Stock Code: 2436

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

For the Years Ended December 31, 2022 and 2021

Address: 2F., No. 24, Industry E. 9th Rd., Hsinchu Science Park

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Representation Letter

Considering that the companies to be included into the consolidated financial statements of affiliates under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2022 (from January 1, 2022 to December 31, 2022), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Name of Company: Weltrend Semiconductor, Inc.

Person in Charge: Lin, Hsi-Ming

February 24, 2023

Independent Auditor's Report

The Board of Directors and Shareholders

Weltrend Semiconductor, Inc.

Opinion

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

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

Basis of opinion

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

Key audit matters

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

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

Sales revenue recognition

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

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

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

Business combination

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

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

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

Other matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

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

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

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

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

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

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

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

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

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

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

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

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

Weltrend Semiconductor, Inc. and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousand NTD, unless otherwise specified)

1. Company History

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

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

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

2. Date and Procedures for Approval of Financial Statements

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

3. Application of New and Revised Standards and Interpretation

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

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

(2) Application of IFRSs endorsed by FSC in 2023

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

(1) Compliance Statement

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

(2) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(4) Basis of consolidation

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

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

(5) Business combination

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

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

(6) Foreign currency

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

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

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

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

(7) Inventory

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

(8) Property, plant, and equipment

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

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

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

(9) Goodwill

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

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

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

(10) Intangible assets

1. Acquired separately

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

2. Acquisition through business combination

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

3. Derecognition

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

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

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

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

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

(12) Financial instruments

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

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

1. Financial assets

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

(1) Measurement types

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

A. Financial assets at fair value through profit or loss

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

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

B. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

(2) Impairment of financial assets

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

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

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

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

(3) Derecognition of financial assets

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

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

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

(13) Provisions

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

(14) Revenue recognition

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

Merchandise sales revenue

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

(15) Leasing

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

1. The Group as a lessor

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

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

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

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

2. The Group as a lessee

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

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

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

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

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

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

(16) Borrowing costs

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

(17) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

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

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

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

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

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

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

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

(19) Income tax

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

1. Income tax expenses in the current period

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

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

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

2. Deferred tax

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

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

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

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

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

3. Current and deferred tax

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

5. 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.

Key Sources of Uncertainty over Estimation and Assumptions

(1) Impairment of inventory

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

(2) Impairment of estimated goodwill

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

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

6. Cash and Cash Equivalents

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

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

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

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

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

Equity investment

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

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

9. Financial assets at amortized cost

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

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

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

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

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

10. Notes receivable, accounts receivable and other receivables

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

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

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

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

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

December 31, 2022

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

December 31, 2021

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

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

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

11. Inventory

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

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

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

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

12. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

Entities covered by the consolidated financial statements are as follows:

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

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

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

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

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

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

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

Sentelic Corporation

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

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

13. Property, plant, and equipment

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

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

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

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

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

14. Lease agreements

(1) Right-of-use assets

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

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

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

(2) Lease liability

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

The discount rate range for lease liabilities is as follows:

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

(3) Major lease activities and terms

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

(4) Other lease information

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

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

15. Goodwill

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

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

16. Intangible assets

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

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

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

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

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

17. Prepayments

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

18. Short-term borrowings

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

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

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

19. Notes payable and accounts payable

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

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

20. Other liabilities

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

21. Provisions

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

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

22. Post-employment benefit plans

(1) Defined contribution pension plan

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

(2) Defined benefit plan

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

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

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

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

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

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

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

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

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

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

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

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

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

23. Equity

(1) Common stock

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

(2) Capital surplus

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

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

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

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

(3) Retained Earnings and Dividend Policy

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

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

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

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

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

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

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

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

(4) Special reserve

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

(5) Treasury stock

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

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

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

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

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

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

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

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

(6) Other equity

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

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

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

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

(7) Non-controlling interests

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

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

24. Operating revenues

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

(1) Contract balance

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

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

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

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

(2) Details of net operating income

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

25. Net income for the year

(1) Interest income

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

(2) Other income

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

(3) Other profits and losses

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

(4) Financial costs

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

(5) Depreciation and amortization

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

(6) Employee benefit expenses

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

(7) Remuneration for employees, directors and supervisors

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

Estimate percentage

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

Amount

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

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

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

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

26. Income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows.

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

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

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

(2) Income tax recognized in other comprehensive income

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

(3) Current tax liabilities

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

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

Movements in deferred tax assets and liabilities are as follows:

