

Stock Code: 2436



Weltrend Semiconductor, Inc.

**2024 Annual Meeting of Shareholders
Handbook**

May 29, 2024

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Weltrend Semiconductor Incorporated

2024 Annual Meeting of Shareholders Agenda

Method for convening the shareholders' meeting: In-person shareholders' meeting

Meeting time: 09:00 a.m., May 29, 2024 (Wednesday)

Location: 3F, No. 22, Industry E. 9th Road, Hsinchu Science Park, Hsinchu City
(Conference Room 310 of Weltrend Semiconductor Incorporated)

Attendance: All shareholders and proxies

Chair: Sam Lin, Chairman

Agenda:

- I. Call the Meeting to Order
- II. Chair's Remarks
- III. Management Presentation (Please refer to P.2 to P.8)
 - (I) 2023 Business Report.
 - (II) Audit Committee's Audit Report.
 - (III) Report on the 2023 Distribution of Employees' Remuneration and Directors' Remuneration.
 - (IV) Report on the issuance of the Company's first unsecured convertible corporate bonds in the domestic market.
- IV. Ratifications (Please refer to P.9 to P.31)
 - (I) 2023 Business Report and Financial Statements.
 - (II) 2023 Earnings Distribution Proposal.

Voting for Ratifications
- V. Questions and Motions
- VI. Adjournment

Management Presentation

Management Presentation 1 Proposed by the Board of Directors

Agenda: The 2023 Business Report is submitted for review.

Explanation: Please refer to P.4 to P.6 for the Business Report.

Management Presentation 2 Proposed by the Board of Directors

Agenda: The Audit Committee's Audit Report is submitted for review.

Explanation: Please refer to P.7 for the Audit Committee's Audit Report.

Management Presentation 3 Proposed by the Board of Directors

Agenda: The Report on the 2023 Distribution of Employees' Remuneration and Directors' Remuneration is submitted for review.

Explanation: 1. According to Article 20 of the Articles of Incorporation, the Company shall allocate 11% to 15% of the Company's pre-tax profit of the current period before deducting the employees' remuneration and Directors' remuneration of the year as employees' remuneration and no more than 4% as Directors' remuneration. However, if the Company has accumulated losses (including adjustment on non-distributed earnings), the Company shall set aside a part of the profit first to make up for the losses.

 2. The Company plans to set aside 12% of the profit as employees' remuneration totaling NT\$33,328,484 and 3% as Directors' remuneration totaling NT\$8,332,120. The employees' remuneration and Directors' remuneration this year shall be distributed entirely in cash.

 3. There are no discrepancies between the employees' remuneration and Directors' remuneration and the amount estimated in 2023.

Management Presentation 4 Proposed by the Board of Directors

Agenda: The Report on the issuance of the Company's first unsecured convertible corporate bonds in the domestic market is submitted for review.

Explanation: 1. The Company, in order to enhance operational funds and repay bank loans, as approved by the Board of Directors on July 19, 2023, resolved to issue the first unsecured convertible corporate bonds in the domestic market. The total issuance amount was NT\$1,100,000,000. After approval by the Financial Supervisory Commission, with the effective application filed on August 16, 2023, under document number 1120350432 from the Securities and Futures Bureau, the bonds were listed for trading on the Taiwan Stock Exchange on September 11, 2023.

 2. Please refer to P.8 for details on the issuance of the Company's first unsecured convertible corporate bonds in the domestic market.

Weltrend Semiconductor, Inc.

Business Report

I. 2023 Business Performance Analysis

In 2021, the information technology sector experienced significant shortages, while 2022 saw an overproduction scenario. Consequently, the focus of the entire market in 2023 was on inventory clearance, resulting in lackluster economic prospects. In terms of Taiwan's overall economic performance, the GDP grew by only 1.4% in 2023, marking the lowest growth rate in 14 years since the global financial crisis.

According to World Semiconductor Trade Statistics (WSTS), the total revenue of the global semiconductor market in 2023 was US\$526.8 billion, which was a 8.2% decline compared to 2022. Meanwhile, the output value of Taiwan's IC industry, as estimated by the Industrial Technology Research Institute (ITRI), reached NT\$4.3428 trillion in 2023, representing a 10.2% decline from the previous year. Among these figures, Taiwan Semiconductor Manufacturing Company (TSMC) alone recorded revenue of NT\$2.1617 trillion, accounting for nearly 50% of the total, with an annual decline of only 4.5%. This highlights the stark contrast in performance among industry players. For instance, leading semiconductor design company MediaTek experienced a revenue decline of 21%, while the overall IC design industry saw an 11% decline.

The Company's aforementioned difficulties in 2023 are described above, with parent company-only revenues showing an annual decline of 11.35%, which is comparable to the overall industry performance. It is gratifying to note that our inventory decreased from NT\$1.39 billion at the beginning of the year to NT\$688 million by the end of the year, returning to a healthy level. The summarized key financial figures and explanations are as follows:

1. The comparison of the 2023 and 2022 business performance:

Unit: NT\$ thousands

	2023	2022	Growth rate
Net sales	2,456,755	2,771,368	-11.35%
Gross profit	605,891	867,225	-30.13%
Operating income	87,063	349,838	-75.11%
Net non-operating income (loss)	149,014	(153,404)	+197.14%
Income tax expenses	(26,837)	(49,663)	-45.96%
Net profit after tax	209,240	146,771	+42.56%
EPS	1.18	0.83	+42.17%

(These statistics are from the parent company only financial statements,

which are prepared in accordance with the regulations of the competent authority.)

In 2023, a decline in revenue and the provision for obsolete inventory losses led to a decrease in the gross profit margin by 6.6%, resulting in a reduction of approximately NT\$263 million in operating profit, affecting the core profitability of the business. However, due to the revival of the Taiwanese capital market and foreign exchange gains, the Company generated NT\$149 million in non-operating income. Consequently, the Company's annual net profit after tax reached NT\$209 million, growing by 42.56% compared to NT\$147 million in 2022. The earnings per share (EPS) also increased to NT\$1.18 from NT\$0.83 in 2022, representing a growth of 42.17%.

2. In 2023, research and development expenses amounted to NT\$308 million, marking an increase of NT\$16 million compared to NT\$292 million in 2022. The primary reason for this increase was the rise in personnel expenses related to research and development within the Company.
3. Budget implementation status: The Company did not prepare a financial forecast for 2023. Comparison of actual business operation and internal target: While non-operating net income exceeded expectations, the operating profit fell short of projections. Consequently, the post-tax net profit did not meet the anticipated level.

II. 2024 Business Plan Summary

With the clearance of surplus inventory in 2023 and the gradual realization of synergies from the acquisition of Sentelic Corporation in 2022, coupled with over a year of operational integration, the Company has witnessed the emergence of synergistic effects. Following the success of the Power IC product line, the Motor IC product line has also begun to establish a solid foundation. As a result, 2024 is anticipated to be a promising year, with expectations of double-digit revenue growth. Particularly, profitability performance is hoped to surpass revenue growth.

The favorable factors are as follows:

1. The Power IC product line has witnessed a normalization of client-side inventory levels, coupled with the establishment of USB Type-C PD as an industry standard. The anticipated increase in market penetration bodes well for the Company's growth.

2. Synergistic effects resulting from the consolidation of the cooling fan motor control IC within the corporate group have become evident. Moreover, the market demand for various applications such as servers, mining machines, graphics cards, and white goods remains robust. Particularly, the explosive growth in AI servers, along with the increasing demand for energy efficiency and heat dissipation functionalities, presents numerous growth opportunities for the Company.

