

LEADTREND TECHNOLOGY CO. LTD.

Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To LEADTREND TECHNOLOGY CO. LTD.,

Opinion

We have finished the audit of your balance sheets respectively as of December 31, 2022 and as of December 31, 2021, and the individual composite income statement, individual statement of changes in equity, individual statement of cash flows and notes to the individual financial statements, including summary of significant accounting policies, for the periods from January 1 to December 31, 2022 and from January 1 to December 31, 2021.

In our opinion, the above individual financial statements are prepared in all material respects in accordance with the financial reporting standards of securities issuer and are sufficient to express your individual financial position of as of December 31, 2022 and December 31, 2021, and individual financial performance and individual cash flows from January 1 to December 31, 2022 and from January 1 to December 31, 2021.

Basis for Opinion

The audit is carried out in accordance with the Rules for Audit of Certified Financial Statements and Auditing Standards. Our responsibility under these standards is further explained in the section "Responsibility" of the report. The staff of our CPA firm who are subject to the standards of independence have maintained their independence from LEADTREND TECHNOLOGY CO. LTD. ("the Company") in accordance with the code of professional ethics for accountants, and performed other responsibilities under the code. We believe that we have obtained sufficient and appropriate evidence on which the audit opinion is given properly.

Key Audit Matters

Key audited matters refer to the most important matters audited in individual financial statements of the Company during 2022 based on our professional knowledge. Such matters have been taken into account in the audit of the individual financial statements as a whole and in the formation of the audit opinion, and we express no opinion on such matters separately. The audited matters in individual financial statements of the Company during 2022 are described below:

Recognition of sales revenue

1. The sales revenue of the Company is in large amount as detailed in Note 18. The sales revenue for the Company are mainly from sales of its power management chips. Such revenues are recognized through such process - the production management staff prepare goods based on the customer's shipping order provided by the business section, and inform the QA staff to inspect the goods when they are prepared, and then ship the goods after the inspection is approved and the shipping order and finish products delivery not are signed, affixed with seal, and reviewed and approved by the supervisor, and update the inventory details in the operating system at the same time. The accountant recognizes sales revenue based on the shipping receipt signed by the customer or carrier.

2. Because the aforementioned transaction involves manual control, there is a risk that any revenue may be recognized by error without a shipment receipt signed by the customer or freight forwarder.
3. We consider the revenue recognition policy of the Company, evaluate the appropriateness of revenue recognition, including understanding and testing the effectiveness of internal control on approved orders and shipment procedures, and sampling and checking relevant vouchers of sales receipts and cash collection or after-date collection to verify the existence and actual occurrence of the sale transaction, and check whether there are any abnormal situations in the purchaser and the payer.

Evaluation of inventory

Refer to Note 8 of individual financial statements for details. The inventory balance of the Company accounts for 40% of the total assets as of December 31, 2022 and is in large amount, and the evaluation of the inventory allowance is a significant accounting estimate. In addition, because the Company is engaged in the design and development and subsequent sales of integrated circuits after outsourcing production, and this type of products is subject to fast upgrading and updating, and in a highly competitive industry, there may be the risk of inventory price decline and stagnation loss.

We have performed the following major audit procedures in respect of the specific level described as one of the most important matters in this year's audit.

1. Understand and evaluate the reasonableness of inventory appraisal policies adopted by management.
2. Obtain the assessment data on the inventory cost and net realized value, whichever is the lower, conduct sampling to check the data on the latest selling price of inventory to verify the net realized value of inventory and compare the net realized value with the book cost of inventory, so as to test the correctness of the inventory loss provision amount; Obtain the inventory age statement, check the inventory entry information to test whether the inventory age classification, inventory quantity and amount are consistent, so as to verify the correctness and completeness of the inventory age statement, and then audit the correctness of withdrawn amount of the inventory stagnation loss based on the inventory evaluation policy.
3. Perform a retrospective inventory test to examine the inventory obsolescence situation compared with the stagnation loss provision policy to check whether proper provisions have been made against the stagnation inventory loss in the current period.

Responsibility of Management and Governance for Individual Financial Statements

It is the responsibility of the management to prepare fairly presented individual financial statements in accordance with the financial reporting standards of securities issuer and to maintain any internal controls necessary for preparation of the individual financial statements, so as to ensure that they are free from any material misrepresentations resulting from fraud or error.

In the preparation of individual financial statements, the responsibility of the management also includes assessment of the Company's ability to continue as a going concern, disclosure of relevant issues, and adoption of going-concern accounting basis, unless the management intends to liquidate or shut down the Company, or there is no practical solution except liquidation or shutdown.

The governance unit (including the audit committee) of the Company shall be responsible for supervising the financial reporting process.

Responsibility of Accountant to Audit Individual Financial Statements

The purpose of accountant's audit of individual financial statements is to obtain reasonable assurance that the individual financial statements as a whole are free of material

misrepresentations due to fraud or error, and to issue an audit report. Reasonable assurance means a high degree of confidence, provided that an audit carried out in accordance with auditing standards cannot guarantee that any material misrepresentation in individual financial statements will be detected. Misrepresentation may result from fraud or error. If a misrepresentation of individual amounts or sums can reasonably be expected to influence economic decisions made by users of the individual financial statements, it will be deemed as material misstatement.

We will use professional judgment and professional doubt when checking in accordance with auditing standards. We have also performed the following:

1. Identify and assess risks of material misrepresentation resulting from fraud or error in the individual financial statements; Design and implement appropriate actions against the assessed risks; Obtain sufficient and appropriate evidence to serve as the basis for the opinion. Since fraud may involve collusion, forgery, intentional omission, misrepresentation, or breach of internal control, the risk of undetected material misrepresentation due to fraud is higher than that due to error.
2. Obtain necessary understanding of the internal controls relevant to the audit in order to design the appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.
3. Assess the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and disclosures.
4. Based on the evidence obtained, draw a conclusion on whether there is material uncertainty about the appropriateness of the management's use of a going-concern accounting basis and about events or circumstances that may cast significant doubt on the ability of the Company to continue as a going concern. If the accountant considers such events or circumstances to be materially uncertain, he/she shall, in the audit report, alert the users of the individual financial statements to relevant disclosures in the individual financial statements or amend the audit opinion if such disclosures are inappropriate. The accountant's conclusion is based on the evidence obtained as of the date of this audit report. However, future events or circumstances may result in the Company's disability to continue as a going concern.
5. Assess the overall presentation, structure and content of individual the financial statements, including relevant notes, and whether the individual financial statements fairly and appropriately present relevant transactions and events.
6. To obtain sufficient and appropriate verification evidence of the financial information on the constituent individuals of the Company to express opinions on the individual financial statements. We are responsible for the guidance, supervision and execution of inspection cases, and are responsible for making audit opinions on the Company.

Communication between accountant and the governance includes planned scope and scheduling of the audit, as well as major audit findings (including significant deficiencies in internal control identified during the audit).

We also provide the governance with the statement that the staff of our firm subject to the independence standard have complied with the professional ethics code of accountants regarding independence, and communicated with the governance about all relationships and other matters that may be considered to affect the independence of the accountants (including relevant protective measures).

Among the matters discussed with the management, we decide the key matters for the audit of the 2022 individual financial statements of the Company. We disclose such matters in the audit report, unless these matters are not permitted to be disclosed publicly under relevant laws, or in very rare circumstances, we decide not to communicate such matters in the audit report because it is reasonably expected that the negative impact of such communication would outweigh the public interest made thereby.

Deloitte & Touche
Chua Meizhen, Accountant

Zhong Mingyuan, Accountant

FSC Approval No.
FSC-A-1010028123

FSC Approval No.
FSC-A-1050024633

March 16, 2023

LEADTREND TECHNOLOGY CO. LTD.
PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current asset				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 223,300	12	\$ 697,081	32
1170	Accounts receivable (Notes 4, 5, 7 and 18)	103,592	5	223,806	11
1180	Accounts receivable - interested parties (Notes 4, 5, 7, 18 and 25)	29,074	2	93,633	4
130X	Inventory (Notes 4, 5 and 8)	750,880	40	427,991	20
1470	Other current assets (Notes 13 and 25)	34,071	2	22,515	1
11XX	Total current assets	<u>1,140,917</u>	<u>61</u>	<u>1,465,026</u>	<u>68</u>
	Non-current assets				
1550	Investments by equity method (Notes 4 and 9)	207,124	11	211,578	10
1600	Real estate, plant and equipment (Notes 4 and 10)	480,674	26	425,407	20
1755	Right-of-use assets (Notes 4 and 11)	14,897	1	26,570	1
1780	Intangible assets (Notes 4 and 12)	13,829	1	9,504	-
1840	Deferred income tax assets (Notes 4 and 20)	91	-	23	-
1990	Other non-current assets (Notes 4 and 13)	7,788	-	18,315	1
15XX	Total non-current assets	<u>724,403</u>	<u>39</u>	<u>691,397</u>	<u>32</u>
1XXX	Total assets	<u>\$ 1,865,320</u>	<u>100</u>	<u>\$ 2,156,423</u>	<u>100</u>
	Liabilities and Equity				
	Current liability				
2170	Payable account	\$ 58,122	3	\$ 248,012	12
2200	Remuneration payable to staff and directors (Note 19)	37,508	2	78,321	4
2230	Current income tax liabilities (Notes 4 and 20)	15,120	1	59,187	3
2280	Lease liabilities - current (Notes 4 and 11)	7,878	1	10,101	-
2399	Other current liabilities (Note 14)	81,510	4	86,860	4
21XX	Total current liabilities	<u>200,138</u>	<u>11</u>	<u>482,481</u>	<u>23</u>
	Non-current liability				
2580	Lease liabilities - non-current (Notes 4 and 11)	7,189	-	16,504	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 15)	4,840	-	9,694	-
2645	Deposits received	202	-	191	-
25XX	Total non-current liabilities	<u>12,231</u>	<u>-</u>	<u>26,389</u>	<u>1</u>
2XXX	Total liabilities	<u>212,369</u>	<u>11</u>	<u>508,870</u>	<u>24</u>
	Equity (Notes 4, 16 and 17)				
	Share capital				
3110	Common stock	568,838	30	528,646	24
	Capital reserve				
3210	Share premium	258,027	14	273,131	13
3251	Donations received from shareholders	84,732	4	84,732	4
3273	Restricted employee entitlement stock	47,567	3	51,708	2
3280	Other	106	-	98	-
	Retained earnings				
3310	Statutory surplus reserves	199,793	11	166,987	8
3350	Undistributed earnings	520,231	28	582,957	27
	Other equity				
3410	Exchange difference in conversion of financial statements by foreign operating institutions	5,602	1	1,867	-
3491	Remuneration not gained by staff	(31,945)	(2)	(42,573)	(2)
3XXX	Total equity	<u>1,652,951</u>	<u>89</u>	<u>1,647,553</u>	<u>76</u>
	Total liabilities and equity	<u>\$ 1,865,320</u>	<u>100</u>	<u>\$ 2,156,423</u>	<u>100</u>

The notes below are an integral part of these individual financial statements.

