



# **Leadtrend Technology Corporation**

## **2023 Annual Report**

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Website for disclosing relevant information of the annual report:  
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# **Leadtrend Technology Corporation**

## **Letter to Shareholders**

**Ladies and gentlemen,**

In 2022, the global economy suffered several complex shocks due to the war, the China-USA trade war, inflation and interest rate rise, resulting in a rapid decline in overall demand after Q1, sluggish consumer market, and the elimination of high inventories in various electronics related sectors, which became immediate problems to be solved. Leadtrend focuses on the development of ACDC power management IC products, the application of which is subject to the safety regulations in various countries, and in compliance with national energy efficiency laws and regulations with their long service life. Although affected by the above factors, the inventory level is higher than ever, there is still an opportunity to gradually reduce it. In recent years, the layout of new-generation products has been recognized by business customers, gradually showing its results in various applications. However, due to the influence of global economic factors, the annual consolidated revenue was reduced by 23.55% in 2022.

### **2022 Annual Operating Results**

#### **I、Business Plan Implementation Results**

In the past few years, Leadtrend has been committed to the Total Solution and the strategy of highly integrated product layout. In 2022, there were solutions available in all applications to meet relevant needs. Although various business plan indicators failed to be achieved due to economic factors, it has been shown that, in terms of product portfolio for sale, the sales proportion of Total Solution and highly integrated products was gradually increasing. In addition, the number of the business customers with applications importing our solutions was continuously growing, and the proportion of imported products was also continuously rising. In terms of product layout, we continue the previous strategy, and provide service solutions to customers by means of full power segment layout, so as to achieve the goal of providing customers with complete high-power solutions. In order to cope with the re-occurrence of semiconductor supply chain imbalance and to prepare for the development of new-generation products, we developed the product dual-track system in ACDC PWM, synchronous rectifier, PD/Type\_C, LLC and other power management ICs simultaneously, and cooperated with FAB factory to develop and optimize the process so as to maximize the production capacity and improve the density of integrated circuits, making products more power-saving and efficient, and making products more competitive in the market in future. The design framework of the new generation of products is presented in the form of a platform, which will quickly meet the needs of the manufacturers and business customers in the future. In the face of the global economic downturn in 2022, we still managed to invest resources and cooperated with many important business customers to develop new-generation products. In applications such as PD, network communication, laptop, home appliances and other power products, we have obtained many opportunities for cooperating with business customers.

## **II、 Analysis on Financial Revenues and Expenditures and Profitability**

Consolidated financial performance of Leadtrend in 2022: Revenues for the full year totaled NT \$1.632 billion, down 23.55% from the previous year. Gross profits on sales were NT \$663 million (accounting for 40% of the revenues), dropping 24.81% from the previous year. Net operating incomes were NT \$155 million (9% of revenues), falling 57.82% from the previous year. Net incomes after tax were NT \$152 million, after-tax earnings per share (EPS) were NT \$2.74 and return on shareholders' equity was 9.23%.

## **III、 Research and Development Status**

Leadtrend's product research and development continues to make progress towards efficient and energy-saving technology. In 2022, we expanded investment in the research and development of AI efficiency improvement technology in the product line, including technologies to meet the IEC62368 safety specifications without addition of external components and to reduce the power consumption in light loads and other related technologies, which will greatly improve the performance of EMI in the whole series of products. In the demand for power miniaturization, the products for high-frequency QR integrated GaN products in the power segment have also been developed. In addition, in order to reduce the peripheral parts and achieve the effect of carbon reduction and cost reduction, from PSR mixed mold products we have derived charging systems with CV/CC function, recognized by power tool manufactured and available for various applications. In the PD research and development in 2022, in addition to investing in mobile phone fast chargers with private protocol, we developed PD3.1 EPR protocol chips to expand the output of PD transformer to 36V. The PFC+QR ACDC integration chips in new generation of process have been integrated by manufacturers into 140W PD products as a preferred solution. In addition, in the synchronous rectification, we made a major breakthrough in the process improvement in cooperation with FAB factory, improved the synchronous rectification process technology, and made the product more competitive and developmental. In the power segment elevation, we have introduced digital design in high power applications, the developed interleaved PFC are better than competitors' products in characteristics. By the end of 2022, Leadtrend had nearly 524 patents approved in Taiwan and abroad, and had applied for more than 725 patents in total.

The R&D focus of Leadtrend for the whole range of products has always put on improvement to the product technology with the vision of "Green your power, Green the World". In the research and development, Leadtrend also actively uses digital and analog Mix mode to match hardware and software development. Through the development of products in cooperation with industrial customers and manufacturers in the power design field, and the continuous research on new technology projects with related industries, institutions, and universities, we have improved the conversion efficiency of power system year by year, which shows that green innovation has always been the constant direction for Leadtrend.

## **2023 Business Plan Summary**

### **I、 Business policy**

Leadtrend adheres to the business philosophy of innovation, service, quality and sharing, providing customers with immediate and complete services. Based in Taiwan, Leadtrend will make in-depth expansion toward the mainland market, integrate with the international manufacturers' products, which is our long-term development strategy.

## **II、Expected sales volume and basis**

In the global power management IC market, due to the slowdown of the epidemic, the long-term saturated demand, the high-tech control in China-USA trade war, the continuous inflation pressure, and the high inventory caused by the previous supply chain disorder and repeated orders, the demand for power supply devices in various terminal applications, such as 5G mobile phones/laptops/Internet-connected TV, has significantly reduced, showing an overall recession. In 2023, in the applications such as mobile phones/laptops, the operators expected that, due to inventory clearance in the first half of the year, market demand will continue to decline, and that there will be a chance for the demand to gradually and slowly rise up. Leadtrend's products are also affected by the above factors, and the inventory level is higher than before, but the products are subject to the safety regulations of various countries, has long service life, and the inventory can be gradually cleared up.

We are still optimistic about the future business growth, mainly because the proportion of our products in industrial manufacturers in the base period is still low, and in the influence of increased introduction of new products from existing and new business customers, the estimated sales in 2023 will show a growth compared with the previous year. In the development of new products and new technologies, based on advanced manufacturing process, we will gradually develop AI efficiency algorithm, high frequency, high pressure resistance, intelligence, high power, high integration and other Total Solution products, which will become the biggest boost for future sales growth. In terms of business strategy, we will continue to cultivate brand customers and cooperate closely with major power plants in order to obtain comprehensive results. We believe that in this direction, our continuous investment in advanced technical talents and technology development in AI, 5G Mobile, NB, TV, Netcom and other related power applications, will continue to drive the growth of future revenue.

## **III、Important production and marketing policies**

Leadtrend is the first IC designer to introduce complete AC/DC Total Solution in China. The complete solution provided by Leadtrend can be applied to all types of power system designs, and provide customers with rapid design solutions to meet the market demand for products. With innovative product planning and collaboration with FAB, we will develop energy-efficient, highly integrated and cost-optimized solutions in response to changing market application concepts. In addition to the new technology layout of high power density, Leadtrend will also invest R&D resources to carry out technological innovations in the future applications such as 5G, IoT, high-speed network, smart household appliances/lighting, PD fast charge products, digital power supply, consumer high power supply and high-frequency appliances, and continue to focus on the growth in this industry.

## **Future corporate development strategy and the impact of external competitive environment, regulatory environment and overall business environment**

In addition to focusing on product technology development, we are committed to sound corporate governance, good social responsibility, seek for sustainable development, innovative technology, and efficient power management IC products, so as to help customers comply with international regulations, reduce energy consumption, and to maintain a clean planet. In the face of rapid changes in the environment and fierce competition in the industry

in future, Leadtrend will construct a blueprint of technology and new products based on the future demand trend in the market, so as to seek potential growth opportunities in the future, actively develop diversified and profitable products, continue to innovate and enhance technological power, advance towards the goal of increasing profits, and create higher value for customers and shareholders.

The board of directors of will still uphold the trust and long-term support of shareholders, conduct strict supervision on the management, and work together with all colleagues to actively pursue the growth and boom of Leadtrend, in order to repay all shareholders' trust and encouragement. I would like to wish you good health and all the best. Thank you!

Kao Yu-kun, Chairman

Kao Yu-kun, the Manager

Huang Ya-ching, Accounting Supervisor

## Company Overview

### 1、Corporate Profile

Established by 2002/09/18.

### 2、Milestones

- 2002/09 Established with capital 6 million dollars.
- 2003/05 Increase capital 58 million dollars and total capital 64 million dollars.
- 2003/05 Approved to be Emerging important strategic industry company by MOEA ( IDB ) 。
- 2003/07 Apply for company name change, formerly Lichen Technology Co., Ltd. 。
- 2003/08 Technical pricing increase capital 16 million dollars and total capital 80 million dollars.
- 2003/09 The first product LD7120 was developed and introduced into production.
- 2003/12 Technical pricing increase capital 12 million dollars and total capital 92 million dollars.
- 2003/12 Approved investment in Hsinchu Science Park.
- 2004/05 Increase capital 48 million dollars and total capital 140 million dollars.
- 2004/05 The Green mode IC LD7550 used in AC-DC was developed and put into production.
- 2004/06 MOEA approval of 「 Small Business Innovation Research(SBIR , 93/5~94/4) 」 。
- 2004/06 Approved to relocate to the 4th floor, No. 18, Zhanye 2nd Road, Hsinchu Science Park.
- 2004/11 Approved to be Emerging important strategic industry company by MOEA ( IDB ) again 。
- 2005/01 MOEA approval of 「 A Pilot Project of Technology Foresight (93/8~94/9) 」 。
- 2005/04 Launch flash control in DSC IC,LD7268A development completed and imported into production.
- 2005/05 Increase capital 40 million dollars and total capital 180 million dollars.
- 2005/09 500V withstand voltage IC, LD7575, co-developed with TSMC, first in Asia.
- 2006/06 Launch MOSFET integrated flash control IC, LD7266 development completed and imported into production.
- 2006/08 Increase capital 18million dollars and total capital 198 million dollars.
- 2007/03 Launch 2<sup>nd</sup> generation of 500V withstand voltage IC LD7576, development completed and imported into production.
- 2007/08 Capital increase by retained earning and capital reserve 35,351,250 dollars and total capital 238,863,750 dollars.
- 2007/08 The innovative product LED driver IC was assisted by the innovative product award from the Hsinchu Science and Technology Bureau.
- 2007/08 Ranked No. 5 in 1996 by Taiwan High-tech Fast50 of Deloitte & Touche.
- 2007/09 Approved to public offering of shares by Securities and Futures Bureau, FSC
- 2007/10 Registration and listing over-the-counter market (OTC Market).
- 2008/03 Launch primary side control IC LD7510, development completed and imported into production.
- 2008/06 Launch MOSFET integrated 8-stage charging current smart flash control IC LD7265A, development completed and imported into production.
- 2008/08 Launch digital camera use multi-mode logic control IC LD8201, development completed and imported into production.
- 2008/08 Launch OVP/ OTP/ Multi-function pin integrated PWM control IC LD7577J/78J, development completed and imported into production.
- 2008/09 Capital increase by retained earning and employee bonus 47,793,070 元 and total capital 307,599,820 dollars.
- 2008/10 Launch shutter driver and MOSFET integrated multi-channel converter IC LD7241, development completed and imported into production.
- 2008/10 Launch Quasi-resonant IC LD7580, development completed and imported into production.
- 2008/12 Launch High-speed transient response LDO IC LD6917, development completed and imported into production.
- 2008/12 Primary side MOSFET (2 dies) integrated control IC LD7660, development completed and imported into production.
- 2009/05 Develop solution of power saving under 0.1W for LCD surveillance.
- 2009/07 Hi-voltage charging circuit in digital camera's flash is silver winner in National Invention and Creation Award.
- 2009/07 Capital increase by retained earning and employee bonus 26,879,390 元 and total capital 340,194,210 dollars.