2022

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

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

2021

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

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

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

(6) The state of income tax assessment

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

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

27. Earnings per shares

Unit: NTD per share

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

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

Net income for the year

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

Number of Shares

Unit: Thousand shares

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

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

28. Share-based payment

Restricted stock awards

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

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

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

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

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

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

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

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

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

29. Business combination

(1) Acquisition of subsidiary

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

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

(2) Consideration for transfer

	Sentelic Corporation
Cash	$ 1,117,120

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

(3) Assets acquired and liabilities assumed on acquisition date

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

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

(4) Non-controlling interests

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

(5) Goodwill arising from the acquisition

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

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

Goodwill arising from the business combination is expected not to be tax deductible.

(6) Net cash outflow from the acquisition of the subsidiary

	Sentelic Corporation
A consideration paid in cash	$ 1,117,120
Less: Balance of cash and cash equivalents received	(216,730)
	$ 900,390

30. Capital Risk Management

The Group engages in capital management to ensure that the Group's enterprises can maximize shareholder returns by optimizing debt and equity balances while continuing to operate. There has been no change in the Group's overall strategy.

The Group's capital structure consists of the Group's equity attributable to the owners of the Company (i.e. share capital, capital surplus, retained earnings, and other equity).

31. Financial instruments

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

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

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

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 569,131	$ -	$ -	$ 569,131
Fund beneficiary certificates	12,485	-	-	12,485
Privately offered funds	-	-	71,098	71,098
	$ 581,616	$ -	$ 71,098	$ 652,714
Financial assets measured at fair value through other comprehensive income				
Equity investment				
- Domestic listed stocks	$ 442,809	$ -	$ -	$ 442,809
- Domestic non-listed stocks	-	-	32,633	32,633
- Foreign non-listed stocks	-	-	29,895	29,895
	$ 442,809	$ -	$ 62,528	$ 505,337

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 967,512	$ -	$ -	$ 967,512
Fund beneficiary certificates	221,508	-	-	221,508
	$ 1,189,020	$ -	$ -	$ 1,189,020
Financial assets measured at fair value through other comprehensive income				
Equity investment				
- Domestic listed stocks	$ 544,590	$ -	$ -	$ 544,590
- Domestic non-listed stocks	-	-	43,037	43,037
- Foreign non-listed stocks	-	-	27,680	27,680
	$ 544,590	$ -	$ 70,717	$ 615,307

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

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

2022

Financial assets	Equity instruments: Financial assets at fair value through profit or loss	Equity instruments: Financial assets measured at fair value through other comprehensive income	Total
Opening balance	$ -	$ 70,717	$ 70,717
Purchase	67,530	-	67,530
Recognized in profit or loss (other gains and losses)	3,568	-	3,568
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	(3,754)	(3,754)
Disposal	-	(4,435)	(4,435)
Ending balance	$ 71,098	$ 62,528	$ 133,626

2021

Financial assets	Equity instruments: Financial assets at fair value through profit or loss	Equity instruments: Financial assets measured at fair value through other comprehensive income	Total
Opening balance	$ 659	$ 67,574	$ 68,233
Recognized in profit or loss (other gains and losses)	(659)	-	(659)
Recognized in other comprehensive income (unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income)	-	5,157	5,157
Disposal	-	(2,014)	(2,014)
Ending balance	$ -	$ 70,717	$ 70,717

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

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

(3) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at fair values through profit and/or loss		
Mandatorily at fair value through profit	$ 652,714	$ 1,189,020
Financial assets at amortized cost (Note 1)	1,699,215	2,339,406
Financial assets at fair value through other comprehensive income - investments in equity instruments	505,337	615,307
Financial liabilities		
Measured at amortize cost (Note 2)	1,875,712	1,246,548

Note 1: The balance includes financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, and guarantee deposits paid.