The unfavorable factor is as follows:

Due to the increasing delineation of the US-China supply chain and China's concerted efforts to nurture its own suppliers, Taiwanese businesses face greater challenges in penetrating the Chinese market unless they possess unique product advantages. This poses a significant challenge for the Company.

III. Evaluation of the Company's Future Development Strategy and External Competition

After two years of adjustment, global semiconductor market demand is expected to return to a growth trajectory in 2024, according to various market research institutions. Some even hold optimistic forecasts, predicting growth rates of up to 20%, including major players like TSMC!

Although the semiconductor process technologies utilized by the Company belong to mature process nodes, there still exists significant room for innovation by aligning with product trends. We will continue to recruit talents and leverage our existing strengths to integrate diverse technologies such as MCU, Power, algorithms, firmware, etc., in order to develop niche products. Additionally, we will continue to actively seek for strategic growth opportunities through mergers and acquisitions. In the Chinese market, we aim to avoid engaging in price wars and instead focus on winning through product competitiveness. Furthermore, we aspire to explore emerging markets such as India and Vietnam, as well as re-enter the South Korean market where the Company has previously achieved remarkable success.

I wish to thank you, our shareholders, for your support.

Best wishes for your investment.

Sam Lin, Chairman

DS Lin, President

Jason Wang, Accounting Supervisor

Audit Committee's Audit Report

The Board of Directors has prepared and submitted the 2023 Business Report, financial statements, and earnings distribution proposal. The financial statements have been audited by Deloitte, Taiwan, which submitted the Independent Auditors' Report. The Audit Committee has reviewed the aforementioned Business Report, financial statements, and the earnings distribution proposal and did not find any instance of noncompliance. The Audit Committee hereby submits the Audit Report for your review and perusal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2024 Annual Meeting of Shareholders

Weltrend Semiconductor, Inc.

Audit Committee Convener: Gerald Kuo

February 26, 2024

The issuance status of the first unsecured convertible corporate bonds in the domestic market

Type of Corporate Bond		Domestic Unsecured Convertible Corporate Bonds (First Issuance)
Date of Issuance		September 11, 2023
Face Value		Each bond has a face value of NT\$ 100,000
Place of Issuance and Trading		-
Issue Price		According to 112.15% of the face value
Total Amount		NT\$ 1,100,000,000
Interest Rate		Coupon Rate: 0% per annum
Term		3-year term Maturity Date: September 11, 2026
Guarantee Institution		Not applicable
Trustee		Taishin International Bank
Underwriting Institution		Taishin Securities Co., Ltd.
Lawyer		Charles Ya-Wen Chiu
CPA		Deloitte Taiwan
Repayment Method		The outstanding principal will be repaid in cash in full, based on the face value of the bond upon maturity.
Outstanding Principal		NT\$1,099,900 thousand
Redemption or Early Repayment Provisions		Please refer to the terms and conditions outlined in the issuance and conversion procedures
Restrictive covenants		Not applicable
Credit Rating Agency Name, Rating Date, Corporate Bond Rating Result		Not applicable
Other Rights Attached	The amount converted (exchanged or subscribed) into common shares, overseas depositary receipts, or other securities as of the printing date of the annual report.	As of March 31, 2024, 1 bond has been converted, with a total face value of NT\$100 thousand, converted into 1,633 common shares.
	Issuance or Conversion (Exchange or Subscription) Procedure	Please refer to the terms and conditions outlined in the issuance and conversion procedures
The issuance and conversion, exchange, or subscription procedures, issuance conditions, potential dilution of equity, and impact on existing shareholders' equity		Based on the current conversion price of NT\$61.2, the maximum dilution effect of the convertible bonds issued in this round on existing shareholders is estimated to be approximately 10.17%. However, the dilution effect of convertible bonds on equity depends on the conversion situation and occurs gradually, thereby having a mitigating effect. Therefore, overall, the dilution impact on equity is considered to be limited.
Name of Custodian Institution for Exchange Targets		Not applicable

Ratifications

Ratification 1 Proposed by the Board of Directors

Agenda: 2023 Business Report and Financial Statements.

Explanation: 1. The Company's 2023 Parent Company Only Financial Statements and Consolidated Financial Statements were passed by the Board of Directors on February 26, 2024, and delivered to and audited by CPAs Cheng-Chih Lin and Pan-Fa Wang of Deloitte, Taiwan, who submitted the Independent Auditors' Report.

2. Please refer to P.4 to P.6 and P.10 to P.29 for the 2023 Business Report, Independent Auditors' Report, and Financial Statements.

3. Please ratify.

Resolution:

Independent Auditor's Report

To Weltrend Semiconductor, Inc. and Its Subsidiaries,

Audit opinion

We have reviewed the accompanying parent company only balance sheets of Weltrend Semiconductor, Inc. (the "Company") for the years ended December 31, 2023 and 2022 and the relevant parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2023 and 2022 and for the years then ended, and its standalone financial performance and standalone cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company only financial statements" paragraph of our report. We are independent of the Company 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 are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the Company's parent company only financial statements for the year ended December 31, 2023 based on our professional judgment. These matters were addressed in our audit of the parent company only financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2023, are stated as follows

Sales revenue recognition

The Company's standalone operating revenue for 2023 amounted to NT\$2,456,755 thousand. Please Notes 4 and 25 to the parent company only financial statements for accounting policies and information on revenue recognition. The Company's operating revenue mainly includes research, development, production, and sales of integrated circuits and sales of foreign brands' integrated circuits as an agent. Due to the large number of sales clients located at home and abroad, we listed the sales revenue which grew compared with the last year and that from specific counterparties as one of the key audit matters.

The main audit procedures we performed for the above matters are as follows

1. Learned about and tested the effectiveness of the main internal control design and implementation for sales revenue.
2. Sampled and checked the receipts and invoices related to sales revenue and the payment status, checked if transaction counterparties existed to verify if the sales really happened, and checked if there is any anomaly in the sales clients and the payment recipients.

Responsibilities of the management and the governing bodies for the parent company only financial statements

The management's responsibilities are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control associated with the preparation in order to ensure that the parent company only financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The Company's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the parent company only financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

1. Identified and assessed the risks of material misstatement arising from fraud or error within the parent company only financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's parent company only financial statements for the year ended December 31, 2023. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2024