2009/08 Listed on Taiwan Stock Exchange(TWSE).

2009/08 Digital-camera use Integrated multi-channel control IC granted by SBIR.

2009/09 Increase capital 37,000,000 dollars and total capital 377,194,210 dollars.

2009/09 Passed the training quality standard assessment of the Vocational Training Bureau of the Labor Council and rewarded the silver medal.

2010/01 Launch Power Factor Correction IC LD7591, development completed and imported into production.

2010/04 Launch power saving<70mW PWM control IC LD7750A, development completed and imported into production.

2010/08 Capital increase by retained earning 20,211,410 dollars and total capital 424,439,620 dollars.

2010/09 Launch primary side CV/CC control IC LD7820, development completed and imported into production. °

2010/10 Develop 700V MOSFET(2-die) integrated IC LD7904, development completed.

2010/11 Passed "Assisting Human Resources Improvement Program Training Quality Evaluation of Institutions" and rewarded Silver Medal by the Executive Yuan's.

2011/01 ISO 14001 certified.

2011/01 Launch Gen.1 lithium battery smart-charging PWM IC LD6275X, development completed and imported into production.

2011/02 Develop new generation of digital-camera use Integrated multi-channel IC LD7242, development completed and imported into production.

2011/03 Launch monitor use 6 CH LED backlight Driver IC, development completed and imported into production.

2011/08 Capital increase by retained earning 17,143,380 dollars and total capital 445,808,000 dollars.

2011/11 Established subsidiary Leadtrend Technology (Shenzhen) Limited.

2012/03 Launch new gen. of low-voltage start-up IC LD7538/39 for networking and lab top use. , development completed and imported into production.

2012/06 Develop LD7765, IC under 50mW stand-by power for TV application.

2012/09 Develop high power resonant IC LD7582, for TV power.

2012/12 Develop High Power Factor LED Controller with HV Start-up, LD7832, for non-isolated design.

2012/03 Established subsidiary Green Elite Limited.

2012/06 Develop High Voltage 4-Channel LED Controller Driver, LD7890, for TV LED backlight.

2012/07 Develop High Power Factor Flyback LED Controller with HV Start-up in both SSR and PSR for isolated lighting application.

2012/08 Develop new generation of multi-function low voltage start-up IC to meet lab top peak load spec (130W).

2012/08 Intellectual Property and Commerical Court ruled Leadtrend did not infringe O2 Micro's patent.

2012/10 Leadtrend Green+ series ICs have passed the IEC 60950-1 safety certification.

2012/11 Develop of LD7790, an IC integrates boundary conduction mode power factor correction (BCM PFC) and DCM flyback power converter, complying with DoE Level 6 specifications and low standby power consumption (<100mW). °

2014/03 Release 5W/7.5W Quick charge IC supports Mediatek Pump Express™ protocol.

2014/05 The Supreme Court ruled the patent lawsuit between Leadtrend and O2 Micro, and Leadtrend won the judgment.

2014/06 Release 13.5W Quick charge IC, LD5516, supports Mediatek Pump Express™ protocol to save charging time up to 50%.

2014/08 Release Power IC has standby power lower than 30mW by 600V high-voltage BCD technology in LCD monitor application.

2014/09 Develop boost switching 4 strings, Max. 250mA/string, Multi-dimming mode WLED Backlight Controller, LD5805. A solution to avoid flickering for eye protection.

2014/11 Release High Power Factor Primary Side Flyback LED Controller with TRIAC Dimming, LD7833 in lighting application.

2014/12 New launch Synchronous Rectification Driver with Green Mode Function, LD8520, to use in CCM and enhance overall efficiency.

2015/01 Develop high power saving Multi-Mode PWM Control IC LD5525 to meet the 2016 regulations of energy.

2015/02 Release IC support Qualcomm® Quick Charge™ 2.0 (QC2.0) with UL certified.

2015/03 Release LED Lighting Output Current Ripple Suppressor IC LD6801, in lighting application.

2015/04 Integrate quick charge product and release AC/DC Pri./Sec Speedy Charge™ to fulfill market need.

2015/05 Release TV-use only low noise IC technology in frequency control leads to low noise in SMPS under low dimming.

2015/05 Release 3 pin white goods control IC to save circuit design time significantly.

2015/06 Release Gaming-product-use only control IC which lowers standby power and powering saving under light load.

2015/08 Release PC-standby-use only MOSFET integrated IC to simplify BOM and enhancing reliability.

2015/09 Release Type-C 5V/3A use IC in SOT-26 with great anti-static capability.

2015/10 Release new generation SOT-26 IC with a low standby power of 50mW and a boosting function used in new gen. lab top power to reduce its size significantly.

2015/11 Releases new generation TV control IC with low noise/high frequency which reduces the size of the TV power board. X-cap discharge function reduces the risk of electric shock for production line personnel and improves safety.

2016/02 Release 800V BJT Combo IC for high-voltage Indian market, with an innovative T\_DIP-7 packaging that improves heat dissipation and reduces overall thickness, making it suitable for thin systems.

2016/03 Integrate Type-C control IC and ultra-low Rds\_on MOSFET into SOP-8 package, significantly reducing its size and facilitating layout on wires.

2016/04 Release new generation power control IC for gaming products is launched, with new frequency control technology that improves power noise and complies with energy efficiency regulations. Recognized and adopted by major manufacturers.

2016/05 Obtained the factory office on the 4th floor of Building S, Phase 6 of Taiyuan.

2016/06 Launch new generation of LED controller ICs that feature power factor correction and harmonic reduction capabilities to reduce reactive power consumption.

2016/07 Headquarters moved to Taiyuan Science and Technology Park.

2016/08 Launch new IC specifically designed for water dispensers that significantly simplifies external circuits and improves system stability under peak load abnormal operations.

2016/10 Release LD5523, a new, highly efficient energy-saving IC, that uses the latest process technology and optimized mixed-mode operation to meet the strictest COC Tier-2 energy regulations.

2016/11 Release new generation of LED intelligent dimming control system integrates harmonic reduction capabilities to reduce AC reactive power consumption and allows for adjustable output current to adjust brightness.

2016/11 Release ICs with built-in compensation mechanisms, OTP, quasi-resonant control mode.

2017/01 Release 700V Hi-V startup, high power factor, and low standby power consumption IC, LD7838.

2017/02 Release MOSFET integrated high-efficiency synchronous rectification IC, LD892X.

2017/05 Release LD5762P, a new highly efficient energy-saving IC that uses multi-operation mode.

2017/06 Release 50W High power MOSFET integrated IC.  
LD6610 obtained USB PD 2.0 chip compatibility certification from the USB IF Association.

2017/07 Launched the USB PD interface IC certified by the USB IF Association.

2017/08 Release new generation of synchronous rectification energy-saving ICs, LD8523 and LD8525, which meet the most stringent COC tier-2 energy regulations when used in mixed-mode operation of PWM applications.

2017/09 Launch LD7592, a new generation of controller with power factor correction (PFC) function.

2017/11 LD6610 passed Qualcomm QC4.0 fast charging certification.

2017/12 LD6610 obtained USB PD 3.0 with PPS chip compatibility certification from the USB IF association.  
Release a new IC, LD8116X, supports multiple dimming processing to meet the isolated structure of dimmers and driver power supplies.

2018/01 Launch latest three-in-one USB PD interface complete solution.  
Release network communication application product, LD5523K, for Indian market that can protect against varies in input voltage to improve product stability.

2018/03 Release high-power LED power solution IC, LD7792X, that features high power factor (>0.92), low harmonic distortion (<10%), and with no flicker.

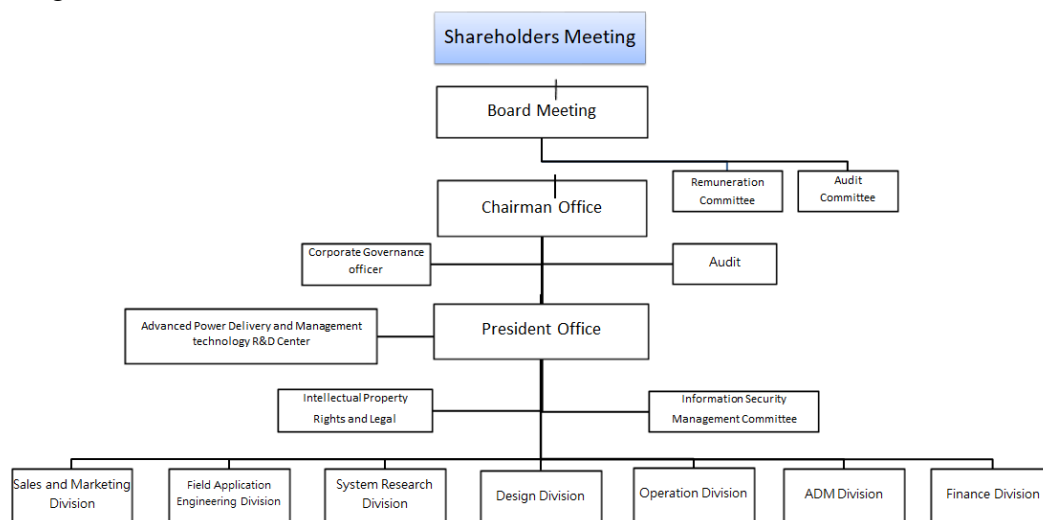
- 2018/04 Release new and efficient energy-saving IC, LD5523E2, with a new primary-side regulation (PSR) flyback topology and optimized mixed-mode operation technology, which can meet the most stringent COC tier-2 energy regulations.
- 2018/05 Release new generation of synchronous rectification energy-saving ICs, LD8526 and LD8926(with VCC self-supply technology), that when used in conjunction with mixed-mode operation of PWM applications, can meet the most stringent COC tier-2 energy regulations.
- 2018/06 Release integrated MOSFET power devices, LD9532 and LD9534, with a new process and optimized mixed-mode operation technology to meet the most stringent COC tier-2 energy regulations.
- 2018/07 Release integrated MOSFET power devices, LD9174, using primary-side regulation (PSR) flyback topology, which includes high efficiency, low standby power loss, and low component count.
- 2018/08 Launch LD6620, new generation of USB-C PD/PPS controller, with the function of repeatable firmware programming. This control chip combines USB-PD baseband PHY, Type-C cable detection, parallel stabilizer, voltage and current monitoring, load switch NMOS control circuit, and microcontroller.
- 2018/10 Launch LD9535C, a new integrated MOSFET power IC with a new process and optimized mixed-mode operation technology for small USB-C PD products, such as PD 18W 5V/3A, 9V/2A, 12V/1.5A.
- 2019/02 Launch LD5537B3, a new SOT-26 package with AC BNO detection and mixed-mode operation technology.
- 2019/04 Launch MOSFET integrated, self-powered 200V Hi-V process and high efficiency synchronous rectification ICs, the LD8926A series. Suitable for high efficiency products, such as the Networking 5V/3A, 12V/2A, 12V/3A.
- 2019/07 Launch new generation of integrated solutions that combine primary and secondary side control IC, LD9164C+LD8925F1. This features quasi-resonant valley switching technology PWM IC combined with high-efficiency integration of secondary side dynamic response synchronous rectification.
- 2019/12 Launch new generation USB-C PD/PPS controller LD6612 (single burn function). This control IC integrates USB-PD baseband PHY, Type-C cable detection, parallel regulator, voltage and current monitoring, load switch NMOS control circuit, and microcontroller.
- 2020/01 Release new generation of single-phase critical mode high power factor power converters with high performance and quasi-resonant technology in SOT-26 packaging, without the need for additional auxiliary winding costs, with ZVS/ZCS operation technology.
- 2020/02 Release new generation LD5763U3 PWM IC, which can be combined with USB-C PD/PPS controllers and is compatible with output variable voltage systems (3.3V~20V), optimizing system stability and high efficiency to meet energy regulations.
- 2020/03 Mass production of complete USB PD solution (PWM/SR/PDIC) in high-wattage gaming phone chargers.
- 2020/07 HV series products with ICX function obtained IEC62368-1:2018 (third edition) certification through NEMKO.
- 2020/08 LD6612 certified by QC4+/QC5.
- 2020/10 Release new generation of combining primary and secondary side, integrated total solutions control, LD9164S+LD8925F1. It features quasi-resonant valley switching technology PWM IC paired with EN PIN control Relay, system efficiency improved.
- 2020/11 Release new generation of SOT-26 packaged LD5537B5, which conforms to IEC62368e high-precision overcurrent protection mechanism, has been launched. It features AC BNO detection and mixed mode operation technology.
- 2021/02 Release new generation SOP-8 packaged LD5766, which features quasi-resonant valley switching PWM IC high-frequency technology, and drives GaN Switch to optimize efficiency and system board size.
- 2021/03 Release single-stage high-power factor, primary-side feedback constant voltage feedback scheme with VOT function IC, LD7841, which optimizes current harmonics and meets the latest IEC61000-3-2 Ed5.1:2020 standard requirements.
- 2021/03 Launch new technology incorporating Variable On-Time (VOT) has been introduced to comply with the IEC 61000-3-2 Ed5.1:2020 IC for home smart lighting regulations.
- 2021/04 Release combining primary and secondary side control IC, LD9535T+LD6612T, is a new generation total solution for small-sized USB-C PD products.