Note 2: The balance includes financial liabilities at amortized cost, including short-term borrowings, notes payable, accounts payable, and other payables.

(4) Purpose and policy of financial risk management

The Group's main financial instruments include equity investments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's financial management department provides services to each business unit, coordinates the operations of investments in the domestic and international financial markets, and supervises and manages the financial risks related to the Group's operations by analyzing the internal risk reports on the exposure as per the breadth and depth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial management department regularly reports to the Group's Board of Directors.

1. Market Risk

The main financial risks to the Group's operating activities are the risk of foreign exchange rate fluctuations (see (1) below) and the risk of changes in interest rates (see (2) below).

There have been no changes in the Group’s exposure to financial instrument market risks and its method to managing and measuring such exposure.

(1) Exchange rate risk

Some of the Group’s cash inflows and outflows are in foreign currencies with the effect of natural hedging; the Group’s management of the exchange rate risk aims to hedge rather than making profits.

Refer to Note 34 for the carrying amounts of the Group’s monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items in non-functional currencies that have been eliminated in the consolidated financial statements) on the balance sheet date.

Sensitivity analysis

The Group is mainly affected by the fluctuations in the exchange rates of USD.

The table below details the Group’s sensitivity analysis when the NTD (functional currency) increases and decreases by 1% against each relevant foreign currency. In the sensitivity analysis, the outstanding monetary items in foreign currencies were taken into account, and the translation of such items at the end of the year was adjusted as per 1% change in exchange rates. The positive numbers in the following table represent the increase in net profits before tax if the New Taiwan dollar weakens by 1% against the respective currencies, and the negative numbers for the same amount represent the decrease in net profits before tax if the NT dollar strengthens by 1% against the respective currencies.

	Impact of USD	
	2022	2021
Profit or loss	$ 9,020	$ 9,489

The Group’s sensitivity to the USD decreased in this year, mainly due to the decrease in its foreign currency assets.

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

(2) Interest rate risk

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

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

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
– Financial assets	$ 432,836	$ 83,823
– Financial liabilities	29,625	10,269
With cash flow interest rate risk		
– Financial assets	457,209	993,879
– Financial liabilities	1,537,680	567,819

Sensitivity analysis

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

If the annual rate of interest increased/decreased by 1%, with all other variables remaining unchanged, the Group's net income before tax for 2022 and 2021 would have increased/decreased by NT$10,805 thousand and NT$4,261 thousand, respectively, mainly due to the Group's exposure to the risk of the net assets at floating interest rates.

The Group's sensitivity to interest rates decreased in this year, mainly due to the increase in the financial liabilities at floating interest rates.

(3) Other price risks

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

Sensitivity analysis

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

If the securities price increased/decreased by 1%, the profit or loss before tax for 2022 and 2021 would have increased/decreased by NT$6,527 thousand and NT$11,890 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through profit or loss.

If the securities price increased/decreased by 1%, the other comprehensive income before tax for 2022 and 2021 would have increased/decreased by NT$5,053 thousand and NT$6,153 thousand respectively, mainly due to increase/decrease in the Group's financial assets at fair value through other comprehensive income.

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

2. Credit Risk

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

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

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

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

3. Liquidity Risk

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

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

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

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

December 31, 2022

	Repayment on demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total
Non-derivative financial assets					
No interest-bearing liabilities	$ 193,474	$ 141,926	$ 2,628	$ 4	$ 338,032
Floating rate instruments	70,000	206,060	677,120	-	953,180
Fixed rate instruments	150,000	434,500	-	-	584,500
Lease liability	1,077	2,155	9,321	17,993	30,546
	$ 414,551	$ 784,641	$ 689,069	$ 17,997	$ 1,906,258