Weltrend Semiconductor Incorporated
Parent Company Only Balance Sheet
December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Assets	December 31, 2023		December 31, 2022		Code	Liabilities and equity	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
	Current assets						Current liabilities				
1100	Cash and cash equivalents (Notes 4, 6 and 30)	\$ 629,083	12	\$ 169,047	3	2100	Short-term borrowings (Notes 4, 18, 30 and 32)	\$ 150,000	3	\$ 1,537,680	30
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7, 30, and 32)					2120	Financial liabilities at fair value through profit or loss - current (Notes 7, 19, and 30)	110	-	-	-
		268,362	5	268,698	5	2150	Notes payable (Notes 4, 20 and 30)	629	-	1,279	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)					2170	Accounts payable (Notes 4, 20 and 30)	191,980	4	220,622	4
		295,080	6	306,807	6		Remuneration payable to employees and directors and supervisors (Note 26)	41,661	1	34,665	1
1150	Notes receivable (Notes 4, 10 and 30)	12,426	-	23,778	1	2209	Other payables (Notes 4, 21 and 30)	54,877	1	48,829	1
1170	Accounts receivable (Notes 4, 10, 25 and 30)	798,416	16	683,865	14	2230	Current tax liabilities (Notes 4 and 27)	-	-	42,576	1
1180	Accounts receivable - related party (Notes 4, 30, and 31)	29,584	1	10,514	-	2250	Liabilities - current (Notes 4 and 22)	10,360	-	6,283	-
1190	Other accounts receivable - related party (Notes 4, 30, 31, and 33)	95	-	1,226	-	2280	Lease liabilities - current (Notes 4, 15 and 30)	11,853	-	6,574	-
1200	Other receivables (Notes 4, 10 and 30)	1,921	-	13,732	-	2300	Other current liabilities (Notes 4, 21 and 25)	5,639	-	4,226	-
1220	Current tax assets (Notes 4 and 27)	7,674	-	-	-	21XX	Total current liabilities	467,109	9	1,902,734	37
130X	Inventory (Notes 4 and 11)						Non-current liabilities				
		687,877	14	1,390,584	27	2530	Corporate bonds payable (Notes 19 and 30)	1,041,009	20	-	-
1410	Prepayments (Note 17)	25,765	-	29,172	1	2570	Deferred tax liabilities (Note 4 and 27)	1,741	-	-	-
11XX	Total current assets	2,756,283	54	2,897,423	57	2580	Lease liabilities - non-current (Notes 4, 15 and 30)	30,453	1	12,995	-
	Non-current assets					2640	Net defined benefit liability - non-current (Notes 4 and 23)	51,379	1	53,873	1
	Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	80,212	2	71,098	1		Other non-current liabilities (Notes 21 and 30)	440	-	-	-
1535	Financial assets at amortized cost - non-current (Notes 4, 9, 30, and 32)	100	-	100	-	25XX	Total non-current liabilities	1,125,022	22	66,868	1
1550	Investments using the equity method (Notes 4 and 12)	1,914,679	38	1,826,335	36		Total liabilities	1,592,131	31	1,969,602	38
1600	Property, plant and equipment (Notes 4, 13 and 32)	206,074	4	284,813	6		Equity (Notes 4, 24, and 30)				
1755	Right-of-use assets (Notes 4 and 15)	41,842	1	19,433	-	3110	Common stock	1,780,116	35	1,780,100	35
1760	Investment property (Notes 4 and 14)	50,208	1	-	-	3200	Capital surplus	266,965	5	69,026	1
1780	Intangible assets (Notes 4 and 16)	18,365	-	18,198	-		Retained earnings				
1920	Guarantee deposits paid (Note 30)	5,590	-	5,565	-	3310	Legal reserve	640,592	13	633,441	12
15XX	Total non-current assets	2,317,070	46	2,225,542	43	3320	Special reserve	167,949	3	32,053	1
						3350	Unappropriated earnings	733,853	15	909,856	18
						3300	Total retained earnings	1,542,394	31	1,575,350	31
						3400	Other equity	(24,853)	-	(167,949)	(3)
						3500	Treasury stock	(83,400)	(2)	(103,164)	(2)
						3XXX	Total equity	3,481,222	69	3,153,363	62
1XXX	Total assets	\$ 5,073,353	100	\$ 5,122,965	100		Total liabilities and equity	\$ 5,073,353	100	\$ 5,122,965	100

The accompanying notes are an integral part of the parent company only financial statements.

Weltrend Semiconductor Incorporated
Parent Company Only Statement of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

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

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4, 25 and 31)	\$ 2,456,755	100	\$ 2,771,368	100
5000	Operating costs (Notes 4, 11 and 26)	<u>1,850,864</u>	<u>76</u>	<u>1,904,143</u>	<u>69</u>
5900	Operating gross margins	<u>605,891</u>	<u>25</u>	<u>867,225</u>	<u>31</u>
	Operating expenses (Note 26)				
6100	Selling expenses	134,803	5	145,001	5
6200	Administrative expenses	75,991	3	81,034	3
6300	Research and				
	Development expenses	308,034	13	291,653	10
6450	Expected credit reversal gain (Note 10)	<u>-</u>	<u>-</u>	<u>(301)</u>	<u>-</u>
6000	Total operating expenses	<u>518,828</u>	<u>21</u>	<u>517,387</u>	<u>18</u>
6900	Net operating profits	<u>87,063</u>	<u>4</u>	<u>349,838</u>	<u>13</u>
	Non-operating income and expenses				
7100	Interest income (Notes 4 and 26)	7,983	-	1,219	-
7010	Other income (Notes 4, 26 and 31)	38,764	2	114,262	4
7020	Other profits and losses (Note 26)	35,333	1	(144,817)	(5)
7050	Financial costs (Note 26)	(25,125)	(1)	(11,169)	(1)
7070	Share of profit on subsidiaries using the equity method (Notes 4 and 12)	<u>92,059</u>	<u>4</u>	<u>(112,899)</u>	<u>(4)</u>
7000	Non-operating income and expenses, net	<u>149,014</u>	<u>6</u>	<u>(153,404)</u>	<u>(6)</u>

(Continued on next page)

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Code		2023		2022	
		Amount	%	Amount	%
7900	Net profit before taxation	\$ 236,077	10	\$ 196,434	7
7950	Income tax expense (Notes 4 and 27)	<u>26,837</u>	<u>1</u>	<u>49,663</u>	<u>2</u>
8200	Net income for the year	<u>209,240</u>	<u>9</u>	<u>146,771</u>	<u>5</u>
	Other comprehensive income				
8310	Items not reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	(575)	-	10,832	1
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	76,296	3	(158,254)	(6)
8330	Share of other comprehensive income of subsidiaries using the equity method	37,989	2	(64,106)	(2)
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	(411)	-	372	-
8300	Other comprehensive income for the year	<u>113,299</u>	<u>5</u>	<u>(211,156)</u>	<u>(7)</u>
8500	Total comprehensive income for the year	<u>\$ 322,539</u>	<u>14</u>	<u>(\$ 64,385)</u>	<u>(2)</u>
	Earnings per share (Note 28)				
9750	Basic	<u>\$ 1.18</u>		<u>\$ 0.83</u>	
9850	Diluted	<u>\$ 1.17</u>		<u>\$ 0.83</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Weltrend Semiconductor Incorporated
Parent Company Only Statement of Changes in Equity
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand

Code		Common stock		Retained earnings			Other equity		Treasury stock	Total equity
		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on the translation of financial statements of foreign operations	Unrealized gain or loss on measured at fair value through other comprehensive income	
A1	Balance at January 1, 2022	178,010	\$ 1,780,100	\$ 39,555	\$ 547,112	\$ 10,883	\$ 1,475,374	(\$ 1,943)	(\$ 30,110)	(\$ 161,278) \$ 3,659,693
	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)
D1	Net income for 2022	-	-	-	-	-	146,771	-	-	146,771
D3	Other comprehensive income for 2022	-	-	-	-	-	11,183	372	(222,711)	(211,156)
D5	Total comprehensive income for 2022	-	-	-	-	-	157,954	372	(222,711)	(64,385)
F3	Transfer of treasury shares	-	-	29,471	-	-	-	-	-	58,114 87,585
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(86,443)	-	86,443	-
Z1	Balance at 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
	Earnings distribution for 2022									
B1	Legal reserve	-	-	-	7,151	-	(7,151)	-	-	-
B3	Special reserve	-	-	-	-	135,896	(135,896)	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(212,399)	-	-	(212,399)
C5	Other changes in capital surplus: Convertible corporate bonds issued and recognized in components of equity	-	-	193,693	-	-	-	-	-	193,693
D1	Net income for 2023	-	-	-	-	-	209,240	-	-	209,240
D3	Other comprehensive income for 2023	-	-	-	-	-	(587)	(411)	114,297	113,299
D5	Total comprehensive income for 2023	-	-	-	-	-	208,653	(411)	114,297	322,539
F3	Transfer of treasury shares	-	-	4,168	-	-	-	-	-	19,764 23,932
I1	Convertible corporate bond conversion	1	16	78	-	-	-	-	-	- 94
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(29,210)	-	29,210	-
Z1	Balance at December 31, 2023	178,011	\$ 1,780,116	\$ 266,965	\$ 640,592	\$ 167,949	\$ 733,853	(\$ 1,982)	(\$ 22,871)	(\$ 83,400) \$ 3,481,222

The accompanying notes are an integral part of the parent company only financial statements.

Weltrend Semiconductor Incorporated
Parent Company Only Statement of Cash Flows
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Net income before tax for 2023	\$ 236,077	\$ 196,434
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	61,173	64,286
A20200	Amortization expenses	24,563	18,034
A20300	Expected credit reversal gain	-	(301)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	(51,253)	210,928
A20900	Financial costs	25,125	11,169
A21200	Interest income	(7,983)	(1,219)
A21300	Dividend income	(35,474)	(108,181)
A21900	Cost of remuneration for employee stock options	4,085	28,722
A22400	Share of loss (profit) on subsidiaries using the equity method	(92,059)	112,899
A22500	Gain on disposal of property, plant and equipment	-	(95)
A23700	Losses for market price decline and obsolete inventory	112,689	27,456
A24100	Foreign exchange gains (losses), net	8,600	(93,316)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	11,352	1,500
A31150	Accounts receivable	(116,314)	539,036
A31160	Accounts receivable - related party	(19,351)	8,005
A31170	Other receivables	7,779	6,415
A31180	Other receivable - related party	1,131	(1,226)
A31200	Inventory	590,018	(665,714)
A31230	Prepayments	3,407	(5,679)
A32130	Notes payable	(650)	559
A32150	Accounts payable	(29,136)	(381,337)
A32990	Remuneration payable to employees and directors and supervisors	6,996	(119,922)
A32180	Other payables	(3,183)	11,894
A32200	Provisions	4,077	(300)
A32230	Other current liabilities	1,413	106
A32240	Net defined benefit liability	(3,068)	(8,973)
A33000	Cash inflow (outflow) from operations	740,014	(148,820)
A33100	Interest received	7,983	1,219
A33300	Interests paid	(18,651)	(11,169)
A33500	Income tax paid	(75,346)	(101,793)
AAAA	Net cash inflow (outflow) from operating activities	<u>654,000</u>	<u>(260,563)</u>

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Code		2023	2022
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 335,647)	(\$ 711,230)
B00020	Sale of financial assets at fair value through other comprehensive income	436,879	612,465
B00100	Acquisition of financial assets at fair value through profit or loss	(120,798)	(366,974)
B00200	Sale of financial assets at fair value through profit or loss	163,053	566,097
B02200	Acquisition of subsidiaries	-	(1,117,120)
B02700	Purchase of property, plant, and equipment	(18,334)	(33,322)
B02800	Proceeds from disposal of property, plant and equipment	-	95
B03700	Increase in refundable deposits	(25)	(183)
B04500	Acquisition of intangible assets	(24,730)	(21,198)
B07600	Other dividends received	35,529	108,195
B09900	Dividends from subsidiaries received	<u>41,375</u>	<u>16,208</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>177,302</u>	(<u>946,967</u>)
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term borrowings	(1,387,680)	1,002,680
C01200	Convertible corporate bonds issued	1,228,652	-
C03000	Increase in guarantee deposits received	440	-
C04200	Principal repayment of lease liabilities	(13,978)	(13,993)
C04500	Cash dividends paid	(212,399)	(529,530)
C04900	Purchase of treasury shares	-	(36,735)
C05000	Price of disposal of treasury shares	<u>19,764</u>	<u>58,114</u>
CCCC	Net cash inflow (outflow) from financing activities	(<u>365,201</u>)	<u>480,536</u>
DDDD	Impact of changes in exchange rate on cash and cash equivalents	(<u>6,065</u>)	<u>29,892</u>
EEEE	Net (decrease) increase in cash and cash equivalents for 2023	460,036	(697,102)
E00100	Opening balance of cash and cash equivalents	<u>169,047</u>	<u>866,149</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 629,083</u>	<u>\$ 169,047</u>

The accompanying notes are an integral part of the parent company only financial statements.

Independent Auditor's Report

To Weltrend Semiconductor, Inc. and Its Subsidiaries,

Audit opinion

We have reviewed the accompanying consolidated balance sheets of Weltrend Semiconductor, Inc. (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, 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, 2023 and 2022 and for the years then ended, 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, the 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 (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs) (refer to the section of “Other matters”).

Basis of audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” paragraph 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 are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the Group's consolidated financial statements for the year ended December 31, 2023 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023, are stated as follows

Sales revenue recognition

The Group's consolidated operating revenue for 2023 amounted to NT\$2,885,560 thousand. Please Notes 4 and 26 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 and sales of foreign brands' integrated circuits as an agent. Due to the large number of sales clients located at home and abroad, we listed the sales revenue which grew compared with the last year and that from specific counterparties as one of the key audit matters.

The main audit procedures we performed for the above matters are as follows

1. Learned about and tested the effectiveness of the main internal control design and implementation for sales revenue.
2. Sampled and checked the receipts and invoices related to sales revenue and the payment status, checked if transaction counterparties existed to verify if the sales really happened, and checked if there is any anomaly in the sales clients and the payment recipients.

Other matters

The Company has also prepared the parent company-only financial statements for the years ended December 31, 2023 and 2022, for which we have issued an audit report, along with an unqualified opinion, for reference.

Responsibilities of the management and the governing bodies for the consolidated financial statements

The management's responsibilities are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China and to maintain necessary internal control associated with the preparation in order to ensure that the consolidated financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group's governing bodies (including the Audit Committee) are responsible for supervising the 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 independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

1. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding

independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2023. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2024

Weltrend Semiconductor, Inc. and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