2021/06	Release MOSFET integrated IC, LD6935, USB-C Power Delivery 3.0 control chip providing convenience for smaller, higher power density designs.
2021/08	Release new LD7798x PFC (Power Factor Correction) with PWM flyback power converter integrated product, suitable for USB-C PD 3.0/3.1 and meets demand in 100W/140W solution, also conforming to the output voltage system (3.3V~28V).
2021/09	Release PFC and asymmetrical LLC integrated solution, LD7681+LD7781, applicable to dual-output requirements in applications of up to 180W.
2021/ 11	Release dual-integrated LD9174E2 & SR LD8925F2 solution, won the EE Awards ASIA Gold Selection Promising Product of the Year. It replaces the general SSR control IC by optimizing function and providing communication mechanisms between the front and rear stages.
2021/11	Release LD5537B5, a quasi-resonant valley switching PWM IC is suitable for display/TV solutions and complies with the IEC62368 regulations without additional circuits.
2021/12	Release new generation SOT-26 package with high voltage resistance/energy-saving IC, LD5555, which meets the output voltage system (3.3V~20V), optimizing system stability and high efficiency in compliance with energy regulations.
2022/02	Release GaN driver, LD5766E, a high-efficiency energy-saving quasi-resonant PWM IC for small-size PD solutions.
2022/03	Release LD6617, a control chip that complies with the USB-C Power Delivery 3.1 fast charging protocol.
2022/05	Launch LD9174N2, a highly integrated and miniaturized network power controller MOS COMBO IC with built-in feedback compensation.
2022/09	Release LD6612T1, a smartphone application-specific SOP-8 packaged IC that integrates smartphone application functions and streamlines system components to achieve a compact system solution.
2022/10	Release new generation of LD8528, a highly efficient synchronous rectification controller with low standby power loss.
2022/12	Release new generation of LD7797, a solution integrates PFC and flyback power converters which can be used with GaN components to achieve efficient and energy-saving goals.
2022/12	Release LD7597, an active boost power factor correction controller chip that meets the IEC61000-3-2 Class C Ed 5.1 international new harmonic standard.

# Corporate Governance Report

## 1.Organization

### I. Organizational structure



### II.Business of each major department

Department	Business in Charge
Audit Office	Implement internal audit plan and provide suggestions on system improvement.
Forward-Looking R&D Center	<ol style="list-style-type: none"> <li>1. Plan core technologies and long-term R&amp;D goals based on the industrial development trends</li> <li>2. Carry out research and development of forward-looking key technologies</li> <li>3. Conduct technical cooperation and integration with external resources.</li> <li>4. Review, implement and evaluate key technology research plan.</li> <li>5. Transfer technologies to product development section.</li> <li>6. Implement intelligent property layout.</li> </ol>
IP & Legal Affairs Office	<ol style="list-style-type: none"> <li>1. Patent application, patent and technical analysis, patent-related litigation, and patent licensing.</li> <li>2.Contract review and management, legal administration, negotiation on contracts, litigation management, and legal affairs.</li> </ol>
Business & Marketing Division	<ol style="list-style-type: none"> <li>1. Be responsible for and strive to achieve the revenue target for the current year.</li> <li>2. Be responsible for the window of customer requirements, follow up the subsequent implementation effect, and improve customer satisfaction.</li> <li>3. Deepen the operation with existing important customers, improve the overall share of important customers and develop new customers.</li> <li>4. Formulate and implement agent management issues and assist agents to achieve the annual revenue target.</li> <li>5. Increase the proportion of the Company's revenues from key products and new products.</li> <li>6. Cooperate with PM to obtain recognition of strategic business customers, obtain their certification and recommendation to power plant for adoption, and formulate product pricing and sales strategies.</li> <li>7. Collect competitive information and develop countermeasures.</li> </ol>
Application Engineering Division	<ol style="list-style-type: none"> <li>1. Achieve the Company's annual BP figure.</li> <li>2. Deepen the operation with existing important customers, and increase the share of and revenues from existing clients.</li> <li>3. Increase the proportion of revenue from new products.</li> <li>4. Develop close relationship and interaction with customers, and assist them in solving any problems in system or product application engineering.</li> <li>5. Share internal technology and conduct FAE training on foreign agent to improve professional skills and work management.</li> <li>6. Conduct trans-department cooperation, deal with RMA incidents and provide analysis on competitors' products</li> </ol>

Department	Business in Charge
System R&D Division	<ol style="list-style-type: none"> <li>1. With respect to the application or market the Company intends to focus on, link the technical blueprint of new product application, develop new technology, and propose new products in architecture with competitive advantage.</li> <li>2. Propose patents or papers that can be applied to the development of new products and enhance the value and advantages of new products, so as to strengthen the market competitiveness and brand image of the Company's products.</li> <li>3. Based on the existing product architecture, propose compatible/alternative products with overall cost or features superior to those of competitors so as to enhance competitive advantage of products.</li> <li>4. Be responsible for product system validation and design review meeting, effectively control design quality and introduce products to the market on schedule.</li> <li>5. Be responsible for all product-related technical specifications and new product application materials, and help front-line staff to accelerate the promotion and application of new products.</li> </ol>
Design Division	<ol style="list-style-type: none"> <li>1. Conduct new product development, verification and import into production.</li> <li>2. Design products in accordance with the functional specifications set by System R&amp;D Division.</li> <li>3. Carry out product development and design integration of key technologies and intelligent properties of Forward-Looking R&amp;D Center.</li> <li>4. Be responsible for integration of CAD software environment and import to design platform.</li> <li>5. Design new process component technologies and import them to product process platform.</li> <li>6. Be responsible for IC layout and design verification process, including: design specification, electrical analysis, and design circuit comparison.</li> </ol>
Design Division	<ol style="list-style-type: none"> <li>1. Conduct new product development, verification and import into production.</li> <li>2. Design products in accordance with the functional specifications set by System R&amp;D Division.</li> <li>3. Carry out product development and design integration of key technologies and intelligent properties of Forward-Looking R&amp;D Center.</li> <li>4. Be responsible for integration of CAD software environment and import to design platform.</li> <li>5. Design new process component technologies and import them to product process platform.</li> <li>6. Be responsible for IC layout and design verification process, including: design specification, electrical analysis, and design circuit comparison.</li> </ol>
Operation Division	<ol style="list-style-type: none"> <li>1. Be responsible for manufacturing, production technology improvement and engineering management.</li> <li>2. Be responsible for product yield analysis and improvement.</li> <li>3. Be responsible for setup, maintenance and development of quality control system.</li> <li>4. Be responsible for new packaging engineering evaluation and validation.</li> <li>5. Be responsible for quality system management of OEM.</li> <li>6. Conduct product reliability test execution and analysis.</li> <li>7. Carry out customer complaint analysis and improvement confirmation.</li> <li>8. Establish and maintain management information system.</li> <li>9. Be responsible for information technology integration, application and promotion, and provide a good computer application environment.</li> </ol>
Administrative Resources Division	<ol style="list-style-type: none"> <li>1. Be responsible for management of the establishment and implementation of relevant systems, recruitment, appointment, turnover, absence and payroll operations, and maintenance and promotion of employment relationship.</li> <li>2. Prepare and implement staff education and training regulations, and conduct post-seminar survey, review and analysis.</li> <li>3. Be responsible for maintenance and management of plant, water, electricity, air conditioning, security, transaction machinery and other plant facilities.</li> <li>4. Be responsible for general procurement of facilities and equipment, general supplies and other daily consumables.</li> <li>5. Be responsible for environmental security and factory business, maintain workplace environment safety to provide a safe working environment for colleagues</li> <li>6. Manage and maintain the Company's assets, so that the Company's assets can be effectively used</li> </ol>
Accounting Department	<ol style="list-style-type: none"> <li>1. Be responsible for capital planning and dispatching and transactions with financial institutions, and cash settlement and general financial operations.</li> <li>2. Be responsible for establishing accounting system and executing general accounting.</li> <li>3. Provide management analysis report and implement budget planning integration and control.</li> </ol>

2. Information on Directors, General Managers, Deputy General Managers, Associate Managers, Heads of Departments and Branches

I. Information on directors:

(I).Information on directors

April 15, 2023 /Unit: share

Title	Nationality	Name	Gender Age	Election or Appointment Date	Tenure	Initial Appointment Date	Holdings upon Appointment		Shares Currently Held		Shares Currently Held by Spouses & Minor Children		Shares Held in Another Person's Name		Main Experience and Education Degree	Current Part-Time Positions ofthe Company andOther Companies	Any Other Officer, Director or Supervisor in Relationship of Spouse or Kinship Within Two Generations			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman (Note 1)	Taiwan	Power Investments Limited Representative Name： Yu Kun,Kao	Male 51~60	06.09.2022	3	06.23.2006	4,340,216	8.21%	4,644,186	8.17%	0	0.00%	0	0.00%	■Master of Management, Cheng-chi University ■Vice General Manager of Product Development Department of Leader Electronics Inc.	■Acting General Manager of the Company	-	-	-	Note 1
Director	Taiwan	Power Investments Limited Representative Name： Ming-Nan, Chuang	Male 51~60	06.09.2022	3	06.23.2006	4,340,216	8.21%	4,644,186	8.17%	0	0.00%	0	0.00%	■Master of Electrical Engineering, Tsinghua University ■Research and Development Manager, Analog Integrations Corp.	■Vice General Manager of the Company ■Supervisor of Power Investments Limited	-	-	-	-
Director	Taiwan	Power Investments Limited Representative Name： Chuei-Hua, Chiou	Male 51~60	06.09.2022	3	06.23.2006	4,340,216	8.21%	4,644,186	8.17%	0	0.00%	0	0.00%	■Master of Advanced Business Management, Tsinghua University ■Bachelor Degree, Department of Electronic Technology, Taiwan University of Science and Technology ■Chief of ICP DAS CO., LTD.	■Vice General Manager of the Company	-	-	-	-
Independent Director	Taiwan	Chong-Yu, Wu	Male 71-80	06.09.2022	3	06.28.2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	■Doctor of Electrical Engineering, Jiaotong University ■President of Jiaotong University ■Independent Director of Amazing Microelectronic Corp.	■President and Chief Technical officer of A-Neuron Electronic Corp. ■Emeritus Chair Professor, National Yangming Jiaotong University ■Independent director, Global Unichip Corp. ■Independent director of Mediatek Technology Co. LTD. ■Independent director of Powerchip Semiconductor Manufacturing Corporation ■Legal director representative of Amazing Microelectronic Corp.	-	-	-	-