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

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	$ 12,553	$ 9,243	$ 4,398	$ 4,352

December 31, 2021

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

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

	Less than 1 year	1–2 years	2–3 years	Over 3 years
Lease liability	$ 9,980	$ 29	$ 29	$ 412

(2) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facility		
- Borrowing facilities used	$ 1,120,560	$ 535,000
- Borrowing facilities unused	213,940	473,400
	$ 1,334,500	$ 1,008,400

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	December 31, 2022	December 31, 2021
Secured bank overdraft facility		
- Borrowing facilities used	$ 417,120	$ 32,819
- Borrowing facilities unused	1,554,180	947,581
	$ 1,971,300	$ 980,400

32. Related Party Transactions

Transactions, account balances, income and expenses between the Company and its subsidiaries (which are the Company's related parties) were all eliminated upon consolidation, so they are not disclosed in this note. Except for those disclosed in other notes, transactions between the Group and other related parties are as follows.

(1) Remuneration for key management

	2022	2021
Short-term employee benefits	$ 39,147	$ 50,866
Share-based payment	12,392	8,365
Post-employment benefits	749	690
	$ 52,288	$ 59,921

The remuneration for directors and other key management is determined by the Board of Directors based on individual performance and market trends.

33. Pledged Assets

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

	December 31, 2022	December 31, 2021
Certificates of deposit pledged (under financial assets at amortized cost - non-current)	$ 15,397	$ 100
Fund beneficiary certificates pledged (under financial assets at fair value through profit or loss - current)	-	221,508
Securities pledged (under financial assets at fair value through profit or loss - current)	177,168	-
Property, plant, and equipment	143,503	-
	$336,068	$221,608

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

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
Financial assets						
Monetary items						
USD	$ 36,530	30.71 (USD: NTD)	$ 1,121,836	$ 52,116	27.68 (USD: NTD)	$ 1,442,571
Non-monetary items						
USD	973	30.71 (USD: NTD)	$ 29,881	9,002	27.68 (USD: NTD)	$ 249,175
Financial liabilities						
Monetary items						
USD	6,815	30.71 (USD: NTD)	$ 209,289	17,225	27.68 (USD: NTD)	$ 476,788
USD	342	6.97 (USD: CNY)	10,503	611	6.38 (USD: CNY)	16,912
			$ 219,792			$ 493,700

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

	2022		2021	
Functional currency	Functional currency exchanged to presenting currency	Net exchange gain or loss	Functional currency exchanged to presenting currency	Net exchange gain or loss
NTD	1 (NTD: NTD)	$ 53,934	1 (NTD: NTD)	($ 17,153)
CNY	4.43 (CNY: NTD)	(2,396)	4.34 (CNY: NTD)	396
		$ 51,538		($ 16,757)

35. Additional Disclosures

(1) Information on Material Transactions and (2) Information on Investees:

1. The Loaning of Funds: None.
2. Endorsements and guarantees for others: None.
3. Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures): Table 1.
4. Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital: Table 2.
5. Acquisition of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.

7. Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.

8. Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.

9. Trading in Derivative Instruments: None.

10. Business Relations and Important Transactions between Parent Company and Subsidiaries and Among Subsidiaries and Amounts: Table 3.

11. Information on Investees: Table 4.

(3) Information on investment in Mainland China:

1. Information on investees in Mainland China, including the name, main business and products, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the Mainland China area: Table 5.

2. The following significant transactions with investees in Mainland China, directly or indirectly through third regions, and their prices, payment terms, and unrealized gains or losses: Table 6.

(1) The amount and percentage of purchases and the related ending balance and percentage of payables.

(2) The amount and percentage of sales and the related ending balance and percentage of receivables.

(3) The amount of property transactions and the amount of resulting gains or losses.

(4) The ending balance of endorsement guarantee of bills or the provision of collateral and its purpose.

(5) The maximum balance, ending balance, interest rate range and total current interest amount of financial accommodation

(6) Other transactions that have a significant effect on the current profit or loss or financial position, such as the provision or receipt of services.