Kao Yu-kun, Chairman Kao Yu-kun, the Manager Huang Ya-ching, Accounting Supervisor

LEADTREND TECHNOLOGY CO. LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR
THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenues (Notes 4, 18 and 25)				
4110	Sales revenue	\$ 1,581,314	102	\$ 2,042,248	101
4170	Sales returns and allowances	(25,452)	(2)	(12,196)	(1)
4000	Net operating revenue	1,555,862	100	2,030,052	100
	Operating costs (Notes 8, 15 and 19)				
5110	Cost of goods sold	949,915	61	1,241,692	61
5900	Operating margin	605,947	39	788,360	39
5910	Unrealized profit on sales (Note 4)	(55,786)	(4)	(22,703)	(1)
5920	Realized profit on sales (Note 4)	24,080	2	1,662	-
5950	Realized operating margin	574,241	37	767,319	38
	Operating expenses (Notes 15 and 19)				
6100	Amortization cost	56,751	3	70,517	4
6200	Management costs	107,524	7	116,882	6
6300	Research and development expenses	275,685	18	272,720	13
6000	Total operating expenses	439,960	28	460,119	23
6900	Net operating profit	134,281	9	307,200	15
	Non-operating income and expenditure (Note 19)				
7100	Interest incomes	3,354	-	3,401	-
7010	Other income (Note 22)	12,991	1	9,901	-
7020	Other benefits and losses (Note 25)	16,491	1	(5,232)	-
7050	Financial costs	(433)	-	(152)	-
7070	Share of profits and losses in subsidiaries recognized by equity method (Notes 4 and 9)	23,517	1	62,385	3
7000	Total non-operating incomes and expenses	55,920	3	70,303	3

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Code		2022		2021	
		Amount	%	Amount	%
7900	Pre-tax net profit	\$ 190,201	12	\$ 377,503	18
7950	Income tax expense (Notes 4 and 20)	<u>37,838</u>	<u>2</u>	<u>48,526</u>	<u>2</u>
8200	Net profit for the year	<u>152,363</u>	<u>10</u>	<u>328,977</u>	<u>16</u>
	Other composite gains and losses				
8310	Items not reclassified as profit or loss:				
8311	Revaluation of identified benefit plan (Note 15)	2,552	-	(925)	-
8360	Items that may be subsequently reclassified as profit or loss:				
8361	Exchange difference in conversion of financial statements by foreign operating institutions (Note 16)	<u>3,735</u>	<u>-</u>	<u>(1,079)</u>	<u>-</u>
8300	Total other comprehensive net profit and loss	<u>6,287</u>	<u>-</u>	<u>(2,004)</u>	<u>-</u>
8500	Total consolidated profit and loss for the year	<u>\$ 158,650</u>	<u>10</u>	<u>\$ 326,973</u>	<u>16</u>
	Earnings per share (Note 21)				
9750	Basic	<u>\$ 2.74</u>		<u>\$ 5.97</u>	
9850	Dilution	<u>\$ 2.66</u>		<u>\$ 5.80</u>	

The notes below are an integral part of these individual financial statements.

Kao Yu-kun, Chairman Kao Yu-kun, the Manager Huang Ya-ching, Accounting Supervisor

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		Capital on issued common shares		Capital reserve				Retained earnings			Other equity items		Total equity
		Number of Holdings (Shares In Thousand)	Amount	Share premium	Donations received from shareholders	Stocks with restricted employee's option	Other	Statutory surplus reserves	Undistributed earnings	Total	Foreign operators Exchange difference in conversion of financial statements	Remuneration not gained by staff	
A1	Balance as of January 1, 2021	47,774	\$ 477,742	\$ 289,560	\$ 84,732	\$ 25,894	\$ 90	\$ 160,966	\$ 313,738	\$ 474,704	\$ 2,946	(\$ 26,704)	\$ 1,328,964
	Distribution of annual earnings for 2020:												
B1	Statutory surplus reserves	-	-	-	-	-	-	6,021	(6,021)	-	-	-	-
B5	Cash dividend to shareholders - \$0.603 per share	-	-	-	-	-	-	-	(28,814)	(28,814)	-	-	(28,814)
B9	Stock dividend to shareholders - \$0.503 per share	2,401	24,012	-	-	-	-	-	(24,012)	(24,012)	-	-	-
	Total distribution of earnings	2,401	24,012	-	-	-	-	6,021	(58,847)	(52,826)	-	-	(28,814)
C13	Capital reserve distributed stock dividend - \$0.503 per share	2,401	24,012	(24,012)	-	-	-	-	-	-	-	-	-
C17	Changes in other capital reserves	-	-	-	-	-	8	-	-	-	-	-	8
D1	Net profit for 2021	-	-	-	-	-	-	-	328,977	328,977	-	-	328,977
D3	Other consolidated profit/loss for 2021	-	-	-	-	-	-	-	(925)	(925)	(1,079)	-	(2,004)
D5	Total consolidated profit/loss for 2021	-	-	-	-	-	-	-	328,052	328,052	(1,079)	-	326,973
N1	Issued stocks with restricted employee's option	300	3,000	-	-	33,600	-	-	-	-	-	(36,600)	-
N1	Acquired stocks with restricted employee's option	-	-	7,583	-	(7,583)	-	-	-	-	-	-	-
N1	Canceled stocks with restricted employee's option	(12)	(120)	-	-	120	-	-	-	-	-	-	-
N1	Compensation cost on stocks with restricted employee's option	-	-	-	-	(323)	-	-	14	14	-	20,731	20,422
Z1	Balance as of December 31, 2021	52,864	528,646	273,131	84,732	51,708	98	166,987	582,957	749,944	1,867	(42,573)	1,647,553
	Distribution of annual earnings for 2021:												
B1	Statutory surplus reserves	-	-	-	-	-	-	32,806	(32,806)	-	-	-	-
B5	Cash dividend to shareholders - \$2.800 per share	-	-	-	-	-	-	-	(147,868)	(147,868)	-	-	(147,868)
B9	Stock dividend to shareholders - \$0.700 per share	3,697	36,967	-	-	-	-	-	(36,967)	(36,967)	-	-	-
	Total distribution of earnings	3,697	36,967	-	-	-	-	32,806	(217,641)	(184,835)	-	-	(147,868)
C15	Cash dividend on capital reserves - \$0.500 per share	-	-	(26,405)	-	-	-	-	-	-	-	-	(26,405)
C17	Changes in other capital reserves	-	-	-	-	-	8	-	-	-	-	-	8
D1	Net profit for 2022	-	-	-	-	-	-	-	152,363	152,363	-	-	152,363
D3	Other consolidated profit/loss for 111	-	-	-	-	-	-	-	2,552	2,552	3,735	-	6,287
D5	Total consolidated profit/loss for 111	-	-	-	-	-	-	-	154,915	154,915	3,735	-	158,650
N1	Issued stocks with restricted employee's option	420	4,200	-	-	15,582	-	-	-	-	-	(19,782)	-
N1	Acquired stocks with restricted employee's option	-	-	11,301	-	(11,301)	-	-	-	-	-	-	-
N1	Canceled stocks with restricted employee's option	(98)	(975)	-	-	975	-	-	-	-	-	-	-
N1	Compensation cost on stocks with restricted employee's option	-	-	-	-	(9,397)	-	-	-	-	-	30,410	21,013
Z1	Balance as of December 31, 2022	56,883	\$ 568,838	\$ 258,027	\$ 84,732	\$ 47,567	\$ 106	\$ 199,793	\$ 520,231	\$ 720,024	\$ 5,602	(\$ 31,945)	\$ 1,652,951

The notes below are an integral part of these individual financial statements.

Chairman: Gao Yukun

Manager: Gao Yukun

Accounting manager: Huang Yaqing

**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS
ENDED DECEMBER 31, 2022 AND 2021**

		(In Thousands of New Taiwan Dollars)	
Code		2022	2021
	Cash flow from operating activities		
A10000	Pre-tax net profit	\$ 190,201	\$ 377,503
A20010	Revenue expense loss items:		
A20100	Depreciation expense	81,204	61,961
A20200	Amortization cost	13,194	17,360
A20900	Financial Costs	433	152
A21200	Interest incomes	(3,354)	(3,401)
A21900	Compensation cost on stocks with restricted employee's option	21,013	20,422
A22400	Share of profits and losses in subsidiaries recognized by equity method	(23,517)	(62,385)
A23900	Unrealized profit in sales between affiliates	55,786	22,703
A24000	Realized profit in sales between affiliates	(24,080)	(1,662)
A24100	Net loss on foreign currency exchange	340	1,022
A29900	Benefit from lease modification	(20)	(1)
A30000	Net changes in operating assets and liabilities		
A31150	Decrease/increase in accounts receivable	119,474	(60,634)
A31160	Accounts Receivable - Decrease/increase in parties	64,033	(41,751)
A31200	Inventory increase	(322,889)	(98,524)
A31240	Decrease/increase in other current assets	3,892	(12,450)
A32150	Decrease/increase in trade payable	(189,607)	93,306
A32200	Increase/decrease in compensation payable to staff and directors	(40,813)	65,793
A32230	Decrease/increase in other current liabilities	(3,911)	23,168
A32240	Decrease in net defined benefit liability	(2,302)	(1,901)
A33000	Cash inflow to/outflow from operations	(60,923)	400,681
A33300	Interest paid	(433)	(152)
A33500	Income tax paid	(81,973)	(16,240)
AAAA	Net cash inflow to/outflow from operating activities	(143,329)	384,289
	Cash flow from investment activities		
B02200	Obtained net cash outflow from subsidiaries	-	(85,080)
B02700	Acquisition of real estate, plant and equipment	(118,835)	(99,597)
B03700	Increase in deposit margin	(14,520)	(1,132)
B04500	Acquisition of intangible assets	(17,519)	(10,614)

B07500	Interest received	<u>3,432</u>	<u>3,385</u>
BBBB	Net cash outflows from investment activities	(<u>147,442</u>)	(<u>193,038</u>)
	Cash flows from financing activities		
C03000	Increase in deposits received	\$ 11	\$ 104
C04020	Repayment of lease principal	(8,859)	(8,824)
C04500	Cash dividends distributed	(174,273)	(28,814)
C09900	Other financing activities	<u>8</u>	<u>8</u>
CCCC	Net cash outflow to financing activities	(<u>183,113</u>)	(<u>37,526</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>103</u>	(<u>1,328</u>)
EEEE	Current net increase/decrease in cash and cash equivalents in current year	(473,781)	152,397
E00100	Balance of cash and cash equivalents at the beginning of the year	<u>697,081</u>	<u>544,684</u>
E00200	Balance of cash and cash equivalents at the end of the year	<u>\$ 223,300</u>	<u>\$ 697,081</u>

The notes below are an integral part of these individual financial statements.

Kao Yu-kun, Chairman Kao Yu-kun, the Manager Huang Ya-ching, Accounting Supervisor

LEADTREND TECHNOLOGY CO. LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. History of Company

LEADTREND TECHNOLOGY CO. LTD. (hereinafter referred to as "the Company") was established subject to the approval of the Ministry of Economic Affairs on September 18, 2002. It is mainly engaged in research, development, production, manufacturing and sales of analog integrated circuits.

The company offered its shares at the Taiwan Stock Exchange on August 14, 2009.

The individual financial statements of the Company are expressed in the Company's functional currency - New Taiwan Dollar.

II. Date and Procedure of Adopting Financial Statements

These individual financial statements were approved and issued by the Board of directors on March 16, 2023.

III. Application of Newly Issued and Amended Standards and Interpretations

- (I) International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretation Notices (SIC) recognized and issued by the Financial Supervisory Commission (hereinafter referred to as "IFRSs") as applied initially

The application of IFRSs approved and issued by the FSC as amended will not result in material changes to the Company's accounting policies.

- (II) IFRSs approved by the FSC and applied in 2023

Newly issued/amended/revised criteria and interpretations	Effective Date of Issuance by IASB
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 income tax in respect of Assets and liabilities arising from a Single Exchange"	January 1, 2023 (Note 3)

Note 1: Application of this amendment is deferred for annual report periods commencing after January 1, 2023.

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

Note 3: This amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred tax on temporary differences in leases and ex-service obligations as of January 1, 2022.

As of the date of the adoption of these individual financial statements, the Company determines on evaluation that amendments to other criteria and interpretations will not have a material impact on the financial position and financial performance.

(III) IFRSs issued by IASB but not approved and issued by FSC

Newly issued/amended/revised criteria and interpretations	Effective date of IASB issued (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets Between Investors and Their Affiliates or Joint Ventures"	TBD
Amendment to IFRS 16 "Lease Liabilities in Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contract"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 "First Application of IFRS 17 and IFRS 9- Comparative Information"	January 1, 2023
Amendment To IAS 1 "Classification Of Liabilities as Current or Non-Current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with contractual Terms"	January 1, 2024

Note 1: Unless otherwise noted, the above new issued/amended/revised criteria or interpretation shall take effect during the annual reporting period commencing after such date.

Note 2: The Seller also as Lessee shall retroactively apply the amendments to IFRS 16 to sale and leaseback transactions concluded after the initial application of IFRS 16.