Title	Nationality	Name	Gender Age	Election or Appointment Date	Tenure	Initial Appointment Date	Holdings upon Appointment		Shares Currently Held		Shares Currently Held by Spouses & Minor Children		Shares Held in Another Person's Name		Main Experience and Education Degree	Current Part-Time Positions of the Company and Other Companies	Any Other Officer, Director or Supervisor in Relationship of Spouse or Kinship Within Two Generations			Remark
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	Taiwan	Ding- Ren, Liu	Male 61-70	06.09.2022	3	06.28.2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	■PhD Program, Institute of Electrical Engineering, State University of New York, Stony Brook (PhD candidate) ■Institute of Electronics Jiaotong University Master Degree ■Department of Electronic Physics, Jiaotong University Bachelor Degree ■Director of Mediatek Technology ■Executive Vice General Manager of Mediatek Technology ■Manager of IC Design Department of UMC Electronics Memory Products Business Division, Communication Products Business Division, and Multimedia R&D Team ■Legal director representative of Egis Technology Inc.	■Senior consultant of Vincera Capital ■Legal director representative of Alcor Micro, Corp.	-	-	-	-
Independent Director	Taiwan	Jian Guo, Yang	Male 61-70	06.09.2022	3	06.28.2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	■Bachelor of International Trade, Tamkang University ■Ernst & Young Certified Public Accountant, ■Director of SPIROX ■Independent director of SPIROX ■Independent director of M31 Technology Corp. ■Supervisor of YTEC	■Certified Public Accountant of Diwan & Company ■Chairman of Zhiyuan International Management Consulting Co. LTD. ■Independent Director of Diwan Financial Advisory Services Co., Ltd. ■Chairman of Tianda Investment Co. LTD. ■Independent director of Macronix America, Inc	-	-	-	-
Independent Director	Taiwan	Jr Chiun, Tsai	Male 61-70	06.09.2022	3	06.09.2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	■Master of Science in Computer Science from Utah State University ■Bachelor of Science in Computer Science ■National Chiao Tung University ■Senior Director, Asia Pacific Business Division, Taiwan Integrated Circuit Manufacturing Co. LTD.	■legal director representative of Coretech Optical Co., Ltd ■Chairman of Huajie Investment Co. Ltd.	-	-	-	-

Note: The shareholding ratio shall be calculated based on the total 56,852,828 outstanding shares issued by the Company.

Note 1: Information on the chairman of the board of directors and the general manager of the Company, who are the same person: The chairman of the board (acting general manager) of the Company is to improve management efficiency and decision-making execution. Numbers of independent directors of the 8th session of the board were increased to four to enhance the function of the board and strengthen the supervision function.

The following specific measures have been taken:

- (1) The current four independent directors are specialized in the fields of finance and accounting and semiconductor industry, and will effectively perform the supervisory function.
- (2) Annually arrange directors to attend professional director courses from external organizations to enhance the operational effectiveness of the board.
- (3) The independent directors in each functional committee can fully discuss and put forward suggestions for the reference of the board to implement corporate governance.
- (4) Majority of the directors are not concurrently employees or managers.



(II).Major shareholders of corporate shareholders

April 15, 2023

Name of Corporate Shareholder	Major shareholders of corporate shareholders
Power Investments Limited	Tongfa International Investment Co. LTD.

(III).Major shareholders of the major shareholders which are legal persons

April 15, 2023

Name of Corporate	Major Shareholders of Corporate Shareholders
Tongfa International Investment Co. LTD.	Ding-lun, Lee

(IV).Disclosed information on professional qualifications of directors and independence if independent directors

condition Name	Professional qualifications and experience	Independence	Number of companies with IPO with which he/she also serves as the independent director
Power Investments Limited Representative Name: Yu Kun,Kao	Have experience in financial accounting, business strategy, marketing and electronics-related industry	1.A director of the Company holding the position as manager. 2.Not a director of an affiliated company of the Company. 3.Jieneng Investment Company holds more than 8% of the total issued shares of the Company.	0
Power Investments Limited Representative Name: Ming-Nan, Chuang	Have experience in engineering technology and organizing and leading industrial development and technology application	4.Not a spouse, a relative within the second or a direct blood relative within the third generation of the person listed in the preceding three paragraphs. 5.Not a director or an employee of another company holding more than half of the seats or voting shares of the Company and under the common control.	0
Power Investments Limited Representative Name: Chuei-Hua, Chiou	Have experience in engineering technology and related industries to organize and lead electronics industry	6.Not a company that provides audit or business, legal, financial, accounting and other related services for the Company or affiliated enterprises, or whose accumulated remuneration in the last two years does not exceed NT\$500,000. 7.Not in relationship of spousal or relative within two generation with any other director 8.None of the matters under Article 30 of the Company Act. 9.Elected director who is a representative appointed by Jieneng Investment.	0

Condition Name	Professional qualifications and experience	Independence	Number of companies with IPO with which he/she also serves as the independent director
Independent Director Chong-Yu, Wu	Highly professional and rich experience in semiconductor industry A deep insight into forward-looking technology in academic research and development Have strategic guidance for product development and market layout	In the two years prior to and during the period of appointment, the following independence assessment conditions have been met: 1. Not an employee of the Company or its any affiliated company. 2. Not a director of an affiliated company of the Company.	3
Independent Director Ding- Ren, Liu	Have experience in financial accounting and strategy management, industrial chain and cross-industry experience	3. Not a shareholder as natural person who holds or whose spouse and/or minor children hold in another person's name more than 1% of the total number of shares issued by the Company or with holdings ranking the top ten. 4. Not a spouse, a relative within the second or a direct blood relative within the third generation of the person listed in the preceding three paragraphs.	0
Independent Director Jian Guo, Yang	Have experience in Professional in financial accounting and enterprise sustainable management in related electronics industry	5. Not a director, supervisor or employee of any corporate shareholder directly holding more than 5% of the issued shares in the Company who do not directly hold more than 5% of the total number of shares issued by the Company, or with holdings ranking the top five. 6. Not a director, supervisor, manager or a shareholder holding more than 5% of a specific company or organization that has financial or business dealings with the Company.	1
independent director Jr Chiun, Tsai	Have experience in engineering technology and organizing and leading organize and lead electronics industry	7. Not a owner, partner, director, supervisor or manager (or spouse thereof) of any professional, solely-funded business/company or partnership providing audit services for the Company or its affiliated company or whose cumulative compensation in the last two years is less than NT\$500,000. 8. Not in relationship of spousal or relative within two generation with any other director. 9. None of the matters under Article 30 of the Company Act. 10. Not elected as the Government, a legal person or its representative under Article 27 of the Company Act.	0

### Board Diversity

The Company shall strengthen the functional specification of the board of Directors in accordance with the Code of Practice on Corporate Governance formulated by the Company. The board of Directors shall consider diversity of its composition and formulate an appropriate diversity policy for its operation, business type and development needs, including but not limited to the following criteria:

- Basic condition and value: gender, age, nationality and culture.
- Professional knowledge and skills: professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

Members of the board shall generally have the knowledge, skills and qualities necessary to perform their duties. In order to achieve the desired objectives of corporate governance, the board of directors shall have the following capabilities as a whole:

- Business decision-making ability; · Accounting and financial analysis ability;
- Business management ability; crisis handling ability; industry knowledge;
- International market perspective; leadership; decision-making ability

The specific management objectives of the diversity policy of the board and the achievement and distribution of the policy in 2022 are presented below:

Item	Ratio
Industry experience/distribution of expertise	Operation management (100%);Leadership decisions (100%);Industrial technology (100%);Financial accounting (29%);Law (14%)
Distribution of directors with employee status	3 (43%);
Distribution of tenure of independent directors	1 session (25%);3 sessions (75%)
Age distribution of directors	51 to 60 years old (43%);61 to 70 years old (43%); 71-80 years old (14%)

#### Diversity Policy of the Eighth Session of the Board

Core Diversity Item	Gender	Nationality	Tenure of Independent Director	Operation management	Leadership decision	Industrial science and technology	Financial accounting	Legal
Name of director	Age							
Power Investments Limited Representative Name : Yu Kun,Kao	Male 51~60	Taiwan		✓	✓	✓		
Power Investments Limited Representative Name : Ming-Nan, Chuang	Male 51~60	Taiwan		✓	✓	✓		
Power Investments Limited Representative Name : Chuei-Hua, Chiou	Male 51~60	Taiwan		✓	✓	✓		
Independent Director Chong-Yu, Wu	Male 71-80 years old	Taiwan	3 sessions	✓	✓	✓		
Independent Director Ding- Ren, Liu	Male 61-70 years old	Taiwan	3 sessions	✓	✓	✓	✓	
Independent Director Jian Guo, Yang	Male 61-70 years old	Taiwan	3 sessions	✓	✓	✓	✓	✓
independent director Jr Chiun, Tsai	Male 61-70 years old	Taiwan	1 session	✓	✓	✓		

#### Independence of the board

Board structure:

The Company has established a director selection system, and the selection procedure of all directors is open and fair, in accordance with the provisions of the Company's Articles of Association, Procedure for Election of Directors, Code of Practice on Corporate Governance, Procedure for Setup of and Matters to be Followed by Independent Directors of IPO Companies and Article 14 2) of the Securities Exchange Act. The composition structure of the current board comprises 4 independent directors (57%) and 3 non-independent directors (43%) respectively, which is in accordance with the provisions of Item 3 and Item 4 of Article 26 of the Securities Exchange Act.

The board of directors is independent:

The board of directors of the Company directs the Company's strategy, supervises the management and is responsible to the Company and the shareholders. In terms of the operation and arrangement of the corporate governance system, the board of directors shall exercises its powers in accordance with laws, Articles of Association or resolutions of the board. The board of the Company emphasizes the function of independent operation and transparency. The directors and independent directors are independent individuals and exercise their functions independently. The four independent directors also follow the relevant laws and regulations, together with the functions and powers of the Audit Committee, to review the management and control of the Company's existing or potential risks, so as to supervise the effective implementation of the internal control, the selection (removal) of certified accountants and the preparation of independence and financial statements. In addition, cumulative voting system and candidate

nomination system shall be implemented in accordance with the Company's "Procedure for the Election of Directors" for the selection of directors and independent directors, and shareholders are encouraged to participate in it. Shareholders holding more than a certain number of shares shall put forward a list of candidates. Relevant acceptance operations shall be carried out and announced in accordance with the law for the examination of the qualifications of the candidates to confirm whether there is any violation of the provisions of Article 30 of the Company Act, protect shareholders' rights and interests, avoid monopolization or excessive nominating rights and maintain independence.

The Company has formally formulated the board performance evaluation approach since December 2017, and regularly carries out the board performance evaluation at the beginning of each year, and establishes self-evaluation and peer mutual evaluation questionnaire evaluation and summary review, so as to give full play to the self-motivation of board members and improve the sound operation function of the board.

Board performance evaluation, with evaluation items including:

- (1) Degree of involvement in the operation of the Company;
- (2) quality of board decision making;
- (3) composition and structure of the board;
- (4) selection and continuing education of directors;
- (5) Internal control.

Self-assessment of directors, including:

- (1) Understanding of corporate objectives and tasks;
- (2) cognition of directors' responsibilities;
- (3) degree of participation in company operation;
- (4) internal relationship management and communication;
- (5) professional and continuing education of directors; and (6) internal control.

The above self-evaluation results will be submitted to the board of directors and then disclosed in the Company's annual report and website :

<https://www.leadtrend.com.tw/tw/investor/corporate-governance/board-of-directors>

In addition, the performance evaluation measures for the board of directors specify that the performance evaluation shall be carried out at least once every three years by an external professional independent institutions or external experts and scholars. The last external performance evaluation of the Board was conducted in 2020, so as to give full play to the self-motivation of board members and improve the sound operation of the board of directors. Please refer to our website <https://www.leadtrend.com.tw/tw/investor/corporate-governance/board-of-directors> for the general evaluation and suggestions of external organizations.

