fair value through other comprehensive income - current | 660 | 54,318 | - | 54,318 | - |
| | Acter Group Corporation Limited | — | Financial assets at fair value through other comprehensive income - current | 228 | 39,330 | - | 39,330 | - |
| | MediaTek Inc. | — | Financial assets at fair value through other comprehensive income - current | 60 | 39,060 | - | 39,060 | - |
| | Altek Corporation | — | Financial assets at fair value through other comprehensive income - current | 450 | 15,547 | - | 15,547 | - |
| | D-Link Corporation | — | Financial assets at fair value through other comprehensive income - current | 1,000 | 14,500 | - | 14,500 | - |
| | Cleanaway Company Limited | — | Financial assets at fair value through other comprehensive income - current | 56 | 9,660 | - | 9,660 | - |
| | Shin Zu Shing Co., Ltd. | — | Financial assets at fair value through other comprehensive income - current | 73 | 5,998 | - | 5,998 | - |
| | Fubon Multimedia Technology Co., Ltd. | — | Financial assets at fair value through other comprehensive income - current | 6 | 3,828 | - | 3,828 | - |
| | Fit Holding Co., Ltd. | — | Financial assets at fair value through other comprehensive income - current | 100 | 3,150 | - | 3,150 | - |

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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 | - | 48,288 | - | 48,288 | - |
| | <u>Stock</u> | | | | | | | |
| Weltrend International Co., (BVI) Ltd. | Taiwan Semiconductor Manufacturing Co., Ltd. | — | Financial assets at fair value through profit or loss - current | 90 | 42,840 | - | 42,840 | - |
| | Greatek Electronics Inc. | — | Financial assets at fair value through profit or loss - current | 559 | 34,882 | - | 34,882 | - |
| | United Microelectronics Corporation | — | Financial assets at fair value through other comprehensive income - current | 300 | 11,745 | - | 11,745 | - |
| | Yang Ming Marine Transport Corporation | — | Financial assets at fair value through other comprehensive income - current | 80 | 6,584 | - | 6,584 | - |
| | Kneron Holding Corporation (Cayman) | — | Financial assets at fair value through other comprehensive income - non-current | 201 | 29,720 | Preferred Series A | 29,720 | - |
| | IDIIL INTERNATIONAL, INC. | — | Financial assets at fair value through other comprehensive income - non-current | 250 | - | - | - | - |
| | <u>Funds</u> | | | | | | | |
| | PB FUNDS DYNAMIC MULTI-ASSET FD USD | — | Financial assets at fair value through profit or loss - current | 52 | 183,126 | - | 183,126 | 183,126 |
| | DYNAMIC MULTI-ASSET FUND | | | | | | | |
| | JPMORGAN FUNDS JPM INCOME USD DIV C | — | Financial assets at fair value through profit or loss - current | 12 | 32,650 | - | 32,650 | 32,650 |
| | JANUS HENDERSON CAPITAL FUNDS JAN HEN GLB LIFE SCIENCE USD ACC | — | Financial assets at fair value through profit or loss - current | 18 | 27,631 | - | 27,631 | 27,631 |

(Continued on next page)

(Continued from previous page)

| 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 | 1,278 | \$ 79,747 | - | \$ 79,747 | \$ - |
| | Acer Incorporated | — | Financial assets at fair value through profit or loss - current | 1,465 | 31,791 | - | 31,791 | - |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | — | Financial assets at fair value through profit or loss - current | 10 | 4,760 | - | 4,760 | - |
| | United Microelectronics Corporation | — | Financial assets at fair value through other comprehensive income - current | 810 | 31,712 | - | 31,712 | - |
| | Evergreen Marine Corporation | — | Financial assets at fair value through other comprehensive income - current | 330 | 27,918 | - | 27,918 | - |
| | Merry Electronics Co., Ltd. | — | Financial assets at fair value through other comprehensive income - current | 348 | 26,761 | - | 26,761 | - |
| | Yamazaki Co., Ltd. | — | Financial assets at fair value through other comprehensive income - current | 325 | 18,525 | - | 18,525 | - |
| | Acter Group Corporation Limited | — | Financial assets at fair value through other comprehensive income - current | 90 | 15,525 | - | 15,525 | - |
| | 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 | 19,118 | 6% | 19,118 | - |
| | Chongyou Investment Co., Ltd. | — | Financial assets at fair value through other comprehensive income - non-current | 655 | 11,353 | 9% | 11,353 | - |
| | 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 Six Months Ended June 30, 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 | \$ 48,941 | Note 1 | 3% |
| | | Yingquan Investment Co., Ltd. | 1 | Accounts receivable | 18,250 | Note 2 | - |
| | | | | 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; No. 2 represents a transaction between subsidiaries.

Weltrend Semiconductor, Inc. and Its Subsidiaries
Information on the investee, location, etc.
For the Six Months Ended June 30, 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 | \$ 491,631 | (\$ 30,572) | (\$ 30,572) | Note 1 |
| | Yingquan Investment Co., Ltd. | Taiwan | Investment | 241,486 | 241,486 | 32,416 | 98 | 297,117 | (19,287) | (18,955) | 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 Six Months Ended June 30, 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 thousand (USD 1,200 thousand) | Note 1 | USD1,200 thousand (\$ 35,664) | \$ - | \$ - | USD 1,200 thousand (\$ 35,664) | \$ 2,737 | 100% | \$ 2,737 | \$ 29,878 | \$ - |

| Accumulated amount of investment from Taiwan to Mainland China at the end of the period | Amount of investment approved by the Investment Commission, MOEA | Investment quota for Mainland China as stipulated by the Investment Commission, MOEA |
|---|--|--|
| US\$1,200 thousand (\$35,664) | US\$1,200 thousand (\$35,664) | \$1,894,230 |

Note 1: The Company invests in Weltrend International Co., (BVI) Ltd. and then invests in companies through Mainland China through said company. The investments have been approved by the Investment Commission, Ministry of Economic Affairs. The investment amount approved is US\$1,200 thousand.

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

Note 3: The amounts in foreign currencies were converted at USD exchange rate on June 30, 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 Six Months Ended June 30, 2022

Table 5Unit: NT\$ thousand

| Names of investees in Mainland China | Type of transaction | Purchase or sale | | Transaction conditions (Note) | Notes and accounts receivable (payable) | | Unrealized gain or loss | Remarks |
|---------------------------------------|---------------------|------------------|------------|-------------------------------|---|------------|-------------------------|---------|
| | | Amount | Percentage | | Amount | Percentage | | |
| Dongguan Prosil Electronics Co., Ltd. | Operating revenues | \$ 48,941 | 3% | — | \$ 18,250 | 2% | \$ - | — |

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on major shareholders

June 30, 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.