As of the date of adopting these financial statements, the Company continues to evaluate the impact of amendments to other standards and interpretations on financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

IV. Summary of Major Accounting Policies

(I) Compliance statement

These individual financial statements are prepared in accordance with the financial reporting standards of securities issuer.

(II) Preparation basis

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at present value of defined benefit obligations less the fair value of plan assets.

Fair value measurement is classified as Levels 1 through Level 3 according to the observable degree and importance of relevant input values:

1. Level 1 Input value: Refers to the quotation in the active market (without adjustment) of the same asset or liability available at the measurement date.
2. Level 2 Input value: Refers to the observable input value of an asset or liability, either directly (i.e., price) or indirectly (i.e., derived from price), except as quoted in level 1.
3. Level 3 Input value: Refers to the unobservable input value of an asset or liability.

The company, when preparing the individual financial statements, handled its investments in the subsidiaries under equity method. In order to make the current year's profit and loss and other comprehensive profit and loss and equity in the individual financial statements consistent to the current year's profit and loss and other comprehensive profit and equity attributed to the owner of the Company in the consolidated financial statements of the Company, certain accounting treatment differences between the individual basis and the consolidated basis are adjusted for "Investments by equity method", "Share of profits and losses in subsidiaries recognized by equity method" and equity-related items.

(III) Standards for distinguishing current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for transaction purpose;
2. Assets expected to be realized within 12 months after the date of balance sheet; and
3. Cash and cash equivalents (except those restricted for exchange or settlement of liabilities more than 12 months after the date of balance sheet).

Current liabilities include:

1. Liabilities held primarily for transaction purpose;
2. Liabilities due for repayment within 12 months after the date of balance sheet; and
3. Liabilities whose maturity cannot be unconditionally extended to at least 12 months after the balance sheet date.

Any assets or liabilities which are not included above are classified as non-current assets or non-current liabilities.

(IV) Foreign currencies

The functional currency of the Company is New Taiwan dollar. When the Company is preparing the individual financial statements, any transactions conducted in currencies other than functional currency (foreign currency) are recorded by converting such currencies into functional currency at the exchange rate on the date of trading.

Monetary items in foreign currency are converted at the closing exchange rate on each balance sheet date. The exchange difference arising from the delivery of a monetary item or the conversion of a monetary item shall be recognized as profit and loss in the year of occurrence.

Any non-monetary items in foreign currency measured at fair value are the exchange rate conversion on the day when the fair value is determined, and the exchange difference arising therefrom is included in the current year's profit and loss, except that the exchange difference arising therefrom is included in other comprehensive profit and loss if the change in fair value is recognized as other comprehensive profit and loss.

Any non-monetary items in foreign currency measured at historical cost are converted at the exchange rate of the trading day and will not be re-converted.

When these individual financial statements are being prepared, any assets and liabilities of foreign operating entities (including subsidiaries operating in countries in currencies other than the Company's functional currency) are converted to New Taiwan dollars at the exchange rate on each balance sheet date. Income and expense items are converted at the average exchange rate for the year and the resulting exchange difference is included in other comprehensive gains and losses.

(V) Inventories

Inventory includes raw materials, work in process and finished goods. The inventory system is measured as the lower of cost and net realized value, and the comparison of cost and net realized value is made on an individual item basis except for the same class of inventory. Net realized value means the balance of the estimated selling price under normal circumstances less the estimated cost of inputs to complete and the estimated cost required to complete the sale. The weighted average method is used to calculate the inventory cost.

(VI) Investment in subsidiaries

The Company handles its investments in subsidiaries under equity method.

"Subsidiary" herein means an entity on which the Company has the control.

Under the equity method, the investment is initially recognized based on the cost, and the book amount after acquisition is increased or decreased with the company's share of subsidiary profit and loss and other comprehensive profit and loss and profit distribution. In addition, changes to the Company's other interests in the subsidiary shall be recognized in proportion to the shareholding.

When the change of the Company's ownership interest in the subsidiary does not result in the loss of control, it shall be treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received shall be directly recognized as equity.

When the Company's share of loss to the subsidiary is equal to or exceeds its equity in the subsidiary (including the book amount of the company under the equity method and other long-term interests that are substantially part of the Company's net investment in the subsidiary), the loss shall continue to be recognized in proportion to its shareholding. The amount of the acquisition cost in excess of the Company's share of the net fair value of identifiable assets and liabilities of the subsidiary constituting the business on the acquisition date is included in the carrying amount of the investment and is not amortized. The amount of the net fair value share of identifiable assets and liabilities of the subsidiary constituting the business in excess of the acquisition cost of the Company on the acquisition date is included as current income.

The Company evaluates the impairment by considering the cash generating unit as a whole in the financial statements and comparing its recoverable amount with the carrying amount. If the recoverable amount of the asset increases thereafter, the recovery of the impairment loss shall be recognized as profit, provided that the carrying amount of the asset after the recovery of the impairment loss shall not exceed the carrying amount of the asset after the deduction of the amortization if the impairment loss has not been recognized.

Unrealized gains and losses from downstream transactions between the Company and subsidiaries are excluded in the individual financial Statements. The gains and losses arising from the counter-current and cross-current transactions between the Company and

its subsidiaries are recognized in the individual financial statements only to the extent that they are not related to the Company's equity in the subsidiaries.

(VII) Immovable property, plant and equipment

Real property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

With the exception of owned land, any significant part of the real estate, plant and equipment is depreciated separately on a straight-line basis during the service life. The Company reviews estimated service life, salvage value and depreciation methods at least at the end of each year and postpones the effect of changes in applicable accounting estimates.

When real estate, plant and equipment are derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized as profit or loss.

(VIII) Intangible assets

1. Acquired separately

Separately acquired intangible assets with limited service life are measured at cost in the original, and are measured at cost after deducting accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their service life, and the Company reviews the estimated service life, residual value and amortization method at least at the end of each year and deferred the impact of changes in applicable accounting estimates.

2. De-recognition

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

(IX) Impairment of immovable property, plant and equipment, assets with right of use and intangible assets

On each balance sheet date, the Company evaluates whether there are any indications that real property, plant and equipment, right-of-use assets, and intangible assets may have been impaired. The recoverable amount of the asset will be estimated if any indication of impairment exists. If it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. If the shared assets can be apportioned to a cash generating unit on a reasonably consistent basis, they can be apportioned to an individual cash generating unit, or otherwise, they can be apportioned to the smallest group of cash generating units that can be apportioned on a reasonably consistent basis.

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

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (less amortization or

depreciation) that would have been determined if the asset or cash generating unit had not recognized the impairment loss in previous years. The reversal of impairment loss is recognized as profit and loss.

(X) Financial instruments

Financial assets and financial liabilities are recognized on the individual balance sheet when the Company becomes a party to the contractual terms of the instrument.

For the original recognition of financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit and loss, they are measured at fair value plus the transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized as profit or loss.

1. Financial assets

Conventional transactions of financial assets are recognized and derecognized by accounting on trading days.

(1) Classification of measurement

The financial assets held by the Company are classified as financial assets measured at cost after amortization.

Financial assets measured at cost after amortization

The financial assets invested by the Company shall be classified as financial assets measured at post-amortization cost if both of the following conditions are met:

- a) Is held under a business model whose purpose is to hold financial assets for the purpose of receiving contract cash flows; and
- b) Contractual terms generate cash flows on a specified date that are solely interest payments on principal and principal amounts outstanding.

Financial assets measured at amortized cost (including cash and equivalent cash, accounts receivable and deposits deposited) after their original recognition are the amortized cost measure of the total carrying amount determined by the effective interest method less any impairment losses. Any foreign currency exchange gains or losses are recognized as profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except in the following two cases:

- a) For credit impaired financial assets purchased or created, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial assets.
- b) For financial assets that are not acquired or initiated as credit impairments but subsequently become credit impairments, interest income shall be confidently calculated by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Cash equivalents are highly liquid time deposits convertible into fixed cash at any time and with little risk of change in value to meet short-term cash commitments.

(2) Impairment of financial assets

The Company assesses its impairment loss of financial assets (including accounts receivable) measured at cost after amortization based on expected credit loss on each balance sheet date.

Loss allowance is recognized as expected credit losses during the duration of accounts receivable. For other financial assets, whether the credit risk has increased significantly since the original recognition is first evaluated. If the credit risk has not increased significantly, the expected credit loss of 12 months is recognized as the loss; if the credit risk has increased significantly, the expected credit loss of the existence period is recognized as the loss.

Expected credit losses are weighted average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit

loss of a financial instrument arising from a possible default event within 12 months after the reported date, while the duration expected credit loss represents the expected credit loss of a financial instrument arising from all possible default events during the expected duration.

The impairment loss of all financial assets is a reduction in carrying amount on reserve account.

(3) De-recognition of financial assets

The Company derecognizes its financial assets only when the contractual rights derived from the cash flow of the financial assets expire or the financial assets have been transferred and almost all the risks and rewards of the ownership of the financial assets have been transferred to other enterprises.

When a financial asset measured at cost after amortization is derecognized as a whole, the difference between the carrying amount and the consideration received is recognized as profit or loss.

2. Equity instruments

Equity instruments issued by the Company are classified as equity according to the substance of the contractual agreement and the definition of equity instruments.

Equity instruments issued by the Company shall be recognized at the price obtained less the direct issuance cost.

The Company's own equity instruments are recognized and deducted under equity, and the carrying amount is calculated according to the weighted average of stock classes. The purchase, sale, issue or cancellation of the Company's own equity instruments are not recognized as profit or loss.

3. Financial liabilities

(1) Follow-up measurement

All financial liabilities of the Company are measured at cost after amortization by the effective interest method.

(2) De-recognition of financial liabilities

When financial liabilities are derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

(XI) Recognition of incomes

The Company apportions the transaction price to each of the performance obligations after the customer identified the performance obligations in the contract and recognizes the income when each performance obligation is satisfied.

Goods sales revenue

Goods sales revenues are from sales of integrated circuits. Since the integrated circuit products are shipped, the customer has fixed the price and the right to use the products, and bears the primary responsibility for reselling the products, and also bears the risk of obsolescence, the Company will recognize the revenue and accounts receivable at that time.

At the time of outsourcing material processing, the control on the ownership of the processed products has not been transferred, so the income is not recognized at the time of material processing.

(XII) Lease

The Company evaluates whether the contract involves a lease or not on the date of execution.

1. Company as lessor

It is classified as a finance lease when the lease terms transfer to the lessee almost all of the risks and rewards attached to the ownership of the asset. All other leases are classified as operating lease.

Under an operating lease, the lease payments minus lease incentives are recognized as income on a straight-line basis during the relevant lease term.

2. Company as lessee

Except for low value target asset leases and short term leases where the recognition exemption applies and lease payments are recognized as expenses on a straight-line basis during the lease term, any other leases are recognized as right-of-use assets and lease liabilities on the commencement date of the lease.

The right-of-use assets are initially measured at cost (including the original measurement amount of the lease liability), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and adjusted for the re-measurement of the lease liability. Right-of-use assets are expressed separately in the consolidated balance sheet.

Right-of-use assets shall be depreciated on a straight-line basis from the commencement date of the lease till the expiration of service life or lease term, whichever is the earlier.

Lease liabilities were originally measured as the present value of lease payments. If the lease implied interest rate is easy to determine, the lease payment is discounted at that interest rate. If the rate is not easy to determine, the tenant's incremental borrowing rate is applied.

Subsequently, lease liabilities are measured on an amortized cost basis using the effective interest method and interest expense is apportioned over the lease term. If the lease term, the salvage value expect payment under the guarantee amount, the evaluation of target asset purchase option or changes in indexes or rates used to determine lease payments cause a change in the future lease payment have rate changes, the Company will re-measure lease liability, and relatively adjust right-of-use assets, but if the carrying amount of the right-of-use assets is reduced to zero, the remaining re-measured amount will be recognized in the profit and loss. Lease liabilities are expressed separately in the individual balance sheet.

(XIII) Governmental subsidy

Governmental subsidy shall be recognized only when it is reasonably assured that the Company will comply with the conditions attached to the governmental subsidy and will receive such subsidy.