## II. Information on General Managers, Deputy General Managers, Associate Managers, Heads of Departments and Branches

April 15, 2023 / Unit: share

Professional Title	Nationality	Name	Gender	Date of Election/Appointment	Holdings		Shares Held by Spouses & Minor Children		Shares Held in Another Person's Name		Work/Educational Background	Positions Currently Held in Other Companies	Manager in Relationship of Spouse or Kinship Within Two Generations			Remark
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Professional Title	Name	Relationship	
Chairman (Acting General Manager)(Note 1)	Taiwan	Yu-kun, Gao	Male	08.01.2013	73,478	0.13%	0	0.00%	0	0.00%	Master of Management, Chengchi University Vice General Manager of Product Development Department of Leader Electronics Inc.	None	-	-	-	-
Vice-general manager	Taiwan	Ming-Nan, Chuang	Male	10.01.2003	90,815	0.16%	0	0.00%	0	0.00%	Master of Electrical Engineering, Tsinghua University Research and Development Manager, Analog Integrations Corp.	Supervisor of Power Investments Limited.	-	-	-	-
Vice-general manager	Taiwan	Chuei-Hua, Chiou	Male	07.14.2003	41,408	0.07%	0	0.00%	0	0.00%	Master of Advanced Business Management, Tsinghua University Chief of ICP DAS CO., LTD.	None	-	-	-	-
Vice-general manager	Taiwan	Heng-Chung, Chi	Male	09.01.2022	28,547	0.05%	0	0.00%	0	0.00%	Master of Electrical Engineering, Yuanzhi University MonolithicPowerSystems Senior business manager	None	-	-	-	-
Associate director	Taiwan	Jiong-feng, Zhou	Male	05.20.2003	109,622	0.19%	788	0.00%	0	0.00%	Joint Engineering Department of Electronic Engineering AnaChip Corp.Senior CAD manager	Supervisor of Leadtrend Technology (ShenZhen) Co. Ltd.	-	-	-	-
Financial and accounting supervisor	Taiwan	Ya-ching, Huang	Female	05.10.2011	5,000	0.01%	0	0.00%	0	0.00%	Master of Business Administration, San Diego State University Finance Department of Modiotek Co., Ltd. Senior manager	Executive Director of Leadtrend Technology (ShenZhen) Co. Ltd.	-	-	-	-

Note: The shareholding ratio shall be calculated based on the total 56,852,828 outstanding shares issued by the Company.

Note 1: Information on the chairman of the board of directors and the general manager or his equivalent (the top manager) of the Company, who are the same person:

The chairman of the board (acting general manager) of the Company, is to improve operating efficiency and decision-making ability, and to strengthen the independence of the board of directors, and the planned evaluation on the suitable candidates has been conducted. In addition, the chairman of the board of directors shall usually make close communication with each director on the Company's operation status and plan guidelines to implement corporate governance, and in the future also plan to increase the number of independent directors to enhance the function of the board of directors and strengthen the supervision function. The following specific measures have been taken:

- The number of independent directors has been increased to four, with expertise in finance and accounting and semiconductor industry, which can effectively play the supervisory function.
- Annually arrange directors to attend professional director courses from external organizations to enhance the operational effectiveness of the board.
- The independent directors in each functional committee can fully discuss and put forward suggestions for the reference of the board to implement corporate governance.

### 3. Remuneration paid to directors (including independent directors), General Manager and Deputy General managers in the recent years

#### I. Summary disclosure

(I). Remuneration for general and independent directors

April 15, 2023 / Unit: NT\$ thousand

Professional Title	Name	Directors' Remuneration								Proportion of the total amount of A, B, C and D to the net profit after tax		Remuneration paid to part-time employees								Proportion of the total amount of A, B, C, D, E, F and G in the net profit after tax		Whether have received Remuneration from reinvested enterprises or parent companies outside subsidiaries
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Operational execution costs (D)				Salaries, Bonuses,and Allowances (E)(Note 1)		Retirement pension (F)		Employee compensation (G) (Note 2)						
		The Comp any	All companies in financial report	The Comp any	All companies in financial report	The Comp any	All companies in financial report	The Comp any	All companies in financial report	The Comp any	All companies in financial report	The Comp any	All companies in financial report	The Comp any	All companies in financial report	The Company		A All companies in financial report		The Compan y	All companies in financial report	
Cash amount	Stock amount	Cash amount	Stock amoun t																			
General directors	Power Investments Limited Representative Name : Yu Kun,Kao	-	-	-	-	1,291	1,291	95	95	1,386 0.91%	1,386 0.91%	12,244	12,244	873	873	651	-	651	-	15,154 9.95%	15,154 9.95%	0
	Power Investments Limited Representative Name : Ming-Nan, Chuang																					
	Power Investments Limited Representative Name : Chuei-Hua, Chiou																					
Independent Directors	Chong-Yu, Wu	2,860	2,860	-	-	1,291	1,291	125	125	4,276 2.81%	4,276 2.81%	-	-	-	-	-	-	-	-	4,276 2.81%	4,276 2.81%	
	Ding- Ren, Liu																					
	Jian Guo, Yang																					
	Jr Chiun, Tsai																					
<div>1. Please state clearly the remuneration policy, system, standard and structure of independent directors, and the relationship between the remuneration and the amount of remuneration based on the responsibilities, risks, date of investment and other factors: The remuneration structure of the Company's directors includes fixed monthly remuneration and directors' remuneration as prescribed by the Articles of Association. Fixed monthly remuneration is reviewed annually by the Remuneration Committee, and any change to it shall be submitted to the Board for resolution. The total remuneration of independent directors and non-concurrent managers shall be adjusted based on the Company's business performance in accordance with the provisions of the Articles of Association, based on the involvement and value of their contribution to the Company's operation, as well as the industry level and the limit of not more than 2%, and distributed based on the days of service of each director proportionally.</div> <div>2.Other than as disclosed in the above table, remuneration received by directors in the recent years for services offered (if acting as consultant to the parent company/all companies in the financial reports/non-employees of the reinvestment business): None.</div>																						

Note 1: The term refers to the in-kind provision, such as salary, job bonus, severance pay, various bonuses, incentive payments, carriage expenses, special expenses, various allowances, dormitory, car allocation and so on, which the director concurrently receives in the recent years. In addition, the salary expenses recognized in accordance with IFRS2 "Share Based Payment", including the acquisition of stock warrants of employees, the restriction of employee rights of new shares and participation in cash capital increase subscription shares, shall also be included in the remuneration.

Note 2: The compensation distribution of directors and employees for 2022 has been passed by the resolution of the board on March 16, 2023, and will be reported at the general meeting of shareholders on June 13, 2023.

Level of remuneration paid to each director of the Company	Name of director			
	Total remuneration for the first four items (A+B+C+D)		Total remuneration for the first seven items (A+B+C+D+E+F+G)	
	the Company	All companies in financial statements	the Company	All companies in financial statements
Below NT\$1,000,000	General Director: Power Investments Limited Representative Name: Yu- Kun, Kao Ming-Nan, Chuang Chuei-Hua, Chiou	General Director: Power Investments Limited Representative Name: Yu- Kun, Kao Ming-Nan, Chuang Chuei-Hua, Chiou	-	-
NT\$1,000,000 (included) ~ 2,000,000 (excluded)	Independent director: Chong-Yu, Wu Ding- Ren, Liu Jan Guo, Yang Jr Chiun, Tsa	Independent director: Chong-Yu, Wu Ding- Ren, Liu Jan Guo, Yang Jr Chiun, Tsa	Independent director: Chong-Yu, Wu Ding- Ren, Liu Jan Guo, Yang Jr Chiun, Tsa	Independent director: Chong-Yu, Wu Ding- Ren, Liu Jan Guo, Yang Jr Chiun, Tsa n
NT\$2,000,000 (included) ~ 3,500,000 (excluded)	-	-	-	-
NT\$3,500,000 (included) ~ 5,000,000 (excluded)	-	-	General Director: Power Investments Limited Representative Name: Chuei-Hua, Chiou	General Director: Power Investments Limited Representative Name: Chuei-Hua, Chiou
NT\$5,000,000 (included) ~ 10,000,000 (excluded)	-	-	General Director: Power Investments Limited Representative Name: Yu Kun,Kao Ming-Nan, Chuang	General Director: Power Investments Limited Representative Name: Yu Kun,Kao Ming-Nan, Chuang
NT\$10,000,000 (included) ~ 15,000,000 (excluded)	-	-	-	-
NT\$15,000,000 (included) ~ 30,000,000 (excluded)	-	-	-	-
NT\$30,000,000 (included) ~ 50,000,000 (excluded)	-	-	-	-
NT\$50,000,000 (included) ~ 100,000,000 (excluded)	-	-	-	-
Above NT\$100,000,000	-	-	-	-
Grand Total	7 Persons	7 Persons	7 Persons	7 Persons

Note: The term refers to the in-kind provision, such as salary, job bonus, severance pay, various bonuses, incentive payments, carriage expenses, special expenses, various allowances, dormitory, car allocation and so on, which the director concurrently receives in the recent years. In addition, the salary expenses recognized in accordance with IFRS2 "Share Based Payment", including the acquisition of stock warrants of employees, the restriction of employee rights of new shares and participation in cash capital increase subscription shares, shall also be included in the remuneration.

(II).Remuneration for general manager and deputy general manager

April 15, 2023 /Unit: NT\$ thousand

Professional Title	Name	Salary (A) (Note 1)		Retirement pension (B)		Bonuses and Allowances (C)		Employee Compensation Amount (D) (Note 2)				Percentage of the total amount of A, B, C and D to net profit after tax (%)		Remuneration paid by re-investment business other than subsidiaries or parent companies
		the Company	All companies in financial statements	the Company	All companies in financial statements	the Company	All companies in financial statements	the Company		All companies in financial statements		the Company	All companies in financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman (acting General manager)	Yu-kun, Gao	15,397	15,397	981	981	2,591	2,591	651	-	651	-	19,620 12.88%	19,620 12.88%	0
Vice-general manager	Ming-Nan, Chuang													
Vice-general manager	Chuei-Hua, Chiou													
Vice-general manager	Heng-Chung, Chi													

Note 1: Refers to the general manager and deputy general manager received in the recent years, including salary, job bonus, severance pay, various bonuses, incentive payments, carriage expenses, special expenses, various allowances, dormitory, car and etc. In addition, the salary expenses recognized in accordance with IFRS2 "Share Based Payment", including the acquisition of stock warrants of employees, the restriction of employee rights of new shares and participation in cash capital increase subscription shares, shall also be included in the remuneration.

Note 2: The compensation distribution of directors and employees for 2022 has been passed by the resolution of the board on March 16, 2023, and will be reported at the general meeting of shareholders on June 13, 2023.