(4) Information on Major Shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held: Table 7.

36. Segment Information

The Group’s information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The financial reporting information is measured on the same basis as that for these consolidated financial statements. The Group’s reportable segments are its self-owned product segment and product agency segment.

(1) Revenue and operating results of segments

	Segment revenues			
	2022		2021	
	External revenue	Inter-segment revenues	External revenue	Inter-segment revenues
Self-owned product segment	$ 1,808,947	$ -	$ 2,352,906	$ -
Product agency segment	1,079,206	81,830	1,249,077	78,321
	$ 2,888,153	$ 81,830	$ 3,601,983	$ 78,321

	Segment profits or losses	
	2022	2021
Self-owned product segment	$184,277	$381,219
Product agency segment	59,178	78,749
Total reportable segments' profit	243,455	459,968
Inter-segment profit eliminated	(11)	(11)
	243,444	459,957
Unallocated amount:		
Non-operating income and expenses	(103,888)	367,589
Net profit before taxation	$139,556	$827,546

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

(2) Segments' total assets

Segments' assets	December 31, 2022	December 31, 2021
Self-owned product segment	$ 5,570,437	$ 4,841,907
Product agency segment	421,178	417,605
Total segment assets	5,991,615	5,259,512
Unallocated assets	-	-
Total consolidated assets	$ 5,991,615	$ 5,259,512

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

(3) Revenue from main products and services

The analysis of the revenue from the Group's main products and services is as follows:

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

(4) Information by region

The Group mainly operates business in Taiwan and mainland China.

The Group's revenue from external clients classified by region where business is operated and the information on non-current assets classified by locations of the assets are stated below:

	Revenue from external clients		Noncurrent assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	$ 880,294	$ 883,998	$ 1,499,775	$ 330,484
Mainland China	1,809,939	2,265,321	738	386
Others	197,920	452,664	-	-
	$ 2,888,153	$ 3,601,983	$ 1,500,513	$ 330,870

Non-current assets exclude financial instruments and deferred tax assets

(5) Information on main clients

During 2022 and 2021, there was no revenue from a single client accounting for 10% or more of the Group's total revenue.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable securities held at the end of the period

December 31, 2022

Table 1

Unit: In thousand NTD and thousand shares, unless otherwise specified

Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Stock							
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	5,411	$ 259,728	-	$ 259,728	$ 177,168
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	20	8,970	-	8,970	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	2,330	94,831	-	94,831	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	3,108	89,200	-	89,200	-
	E Ink Holdings Inc.	—	Financial assets at fair value through other comprehensive income - current	200	32,200	-	32,200	-
	AU Optronics Corporation	—	Financial assets at fair value through other comprehensive income - current	1,900	28,500	-	28,500	-
	MediaTek Inc.	—	Financial assets at fair value through other comprehensive income - current	30	18,750	-	18,750	-
	Evergreen Marine Corporation	—	Financial assets at fair value through other comprehensive income - current	100	16,300	-	16,300	-
	Delta Electronics, Inc.	—	Financial assets at fair value through other comprehensive income - current	50	14,325	-	14,325	-
	Shin Zu Shing Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	73	5,990	-	5,990	-
	Altek Corporation	—	Financial assets at fair value through other comprehensive income - current	100	3,310	-	3,310	-
	Ho Ta Industrial Mfg. Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	40	2,680	-	2,680	-
	Yang Ming Marine Transport Corporation	—	Financial assets at fair value through other comprehensive income - current	11	721	-	721	-
	Coremate Technical Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	161	-	2%	-	-
	WELTREND KOREA CO., LTD.	—	Financial assets at fair value through other comprehensive income - non-current	10	-	-	-	-
	Xinglongfa Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	10	-	-	-	-