Government subsidies related to revenue are recognized as other income on a systematic basis for the period during which the Company recognizes the costs associated with the revenue they are intended to compensate as expenses.

(XIV) Employee benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are measured as non-discounted amounts expected to be paid in exchange for employee services.

2. Post-retirement benefits

The identified pension contributions under a retirement plan is based on the recognition as an expense of the amount of pension contributions to be made during the employee's service.

The identified benefit cost (including service cost, net interest and revaluation) of an identified benefit retirement plan is actuarial under the projected unit benefit method. Service costs (including current service costs) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses when incurred. Revaluations (including actuarial gains and losses and return on plan assets after interest deduction) are recognized as other consolidated gains and losses and included in retained earnings at the time of occurrence and are not reclassified as gains and losses in subsequent periods.

Net identified benefit liabilities (assets) represent the shortfall (surplus) of defined benefit retirement plans. Net identified benefit assets must not exceed the present value of the refund of contributions from the program or the reduction of future contributions.

3. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as defined-benefit retirement plans except that the relevant re-measurements are recognized as profit or loss.

(XV) Share basis payment agreement

The Company grants employee stock options and restricted employee stock options to employees based on the fair value of the equity instrument and the best estimated amount expected to be acquired. The expenses are recognized on a straight-line basis during the vested period, and the capital reserve - Employee stock options and other equity (employee unearned compensation) is adjusted. If it becomes available immediately on the date of granting, it shall be paid in full on such date.

When the Company issues stock with restricted employee's option, it will recognize other rights and interests (unearned compensation of employees) and adjust the capital reserve - stock with restricted employee's option. If it is issued for compensation, and it is agreed that the price shall be returned when the employee departs, the relevant payment payable shall be recognized. If the employee leaves the company within the vested period and does not need to return the dividends received, the expense shall be recognized when the dividend is declared and the retained earnings and capital reserves shall be adjusted at the same time - stock with restricted employee's option.

The Company revises the expected estimated number of vested employee stock options and restricted employee rights stock at each balance sheet date. If the original estimated amount is revised, the impact number is recognized as profit or loss, so that the accumulated expenses reflect the revised estimate, and the capital reserves - employee stock options and capital reserves - restricted employee rights stock are adjusted relative to each other.

(XVI) Income tax

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

1. Current income tax

The income tax payable (recoverable) shall be calculated based on the income (loss) for the period determined by the Company in accordance with the laws and regulations currently effective in Taiwan.

The additional income tax on undistributed surplus calculated in accordance with the income tax law of Taiwan shall be recognized in the year as decided at the shareholders' meeting.

The adjustment of income tax payable in previous years shall be included in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the tax basis on which the taxable income is calculated.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, whereas deferred income tax assets are recognized when there is a high probability that a taxable institution can use an income tax deduction for deductible temporary differences.

Taxable temporary differences related to the equity in invested subsidiaries are recognized as deferred income tax liabilities, unless the Company can control the point at which the temporary differences reverse and it is highly likely that the temporary differences will not reverse in the foreseeable future. Deferred tax assets with respect to such investments are deductible for temporary differences only to the extent that they are likely to have sufficient taxable income to achieve such temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced for those who are no longer likely to have sufficient tax offices to recover all or part of their assets. The assets not previously recognized as deferred income tax are also reviewed on each balance sheet date, and if there is a high probability that they will be able to recover all or part of their assets in the future, their book amounts will be increased.

Deferred income tax assets and liabilities are measured by the tax rate for the period in which liabilities are expected to be liquidated or realized based on the tax rate and tax law legislated or substantially legislated at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit and loss, whereas current and deferred income taxes related to items recognized in other consolidated profit and loss or directly recognized in equity are recognized in other consolidated profit and loss or directly recognized in equity.

V. Major Sources of Uncertainty in Material Accounting Judgments, Estimates and Assumptions

When the Company adopts accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors if relevant information is not readily available from other sources. The actual results may differ from estimates.

The Company takes into account the recent spread of COVID-19 in Taiwan and its possible impact on the economic environment in consideration of significant accounting estimates such as cash flow estimates, growth rates, discount rates and profitability, and the management will continuously review the estimates and underlying assumptions. If correction to the estimates only affects the current period, it is recognized in the current period. If correction to the

accounting estimates affects both the current and future periods, it is recognized in the revised current and future periods.

Main sources of uncertainty in estimates and assumptions

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable and investments in debt instruments is based on the Company's assumptions regarding the probability of default and the default loss rate. The Company considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessment. If the actual future cash flow is less than the Company expects, there may be a material impairment loss.

(II) Impairment of inventory

The net realized value of inventory is an estimate of the estimated selling price in the normal course of business less the estimated cost to complete and the estimated cost to complete the sale. Such estimates are assessed based on current market conditions and historical sales experience of similar products. Changes in market conditions may materially affect such estimates.

VI. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Foreign currency deposits	\$ 58,549	\$164,922
Bank checks and demand deposits	38,032	33,305
Petty cash and cash on hand	519	654
Cash equivalents		
Time deposits	126,200	433,200
Commercial note	-	65,000
	<u>\$223,300</u>	<u>\$697,081</u>

The interest rate for cash and equivalent cash at the balance sheet date ranges as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposit	0.1%~1.41%	0.01%~0.82%

VII. Receivable account

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts Receivable -</u>		
<u>non-related parties</u>		
Measured at amortized cost		
Total book amount	\$103,592	\$223,806
<u>Accounts Receivable - related</u>		
<u>parties</u>		
Measured at amortized cost		
Total book amount	<u>29,074</u>	<u>93,633</u>
	<u>\$132,666</u>	<u>\$317,439</u>

The Company's average credit period for merchandise sales is 30 to 60 days per month, and accounts receivable are interest-free. The Company will use other publicly available financial information and historical transaction histories to grade major customers. The Company continuously monitors credit risks and the credit ratings of the other trading party. To mitigate credit risks, the management of the Company assigns a dedicated team to determine credit lines, approve credit lines and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been included in unrecoverable receivables. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company recognizes allowance losses for accounts receivable on the basis of expected credit losses during the duration of existence. The expected credit loss during the life period is calculated using the reserve matrix, which takes into account the customer's past default record and the current financial position and industrial economic situation, as well as the GDP forecast and industrial outlook. As the Company's credit loss history shows that there is no significant difference in loss patterns among different customer groups, the reserve matrix does not further distinguish between customer groups and only sets the expected credit loss rate based on the overdue days of accounts receivable.

If there is evidence that the other trading party is in serious financial difficulties and the Company cannot reasonably expect the amount to be recovered, the Company will directly write off the relevant accounts receivable, but will continue to pursue recovery activities, as the amount recovered will be recognized as profit or loss.

Refer to the table below for an aging analysis of accounts receivable at the end of the reporting period.

Aging analysis of net accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
No overdue nor derogation	<u>\$103,592</u>	<u>\$223,806</u>

VIII. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$118,812	\$ 92,682
Products in process	405,733	286,661
Raw materials	<u>226,335</u>	<u>48,648</u>
	<u>\$750,880</u>	<u>\$427,991</u>

The inventory-related cost of goods sold in 2022 and 2021 was \$949,915,000 and \$1,241,692,000 respectively.

The cost of goods sold for years 2022 and 2021 including losses on inventory decline and stagnation were \$13,794,000 and \$0 respectively.

IX. Investments by Equity Method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wholly-owned subsidiary	<u>\$207,124</u>	<u>\$211,578</u>

Wholly-owned subsidiary

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	\$203,713	\$208,503
Leadtrend Technology (Samoa) Limited	<u>3,411</u>	<u>3,075</u>
	<u>\$207,124</u>	<u>\$211,578</u>

	Percentage of ownership interest and voting r i g h t s	
<u>Name of Subsidiary</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	100%	100%
Leadtrend Technology (Samoa) Limited	100%	100%

The share of profits and losses and other consolidated profits and losses of subsidiaries under equity method for years 2022 and 2021 is recognized on the basis of the financial reports of each subsidiary audited by accountants for the same period.

X. Real Estate, Plant and Equipment

Used by the Company itself

	<u>Land</u>	<u>Buildings</u>	<u>R&D equipment</u>	<u>Furniture and fixtures</u>	<u>Molding equipment</u>	<u>Improvements on leased property</u>	<u>Mask</u>	<u>Total</u>
<u>Cost</u>								
Balance at Jan. 1, 2022	\$ 72,270	\$258,236	\$244,564	\$ 29,627	\$ 25,356	\$ 17,523	\$242,950	\$890,526
Increase	13,930	45,847	27,058	2,620	726	4,952	32,324	127,457
Decrease	-	-	(528)	(703)	-	-	-	(1,231)
Balance at Dec. 31, 2022	<u>\$ 86,200</u>	<u>\$304,083</u>	<u>\$271,094</u>	<u>\$ 31,544</u>	<u>\$ 26,082</u>	<u>\$ 22,475</u>	<u>\$275,274</u>	<u>\$1,016,752</u>

	Land	Buildings	R&D equipment	Furniture and fixtures	Molding equipment	Improvements on leased property	Mask	Total
<u>Accumulated depreciation</u>								
Balance at Jan. 1, 2022	\$ -	\$ 42,107	\$155,230	\$ 21,930	\$ 23,950	\$12,873	\$209,029	\$465,119
Increase	-	8,657	26,062	3,131	660	3,676	30,004	72,190
Decrease	-	-	(528)	(703)	-	-	-	(1,231)
Balance at DEC. 31, 2022	<u>\$ -</u>	<u>\$ 50,764</u>	<u>\$180,764</u>	<u>\$ 24,358</u>	<u>\$ 24,610</u>	<u>\$16,549</u>	<u>\$239,033</u>	<u>\$536,078</u>
Carrying amount at Dec. 31, 2022	<u>\$ 86,200</u>	<u>\$253,319</u>	<u>\$ 90,330</u>	<u>\$ 7,186</u>	<u>\$ 1,472</u>	<u>\$5,926</u>	<u>\$ 36,241</u>	<u>\$480,674</u>
<u>Cost</u>								
Balance at Jan. 1, 2021	\$ 72,270	\$258,236	\$188,935	\$ 23,822	\$ 23,613	\$15,528	\$219,343	\$801,747
Increase	-	-	56,770	6,085	1,743	1,995	23,607	90,200
Decrease	-	-	(1,141)	(280)	-	-	-	(1,421)
Balance at Dec. 31, 2021	<u>\$ 72,270</u>	<u>\$258,236</u>	<u>\$244,564</u>	<u>\$ 29,627</u>	<u>\$ 25,356</u>	<u>\$17,523</u>	<u>\$242,950</u>	<u>\$890,526</u>
<u>Accumulated depreciation</u>								
Balance at Jan. 1, 2021	\$ -	\$ 34,244	\$139,403	\$ 19,662	\$ 23,607	\$9,676	\$186,698	\$413,290
Increase	-	7,863	16,968	2,548	343	3,197	22,331	53,250
Decrease	-	-	(1,141)	(280)	-	-	-	(1,421)
Balance at Dec. 31, 2021	<u>\$ -</u>	<u>\$ 42,107</u>	<u>\$155,230</u>	<u>\$ 21,930</u>	<u>\$ 23,950</u>	<u>\$12,873</u>	<u>\$209,029</u>	<u>\$465,119</u>
Carrying amount at Dec. 31, 2021	<u>\$ 72,270</u>	<u>\$216,129</u>	<u>\$ 89,334</u>	<u>\$ 7,697</u>	<u>\$ 1,406</u>	<u>\$4,650</u>	<u>\$ 33,921</u>	<u>\$425,407</u>

No impairment losses were recognized or reversed in 2022 and 2021.