Remuneration Level Form

Level of remuneration paid to general manager and deputy general manager		Name of general manager and deputy general manager	
		the Company	All companies in financial statements
Below NT\$1,000,000		-	-
NT\$1,000,000 (included) ~	NT\$2,000,000 (excluded)	-	-
NT\$2,000,000 (included) ~	NT\$3,500,000 (excluded)	Heng- Chung, Chi	Heng- Chung, Chi
NT\$3,500,000 (included) ~	NT\$5,000,000 (excluded)	Chuei-Hua, Chiou	Chuei-Hua, Chiou
NT\$5,000,000 (included) ~	NT\$10,000,000 (excluded)	Ming-Nan, Chuang , Yu-kun, Gao	Ming-Nan, Chuang , Yu-kun, Gao
NT\$10,000,000 (included) ~	NT\$15,000,000 (excluded)	-	-
NT\$15,000,000 (included) ~	NT\$30,000,000 (excluded)	-	-
NT\$30,000,000 (included) ~	NT\$50,000,000 (excluded)	-	-
NT\$50,000,000 (included) ~	NT\$100,000,000 (excluded)	-	-
More than NT\$100,000,000		-	-
Total		4 Persons	4 Persons

## (III).Name and distribution of the manager to whom employee remuneration is paid

April 15, 2023 /Unit: NT\$ thousand

	Professional Title	Name	Stock amount	Cash amount (Note)	Grand Total	Percentage of total to net profit after tax (%)
Manager	Chairman (acting General manager)	Yu-kun, Gao	-	819	819	0.54%
	Vice-general manager	Ming-Nan, Chuang				
	Vice-general manager	Chuei-Hua, Chiou				
	Vice-general manager	Heng- Chung, Chi				
	Associate director	Jiong-feng, Zhou				
	Financial and accounting supervisor	Ya-ching, Huang				

Note: The compensation distribution of directors and employees for 2022 has been passed by the resolution of the board on March 16, 2023, and will be reported at the general meeting of shareholders on June 13, 2023.

II. Comparative analysis on the total amount of remuneration paid to the directors, general managers and deputy general managers of the Company in the most recent two years as a percentage of net profit after tax in individual or individual financial reports by the Company and all companies in the consolidated statements respectively, and explain the policy, standard and mix of remuneration, the procedure for determining remuneration, and its correlation with business performance and future risks.

(I).Analysis on remuneration of directors, general managers and deputy general managers in the recent two years

Year	2022		2021	
	the Company	All companies in financial report	the Company	All companies in financial report
Net profit after tax (%)				
Net profit after tax on individual financial reporting (NT\$ thousand)	152,363	152,363	328,977	328,977
Proportion of directors' remuneration (%) (Note 1)	3.72	3.72	2.04	2.04
Proportion of remuneration of general manager and deputy general manager (%) (Note 2)	12.68	12.68	4.87	4.87

Note 1: The directors' remuneration includes remuneration, retirement pension, directors' remuneration and business performance expenses.

Note 2: The remuneration of the above managers includes salary, retirement pension, bonus and special payments, employee remuneration and salary expenses recognized under IFRS2 "Share Based Benefits", including the acquisition of employee stock warrants, new shares with limited rights of employees and participation in cash capital increase subscription shares.

Note 3: The proportion of remuneration of directors and general manager and deputy general manager in 2022 was higher than that in 2021, which was mainly caused by the decrease of 53.69% of net profit after tax in 2022.

(II).The policies, standards and mix of remuneration payments, the procedures for determining remuneration, and the relationship to business performance and future risks

(1) Director remuneration policy

The compensation of directors of the Company shall be increased in accordance with Article 20 of the Articles of Association. If the Company has profits in the year (the so-called profit condition refers to the profit before pre-tax deduction of the compensation of employees and directors), it shall set aside no less than 5% for the compensation of employees and no more than 2% for the compensation of directors. However, if the Company has accumulated losses (including adjustment of undistributed surplus amount), it shall reserve the compensatory amount in advance. Article 17 of the Articles of Association of the Company also provides that the remuneration of the chairman and the director shall be determined by the board of directors based on their involvement in the Company's operation and value of their contribution to the Company's operation, as well as the industry level. Directors' remuneration in the preceding paragraph shall be paid in cash only.

(2) Manager remuneration policy

The remuneration standard of the Company's managers depends on the individual performance and contribution to the overall operation of the Company, and the principle is determined by taking into consideration the level of market peers. It will be implemented after being reviewed by the Remuneration Committee and approved by the board of directors.

The compensation determination procedure set by the Company for directors and managers shall be based on the performance evaluation methods of the board of directors and employee performance evaluation of the Company. In addition to taking into account the Company's operating performance, future risks, development strategies and industrial trends, reasonable compensation shall be given to individuals for their contributions to the Company's performance. The Company will also review the compensation allocation policy in due course, taking into account the overall environment and business strategy, with a view to balancing the interests of the Company's sustainability with those of stakeholders.

#### 4. Corporate Governance Implementation

##### I. Operation of the board of directors

The board of directors held eight meetings in 2022, and the average attendance rate of all directors reached 98.08%. At least one independent director attended each meeting in person, and the directors present were listed below.

Professional Title	Name	Times of Presence in Person	Times of Presence by Proxy	Actual Presence Ratio (%)	Remark
Chairman	Power Investments Limited Representative Name : Yu-Kun, Kao	8	0	100	
Director	Power Investments Limited Representative Name : Ming-Nan, Chuang	8	0	100	
Director	Power Investments Limited Representative Name : Chuei-Hua, Chiou	5	1	83	Newly appointed in June 2022
Independent Director	Chong-Yu, Wu	8	0	100	
Independent Director	Ding- Ren, Liu	8	0	100	
Independent Director	Jian- Guo, Yang	8	0	100	
Independent Director	Jr- Chiun, Tsai	6	0	100	Newly appointed in June 2022

Other matters to be recorded:

- The date and session of the board meeting, the content of the proposal, the opinions of all independent directors and the Company's treatment of the opinions of independent directors shall be stated in any of the following cases:
  - Matters listed in Section 14 (3) of the Securities Exchange Act:  
The Company has set up an Audit Committee, which is not subject to Article 14 (3) of the Securities Exchange Act. For relevant information, please refer to Page 24-26 of the Annual Report on the operation of the Audit Committee.
  - Other board decisions subject to objections or reservations by the independent directors and recorded or stated in writing, except as previously stated: None happened this year.
- In respect of the implementation of the withdrawal of a proposal in interest, the director shall state the name of the director, the content of the motion, the reason for the withdrawal of interest and the situation of participating in the voting:

Date of meeting Session	Content of proposal	The independent directors have reservations or objections	Voting situation
03.17.2022 The 20th meeting of the 7th session	●The Company's annual directors' compensation and employee compensation distribution plan.	No	Mr. Yu-Kun, Kao, director (General Manager), and Mr. Ming-Nan, Chuang, director (Vice-general manager), avoided the discussion and voting due to personal interests and confidential salary factors.
06.21.2022 The 2th	●The Company's fixed monthly salary	No	The proposal was adopted without objection by all the directors present.

Date of meeting Session	Content of proposal	The independent directors have reservations or objections	Voting situation
meeting of the 8th session	adjustment plan for independent director. ●The 2022 salary adjustment plan for managers and audit supervisors of the Company.	No	Mr. Yu-Kun, Kao, director( General Manager), Mr. Ming-Nan, Chuang, director (Vice-general manager) , Mr. Chuei-Hua, Chiou, director (Vice-general manager) , avoided the discussion and voting due to personal interests and confidential salary factors.
08.11.2022 The 3th meeting of the 8th session	●List of the Company's promotion to vice president and salary adjustment plan	No	Mr. Yu-Kun, Kao, director (General Manager), Mr. Ming-Nan, Chuang, director (Vice-general manager), Mr. Chuei-Hua, Chiou, director (Vice-general manager) , avoided the discussion and voting due to confidential salary factors.
10.07.2022 The 4th meeting of the 8th session	●The list of employee s receiving new share with restricted employee rights for 2022 and the number of recipients granted and the base date for capital increase.	No	Mr. Ming-Nan, Chuang, director (Vice-general manager), Mr. Chuei-Hua, Chiou, director (Vice-general manager), avoided the discussion and voting due to confidential salary factors.

### 3.Implementation of board evaluation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	01.01.2022 ~ 12.31.2222	Including performance evaluation of the board and individual board members	Internal and member evaluation of the board and the appointment of external professional evaluation every three years	<ul style="list-style-type: none"> <li>●The self-evaluation of the overall performance of the board covers the following five aspects: <ul style="list-style-type: none"> <li>(A) The extent of its involvement in the operation of the Company;</li> <li>(B) Improvement to the board's decision-making quality;</li> <li>(C) Composition and structure of the board of directors;</li> <li>(D) Appointment and continuous training of the directors; and</li> <li>(E) Internal control and risk management.</li> </ul> </li> <li>●The performance evaluation of directors covers the following six aspects: <ul style="list-style-type: none"> <li>(A) Understanding the Company's goals and tasks</li> <li>(B) Understanding the directors' duties</li> <li>(C) The extent of its involvement in the operation of the Company;</li> <li>(D) Internal relationship management and communication;</li> <li>(E) Disciplines and continuous training of the directors; and</li> <li>(F) Internal control.</li> </ul> </li> <li>●Functional committee performance evaluation covers the following five aspects: <ul style="list-style-type: none"> <li>(A) The extent of its involvement in the operation of the Company;</li> <li>(B) Understanding of the functions of the functional Committee;</li> <li>(C) Quality of decision-making in functional committee;</li> <li>(D) Composition of the Functional Committee and selection of its members; and</li> <li>(E) Internal control.</li> </ul> </li> </ul>

## II. Operation of the Audit Committee:

The Audit Committee of the Company is composed of 4 independent directors and meets at least once a quarter. The Audit Committee is responsible for the execution of the permitted expression of the Company's financial reports, the selection (removal) of certified accountants and independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and control on the Company's existing or potential risks. Its main responsibilities and duties are listed below:

1.To establish or amend the internal control system in accordance with Article 14 1) of the Securities Exchange Act.

2.To evaluate effectiveness of the internal control system.

The Audit Committee shall evaluate the effectiveness of the Company's internal control systems, including authority, integrity, and risk management (including but not limited to finance, operations, research and development, information security, compliance, and all stakeholder activities), and review the results of the Company's internal audit and certification accountants. In addition, in addition to regular reports from management, if there is a high-risk operation matter, the relevant supervisor shall also report it to improve the performance. In reference to Internal Control - Integrated Framework, the internal control system under 2013 The Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Audit Committee considers that the Company's risk management and internal control systems are effective and that the Company has put in place the necessary control mechanisms to monitor and correct irregularities or weaknesses with opportunities for improvement.

3.In accordance with Article 36 (1) of the Securities Exchange Act, the procedures for handling major financial business activities such as acquiring or disposing of assets, trading in derivative commodities, lending funds to others, endorsing or providing guarantees for others are prescribed or amended.

4.Matters involving the interests of the directors themselves.

5.Major asset or derivative transactions.

6.Material loan, endorsement, or guarantee.

7.Offer, issue or private placement of securities having the nature of equity.

8.Appointment, removal or remuneration of certified accountants.

(1). The Audit Committee to appoint certified accountant is entrusted with the responsibility of monitoring the independence of certified accountant firm to ensure the impartiality of financial statements.

(2). Generally speaking, the certified accountant firm are not allowed to provide services to the Company other than tax related services or specially approved items. All services provided by certified accountant firm must be approved by the Audit Committee.

(3). In order to ensure the independence of certified public accountant firm, the Audit Committee shall make an independence assessment form with reference to Article 47 of the CPA Act and the "Integrity, Impartiality and Independence" of the CPA Code of Ethics Bulletin No. 10. and evaluate whether it is involved in any mutual relationship of or business or financial interest with the Company. On March 16, 2023, it was adopted at the sixth meeting of the third session of Audit Committee and at the seventh meeting of the eighth session of Board of Directors that, the accountants Huang Yufeng and Chua Meizheng with Deloitte & Touche both meet the independent evaluation standard and are qualified to serve as the certified accountants for 2023 financial statements and taxation of the Company.

9.Appointment or removal of head of finance, accounting or internal audit.

10.The annual financial report signed or sealed by the Chairman, the manager and the head of accounting and the second quarter financial report subject to the accountant's approval.

11.Proposal on business report, surplus allocation or loss appropriation.

12.Other major matters stipulated by the Company or the competent authority.