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
The Company	Silicongear Corporation	—	Financial assets at fair value through other comprehensive income - non-current	1	$ -	-	$ -	$ -
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	36	-	Preferred Series B	-	-
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	7	-	Preferred Series C	-	-
	AETAS TECHNOLOGY INC.	—	Financial assets at fair value through other comprehensive income - non-current	3	-	Preferred Series D	-	-
	<u>Privately offered funds</u>							
	Zoyi Venture Capital Co., Ltd.	—	Financial assets at fair value through profit or loss – noncurrent	-	71,098	-	71,098	-
Weltrend International Co., (BVI) Ltd.	<u>Stock</u>							
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	2,053	98,544	-	98,544	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	240	107,640	-	107,640	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	300	12,210	-	12,210	-
	China Metal Products Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	1,164	33,407	-	33,407	-
	Kneron Holding Corporatin (Cayman)	—	Financial assets at fair value through other comprehensive income - non-current	201	29,895	Preferred Series A	29,895	-
	IDIIL INTERNATIONAL, INC.	—	Financial assets at fair value through other comprehensive income - non-current	250	-	-	-	-
Yingquan Investment Co., Ltd.	<u>Stock</u>							
	Acer Incorporated	—	Financial assets at fair value through profit or loss - current	991	23,338	-	23,338	-
	Greatek Electronics Inc.	—	Financial assets at fair value through profit or loss - current	1,197	57,456	-	57,456	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	Financial assets at fair value through profit or loss - current	30	13,455	-	13,455	-
	Merry Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	348	27,735	-	27,735	-
	Yamazaki Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	165	9,388	-	9,388	-
	United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income - current	780	31,746	-	31,746	-
	Evergreen Marine Corporation	—	Financial assets at fair value through other comprehensive income - current	132	21,516	-	21,516	-

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Companies held	Types and names of marketable securities	Relations with the securities issuer	Account in the book	Ending Balance				Amount pledged (Note 1)
				Number of shares/Unit	Carrying amount	Shareholdings ratio	Fair value	
Yingquan Investment Co., Ltd.	U.S.A. GOTRUSTID Inc. Taiwan Branch	—	Financial assets at fair value through profit or loss – noncurrent	500	$ -	3%	$ -	$ -
	Anqing Innovation Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	3,114	19,117	6%	19,117	-
	Chongyou Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	655	9,180	9%	9,180	-
	Baycom Opto-Electronics Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	401	4,336	1%	4,336	-
Sentelic Corporation	<u>Stock</u>							
	Lavod Corporation (Note 2)	—	Financial assets at fair value through profit or loss – noncurrent	252	-	8.48%	-	-
	<u>Funds</u>							
	Cathay Taiwan 5G Plus ETF	—	Financial assets at fair value through profit or loss - current	500	6,775	-	6,775	-
	SinoPac Taiwan Electric Vehicle Supply Chain ETF	—	Financial assets at fair value through profit or loss - current	400	4,560	-	4,560	-
	Fubon MSCI ACWI IMI Select Future Mobility Top 30 Capped ETF	—	Financial assets at fair value through profit or loss - current	100	1,150	-	1,150	-

Note 1: The securities listed are restricted for use as they are pledged for borrowings.

Note 2: Lavod Corporation’s shares held have all been recognized in impairment.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Marketable Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2022

Table 2

Unit: In thousand NTD and thousand shares, unless otherwise specified

Buyer/Seller	Types and names of marketable securities	Account in the book	Counterparty	Relations	Beginning Balance		Acquistion		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling price	Book cost	Gain or loss on disposal	Shares	Amount
Weltrend Semiconductor Incorporated	Sentelic Corporation	Investments using the equity method	—	—	-	$ -	15,324	$ 1,117,120	-	$ -	$ -	$ -	15,324	$ 1,117,120

Note 1: The securities in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the above items.

Note 2: The Company acquired 51% of Sentelic Corporation’s shares in cash on August 24, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Business relationships, significant transactions and amounts between parent company and subsidiaries and among subsidiaries.