Depreciation costs are calculated on a straight-line basis for the following service life:

Buildings and structures	10 ~ 50 years
R&D equipment	3 ~ 6 years
Furniture and fixtures	4 ~ 9 years
Molding equipment	3 years
Improvements on leased property	2 ~ 6 years
Mask	2 ~ 3 years

XI. Lease Agreement

(I) Right-of-use assets:

	December 31, 2022	December 31, 2021
Carrying amount of		
Buildings	<u>\$ 14,897</u>	<u>\$ 26,570</u>
	2022	2021
Additions	<u>\$ -</u>	<u>\$ 28,183</u>
Depreciation		
Buildings	<u>\$ 9,014</u>	<u>\$ 8,711</u>

(II) Lease liability

	December 31, 2022	December 31, 2021
Carrying amount		
Current	<u>\$ 7,878</u>	<u>\$ 10,101</u>
Non-current	<u>\$ 7,189</u>	<u>\$ 16,504</u>

The discount rate for lease liabilities ranges as follows:

	December 31, 2022	December 31, 2021
Buildings	1.96%~2.10%	1.96%~2.10%

(III) Major leasing activities and terms

The Company has leased several buildings for office use for 2~4 years. At the end of the lease term, the Company has no preferential right to purchase the leased land and buildings and agrees that the Company shall not sublease or transfer all or part of the leased property without the prior consent of the Lessor.

(IV) Other Lease Information

	2022	2021
Short-term lease charges	<u>\$ 1,982</u>	<u>\$ 1,361</u>
Low-value asset leasing costs	<u>\$ 53</u>	<u>\$ 21</u>
Total cash (outflow) from leases	<u>(\$ 11,327)</u>	<u>(\$ 10,357)</u>

XII. Intangible Assets

	Computer software	Specialized technology	Right of patent	Other	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 92,524	\$ 17,993	\$ 8,383	\$ 2,922	\$ 121,822
Increase	<u>7,540</u>	<u>9,979</u>	<u>-</u>	<u>-</u>	<u>17,519</u>
Balance at Dec. 31, 2022	<u>\$ 100,064</u>	<u>\$ 27,972</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 139,341</u>
<u>Cumulative amortization</u>					
Balance at January 1, 2022	\$ 90,351	\$ 16,459	\$ 2,586	\$ 2,922	\$ 112,318
Increase	<u>1,830</u>	<u>10,525</u>	<u>839</u>	<u>-</u>	<u>13,194</u>
Balance at Dec. 31, 2022	<u>\$ 92,181</u>	<u>\$ 26,984</u>	<u>\$ 3,425</u>	<u>\$ 2,922</u>	<u>\$ 125,512</u>
Net amount on December 31, 2022	<u>\$ 7,883</u>	<u>\$ 988</u>	<u>\$ 4,958</u>	<u>\$ -</u>	<u>\$ 13,829</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 96,211	\$ 3,692	\$ 8,383	\$ 2,922	\$ 111,208
Increase	1,114	9,500	-	-	10,614
Reclassified	(<u>4,801</u>)	<u>4,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at Dec. 31, 2021	<u>\$ 92,524</u>	<u>\$ 17,993</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 121,822</u>
<u>Cumulative amortization</u>					
Balance at January 1, 2021	\$ 87,270	\$ 3,019	\$ 1,747	\$ 2,922	\$ 94,958
Increase	7,482	9,039	839	-	17,360
Reclassified	(<u>4,401</u>)	<u>4,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at Dec. 31, 2021	<u>\$ 90,351</u>	<u>\$ 16,459</u>	<u>\$ 2,586</u>	<u>\$ 2,922</u>	<u>\$ 112,318</u>
Net amount on December 31, 2021	<u>\$ 2,173</u>	<u>\$ 1,534</u>	<u>\$ 5,797</u>	<u>\$ -</u>	<u>\$ 9,504</u>

The above-mentioned intangible assets with limited durable life shall be amortized on a straight-line basis based on the following years of durability:

Computer software	1 ~ 10 years
Specialized technology	5 years
Right of patent	10 years
Other	3 ~ 5 years

XIII. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Refundable deposit	\$ 15,000	\$ -
Tax retained	4,726	1,104
Advances on sales	4,107	4,270
Tax rebate receivable	2,709	10,827
Provisional payment	905	1,221
Other	<u>6,624</u>	<u>5,093</u>
	<u>\$ 34,071</u>	<u>\$ 22,515</u>
<u>Non-Current</u>		
Prepayment for equipment	\$ 5,070	\$ 15,117
Refundable deposit	<u>2,718</u>	<u>3,198</u>
	<u>\$ 7,788</u>	<u>\$ 18,315</u>

XIV. Other Current Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonuses payable	\$ 39,336	\$ 42,402
Unpaid leave benefits payable	9,050	10,014
Premium payable	4,197	3,790
Other	<u>28,927</u>	<u>30,654</u>
	<u>\$ 81,510</u>	<u>\$ 86,860</u>

XIII. Post-Retirement Welfare Plan

(I) Identified allocation plan

The Company's applicable pension program under the Workers' Pensions Ordinance is a defined-contribution retirement scheme administered by the government, which contributes 6% of an employee's monthly salary to the individual account of the Workers' Insurance Bureau.

(II) Identified welfare plans

The Company's pension system in accordance with Labor Standards Law is a defined benefit retirement plan administered by the government. Payment of employee's pension is calculated on the basis of the service duration and the average salary of the 6 months prior to approved retirement. The Company shall allocate 2% of the total monthly salary to the employee's pension, which shall be deposited into a special account of the Bank of Taiwan by the Labor Retirement Reserve Supervision Committee in the name of the committee. Before the end of the year, if the estimated balance of the special account is not enough to pay the employees who are expected to reach the retirement conditions within the next year, the difference will be allocated in a lump sum before the end of March of the next year. This special account is entrusted by the Labor Fund Management Bureau of the Ministry of Labor, and the Company has no right to affect the investment management strategy.

The identified benefit plan amounts included in the individual balance sheet are listed below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Present value of identified welfare obligations	\$ 24,101	\$ 24,933	
Fair value of planned assets	(<u>19,261</u>)	(<u>15,239</u>)	
Net defined benefit liability	<u>\$ 4,840</u>	<u>\$ 9,694</u>	
Changes in net identified benefit liabilities/assets are as follows:			
	Present Value of Identified benefit obligation	Fair Value of Planned Assets	Net Identified Benefit Liabilities (assets)
January 1, 2021	<u>\$ 23,286</u>	(<u>\$ 12,616</u>)	<u>\$ 10,670</u>
Service costs			
current service cost	462	-	462
Interest expense (income)	<u>116</u>	(<u>69</u>)	<u>47</u>
Recognized in profit and loss	<u>578</u>	(<u>69</u>)	<u>509</u>
Revaluation			
Return on planned assets (excluding amounts included in net interest)	-	(144)	(144)
Actuarial loss - Demographic assumptions change	792	-	792
Actuarial loss - Adjustment for experience	<u>277</u>	<u>-</u>	<u>277</u>
Recognized in other consolidated profits and losses	<u>1,069</u>	(<u>144</u>)	<u>925</u>
Employer contributions	<u>-</u>	(<u>2,410</u>)	(<u>2,410</u>)
December 31, 2021	24,933	(15,239)	9,694

	Present Value of Identified benefit obligation	Fair Value of Planned Assets	Net Identified Benefit Liabilities (assets)
Service costs			
Current service cost	\$ 480	\$ -	\$ 480
Interest expense (income)	<u>125</u>	(<u>85</u>)	<u>40</u>
Recognized in profit and loss	<u>605</u>	(<u>85</u>)	<u>520</u>
Revaluation			
Return on planned assets (excluding amounts included in net interest)	-	(1,115)	(1,115)
Actuarial benefit - Changes in financial assumptions	(1,970)	-	(1,970)
Actuarial loss Adjustment for experience	<u>533</u>	<u>-</u>	<u>533</u>
Recognized in other consolidated profits and losses	(<u>1,437</u>)	(<u>1,115</u>)	(<u>2,552</u>)
Employer contributions	<u>-</u>	(<u>2,822</u>)	(<u>2,822</u>)
December 31, 2022	<u>\$ 24,101</u>	(<u>\$ 19,261</u>)	<u>\$ 4,840</u>

The company is exposed to the following risks as a result of the pension system under the Labor Standards Law:

1. Investment risk: The labor Fund Management Bureau of the Ministry of Labor invests the labor retirement fund in domestic (foreign) equity securities, debt securities and bank deposits through its own use and entrusted operation. However, the amount of distribution of the planned assets of the Company is the revenue calculated at the interest rate not lower than that of the 2-year fixed deposit of the local bank.
2. Interest rate risk: The decrease in the interest rate of government bonds corporate bonds will increase the present value of identified benefit obligations, but the return on debt investment of planned assets will also increase, which will partially offset the effect of the net identified benefit liabilities.
3. Salary risk: The present value of the benefit obligation is calculated based on the future salary of the planned member. Therefore, rise in the planned member's salary will increase the present value of the identified benefit obligation.

The present value of the Company's identified welfare obligations is actuarial by qualified actuaries and is measured on the following significant assumptions:

	December 31, 2022	December 31, 2021
Discount rate	1.375%	0.500%
Expected salary interest rate	4.000%	4.000%

When all other assumptions stay unchanged, a reasonably possible change in the significant actuarial assumptions respectively would increase /decrease the present value of the identified benefit obligation by the following amount:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increased by 0.25%	(\$ 527)	(\$ 589)
Decreased by 0.25%	<u>\$ 543</u>	<u>\$ 608</u>
Expected salary interest rate		
Increased by 0.25%	<u>\$ 519</u>	<u>\$ 576</u>
Decreased by 0.25%	(<u>\$ 507</u>)	(<u>\$ 562</u>)

Because actuarial assumptions may be related to each other, it is unlikely that a single assumption will change, so the sensitivity analysis above may not reflect the actual changes in the present value of identified benefit obligations.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected withdrawn amount within 1 year	<u>\$ 1,086</u>	<u>\$ 3,426</u>
Average maturity period of identified benefit obligations	9 years	10 years

VI. Rights and Interests

(I) Capital stock

Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Rated number of shares (thousands)	<u>200,000</u>	<u>72,000</u>
Authorized stock	<u>\$ 2,000,000</u>	<u>\$ 720,000</u>
Number of shares issued and fully paid up (thousands)	<u>56,883</u>	<u>52,864</u>
Issued share capital	<u>\$ 568,838</u>	<u>\$ 528,646</u>

For each share of the common stock of the Company, with a face value of \$10 per share, the holder is entitled to one vote and the right to receive dividends.

The capital stock reserved for the issuance of employee stock warrants out of the rated capital stock is 7,800,000 shares.

(II) Capital reserves

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Used to cover losses, release cash or allocate capital stock</u>		
(1)		
Share premium (including exercised or lapsed employee stock options)	\$258,027	\$273,131
Donations received from shareholders (2)	84,732	84,732

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Used only to cover losses</u>		
Other	\$ 106	\$ 98
<u>Not used for any purpose</u>		
Stocks with restricted employee's option	<u>47,567</u>	<u>51,708</u>
	<u>\$390,432</u>	<u>\$409,669</u>

1. Such capital reserves may be used to cover losses or, if the company has no losses, to issue cash or to make up capital stock, subject to a certain percentage of the paid-in capital stock each year.
2. Donations in cash from Delaware Asia Pacific Investment Company

(III) Retained earnings and dividend policy

In accordance with the earnings distribution policy of the Articles of Association of the Company, if there is any net profit after tax in the current period in the general accounts of each year, it shall be distributed in the following order:

1. To cover accumulated losses (including adjustment of unallocated surplus amount).
2. To provision 10% of the statutory surplus reserve, unless such surplus reserves have reached the amount of the Company's paid-in capital.
3. To provision or reverse special surplus reserves as required by law or the regulatory authority.
4. Any other surpluses, together with undistributed surplus at the beginning of the period (including adjusted amount of undistributed surplus), shall be subject to a resolution on distribution proposed by the board of directors, or be proposed to the board of shareholders for resolution on distribution if it is distributed by issuing new shares.

The Company shall distribute all or part of dividends and dividends or statutory surplus reserves and capital reserves, in the form of cash, by authorizing the Board of Directors to report to the shareholders' meeting with the consent of more than two-thirds of the directors present and more than half of the directors present.

For the remuneration allocation policy in the Articles of Association of the Company, refer to Note 19 (7) Remuneration of employees and directors.

The distribution of dividends of the Company shall be based on the current year's earnings. As per the principle of dividend stability, the distribution ratio shall not be less than 30% of the current year's after-tax earnings, and the annual cash dividend shall not be less than 10% of the total cash and stock dividends of the current year.