The Audit Committee held 7 meetings in 2022, which were attended by independent directors as follows:

Professional Title	Name	Times of Presence in Person	Times of Presence by Proxy	Actual Presence Ratio (%)	Remark
Convenor	Chong-Yu, Wu	7	0	100	
Committee member	Ding- Ren, Liu	7	0	100	
Committee member	Jian- Guo, Yang	7	0	100	
Committee member	Jr- Chiun, Tsai	5	0	100	Newly appointed in June 2022

Other matters to be recorded:

1.The date and session of the board meeting, the content of the agenda, the objections or reservations by the independent directors or major suggestions, resolutions of the Audit Committee and the Company's treatment of the opinions of independent directors shall be stated in any of the following cases:

(1). Matters listed in Section 14 (5) of the Securities Exchange Act:

Date of meeting Session	Content of motion and subsequent handling	The matters listed in §14-5 of the Securities Exchange Act	Matters not approved by the Audit Committee but agreed by more than 2/3 of all directors
03.17.2022 The 16th meeting of the 2th session	<ul style="list-style-type: none"> <li>●Amendment to some provisions of the Company's "Asset acquisition or Disposal Procedure".</li> <li>●2021 Internal Control System Effectiveness Assessment and 2021 Internal Control System Statement</li> <li>●Amendment to the Company's internal control system and internal audit implementation rules.</li> <li>●The appointment and independence assessment of the certified accountant for Company's 2022 Financial Statements.</li> </ul>	Yes	No
	Results of Audit Committee resolutions: All members of the Audit Committee agreed	Handling of the opinions of the Audit Committee by the company: Adopted with consensus of all the directors present	
04.29.2022 The 17th meeting of the 2th session	<ul style="list-style-type: none"> <li>●Consolidated Financial Statements of the Company for the first quarters of 2022 adopted.</li> <li>●The 2021 Business Report of the Company adopted.</li> <li>●Proposal on transfer of profits to increase capital and issue new shares in 2021.</li> <li>●The Company issued new shares with restricted employee option in 2022.</li> <li>●It intends to apply for loan amount from the Company through its subsidiary Leadtrend (ShenZhen) Technology Corp.</li> </ul>	Yes	No
	Results of Audit Committee resolutions: All members of the Audit Committee agreed	Handling of the opinions of the Audit Committee by the company: Adopted with consensus of all the directors present	
06.21.2022 The 1st meeting of the 3th session	<ul style="list-style-type: none"> <li>●Amendments to the Company's 2022 Operating Plan.</li> </ul>	Yes	No
	Results of Audit Committee resolutions: All members of the Audit Committee agreed	Handling of the opinions of the Audit Committee by the company: Adopted with consensus of all the directors present	



Date of meeting Session	Content of motion and subsequent handling	The matters listed in §14-5 of the Securities Exchange Act	Matters not approved by the Audit Committee but agreed by more than 2/3 of all directors
08.11.2022 The 2nd meeting in the 3th session	<ul style="list-style-type: none"> <li>●Consolidated Financial Statements of the Company for the first two quarters of 2022 adopted..</li> </ul>	Yes	No
	Results of Audit Committee resolutions: All members of the Audit Committee agreed	Handling of the opinions of the Audit Committee by the company: Adopted with consensus of all the directors present	
11.10.2022 The 4th meeting of the 3th session	<ul style="list-style-type: none"> <li>●Consolidated Financial Statements of the Company for the first three quarters of 2022 adopted.</li> <li>●Preparation of the Company's Internal Material Information Processing Procedure.</li> <li>●Amendments to some provisions of the Company's "Rules of Procedure for the board of directors" and "Management Measures for the Operation of the board of directors".</li> <li>●Amendment to some provisions of the Company's "Administrative Measures against Insider Trading".</li> </ul>	Yes	No
	Results of Audit Committee resolutions: All members of the Audit Committee agreed	Handling of the opinions of the Audit Committee by the company: Adopted with consensus of all the directors present	
12.22.2022 The 5th meeting of the 3th session	<ul style="list-style-type: none"> <li>●The Company's 2023 Operation Plan.</li> <li>●The Audit Plan for 2023 submitted.</li> </ul>	Yes	No
	Results of Audit Committee resolutions: All members of the Audit Committee agreed	Handling of the opinions of the Audit Committee by the company: Adopted with consensus of all the directors present	

(2). Other matters not approved by the Audit Committee and approved by more than two-thirds of all directors, except those previously mentioned: None happened this year.

2.In respect of the implementation of the withdrawal of a proposal in interest, the independent director shall state the name of the director, the content of the motion, the reason for the withdrawal of interest and the situation of participating in the voting: None.

3.The communication between the independent director and the internal audit supervisor and accountant (including the important matters, methods and results of the communication on the financial and business status of the Company):

(1). During the meeting of the Audit Committee, the independent director shall listen to the internal audit supervisor's report on the audit business status, and put forward guidance and suggestions timely. During the non-meeting period, the independent director shall communicate by telephone or E-mail, which is effective in supervising the effective implementation of the Company's internal control.

Date	Nature and Main Content of Communication	Recommendations of Independent Director
03.17.2022	Implement the inspection of the audit items for period from Sep., 2021 to Feb., 2022 and internal specification revision progress report.	The independent directors have no comments or suggestions
04.29.2022	1. Self-evaluation report for 2021. 2. Implement the inspection of the audit items for March of 2022 and internal specification revision progress report.	The independent directors have no comments or suggestions
06.21.2022	Implement the inspection of the audit items from April to May of 2022 and internal specification revision progress report.	The independent directors have no comments or suggestions
08.11.2022	Implement the inspection of the audit items for second quarter of 2022 and internal specification revision progress report.	The independent directors have no comments or suggestions
10.07.2022	Implement the inspection of the audit items from July to August of 2022.	The independent directors have no comments or suggestions
11.10.2022	Implement the inspection of the audit items for third quarter of 2022.	The independent directors have no comments or suggestions
12.22.2022	1. Self-evaluation report. 2. Implement the inspection of the audit items for October, 2022.	The independent directors have no comments or suggestions

- (2). The independent directors and accountants shall meet separately and communicate with each other on the financial statements of the Company at least once every six months.

The following is an excerpt of the communication between the independent directors and the accountant in 2022:

Date	Key Communication Points	Recommendations of Independent Director
03.17.2022	1. Results of the audit of 2021 individual and consolidated financial statements. 2. Judgment of the management and discussions on accounting estimates. 3. Significant risks and critical audit items. 4. Independence statement. 5. Introduction of updates to securities and control laws.	The independent directors have no comments or suggestions
11.10.2022	1. Review of the consolidated financial statements for the first three quarters of 2022. 2. Related communication items: (1) Judgment of the management and accounting estimates. (2) Other matters 3. Independence statement 4. Year-end audit plan: (1) Significant risks. (2) Key inspection items	The independent directors have no comments or suggestions

4. Information on the evaluation cycle, period, scope, method and content of the Audit Committee's self-evaluation.

At the beginning of each year, the performance evaluation of the Functional Committee shall be carried out regularly, and the evaluation and summary review of self-evaluation and peer mutual evaluation questionnaires are set up to give full play to the self-motivation of the members of the Audit Committee and improve the function of sound operation of the Audit Committee. Results of the Audit Committee self-evaluation for 2022: The total score for self-evaluation within the Company is 110, and the Audit Committee is identified to be in effective operation (A Total of 22 performance evaluation questions, with a total score of 66 as medium; 88 as Excellent; 110 (full) as Extreme Excellent).

In 2020, the external professional independent organization Cheng-Yi Management Consulting Company conducted the performance evaluation to examine the overall effectiveness of the Audit Committee according to the self-evaluation questionnaire, that is, the independent and objective evaluation of the overall effectiveness of the Audit Committee by individual directors. It contains five evaluation aspects, including the degree of participation in the Company's operation, the cognition of the committee's responsibilities, the quality of decision-making, the composition and selection of members of the committee and internal control. According to the evaluation result for 2020, the functions of the Audit Committee have been operated effectively and the overall evaluation result is between “Good” and “Excellent”.

III. The situation of corporate governance operation and the situation and reasons for the discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies

Evaluation Items	Operation			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company formulated and disclosed the code of practice on corporate governance of the Company in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		<p>The Company has developed its code of practice on corporate governance and posted them on the website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies">https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies</a>. In addition to complying with the provisions of laws and regulations, as well as contracts signed with the stock exchange and related regulations, the following principles shall be complied with:</p> <p>(I) Establish an effective corporate governance structure.            (II) Protect shareholders' rights and interests.            (II) Strengthen the functions of the board of directors.            (IV) Give play to the functions of the supervisor (including the supervisory function of the Audit Committee).            (V) Respect the rights and interests of interested parties.            (VI) Improve information transparency.</p> <p>The Company has effectively implemented them, and executed sound control functions.</p>	None
II. Equity structure and shareholders' equity of the Company (I) Has the Company established internal operating procedures for handling shareholder suggestions, doubts, disputes and litigation, and has implemented them in accordance with such procedures?	✓		<p>(I) The Company has a spokesman to handle shareholder suggestions or disputes, and will appoint legal counsel to assist it if necessary.</p>	None

Evaluation Items	Operation			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and reasons
	Yes	No	Summary	
(II)Has the Company a list of the major shareholders who actually control the Company and the final controllers of the major shareholders?	✓		(II) Make the declaration to be aware of the Company's major shareholders and the list of the final controllers of major shareholders and any change thereto, and maintain a good relationship with the major shareholders.	None
(III)Has the Company established, implemented and related risk control and firewall mechanisms among enterprises?	✓		(III) Develop relevant management procedures and operating systems through the "Trading Operation Procedure for Group Enterprises, Specific Companies and Related Parties", internal control and internal audit system, and conduct effective risk control.	
(IV)Has the Company established internal rules to prohibit insiders from trading securities by using any information not disclosed to the market?	✓		(IV) The Company has developed a "Management Measure against Insider Trading" and posted it on the Company website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies">https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies</a> , and added a provision at the third meeting of the eighth session of the Board on November 10 2022 that "a director shall not trade any of his shares 30 days before the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report "to prevent insider trading.	
III. Composition and duties of the board of directors (I) Has the board of directors formulated diversity policies, specific management objectives and implemented them?	✓		(I) The diversity policies are formulated under Section III "Strengthening the Role of the Board" of the Company's Code of Practice on Corporate Governance. The nomination and election of board members of the Company is in accordance with the provisions of the Company's Articles of Association. In addition to assessing the qualifications of the candidates and taking into account the views of interested parties, the Director Election Procedure and the "Code of Practice on Corporate Governance are observed to ensure the diversity and independence of the directors. The Company currently has seven directors, of which four are independent directors. Each director has his/her own professional background including law, accounting, industry, finance, marketing R&D, technology, management, professional skills and industry experience (please refer to the director data description on Pages 13 to 16 of this Annual report) to implement the Company's policy of diversity in the composition of the board.	None