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

Code	Assets	December 31, 2023		December 31, 2022		Code	Liabilities and equity	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
	Current assets						Current liabilities				
1100	Cash and cash equivalents (Notes 4, 6 and 33)	\$ 1,242,075	21	\$ 708,313	12	2100	Short-term borrowings (Notes 4, 19, 33 and 35)	\$ 150,000	3	\$ 1,537,680	26
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7, 33, and 35)	509,433	9	581,616	10	2120	Financial liabilities at fair value through profit or loss - current (Notes 7, 20, and 33)	110	-	-	-
1120	Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 33)	468,486	8	442,809	7	2150	Notes payable (Notes 4, 21 and 33)	629	-	1,279	-
1136	Financial assets at amortized cost - current (Notes 9 and 33)	277,133	5	167,472	3	2170	Accounts payable (Notes 4, 21 and 33)	232,687	4	240,640	4
1150	Notes receivable (Notes 4, 10 and 33)	13,574	-	25,510	-	2206	Remuneration payable to employees and directors and supervisors (Note 27)	51,086	1	49,264	1
1170	Accounts receivable, net (Notes 4, 10, 26 and 33)	923,254	16	758,045	13	2209	Other payables (Notes 4, 22 and 33)	75,064	1	96,113	1
1200	Other receivables (Notes 4, 10 and 33)	6,806	-	17,936	-	2230	Current tax liabilities (Notes 4 and 28)	844	-	58,513	1
1220	Current tax assets (Note 28)	11,619	-	-	-	2250	Liabilities - current (Notes 4 and 23)	12,207	-	8,756	-
130X						2280	Lease liabilities - current (Notes 4, 15 and 33)	17,341	-	12,100	-
	Inventory (Notes 4 and 11)	789,659	13	1,590,085	26	2300	Other current liabilities (Notes 4, 22 and 26)	6,897	-	6,843	-
1410	Prepayments (Note 18)	34,003	1	36,302	1	21XX	Total current liabilities	546,865	9	2,011,188	33
11XX	Total current assets	4,276,042	73	4,328,088	72		Non-current liabilities				
	Non-current assets					2530	Corporate bonds payable (Notes 20 and 33)	1,041,009	18	-	-
1510	Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 33)	80,663	1	71,098	1	2570	Deferred tax liabilities (Note 4 and 28)	126,466	2	143,352	3
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 33)	68,074	1	62,528	1	2580	Lease liabilities - non-current (Notes 4, 15 and 33)	31,519	1	17,525	-
1535	Financial assets at amortized cost - non-current (Notes 4, 9, 33, and 35)	10,401	-	15,397	-	2640	Net defined benefit liability - non-current (Notes 4 and 24)	52,285	1	54,895	1
1600	Property, plant and equipment (Notes 4, 13 and 35)	213,906	4	295,660	5	2670	Other non-current liabilities (Notes 22 and 33)	440	-	-	-
1755	Right-of-use assets (Notes 4 and 15)	48,314	1	29,442	1	25XX	Total non-current liabilities	1,251,719	22	215,772	4
1760	Investment property (Notes 4 and 14)	50,208	1	-	-	2XXX	Total liabilities	1,798,584	31	2,226,960	37
1780	Intangible assets (Notes 4, 17 and 31)	641,476	11	718,743	12		Equity attributable to owners of the Company (Notes 4, 20, 25, 29 and 30)				
1805	Goodwill (Notes 4, 5, 16 and 31)	447,603	8	447,603	8	3110	Common stock	1,780,116	30	1,780,100	30
1840	Deferred tax assets (Notes 4 and 28)	3,718	-	7,449	-	3200	Capital surplus	266,965	4	69,026	1
1920	Guarantee deposits paid (Note 33)	6,565	-	6,542	-		Retained earnings				
1990	Other non-current assets	4,993	-	9,065	-	3310	Legal reserve	640,592	11	633,441	11
15XX	Total non-current assets	1,575,921	27	1,663,527	28	3320	Special reserve	167,949	3	32,053	1
						3350	Unappropriated earnings	733,853	12	909,856	15
						3300	Total retained earnings	1,542,394	26	1,575,350	27
						3400	Other equity	(24,853)	-	(167,949)	(3)
						3500	Treasury stock	(83,400)	(1)	(103,164)	(2)
							Total equity attributable to owners of the Parent	3,481,222	59	3,153,363	53
						31XX					
						36XX	Non-controlling interests (Notes 4 and 25)	572,157	10	611,292	10
						3XXX	Total equity	4,053,379	69	3,764,655	63
1XXX	Total assets	\$ 5,851,963	100	\$ 5,991,615	100		Total liabilities and equity	\$ 5,851,963	100	\$ 5,991,615	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, 2023 and 2022

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

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4 and 26)	\$ 2,885,560	100	\$ 2,888,153	100
5000	Operating costs (Notes 4, 11, 24, and 27)	<u>2,103,785</u>	<u>73</u>	<u>2,044,532</u>	<u>71</u>
5900	Operating gross margins	<u>781,775</u>	<u>27</u>	<u>843,621</u>	<u>29</u>
	Operating expenses (Notes 24 and 27)				
6100	Selling expenses	186,078	6	165,477	5
6200	Administrative expenses	109,498	4	96,461	3
6300	Research and				
	Development expenses	444,189	15	338,885	12
6450	Expected credit impairment losses (gain on reversal) (Note 10)	<u>180</u>	<u>-</u>	<u>(646)</u>	<u>-</u>
6000	Total operating expenses	<u>739,945</u>	<u>25</u>	<u>600,177</u>	<u>20</u>
6900	Net operating profits	<u>41,830</u>	<u>2</u>	<u>243,444</u>	<u>9</u>
	Non-operating income and expenses				
7100	Interest income (Notes 4 and 27)	46,260	1	5,992	-
7010	Other income (Notes 4 and 27)	54,286	2	142,465	5
7020	Other profits and losses (Notes 4 and 27)	109,414	4	(239,481)	(8)
7050	Financial costs (Note 27)	<u>(25,304)</u>	<u>(1)</u>	<u>(12,864)</u>	<u>(1)</u>
7000	Total non-operating income and expenses	<u>184,656</u>	<u>6</u>	<u>(103,888)</u>	<u>(4)</u>
7900	Net profit before taxation	226,486	8	139,556	5
7950	Income tax expense (Notes 4 and 28)	<u>19,400</u>	<u>1</u>	<u>31,686</u>	<u>1</u>
8200	Net income for the year	<u>207,086</u>	<u>7</u>	<u>107,870</u>	<u>4</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items not reclassified to profit or loss:				
8311	Remeasurement of defined benefit plans	(\$ 604)	-	\$ 11,692	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	114,721	4	(223,648)	(8)
8349	Income tax related to items not reclassified	6	-	(172)	-
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operations	(411)	-	372	-
8300	Other comprehensive income for the year	<u>113,712</u>	<u>4</u>	<u>(211,756)</u>	<u>(8)</u>
8500	Total comprehensive income for the year	<u>\$ 320,798</u>	<u>11</u>	<u>(\$ 103,886)</u>	<u>(4)</u>
	Net profits (losses) attributable to:				
8610	Owners of the parent	\$ 209,240	7	\$ 146,771	5
8620	Non-controlling interests	(2,154)	-	(38,901)	(1)
8600		<u>\$ 207,086</u>	<u>7</u>	<u>\$ 107,870</u>	<u>4</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 322,539	11	(\$ 64,385)	(2)
8720	Non-controlling interests	(1,741)	-	(39,501)	(2)
8700		<u>\$ 320,798</u>	<u>11</u>	<u>(\$ 103,886)</u>	<u>(4)</u>
	Earnings per share (Note 29)				
9750	Basic	<u>\$ 1.18</u>		<u>\$ 0.83</u>	
9850	Diluted	<u>\$ 1.17</u>		<u>\$ 0.83</u>	