The statutory surplus reserve shall be withdrawn till the balance reaches the total amount of paid-in capital stock of the Company. Statutory surplus reserves may be used to cover losses. When the Company has no loss, the portion of the statutory surplus reserve exceeding 25% of the total paid-up capital stock can be distributed in cash in addition to increasing capital stock.

The Company's earnings distribution plans for 2021 and 2020 are as follows:

	2021	2020
Statutory surplus reserves	<u>\$ 32,806</u>	<u>\$ 6,021</u>
Cash dividends	<u>\$147,868</u>	<u>\$ 28,814</u>
Stock dividends	<u>\$ 36,967</u>	<u>\$ 24,012</u>
Cash dividend per share (\$)	\$ 2.8000	\$ 0.603
Dividend per share (\$)	\$ 0.700	\$ 0.503

In addition, on April 29, 2022, the board of directors of the Company decided to distribute cash dividends of \$26,405,000 (\$0.500 per share) from the capital reserves of 2021. Besides the cash dividend, the remaining surplus distribution items were also decided at the regular meeting of shareholders on June 9, 2022.

On August 3, 2021, the Board of Shareholders of the Company decided to increase the capital with the annual capital reserves amounting \$24,012,000 (\$0.503 per share), and distributed cash dividends totaling \$28,814,000 (\$0.603 per share) and stock dividend totaling \$48,024,000 (\$1.006 per share) in 2020. Except for the cash shares approved by the Board of Directors' resolution on May 6, 2021, the remaining surplus distribution items were also decided by the regular meeting of shareholders on August 3, 2021.

(IV) Other rights and interests

1. Exchange difference in conversion of financial statements by foreign operating institutions

	2022	2021
Balance at Beginning of the Year	<u>\$ 1,867</u>	<u>\$ 2,946</u>
Difference in conversion of foreign operators in current year	<u>3,735</u>	(<u>1,079</u>)
Other comprehensive gains and losses in current year	<u>3,735</u>	(<u>1,079</u>)
Balance at end of the year	<u>\$ 5,602</u>	<u>\$ 1,867</u>

The relevant exchange difference resulting from the conversion of the net assets of the foreign operators from its functional currency to the Company's expressed currency (i.e., New Taiwan dollar) is the exchange difference directly recognized as the conversion of the financial statements of the foreign operating institution under other comprehensive income and loss items. The previously accumulated conversion difference in the financial statements of the foreign operators shall be reclassified to profit or loss when disposed of by the foreign operators.

2. Remuneration not gained by staff

The Board of Shareholders of the Company decided on June 9, 2022, June 23, 2020 and June 21, 2016 respectively to issue new shares with restricted employee option, as explained in Note 17.

	2022	2021
Balance at Beginning of the Year	(\$ 42,573)	(\$ 26,704)
Granted in current year	(19,782)	(36,600)
Recognized share-based payment	21,013	20,422
Recovered and canceled in current year	<u>9,397</u>	<u>309</u>
Balance at end of the year	(<u>\$ 31,945</u>)	(<u>\$ 42,573</u>)

XVII. Share-based payment

Stocks with restricted employee's option

Information on the Company's issued new shares with restricted employee option is given below:

Date of being adopted by the board of shareholders	Expected number of shares issued (thousand shares)	Offered shares decided by BOD (thousand shares)	Date of Offering	Base date of capital increase	Actual number of shares issued (thousand shares)	Date of Offering Fair Value
105.06.21	1,200	1,200	105.07.28	105.08.25	1,200	\$ 30.2
109.06.23	1,200	900	109.09.11	109.11.06	900	34.35
109.06.23	1,200	300	110.08.03	110.08.03	300	122
111.06.09	420	420	111.10.07	111.10.12	420	47.1

On June 21, 2016, the Board of Shareholders of the Company decided to issue new shares with restricted employee option totaling \$12,000,000 in 1,200,000 shares, as stated below.

Any employee who has been granted new shares with restricted rights shall be subject to the "Overall financial performance of the Company" and "Personal performance", and shall be granted new shares on the basis of the following schedule and accrual ratio if he/she is still employed by the Company at the expiry of the following granting period:

Granting period	Granting ratio
Those still in office on April 1, 2018	25%
Those still in office on April 1, 2019	25%
Those still in office on April 1, 2020	25%
Those still in office on April 1, 2021	25%

Treatment if employee fails to meet the conditions for granting:

- (I) In case that any employee resigns voluntarily, is dismissed, demobilized, retires, dies generally, leaves without pay, or moves to any related enterprise during the period from the date of granting till the expiration of the granting period, any shares that are granted to but not yet obtained by him/her will be recovered by the Company without compensation.
- (II) Any shares that have not been obtained by any employee who fails to reach the Company's overall revenue target or his/her personal performance target in the current year will be recovered by the Company without compensation.
- (III) Any shares and related dividends approved for granting before the expiry of the granting period will be granted to related employee free of charge.
- (IV) If any employee, before meeting the conditions for granting, terminates or revokes the agency authorization to the Company in breach of the provision that "during the period of delivering the new shares with restricted employee option to any trust, the Company shall (including but not limited to) negotiate, sign, amend, extend, rescind and terminate any relevant trust contract with the stock trust agency and instruct the delivery, use and disposal of the trusted property fully on behalf of the employee", the Company shall recover the shares from the employee without compensation.

Any new shares with restricted employee option which the Company has recovered without compensation will be canceled by the Company.

The granting of the aforesaid new shares with restricted employee option is summarized as follows:

	2016
	New shares with restricted employee option
	Unit (1,000)
<u>2021</u>	
Outstanding at the beginning of the year	197.0
Obtained in current year	(197.0)
Outstanding at the end of the year	-
Obtained by employee	613.0
Weighted average fair value given (\$)	\$ 30.2

In addition, on June 23, 2020, the Board of Shareholders of the Company decided to issue new shares with restricted employee option totaling \$12,000,000 in 12,000,000 shares, as stated below.

Any employee who is granted new shares with limited rights, if he/she is selected as "Approved" or above in his/her latest personal performance evaluation before the granting date, and is still employed by the Company at the end of the granting period as stated below, will be granted new shares based on the schedule and accrual ratio below:

Granting period	Granting ratio
Granting date ~ October 15 of the following first year	One sixth
Granting date ~ April 15 of the following second year	One sixth
Granting date ~ October 15 of the following second year	One sixth
Granting date ~ April 15 of the following third year	One sixth
Granting date ~ October 15 of the following third year	One sixth
Granting date ~ April 15 of the following fourth year	One sixth

Treatment if employee fails to meet the conditions for granting:

- (I) In case that any employee resigns voluntarily, is dismissed, demobilized, retires, dies generally, leaves without pay, or moves to any related enterprise during the period from the date of granting till the expiration of the granting period, any shares that are granted to but not yet obtained by him/her will be recovered by the Company without compensation.
- (II) Any shares that was approved to be granted to any employee who fails to achieve his/her latest personal performance before the granting date will be recovered by the Company without compensation.
- (III) Any shares and related dividends approved for granting before the expiry of the granting period will be granted to related employee free of charge.
- (IV) If any employee , before meeting the conditions for granting, terminates or revokes the agency authorization to the Company in breach of the provision that "during the period of delivering the new shares with restricted employee option to any trust, the Company shall (including but not limited to) negotiate, sign, amend, extend, rescind and terminate any relevant trust contract with the stock trust agency and instruct the delivery, use and disposal of the trusted property fully on behalf of the employee", the Company shall recover the shares from the employee without compensation.

Any new shares with restricted employee option which the Company has recovered without compensation will be canceled by the Company.

The granting of the aforesaid stock option plan is summarized as follows:

	2020 - 1-year new shares with restricted employee option Unit (1,000)	2020 - 2-year new shares with restricted employee option Unit (1,000)
<u>2022</u>		
Outstanding at the beginning of the year	740.0	291.0
Obtained in current year	(287.0)	(38.5)
Recovered in current year	(<u>28.5</u>)	(<u>60.0</u>)
Outstanding at the end of the year	<u>424.5</u>	<u>192.5</u>
Obtained by employee	<u>435.0</u>	<u>38.5</u>
Weighted average fair value given (\$)	<u>\$ 34.35</u>	<u>\$ 122</u>
<u>2021</u>		
Outstanding at the beginning of the year	900.0	-
Obtained in current year	(148.0)	-
Granted in current year	-	300.0
Recovered in current year	(<u>12.0</u>)	(<u>9.0</u>)
Outstanding at the end of the year	<u>740.0</u>	<u>291.0</u>
Obtained by employee	<u>148.0</u>	<u>-</u>
Weighted average fair value given (\$)	<u>\$ 34.35</u>	<u>\$ 122</u>

In addition, on June 9, 2022, the Board of Shareholders of the Company decided to issue new shares with restricted employee option totaling \$420,000 in 420,000 shares, as stated below.

Any employee who is granted new shares with limited rights, if he/she is selected as "Approved" or above in his/her latest personal performance evaluation before the granting date, and is still employed by the Company at the end of the granting period as stated below, will be granted new shares based on the schedule and accrual ratio below:

Granting period	Granting ratio
Granting date ~ October 11 of the following first year	One sixth
Granting date ~ April 11 of the following second year	One sixth
Granting date ~ October 11 of the following second year	One sixth
Granting date ~ April 11 of the following third year	One sixth
Granting date ~ October 11 of the following third year	One sixth
Granting date ~ April 11 of the following fourth year	One sixth

Treatment if employee fails to meet the conditions for granting:

- (I) In case that any employee resigns voluntarily, is dismissed, demobilized, retires, dies generally, leaves without pay, or moves to any related enterprise during the period from the date of granting till the expiration of the granting period, any shares that are granted to but not yet obtained by him/her will be recovered by the Company without compensation.
- (II) Any shares that was approved to be granted to any employee who fails to achieve his/her latest personal performance before the granting date will be recovered by the Company without compensation.
- (III) Any shares and related dividends approved for granting before the expiry of the granting period will be granted to related employee free of charge.
- (IV) If any employee, before meeting the conditions for granting, terminates or revokes the agency authorization to the Company in breach of the provision that "during the period of delivering the new shares with restricted employee option to any trust, the Company shall (including but not limited to) negotiate, sign, amend, extend, rescind and terminate any relevant trust contract with the stock trust agency and instruct the delivery, use and disposal of the trusted property fully on behalf of the employee", the Company shall recover the shares from the employee without compensation.

Any new shares with restricted employee option which the Company has recovered without compensation will be canceled by the Company.

The granting of the aforesaid stock option plan is summarized as follows:

	2022 - 1-year new shares with restricted employee option
	Unit (1,000)
<u>2022</u>	
Outstanding at the beginning of the year	-
Granted in current year	<u>420.0</u>
Outstanding at the end of the year	<u>420.0</u>
Obtained by employee	<u>-</u>
Weighted average fair value given (\$)	<u>\$ 47.1</u>

The compensation costs for the new shares with restricted option as recognized in 2022 and 2021 are \$21,013,000 and \$20,422,000 respectively.