For the Year Ended December 31, 2022

Table 3

Unit: NT$ thousand

No.	Trader name	Counterparty	Relations with trader (Note 4)	Transactions			
				Account	Amount	Trading conditions	As a percentage of consolidated total revenue or total assets
0	The Company	Dongguan Prosil Electronics Co., Ltd.	1	Net operating income	$ 81,830	Note 1	3%
				Accounts receivable	10,511	Note 2	-
		Yingquan Investment Co., Ltd.	1	Rental incomes	11	Note 1	-
		Sentelic Corporation	1	Other income	640	Note 1	-
				Accounts receivable	3	Note 3	-
				Other receivables	1,226	Note 3	-

Note 1: It is based on the terms negotiated by both parties without other suitable transaction counterparties for comparison.

Note 2: It is mainly net 90 days at the end of each month for collection (payment).

Note 3: It is mainly net 30 days at the end of each month for collection (payment).

Note 4: 1 represents a transaction between the parent company and a subsidiary.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on the investee, location, etc. (excluding investees in China)

For the Year Ended December 31, 2022

Table 4

Unit: NT$ thousand

Investor name	Investee	Location	Principal business	Original investment amount		Holding, end of period			Profits (losses) of the investee for the period	Investment incomes (losses) recognized in the period	Remarks
				End of the period	End of last year	Shares (in thousands)	Percentage (%)	Carrying amount			
The Company	Weltrend International Co., (BVI) Ltd.	British Virgin Islands	Investment	$ 265,000	$ 265,000	8,164	100	$ 483,269	($ 41,041)	($ 41,041)	Note 1
	Yingquan Investment Co., Ltd.	Taiwan	Investment	241,486	241,486	32,416	98	265,530	(32,481)	(31,923)	Note 1
	Sentelic Corporation	Taiwan	Integrated circuit development and design, analog circuit design, digital signal processing, application software development, and import and export of electronic components.	1,117,120	-	15,324	51	1,077,536	(12,299)	(39,935)	Note 1 and 3
Sentelic Corporation	Sentelic Holding Co., Ltd.	Republic of Mauritius.	Investment	18,782	18,782	625	100	22	(1)	(1)	Note 1

Note 1: It was calculated based on the financial reports for the same periods audited by CPAs.

Note 2: Please refer to Table 5 for the relevant information on the investees in Mainland China.

Note 3: The Company acquired 51% of Sentelic Corporation’s shares in cash on August 24, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on investment in Mainland China

For the Year Ended December 31, 2022

Table 5

Unit: In thousand NTD, unless otherwise specified

Names of investees in Mainland China	Principal business	Paid-in capital	Type of investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investment amount remitted from Taiwan at the end of the period	Profit or loss of the investee for the period (Note 2)	Shareholding in direct or indirect investment	Investment income (loss) recognized in this period (Note 2)	Book value of investments at the end of the period	Investment income remitted back as of the end of the period
					Outward remittance	Recover						
Dongguan Prosil Electronics Co., Ltd.	Import and export of electronic components and general import and export	RMB 8,048 thousand (USD 1,200 thousand)	Note 1	USD 1,200 thousand ($ 36,852)	$ -	$ -	USD 1,200 thousand ($ 36,852)	$ 2,257	100%	$ 2,257	$ 29,268	$ -

Accumulated amount of investment from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, MOEA	Investment quota for Mainland China as stipulated by the Investment Commission, MOEA
US$1,200 thousand ($36,852)	US$1,200 thousand ($36,852)	$1,892,018

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

Note 2: It was calculated based on the financial report for the same period audited by a CPA.

Note 3: The amounts were converted at an exchange rate of USD to NTD on December 31, 2022.

Weltrend Semiconductor, Inc. and Its Subsidiaries

Major Transactions with Investees in Mainland China Through Direct or Indirect Investment Through a Third Region, and the Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information

For the Year Ended December 31, 2022

Table 6

Unit: NT$ thousand

Names of investees in Mainland China	Type of transaction	Purchase or sale		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
Dongguan Prosil Electronics Co., Ltd.	Operating revenues	$ 81,830	3%	—	$ 10,511	2%	$ -	—

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

Weltrend Semiconductor, Inc. and Its Subsidiaries

Information on major shareholders

December 31, 2022

Table 7

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

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