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, 2023 and 2022

Unit: NT\$ thousand

		Equity attributable to owners of the Parent											
								Other equity					
		Common stock		Retained earnings				Exchange differences on the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interests	Total equity
Code		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						
A1	Balance at January 1, 2022	178,010	\$ 1,780,100	\$ 39,555	\$ 547,112	\$ 10,883	\$ 1,475,374	(\$ 1,943)	(\$ 30,110)	(\$ 161,278)	\$ 3,659,693	\$ 6,414	\$ 3,666,107
	Earnings distribution for 2021												
B1	Legal reserve	-	-	-	86,329	-	(86,329)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	21,170	(21,170)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(529,530)	-	-	-	(529,530)	-	(529,530)
D1	Net 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 at 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
	Earnings distribution for 2022												
B1	Legal reserve	-	-	-	7,151	-	(7,151)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	135,896	(135,896)	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(212,399)	-	-	-	(212,399)	-	(212,399)
C5	Other changes in capital surplus: Convertible corporate bonds issued and recognized in components of equity	-	-	193,693	-	-	-	-	-	-	193,693	-	193,693
D1	Net income for 2023	-	-	-	-	-	209,240	-	-	-	209,240	(2,154)	207,086
D3	Other comprehensive income for 2023	-	-	-	-	-	(587)	(411)	114,297	-	113,299	413	113,712
D5	Total comprehensive income for 2023	-	-	-	-	-	208,653	(411)	114,297	-	322,539	(1,741)	320,798
F3	Transfer of treasury shares	-	-	4,168	-	-	-	-	-	19,764	23,932	2	23,934
I1	Convertible corporate bond conversion	1	16	78	-	-	-	-	-	-	94	-	94
O1	Cash dividends from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(39,140)	(39,140)
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,744	1,744
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(29,210)	-	29,210	-	-	-	-
Z1	Balance at December 31, 2023	178,011	\$ 1,780,116	\$ 266,965	\$ 640,592	\$ 167,949	\$ 733,853	(\$ 1,982)	(\$ 22,871)	(\$ 83,400)	\$ 3,481,222	\$ 572,157	\$ 4,053,379

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, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Net income before tax for 2023	\$ 226,486	\$ 139,556
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	71,001	68,046
A20200	Amortization expenses	112,581	46,575
A20300	Expected credit impairment losses (gains on reversal)	180	(646)
A20400	Net loss (gain) on financial assets at fair value through profit or loss	(110,449)	290,568
A20900	Financial costs	25,304	12,864
A21200	Interest income	(46,260)	(5,992)
A21300	Dividend income	(51,958)	(136,950)
A21900	Cost of remuneration for employee stock options	5,914	31,309
A22500	Gain on disposal of property, plant and equipment	-	(85)
A23700	Losses for market price decline and obsolete inventory	93,252	49,367
A24100	Foreign exchange losses (gains) – net	10,996	(99,197)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	11,939	1,059
A31150	Accounts receivable	(168,368)	619,848
A31180	Other receivables	5,736	9,553
A31200	Inventory	707,174	(652,019)
A31230	Prepayments	6,371	(1,996)
A32130	Notes payable	(650)	(1,141)
A32150	Accounts payable	(8,226)	(415,719)
A32990	Remuneration payable to employees and directors and supervisors	1,822	(123,825)
A32180	Other payables	(3,882)	14,406
A32200	Provisions	3,451	(448)
A32230	Other current liabilities	54	2,182
A32240	Net defined benefit liability	(3,220)	(9,195)
A33000	Cash inflow (outflow) from operations	889,248	(161,880)
A33100	Interest received	44,652	6,374
A33300	Interests paid	(18,830)	(12,867)
A33500	Income tax paid	(101,842)	(116,991)
AAAA	Net cash inflow (outflow) from operating activities	<u>813,228</u>	<u>(285,364)</u>

(Continued on next page)

(Continued from previous page)

Code		2023	2022
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 463,153)	(\$ 988,781)
B00020	Sale of financial assets at fair value through other comprehensive income	559,860	913,993
B00040	Acquisition of financial assets at amortized cost	(457,379)	(126,161)
B00050	Disposal of financial assets at amortized cost	352,714	191,385
B00100	Acquisition of financial assets at fair value through profit or loss	(332,688)	(899,886)
B00200	Sale of financial assets at fair value through profit or loss	481,572	1,165,690
B02200	Acquisition of subsidiary (net of cash acquired)	-	(900,390)
B02700	Purchase of property, plant, and equipment	(18,678)	(34,137)
B02800	Proceeds from disposal of property, plant and equipment	-	95
B03700	Increase in refundable deposits	(23)	(191)
B04500	Acquisition of intangible assets	(35,314)	(21,354)
B07600	Dividend received	<u>52,527</u>	<u>136,387</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>139,438</u>	(<u>563,350</u>)
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term borrowings	(1,387,680)	972,375
C01200	Convertible corporate bonds issued	1,228,652	-
C03000	Increase in guarantee deposits received	440	-
C04200	Principal repayment of lease liabilities	(20,360)	(16,055)
C04500	Cash dividends paid	(212,399)	(529,530)
C04900	Purchase of treasury shares	-	(36,735)
C05000	Price of disposal of treasury shares	19,764	58,114
C05800	Cash dividends paid to non-controlling interests	(<u>39,140</u>)	(<u>283</u>)
CCCC	Net cash inflow (outflow) from financing activities	(<u>410,723</u>)	<u>447,886</u>
DDDD	Impact of changes in exchange rate on cash and cash equivalents	(<u>8,181</u>)	<u>31,539</u>
EEEE	Net (decrease) increase in cash and cash equivalents for 2023	533,762	(369,289)
E00100	Opening balance of cash and cash equivalents	<u>708,313</u>	<u>1,077,602</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 1,242,075</u>	<u>\$ 708,313</u>

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

Ratification 2 Proposed by the Board of Directors

Agenda: 2023 Earnings Distribution Proposal.

- Explanation:
1. The 2023 Earnings Distribution Proposal was passed in the Company's board meeting on February 26, 2024. The Board of Directors resolved to distribute cash dividends of NT\$1.2 per share in accordance with the Articles of Incorporation. Please refer to P.31 for the Earnings Distribution Table.
 2. Cash dividends shall be calculated to the nearest NTD, with amounts of less than one NTD rounded down. Fractions of less than one NTD shall be recognized as the Company's other income.
 3. Where the number of the Company's outstanding shares increases or decreases due to the repurchase, de-registration, transfer of the Company's shares, or other factors that affect the number of shares, and causes a change in the cash dividend distribution ratio, the Company requests the shareholders' meeting to authorize the Chairman of the board to adjust the shareholder dividend distribution rate based on the total cash dividends set in the resolution for the earnings appropriation proposal and the number of actual shares outstanding on the ex-dividend date.
 4. After the proposal is approved by the shareholders' meeting, the Chairman of the board shall be authorized to set the ex-dividend date and other relevant matters.
 5. Please ratify.

Resolution:

Voting for Ratifications:

Weltrend Semiconductor, Inc.

Earnings Distribution Table

2023

Unit: NTD

Items	Amount	Notes
Undistributed earnings at the beginning of the period	554,410,563	
Plus: After-tax net profit of 2023	209,239,715	
Minus: Remeasurement of defined benefit plan converted into retained earnings	(586,599)	
Minus: Disposal of investments in equity instruments measured at fair value through other comprehensive gain and loss with accumulated profit or loss transferred directly to retained earnings	(29,209,799)	
The net profit after tax of this period plus items other than the net profit of this period are included in the undistributed earnings of the current year	179,443,317	
Minus: Appropriation for legal reserve	(17,944,332)	
Plus: Reversal of statutory special earnings reserve	143,094,721	
Distributable earnings	859,004,269	
Minus: Distribution items for the year		
Allocated shareholder dividends - cash	(212,527,913)	Cash dividends of NT\$1.2 per share. Note 1 to 2.
Undistributed earnings at the end of the period	646,476,356	
Note 1: The Company's earnings distribution principle is to distribute the 2023 earnings available for distribution first. If there is any shortfall, the earnings accumulated in the previous years shall be distributed on a first-in-first-out basis based on the year the earnings were generated.		
Note 2: The number of shares for the distribution of cash dividends for shareholders is the 178,011,594 outstanding shares as of February 26, 2024 - treasury stock of 905,000 shares = 177,106,594 shares.		