XVIII. Operating Revenue

	2022	2021
Revenue from customer contracts integrated circuit	<u>\$ 1,555,862</u>	<u>\$ 2,030,052</u>

(I) Contractual balance

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (including related parties) (Note 7)	<u>\$ 132,666</u>	<u>\$ 317,439</u>	<u>\$ 215,113</u>

(II) Breakdown of customer contract revenue

Differential subdivision by district

	2022	2021
Taiwan (where the company is located)	\$ 850,257	\$ 1,232,735
Mainland China	685,069	788,565
Korea	5,201	3,464
Other countries	<u>15,335</u>	<u>5,288</u>
	<u>\$ 1,555,862</u>	<u>\$ 2,030,052</u>

XIX. Net Profit of Business units

(I) Interest incomes

	2022	2021
Bank deposit	\$ 3,187	\$ 3,382
With repurchase of bonds	101	-
Commercial note	44	-
Interest on deposit	<u>22</u>	<u>19</u>
	<u>\$ 3,354</u>	<u>\$ 3,401</u>

(II) Other incomes			2022	2021
Income from government subsidy			\$ 9,327	\$ 6,673
Rental income				
Other business leases			2,182	2,009
Other			<u>1,482</u>	<u>1,219</u>
			<u>\$ 12,991</u>	<u>\$ 9,901</u>
(III) Other interests and losses			2022	2021
Net gain (loss) on foreign currency exchange			\$ 16,550	(\$ 5,232)
Other			(<u>59</u>)	<u>-</u>
			<u>\$ 16,491</u>	<u>(\$ 5,232)</u>
(IV) Financial cost			2022	2021
Interest on lease liabilities			\$ 433	\$ 151
Other interest expense			<u>-</u>	<u>1</u>
			<u>\$ 433</u>	<u>\$ 152</u>
(V) Depreciation and amortization			2022	2021
Summary of depreciation costs by function				
operating cost			\$ 26,140	\$ 23,112
Operating expenses			<u>55,064</u>	<u>38,849</u>
			<u>\$ 81,204</u>	<u>\$ 61,961</u>
Summary of amortized expenses by function				
Operating cost			\$ 707	\$ 119
Operating expenses			<u>12,487</u>	<u>17,241</u>
			<u>\$ 13,194</u>	<u>\$ 17,360</u>
(VI) Employee benefit expenses			2022	2021
Post-retirement benefits				
Identified allocation plan			\$ 11,123	\$ 9,967
Defined Benefit Scheme (Note 15)			<u>520</u>	<u>509</u>
			11,643	10,476

	2022	2021
Share-based payment (Note 17)		
Delivery of equity	\$ 21,013	\$ 20,422
Other employee benefits	<u>315,186</u>	<u>359,506</u>
Total employee benefit expenses	<u>\$347,842</u>	<u>\$390,404</u>
Summary by function		
Operating cost	\$ 58,201	\$ 74,671
Operating expenses	<u>289,641</u>	<u>315,733</u>
	<u>\$347,842</u>	<u>\$390,404</u>

(VII) Remuneration of employees and directors

In accordance with the Articles of Association, the Company shall set aside no less than 5% and no more than 2% of the pre-tax profit of the current period before deducting the remuneration of employees and directors respectively. With respect to the remuneration of employees and directors to be estimated in 2022 and 2021, on March 16, 2023 and March 17, 2022 respectively, the Board of Directors decided as follows:

Estimated recognized proportion

	2022	2021
Employee remuneration	14%	16%
Director's remuneration	1%	1%

Amount

	2022		2021	
	Cash	Share	Cash	Share
Employee remuneration	\$ 32,060	\$ -	\$ 73,880	\$ -
Director's remuneration	2,581	-	4,441	-

If there is still any change in the amount after issuance of annual financial report, it will be handled according to the change in accounting estimates and adjusted and recorded in the next year.

There is no difference between the actual amounts allocated for employee remuneration in 2021 and 2020 and the amounts recognized in the annual financial reports of 2021 and 2020.

For information on employee compensation and director compensation as determined by the Board of Directors of the Company, please visit the "Open Information Observatory" of the Taiwan Stock Exchange.

(VIII) Gains and losses in foreign currency exchange

	2022	2021
Total foreign exchange benefits	\$ 38,740	\$ 9,780
Total loss on foreign currency exchange	(22,190)	(15,012)
Net profit (loss)	<u>\$ 16,550</u>	<u>(\$ 5,232)</u>

XX. Income Tax

(I) Income tax recognized in profit and loss

The main components of income tax expense are listed below:

	2022	2021
Current income tax		
Incurred in current year	\$ 43,261	\$ 63,228
Adjustments from previous years	(5,355)	(14,497)
	37,906	48,731
Deferred income tax		
Incurred in current year	(68)	(205)
Income tax expense recognized as profit and loss	<u>\$ 37,838</u>	<u>\$ 48,526</u>

Adjustments of accounting income and income tax expense are as follows:

	2022	2021
Before-tax net profit of going concerns	<u>\$190,201</u>	<u>\$377,503</u>
Income tax expense calculated at statutory tax rate	\$ 38,040	\$ 75,501
Non-deductible expense on tax	(4,703)	(12,273)
Temporary difference effect number	9,856	(205)
Adjustment of current income tax expense for previous years in current year	(5,355)	(14,497)
Income tax expense recognized as profit and loss	<u>\$ 37,838</u>	<u>\$ 48,526</u>

(II) Current income tax liabilities

	December 31, 2022	December 31, 2021
Current income tax liabilities		
Income tax payable	<u>\$ 15,120</u>	<u>\$ 59,187</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

Deferred income tax assets	Balance at Beginning of the Year	Variations in current year	Balance at end of the year
Temporary differences	<u>\$ 23</u>	<u>\$ 68</u>	<u>\$ 91</u>

2021

Deferred income tax assets	Balance at Beginning of the Year	Variations in current year	Balance at end of the year
Temporary differences	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 23</u>

Deferred income tax liability	Balance at Beginning of the Year	Variations in current year	Balance at end of the year
Temporary differences	<u>\$ 182</u>	<u>(\$ 182)</u>	<u>\$ -</u>

(IV) Approval of income tax

The Company's profit-seeking business income tax declaration cases as of 2020 have been approved by the tax authority.

XXI. Earnings per share

	2022	Unit: \$ per share 2021
Basic earnings per share	<u>\$ 2.74</u>	<u>\$ 5.97</u>
Diluted earnings per share	<u>\$ 2.66</u>	<u>\$ 5.80</u>

In calculating earnings per share, the impact of allotment of shares without compensation has been retroactively adjusted and the base date for the allotment 6 August 6, 2022. Due to retroactive adjustment, the changes in basic and diluted earnings per share in 2021 are as follows:

	Before retroactive adjustment	Unit: \$ per share After retroactive adjustment
Basic earnings per share	<u>\$ 6.37</u>	<u>\$ 5.97</u>
Diluted earnings per share	<u>\$ 6.21</u>	<u>\$ 5.80</u>

The net profit and weighted average shares of common stock used to calculate earnings per share are as follows:

Net profit for the year

	2022	2021
Net profit used to calculate basic and diluted earnings per share	<u>\$152,363</u>	<u>\$328,977</u>
<u>Number of shares</u> Unit: Thousand shares		
	2022	2021
The weighted average number of common shares used to calculate basic earnings per share	55,603	55,148
Impact of dilutive potential common stock:		
Stocks with restricted employee's option	795	912
Employee remuneration	<u>787</u>	<u>621</u>
The weighted average number of common shares used to calculate diluted earnings per share	<u>57,185</u>	<u>56,681</u>

If the Company selects to pay employee remuneration in stock or cash, diluted earnings per share will be calculated on the assumption that employee compensation will be paid in stock and will be included in the weighted average number of outstanding shares to calculate dilutive earnings per share at the time when the potential common stock is dilutive. The dilution effect of such potential ordinary shares also continues to be taken into account in calculating diluted earnings per share prior to the determination of the number of shares to be paid to employees in the next year.

XXII. Government Subsidy

In 2021, the Company obtained a government subsidy amounting \$16,000,000 under the A+ Enterprise Innovation Research and Development Promotion Program of the Ministry of Economic Affairs - Forward-Looking Power Transmission Management Technology Research and Development Center Program. A subsidy of \$9,327,000 was allocated in 2022. As of December 31, 2022, the accumulated amount of grants received was \$16,000,000.

XXIII. Capital Risk Management

The Company manages its capital to ensure that it is able to maximize shareholders' returns as a going concern. There has been no significant change in the Company's overall strategy.

The capital structure of the Company consists of capital stock, capital reserves, retained earnings and other benefits.

The Company is not subject to other external capital requirements.

XXIV. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

The Company's management believes that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair values.

(II) Classification of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial Assets</u>		
Financial assets measured at cost after amortization		
Cash and Cash		
Equivalents	\$223,300	\$697,081
Receivable account	103,592	223,806
Accounts Receivable - related parties	29,074	93,633
Refundable deposit	17,718	3,198
 <u>Financial liabilities</u>		
Measured at amortized cost		
Payable account	58,122	248,012
Deposits received	202	191

(III) Purpose and policies of financial risk management

The Company's principal financial instruments include accounts receivable (including related parties), refundable deposits, accounts payable and lease liabilities. The purpose of the Company's financial risk management is to control exchange rate risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to reduce the related financial risks, the Company strives to identify, evaluate and avoid market uncertainties so as to reduce the potential adverse impact of market changes on the financial performance of the Company.

Important financial activities of the Company are reviewed by the Board of Directors in accordance with relevant regulations and internal control system. During the execution of the financial plan, the Company must comply with the relevant financial operating procedures regarding overall financial risk management and division of responsibilities.

1. Market risk

The main financial risks that the Company incurs from its operations are the risk of foreign exchange rate fluctuations (as stated under (1) below) and the risk of interest rate fluctuations (as stated under (2) below).

There has been no change in the Company's exposure to market risks in financial instruments and how it manages and measures such exposure.

(1) Exchange rate risk

Part of the Company's cash inflow and outflow is in foreign currency, so it has partly effect of naturally hedging. The Company manages exchange rate risks for the purpose of hedging, not for profit.

The exchange rate risk management strategy is to periodically review the net position of various currency assets and liabilities and to manage the risk at this net position.

Refer to Note 27 for the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date.

The net investment of the Company's foreign operators is strategic investment, so the Company does not hedge against it.

Sensitivity analysis

The Company is mainly affected by fluctuations in the exchange rates of the US dollar and RMB.

The table below details the Company's sensitivity analysis when the exchange rate of the New Taiwan dollar (functional currency) increases and decreases by 5% against the relevant foreign currencies. The sensitivity analysis takes into consideration only the monetary items in foreign currency outstanding at the end of the period, and their conversion at the end of the period is adjusted for a change in exchange rate of 5%. The scope of sensitivity analysis includes cash and contingent cash, accounts receivable (including related parties), other receivables (including related parties), accounts payable and other amounts payable. The positive numbers in the table below represent the amount of before-tax net profit that would be reduced when the Taiwan dollar is appreciated by 5% relative to all relevant currencies. When the Taiwan dollar depreciates by 5% relative to relevant foreign currencies, the impact on net pre-tax earnings will be negative of the same amount.

	Influence of USD		Influence of RMB	
	2022	2021	2022	2021
Pre-tax profit and loss	\$ 5,228	\$ 8,446	\$ 1,782	\$ 8,325

The impact is primarily due to the Company's US dollar and RMB denominated receivables and payables that are outstanding at the balance sheet date and are not protected against cash flows.

The Company's decreased sensitivity to the US dollar exchange rate during the year was mainly due to the net decrease in US dollar assets at the end of the period resulting from the decrease in the balance of accounts receivable denominated in US dollars.

(2) Interest rate risk

Interest rate risk arises because the Company holds both fixed and floating rate assets.

The book amounts of the Company's financial assets exposed to interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Interest rate risk in fair value		
- Financial assets	\$126,200	\$498,200
- Financial liabilities	15,067	26,605
Interest rate risk in cash flow		
- Financial assets	96,581	198,227

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk of non-derivative instruments at the balance sheet date. For floating rate assets, the analysis assumes that the amount of assets outstanding on the balance sheet date is outstanding during the reporting period.

If the interest rate increases/decreases by 0.1%, all other variables held constant, the Company's net profit before tax in 2022 and 2021 years will increase/decrease by \$97,000 and \$198,000 respectively, due to the interest rate risk of the Company's variable interest rate net assets.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company caused by default of contractual obligations by the other trading party. As of the balance sheet date, the Company's greatest credit risk exposure to non-performance of obligations by the other trading party is primarily attributable to the carrying value of financial assets recognized in the individual balance sheet.

To mitigate credit risk, the management of the Company has appointed a dedicated team responsible for the determination of credit lines, credit approval and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been included in unrecoverable receivables. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

Accounts receivable cover a large number of customers, dispersed in different industries and geographical regions. The Company continuously evaluates the financial position of its customers involving in accounts receivable.