Responsible Person:

Manager:

Accounting Supervisor:

Appendix 1:

Weltrend Semiconductor, Inc.

Rules of Procedure for Shareholders Meetings

- Article 1 Unless otherwise specified by law or the Articles of Incorporation, the shareholders' meetings of the Company shall be implemented in accordance with these Rules.
- Changes to how the Company convenes its shareholders' meeting shall be resolved by the Board of Directors, and shall be made no later than mailing of the shareholders' meeting notice.
- Article 2 The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.
- Article 3 Attendance and voting at shareholders' meetings shall be calculated based on the number of shares.
- The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.
- Article 4 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 4-1 The restrictions on the place of the meeting in Article 4 shall not apply when the Company convenes a virtual-only shareholders' meeting.
- For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as having attended the shareholders' meeting in person.
- In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.
- The Company shall upload the meeting agenda book, annual report, and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

If the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.

Article 5 If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board of Directors. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall designate a Director to act as the chair. If the Chairman fails to designate a Director, the Directors shall select from among themselves one person to serve as chair.

If the shareholders' meeting is convened by a person entitled to do so other than the Chairman, that person shall act as the Chairman.

Article 6 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

Article 7 The shareholders' meeting shall be documented by audio and shall be retained for at least one year.

Article 8 The chair shall announce the commencement of the meeting as soon as the appointed time arrives. However, if those in attendance represent less than half of the company's outstanding shares, the chair may announce to postpone the meeting up to two times, for a period totaling no more than one hour. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned on the virtual meeting platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may

be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 4-1.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 9 If the shareholders' meeting is convened by the Board of Directors, the Board of Directors shall determine the meeting proceedings. The proceedings shall not be changed unless resolved during the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting.

After the adjournment of the meeting, the shareholders may not elect a chair to resume the meeting at the original location or at another venue. However, if the chair declares the meeting adjourned in violation of the rules of procedure, one person may be elected chair with the consent of one half of the votes represented by shareholders present to resume the meeting.

Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

- Article 11 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.
- If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in Article 10 and Article 11 do not apply.
- Article 12 When a juristic person is appointed to attend as a proxy, it may designate only one person to represent it in the meeting.
- When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- Article 13 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- Article 14 When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.
- Article 15 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
- In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.
- Article 16 When a meeting is in progress, the chair may announce a break based on time considerations.
- Article 17 Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

At the time of a vote, the chair may choose to ask the attending shareholders if there are any objections. If no objection is raised, the motion is considered to have been adopted with the same validity as a vote by ballots.

Article 18 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote.

When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 19 The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear arm badges bearing the word "Proctor."

Article 20 These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

Appendix 2 :

Weltrend Semiconductor Incorporated

Articles of Incorporation

Chapter 1 General Principles

- Article 1 The Company shall be incorporated, as a company limited by shares, under the Company Act of the Republic of China, and its name shall be Weltrend Semiconductor Incorporated.
- Article 2 The business scope of the Company:
1. Research, development, production, tests, and sales of the following products:
 - (1) Mixed analog/digital ASICs for computers and communication products
 - (2) Digital ICs
 - (3) Analog ICs
 2. Import and export business related to the Company's business.
- Article 2-1 The Company may provide guarantees for external parties based on business requirements.
- Article 2-2 The Company shall be exempt from the restrictions on total investment amount for not exceeding 40% of the paid-in capital.
- Article 3 The Company's head office is established in Hsinchu Science Park. Where necessary, the Company may establish branch companies or offices domestically or overseas subject to the resolution by its Board of Directors and the approval of the competent authority.
- Article 4 Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

Chapter 2 Shares

- Article 5 The total capital stock of the Company shall be in the amount of NT\$3.3 billion, divided into 330 million shares at NT\$10 per value and issued in separate installments. The Board of Directors is authorized to issue the unissued shares based on actual requirements.
- The Company may issue employee stock warrants and retains 33 million shares in the total amount specified in the preceding paragraph for the issuance of employee stock warrants.

- Article 5-1 The Company may issue employee stock warrants with a subscription price lower than the closing price of the Company's regular shares on the date of issuance. This shall require a resolution by at least two-thirds of all voting rights in attendance in a shareholders' meeting attended by at least half of all voting rights of the outstanding shares. Sales of shares to employees at prices below the Company's average repurchase price are to be approved by a resolution of the most recent shareholders' meeting. This shall require a resolution by at least two-thirds of all voting rights in attendance in a shareholders' meeting attended by at least half of all voting rights of the outstanding shares.
- Article 5-2 When the Company carries out the following tasks, the recipients may include employees of parents or subsidiaries of the Company who meet certain requirements:
1. Transfer of treasury stock to employees.
 2. Employee stock warrant.
 3. Employee cash capital increase subscription.
 4. New restricted employee shares.
- The Board of Directors is authorized to set the requirements.
- Article 6 When the Company issues shares and prints share certificates, the shares shall be registered and signed or sealed by the Director representing the Company. Such share certificates shall be numbered and issued by the competent authority or its authorized registration institution. Stocks issued by the Company are not required to be printed. The Company, however, shall contact the centralized securities depository institution for registration of the share certificates.
- Article 7 Where a share certificate is transferred, lost, or destroyed, it shall be processed in accordance with the Company Act and related regulations.

Chapter 3 Shareholders' Meeting

- Article 8 The Company holds general and special shareholders' meetings. A general meeting is called once a year by the Board of Directors in accordance with the law within six months after the end of the fiscal year. Special meetings may be convened according to the law when necessary.
- Article 8-1 The shareholders' meeting of the Company may be held with a virtual shareholders' meeting or other methods announced by the competent authority.

- Article 9 A shareholder may designate another person to represent it by submitting a proxy printed by the Company, specifying the scope of authorization. The use of proxies shall be processed in accordance with the Company Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority.
- Article 10 Each shareholder of the Company shall have one vote per share, unless otherwise provided by Article 157, Paragraph 3 of the Company Act. No voting power shall be granted, however, to company shares specified in Article 179 of the Company Act.
- Article 11 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Chapter 4 Directors and the Audit Committee

- Article 12 The Company shall have seven to twelve directors, who shall be elected by the shareholders' meeting from persons of adequate capacity to serve a term of three years. Their terms of service may be renewed if they are re-elected in the following election.
The Company's Directors shall be elected through a candidate nomination system, and the shareholders shall elect the Directors from among the nominees listed in the roster of director candidates. The related implementation items shall be processed in accordance with the Company Act, Securities and Exchange Act, and related regulations.
The number of Independent Directors shall not be less than three persons in the number of Directors specified in Paragraph 1, and shall not be less than one fifth of the Directors. The professional qualifications, shareholdings, limits on concurrent service, independence, nomination and election of Independent Directors and other compliance matters shall be processed in accordance with the relevant regulations of the competent authority of securities. The Independent Directors and non-independent Directors shall be elected at the same time and the number of Directors elected shall be calculated separately.
- Article 12-1 The Company may purchase liability insurance that covers the term of service of Directors and managers against liabilities they incur over the course of service. The Board of Directors is authorized to process the actual contents of the insurance at its sole discretion.