Except for Customer A, Customer B, Customer C and Customer D as described below, the Company does not have a material credit risk against any single trading party or any set of trading parties with similar characteristics. When the trading

parties are related enterprises to each other, the Company defines them as the trading parties with similar characteristics. As of December 31, 2022, with the exception of Customer A, Customer B, Customer C and Customer D, the concentration of credit risk with respect to other trading parties did not exceed 5% of total accounts receivable. The credit risks with Customer A, Customer B, Customer C and Customer D are limited, since they are highly reputable manufacturers.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to finance its operations and mitigate the impact of cash flow fluctuations.

(1) Liquidity of non-derivative financial liabilities

The following table details the maturity analysis of the remaining non-derivative financial liabilities for which the Company has agreed repayment periods, based on the earliest date on which the Company may be required to repay and is prepared in terms of un-discounted cash flows of financial liabilities, including cash flows of interest and principal.

December 31, 2022

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Payable account	<u>\$ 19,122</u>	<u>\$ 39,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,122</u>
Lease liabilities	<u>\$ 699</u>	<u>\$ 1,398</u>	<u>\$ 6,021</u>	<u>\$ 7,264</u>	<u>\$ 15,382</u>
Other current liabilities	<u>\$ 14,827</u>	<u>\$ 9,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,062</u>

Further information on the maturity analysis of the above financial liabilities is as follows:

	Less than 1 year	1 ~ 5 years	> 5 years
Lease liabilities	<u>\$ 8,118</u>	<u>\$ 7,264</u>	<u>\$ -</u>

December 31, 2021

	Immediate payment or less than 1 month	1 ~ 3 months	3 months Up to 1 year	1 ~ 5 years	Total
Payable account	<u>\$ 79,329</u>	<u>\$ 168,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,012</u>
Lease liabilities	<u>\$ 880</u>	<u>\$ 1,760</u>	<u>\$ 7,919</u>	<u>\$ 16,830</u>	<u>\$ 27,389</u>
Other current liabilities	<u>\$ 16,860</u>	<u>\$ 11,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,492</u>

Further information on the maturity analysis of the above financial liabilities is as follows:

	Less than 1 y e a r	1 ~ 5 years	> 5 years
Lease liabilities	<u>\$ 10,559</u>	<u>\$ 16,830</u>	<u>\$ -</u>

XXV. Transactions with Related Parties

The dealings between the Company and its related parties are as follows:

(I) Names and relationship of related parties

Name of related party	Relationship with the Company
LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Subsidiary

(II) Operating revenues

Type of Related Parties	2022	2021
Subsidiary	<u>\$397,335</u>	<u>\$389,451</u>

The terms on collection of sales between the Company and related parties are similar to normal trading terms.

(III) Amounts receivable from related parties

Presented Items	Type of Related Parties	December 31, 2022	December 31, 2021
Accounts Receivable - related parties	Subsidiary	<u>\$ 29,074</u>	<u>\$ 93,633</u>

IV) Other accounts receivable

Presented Items	Type of Related Parties	December 31, 2022	December 31, 2021
Other current assets	Subsidiary	<u>\$ 552</u>	<u>\$ 26</u>

(V) Other interests and losses

Type of Related Parties	2022	2021
Subsidiary	<u>\$ -</u>	<u>\$ 25</u>

(VI) Remuneration of major management officers

	2022	2021
Short-term employee benefits	\$ 22,405	\$ 26,717
Post-retirement benefits	1,278	2,112
Share-based payment	<u>4,422</u>	<u>3,242</u>
	<u>\$ 28,105</u>	<u>\$ 32,071</u>

The remuneration of directors and other key officer is determined by the Remuneration Committee in accordance with individual performance and market trends.

XXVI. Major Contingent Liabilities and Unrecognized Contractual Commitments

The Company's material commitments on the balance sheet date are as follows:

(I) Major commitments

The Company signed a patented technology transfer agreement with a company in March 2018, and the transfer consideration was paid in three phases. The total amount of the first and second contractual amounts was US \$600,000, and the third-phase was paid based on the profits of the patented derivative products within three years after the offering date, amounting at least US \$300,000.

XXVII. Information on Foreign Currency Assets and Liabilities with Significant Impact

The following information is summarized in terms of foreign currencies other than the Company's functional currency. The exchange rate disclosed refers to the exchange rate at which such foreign currencies are converted to functional currency. Foreign currency assets and liabilities with significant impact are listed below:

<u>December 31, 2022</u>		Unit: 1,000 in each foreign currency		
	Foreign currency	Exchange rate		Carrying amount
Foreign currency assets				
<u>Monetary items</u>				
USD		30.710	(USD:	
	\$ 4,748	TWD)		\$ 145,819
People's money	8,084	4.408 (RMB:TWD)		35,635
				<u>\$ 181,454</u>
<u>Non-monetary items</u>				
subsidiary using equity method				
RMB	46,215	4.408 (RMB: TWD)		\$ 203,713
USD	111	30.710 (USD:TWD)		3,411
				<u>\$ 207,124</u>
Foreign currency liabilities				
<u>Monetary items</u>				
USD	1,356	30.710 (USD:TWD)		<u>\$ 41,269</u>
<u>December 31, 2021</u>		Unit: 1,000 in each foreign currency		
	Foreign currency	Exchange rate		Carrying amount
Foreign currency assets				
<u>Monetary items</u>				
USD	\$ 10,828	27.680 (USD:TWD)		\$ 299,718
RMB	38,329	4.344 (RMB:TWD)		166,501
				<u>\$ 466,219</u>

	Foreign currency	Exchange rate	Carrying amount
<u>Non-monetary items</u>			
Subsidiary by equity method			
RMB	\$ 47,998	4.344 (RMB:TWD)	\$ 208,503
USD	111	27.680 (USD:TWD)	3,075
			<u>\$ 211,578</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	4,725	27.680 (USD:TWD)	<u>\$ 130,797</u>

The total realized and unrealized net gain (loss) on foreign currency exchange of the Company for 2022 and 2021 were \$16,550,000 and (\$5,232,000) respectively. Due to the wide variety of foreign currency transactions, it is not possible to disclose exchange gains and losses by foreign currency with significant impact.

XXVIII. Matters Disclosed in Notes

(I) Major transactions and (II) Related information on reinvested business:

1. Loans to others:

No.	Lender	Borrower	Dealings	Related person or not	Largest balance in current period	Balance at End of Period	Actually Paid Amount	Interest Rate Intervals	Nature of Loan	Business contact Amount	Need for short-term financing	Provision for allowances Amount of bad debts	Collateral security		Loans and limits for individuals (Note)	Total Limit for Loan (Note)	Remark
													Name	Value			
0	LEADTREND TECHNOLOGY CO. LTD.	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Other receivables - related parties	Yes	\$300,000	\$300,000	\$	-	Business contact	\$ 389,451	-	\$ -	-	\$ -	\$389,451	\$661,180	-

Note: The loan limit for individuals shall not exceed 10% of the current net value of the lender, and the total loan limit shall not exceed 40% of the current net value of the lender. For a company that has business dealings with the Company, individual loans and amounts shall not exceed the amount of business transactions between the two parties, and the total loans and amounts of the Company shall not exceed 40 percent of the net value of the Company.

- Endorse for another: none.
- Securities holdings at the end of the period: none.
- Cumulative purchase or sale of the same securities amounting to NT \$300 million or more than 20% of the paid-in capital: none.
- Real estate acquired amounting NT \$300 million or more than 20% of the paid-in capital: none.
- Immovable property disposed amounting NT \$300 million or more than 20% of the paid-in capital: none.
- Sales to/from related parties amounting NT \$100 million or more than 20% of the paid-in capital:

Company buying/selling goods	Name of Traded Object	Relationship	Transaction Situation				Situation and Reason that the transaction terms are different from ordinary transactions		Notes and account receivable/payable		Remark
			Buy or Sale	Amount	Ratio to Total Goods (%)	Credit Extension Period	Unit price	Credit Extension Period	Balance	Ratio to Total Notes and Accounts (%)	
the Company	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Parent company	Sales	\$ 397,335	26	60 days on monthly payment	Note	Equivalent	\$ 29,074	22	-

Note: The price at which the Company sells goods to related parties is fixed in accordance with the general trading rules.

8. Amounts receivable from related parties amounting to NT \$100 million or more than 20% of the paid-in capital: none.

9. Transactions in derivatives: none.

10. Information on company invested in:

Unit: TWD / USD \$1,000

Name of company invested in:	Jurisdiction	Main business items	Original investment amount		Ending holdings			Invested Company	Profit/loss on investment recognized in current period	Remark
			End of current period	End of previous period	Number of Holdings (Shares)	Ratio (%)	Carrying amount			
Leadtrend Technology (Samoa) Limited	Samoa	Investment business	USD 768	USD 768	768,000	100	\$ 3,411	(\$ 1)	(\$ 1)	Subsidiary

Note: It is calculated based on the financial statements verified by accountants of the invested company during the same period.

(III) Information on investments in Mainland China:

The Company has no other matters to be disclosed except the following:

1. With respect to the invested company in Mainland China, the name, main business items, paid-in capital, investment method, outward and inward remittance of funds, shareholding ratio, investment profit and loss, closing book amount of investment, repatriated investment profit and loss and investment quota in Mainland China:

Unit: TWD / USD \$1,000

Name of Invested Company in Mainland China	Primary Business Items	Paid-in capital	Means of Investment	Starting amount of accumulated investment from Taiwan	Amount of investment remitted or recovered during the current period		Ending amount of accumulated investment from Taiwan	Current profit and loss of the invested company	Proportion of direct or indirect holdings of the Company	Profit/losses on investment recognized in current period (Note 2)	Ending investment Book Value (Note 2)	Income from investments collected as of end of current period
					Remitted	Recovered						
LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Computer software design service, computer system integration service, wholesale of integrated circuits and related electronic products, and agent import and export business activities	\$ 304,029 (USD 9,900)	Note 1	\$ 216,506 (USD 7,050)	\$ - (USD -)	\$ -	\$ 216,506 (USD 7,050)	\$ 23,518 (USD 789)	100%	\$ 23,518 (USD 789)	\$ 203,713 (USD 8,550)	\$ -

Accumulated remittance from Taiwan at the end of the current period Amount of investment in Mainland China	Amount of investment approved by the Ministry of Economic Affairs	The limit of Investment in Mainland China at 60% of the net value as per the regulations of the Ministry of Economic Affairs
\$216,506 (USD7,050)	\$391,553 (USD12,750)	\$ 991,771

Note 1: The investment is made directly in Mainland China.

Note 2: It is calculated based on the financial statements verified by accountants of the invested company during the same period.

Note 3: Relevant figures in this table involving foreign currency are converted to New Taiwan dollars at the exchange rate on the date of financial statements.

Note 4: On October 24, 2016, the Company was approved by the Investment Review Committee of the Ministry of Economic Affairs to invest USD 6 million, which would be invalidated if not accomplished within 3 years from the date of approval. In addition, on July 17, 2018, USD2,800,000 among the investment was changed subject to approval of the Investment Review Committee of the Ministry of Economic Affairs, which would be directly invested in LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. from the own capital of Leadtrend Technology (Samoa) Limited, an investor in third region. As of December 31, 2022, the Company and Leadtrend Technology (Samoa) Limited remitted investment amounting US \$1 million and US \$1.85 million respectively, and the remaining un-invested amount was invalidated.

Note 5: On December 12, 2019, USD8 million from the Company and USD1 million from the own capital of Leadtrend Technology (Samoa) were approved to invest directly in LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. by the Investment Review Committee of the Ministry of Economic Affairs. As of December 31, 2022, the Company and Leadtrend Technology (Samoa) Limited remitted investment amounting US \$5.15 million and US \$1 million respectively, and the remaining un-invested amount was invalidated.

2. Information on major transactions with invested companies in Mainland China directly or indirectly through a third-party, and related prices, terms of payment, unrealized gains and losses and any other information which may be helpful to understand the impact of investment in Mainland China on financial statements: Please refer to Section (I) 7.

(IV) Information on Major Shareholders: Name, holdings and ratio of shareholders with more than 5% of total equity:

Name of major shareholder	Shares	
	Shares Held	Shareholding Ratio (%)
Jieneng Investment Co. Ltd.	4,644,186	8.16