- Article 13 The Board of Directors is organized by the Directors. The Directors shall elect from among themselves a Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors represents the Company externally. Where necessary, the Board of Directors may elect a Vice Chairman.
- Article 13-1 Directors shall be notified of the Company's board meetings seven days prior to the meeting. However, in the event of an emergency, the meeting may be convened at any time.
Notifications of meetings in the preceding paragraph may be made in writing or via e-mail or fax.
If a Director is unable to attend a meeting, he/she may appoint another Director as proxy to attend the meeting by completing a proxy form. A Director may only serve as a proxy for one other Director.
- Article 14 If a shareholders' meeting is convened by the Board of Directors, the chair shall be appointed in accordance with Article 208, Paragraph 3 of the Company Act. Where a shareholders' meeting is convened by a party with power to convene other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall select a chair from among themselves.
- Article 15 The Board of Directors is authorized to determine the remuneration of all Directors based on prevailing rates in the industry.
- Article 16 The duties of the Board of Directors are as follows:
1. Review and discuss business strategies and long and short-term development plans.
 2. Review and monitor the implementation of the annual business plan.
 3. Review and approval of the budget and final accounts.
 4. Formulation of proposals for capital increase or decrease.
 5. Formulation of plans for earnings distribution or make up for losses.
 6. Formulation of proposals for the dissolution of the Company or a merger or demerger with another company.
 7. Review and approval of the acquisition and disposal of material properties of the Company.
 8. Formulation of the Articles of Incorporation.
 9. Approval of investments in other businesses.
 10. Review and approval of material capital expenditures.
 11. Appointment and dismissal of managers.
 12. Organization of shareholders' meetings and business reports.
 13. Other powers vested by laws and the shareholders' meeting.

Article 17 The Company established the Audit Committee, which is composed of all Independent Directors. The number of members of the Audit Committee, term of office, powers, and rules of procedure for meetings shall be processed in accordance with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and specified in the Audit Committee Charter.

Chapter 5 Manager

Article 18 The Company may have managers. Their appointment, dismissal, and remuneration shall be processed in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 19 The Board of Directors of the Company shall formulate the following account books at the end of each accounting year:

1. Business Report.
2. Financial statements.
3. Proposals for the distribution of surplus earnings or make up of losses.

The documents shall be submitted to the annual shareholders' meeting for ratification.

Article 20 The Company shall allocate 11% to 15% of the Company's pre-tax profit of the current period before deducting the employees' remuneration and Directors' remuneration of the year as employees' remuneration and no more than 4% as Directors' remuneration. However, if the Company has accumulated losses (including adjustment on non-distributed earnings), the Company shall set aside a part of the profit first to make up for the losses.

The employees' remuneration specified in the preceding paragraph may be paid in stocks or cash, and may be paid to employees of parents or subsidiaries of the Company who meet the requirements stipulated by the Board of Directors. The Directors' remuneration specified in the preceding paragraph shall only be distributed in cash.

The procedures in the two preceding paragraphs must be approved by the Board of Directors and reported to the shareholders' meeting.

Article 21-1 In case there are profits after tax at the closing account of the current year, the Company shall first make up the accumulated deficit (including adjustments of undistributed earnings) and retain 10% as statutory surplus reserve in accordance with the law; However, when the statutory surplus reserve exceeds the registered capital of the Company, such restrictions shall not apply. In addition, a special reserve shall be set aside or reversed pursuant to the laws or regulations

of the competent authority. The Board of Directors shall draft an earnings distribution proposal regarding the remainder of the earnings as well as accumulated undistributed earnings at the beginning of the period (including adjustments of undistributed earnings) for approval at the shareholders' meeting to distribute dividends and bonuses to shareholders.

The Company's dividend policy is as follows:

The Company must consider the soundness and stability of its financial structure for the distribution of dividends. It shall also determine the ratio of the cash dividends and stock dividends distributed in the current year based on requirements for the Company's growth. The ratio of cash dividends shall not be lower than ten percent (10%) of the total dividends.

Chapter 7 Supplementary Provisions

- Article 21 When the Company organizes a cash capital increase, it shall set aside 10% of the shares for prioritized subscription by employees of the Company.
- Article 22 The Directors and managers of the Company and personnel they hire may not disclose or leak to third parties the Company's confidential documents or confidential technical, market, or product information they obtained due to their participation in the Company's operations.
- Article 23 Any matter not covered herein shall be processed in accordance with the Company Act.
- Article 24 The Articles of Incorporation were established on June 15, 1989. The Articles of Incorporation shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.
First amendment: December 10, 1990.
Second amendment: June 13, 1992.
Third amendment: May 6, 1994.
Fourth amendment: March 6, 1995.
Fifth amendment: April 9, 1996.
Sixth amendment: April 29, 1998.
Seventh amendment: May 23, 2000.
Eighth amendment: May 25, 2001.
Ninth amendment: June 25, 2002.
Tenth amendment: June 6, 2003.
Eleventh amendment: June 15, 2004.
Twelfth amendment: June 10, 2005.
Thirteenth amendment: June 15, 2006.
Fourteenth amendment: June 13, 2008.

Fifteenth amendment: June 15, 2010.
Sixteenth amendment: June 10, 2011.
Seventeenth amendment: June 11, 2013.
Eighteenth amendment: June 3, 2015.
Nineteenth amendment: June 8, 2016.
Twentieth amendment: June 5, 2019.
Twenty-first amendment: June 3, 2021.
Twenty-second Amendment: June 23, 2022.
Twenty-third amendment: June 2, 2023

Appendix 3 :

Shareholding of Directors

March 31, 2024

Title	Name	Date Elected	Term	Number of Shares Held When Elected		Number of Shares Held as Recorded in the Shareholder Register on the Book Closure Date	
				Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio
Chairman	Sam Lin	2022.6.23	3 years	4,514,000	2.54%	4,409,000	2.48%
Director	James Chou	2022.6.23	3 years	2,433,829	1.37%	2,433,829	1.37%
Director	Paul Liao	2022.6.23	3 years	1,056,998	0.59%	1,078,468	0.61%
Director	JC Liu	2022.6.23	3 years	1,808,013	1.02%	1,808,013	1.02%
Director	Cindy Guo	2022.6.23	3 years	1,260,200	0.71%	1,270,200	0.71%
Director	Tony Lin	2022.6.23	3 years	1,021,000	0.57%	1,031,000	0.58%
Director	Jeff Tsai	2022.6.23	3 years	1,018,362	0.57%	1,018,362	0.57%
Independent Director	Gerald Kuo	2022.6.23	3 years	0	0%	0	0%
Independent Director	Wei-Kun Yeh	2022.6.23	3 years	0	0%	0	0%
Independent Director	Wen-Tsung Hsu	2022.6.23	3 years	0	0%	0	0%

1. The Company has issued a total of 178,011,594 shares and the paid-in capital is NT\$1,780,115,940.
2. According to Article 26 of the Securities and Exchange Act and Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the total shares held by the entire body of Directors shall not be less than 10,680,695 shares.
3. The Shareholder Register showed that all Directors held 13,048,872 shares as of the book closure date for the 2024 annual shareholders' meeting.