Evaluation Items	Operation			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and reasons
	Yes	No	Summary	
(II) Has the Company voluntarily set up any other functional committees in addition to the Remuneration Committee and Audit Committee in accordance with laws	✓		(II)The Company has set up the Remuneration Committee and the Audit Committee in accordance with laws, and set up the corporate governance executive in 2020. All departments shall be responsible for their respective corporate governance. In future, any other functional committee will be set up depending on the operation of the Company and in accordance with related laws.	None
(III) Has the Company has the method and approach to evaluate performance of the board of directors, conducted the performance evaluation annually and regularly, and submitted the results of the performance evaluation to the board of directors, and used them for reference in the salary and remuneration of individual directors and the nomination and renewal of their appointment?	✓		(III)The Company have established method and approach to evaluate the performance of the board of directors:  (1) Conduct annual self-performance evaluation of the board of directors, functional committees (including Audit Committee and Remuneration Committee) and individual directors. In 2022, the results of the self-assessment of the board of directors, the functional committee and the board members are all Excellent or higher, which is sufficient to show the Company's achievements in strengthening the effectiveness of the board of directors. For the training of directors, the Company will continue to arrange the director's training plan according to the actual needs of directors, to assist directors in the development of professional knowledge and skills.  (2) The evaluation shall be carried out at least once every three years by an external professional independent institution or an external team of experts and scholars. In 2020, the performance evaluation was conducted for the first time by an external professional and independent institution, Chengyi Management Consulting Company. The Company's "Board Performance Evaluation Procedure" and the implementation of the performance evaluation are posted on the Company's website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-governance/board-of-directors">https://www.leadtrend.com.tw/tw/investor/corporate-governance/board-of-directors</a> .	
(IV) Has the Company regularly evaluated the independence of certified accountants?	✓		(IV)The Audit Committee and the board of directors of the Company evaluate the independence, suitability and professionalism of the certified accountant once a year, and submit the results to the Audit Committee for approval on March 16, 2023 and to the board of directors for discussion and approval before appointing the accountant.  The board's procedure of assessing the independence of accountants and the specific criteria of assessing the independence of accountants (please refer to Note 2 on Page 40)	

Evaluation Items	Operation			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and reasons
	Yes	No	Summary	
IV. Has the Company assigned a qualified and appropriate number of corporate governance officers and designated a corporate governance executive to be responsible for corporate governance related affairs (including but not limited to providing data required by directors to perform business, handling related matters of board of directors and shareholders' meetings in accordance with the law, handling company registration and change registration, making proceedings of board of directors and shareholders' meetings)?	✓		<p>At the 10th meeting of the seven session of the board on November 6, 2021, the Company approved the appointment of Ms Huang Ya-ching, Senior Director of Finance and Accounting, as the corporate governance executive, whose authority covers the following:</p> <p>(1) Handle matters related to meetings of the board of directors and shareholders' meetings.  (2) Prepare minutes of meetings of the board and shareholders.  (3) Assisting directors in their appointment and continuing education.  (4) Provide such data as the director may require in the performance of his business.  (5) Assist directors in complying with regulations.  (6) Other matters stipulated in the Articles of Association or any contract of the Company.</p> <p>The corporate governance executive shall continuously receive annual training. For training in 2022 refer to Note 3 on Page 41.</p>	None
V. Has the Company established channels for communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a special area for stakeholders on the Company website, and properly respond to important CSR issues concerned by stakeholders?	✓		<p>The Company respects the rights and interests of stakeholders, identifies stakeholders, understands their reasonable expectations and needs, and appropriately responds to important corporate social responsibility issues concerned. Each department is responsible for the communication of stakeholders and reports to the board of directors from time to time. The Company's stakeholders include shareholders, customers, suppliers, society, academic research institutions and government agencies. It also has smooth communication channels for employees and exposes them on the Company website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-social-responsibility/contact-and-feedback">https://www.leadtrend.com.tw/tw/investor/corporate-social-responsibility/contact-and-feedback</a>.</p>	None
VI. Has the Company appointed a professional stock agent to handle the affairs relating the shareholders' meeting?	✓		<p>The Company appoints a stock service agency - Capital Securities Co., Ltd., to handle various stock-related affairs of the Company. The Company has also formulated the "Stock Operation Management Procedure" to regulate related affairs.</p>	None

Evaluation Items	Operation			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and reasons
	Yes	No	Summary	
VII. Information Disclosure				
(I) Has the Company set up a website to disclose information on its financial business and corporate governance?	✓		(I) The Company has reported various financial and business information in the market observation post system on a regular and irregular basis as required, and has set up a website at <a href="http://https://www.leadtrend.com.tw/tw/investor/financial-information">http://https://www.leadtrend.com.tw/tw/investor/financial-information</a> ) for the reference of shareholders and the general public.	None
(II) Has the Company implements any other approach to information disclosure (such as setting up an English website, appointing a special person to collect and disclose company information, implementing the spokesperson system, and placing the Company website during the legal person presentation meeting)?	✓		(II) The Company has a website in Chinese and English, and assigned dedicated staff to be responsible for information collection and disclosure, and implemented the spokesman system.	None
(III) Has the Company announced and reported the annual financial report within two months after the end of the fiscal year, and announces and reports the financial report of the first, second and third quarters and the operating situation of each month in advance of the prescribed time limit?	✓		(III) The financial statements of the Company for each year and the financial statements for Q1, Q2 and Q3 and the business operation for each months have been announced ahead of the given time limit.	The annual financial statements shall be announced within 3 months



Evaluation Items	Operation			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and reasons
	Yes	No	Summary	
VIII. Has the Company owned any other important information that can help to understand the operation of the Company's governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, directors' training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the Company's purchase of liability insurance for directors)?	✓		<p>(I) Implementation of employee rights, employee care, investor relations, supplier relations and rights of interested parties: Please refer to the "Industrial Relations" section on Pages 66 to 67 of this report and the "Social Responsibility and Stakeholders Zone" on the Company website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate%20social%20responsibility%20-%20sustainable%20-%20management#">https://www.leadtrend.com.tw/tw/investor/corporate social responsibility - / sustainable - management#</a></p> <p>(II) Directors' training: The Company actively encourages directors to receiver further training (please refer to Note 1 on Page 39).</p> <p>(III) Implementation of risk management policies and risk measurement standards: Please refer to Pages 96 to 99 of this report for the description of "Risk Matters"</p> <p>(IV) Implementation of customer policies: Please refer to the "Market and Marketing Overview" on Pages 77-81 of this report.</p> <p>(V) LIABILITY insurance purchased by the Company for the directors: In order to strengthen the corporate governance mechanism, the Company has purchased liability insurance valuing NT\$ 8 million for the directors this year for period from April 1, 2023 to April 1, 2024, which have been submitted to the last meeting of the board of directors for discussion.</p>	None
XI. Please state any improvements in response to the results of the recent annual corporate governance evaluation published by the Corporate Governance Center of Taiwan Stock Exchange Co. LTD., and propose any priorities for enhancement and measures with respect to the aspects where no improvements have been made.	✓		<p>The Company has not set any priorities for enhancement and measures in the 2022 initial assessment on corporate governance evaluation:</p> <p>Plan the following three items, and synchronously upload the English version</p> <p>1.9 The Notice of Meeting, the Manual of Procedure and supplementary information of the meeting shall be uploaded in English 30 days prior to the regular meeting of shareholders.</p> <p>1.11 The annual report shall be uploaded in English before the regular meeting of shareholders.</p> <p>3.2 Synchronous release of major information in English</p>	None

Note 1: Training of Director in 2022

Professional Title	Name	Date of training in 2022	Organized by	Course Name	Hours of training	Total hours of training in the year
Corporate director representative	Yu- Kun, Kao	06/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	6
		08/11		Ethical Corporate Management Best Practice Principles and How to avoid standing off the red for duties of directors and supervisors	3	
Corporate director representative	Ming-Nan , Chuang	06/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	6
		08/11		Ethical Corporate Management Best Practice Principles and How to avoid standing off the red for duties of directors and supervisors	3	
Corporate director representative	Chuei-Hua, Chiou	06/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	12.0
		07/29	Association for Sustainable Development of Enterprises of the ROC	An indication of a company's weakness or operating crisis from its financial statements	3	
		08/09	Chinese Corporate Governance Association	The capital security management strategy of companies completing IPO from the perspective of sustainable development of ESG enterprises	3	
		08/11		Ethical Corporate Management Best Practice Principles and How to avoid standing off the red for duties of directors and supervisors	3	
Independent Director	Ding-Ren, Liu	06/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	6
		08/11		Ethical Corporate Management Best Practice Principles and How to avoid standing off the red for duties of directors and supervisors	3	
Independent Director	Jian Guo, Yang	06/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	6
		08/11		Ethical Corporate Management Best Practice Principles and How to avoid standing off the red for duties of directors and supervisors	3	

Professional Title	Name	Date of training in 2022	Organized by	Course Name	Hours of training	Total hours of training in the year
Independent Director	Chong-Yu, Wu	4/28	Chinese Corporate Governance Association	Create a sustainable new daily life	3	18
		5/06	Securities And Futures Institute	Aspects of ESG Governance - From Knowing to Doing	3	
		5/06		Carbon Management Trends and Countermeasures towards Net-Zero	3	
		6/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	
		7/29		The latest developments and revision trends of international taxation and domestic taxation(I)	3	
		7/29		The latest developments and revision trends of international taxation and domestic taxation(II)	3	
Independent Director	Jr Chiun, Tsai	06/09	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	3	12.0
		07/22		The role of independent directors in business operation and corporate governance	3	
		08/09		The capital security management strategy of companies completing IPO from the perspective of sustainable development of ESG enterprises	3	
		08/11		Ethical Corporate Management Best Practice Principles and How to Avoid Standing off the Red for Duties of Directors and Supervisors	3	

Note 2: Specific criteria for assessing the independence of accountants

The Company regularly evaluates the independence of its certified accountants	The Company makes assessment on independence and competency by referring to the Audit Quality Indicator Report (AQI Report) provided by the accountant, and requires the certified accountant to provide the "Declaration of Independence". After our accounting department has evaluated that it meets the standards and is qualified to serve as the certified accountants of our company, Issue the "Certified Accountant Suitability and Independence Checklist" and submit the results to the Audit Committee on March 16, 2023 for approval, and submit to the board of directors for approval and appointment.
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Evaluation mechanism	<ol style="list-style-type: none"> <li>1. Confirm that the certified accountant of the Company is not in relationship with the Company and the directors.</li> <li>2. Handle the change of the certified accountant in compliance with the Code of Practice on Corporate Governance.</li> <li>3. In accordance with the Sabin Act, certified accounting firms are required to obtain the prior approval of the Audit Committee prior to the annual certification and appointment for any other cases.</li> <li>4. In accordance with the Sabin Act of the United States, the certified accountant shall report quarterly to the Audit Committee on compliance with audit content and independence.</li> <li>5. Obtain the declaration of independence issued by the accountant regularly.</li> </ol> <p>The evaluation results are as follows:</p> <ol style="list-style-type: none"> <li>1. The independence between the certified accountant and the Company is in accordance with the Accounting Act of Taiwan, the Professional Ethics Code for Accountants, the SEC of the United States and the PCAOB.</li> <li>2. The Company has not appointed a same certified accountant for five consecutive years.</li> </ol>
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Note 3: The training of corporate governance executive in 2022 is as follows

Corporate Governance Executive	Training Institution	Course Name	Date of training	Hours of training	Total hours of training in the year
Huang Ya-qing (Date of starting office: 11/06/2020)	Chinese Corporate Governance Association	Intelligent financial opportunities and risks faced by enterprises under the METAVERSE business opportunities	06/09/2022	3	18
		Ethical Corporate Management Best Practice Principles and How to Avoid Standing off the Red for Duties of Directors and Supervisors	08/11/2022	3	
	Foundation for Corporate Accounting Research and Development	The procedure and legal liability case analysis of enterprise fiscal and tax administrative Remedy	09/29/2022	3	
		Corporate inheritance and corporate governance	09/29/2022	3	
		Enterprises cooperate with accountants to check the practice: Identify and assess the risk of "material misrepresentation"	09/30/2022	3	
		"ESG Sustainability" and the New Trend and New Thinking of Corporate Governance	09/30/2022	3	

#### IV. Where a Remuneration Committee is set up, its composition, duties and operation shall be disclosed

##### (I) Information on members of the Remuneration Committee

The purpose of the Remuneration Committee is to assist the board of directors in implementing and evaluating the Company's overall compensation and benefits policy, as well as managers' compensation.

The Company formally established the Remuneration Committee on December 22, 2011, and until May 3, 2023, the Committee has four members, and all the four independent directors are voting members. Please refer to our website for the Constitution of the Remuneration Committee.

April 30, 2023

Identify Name \ condition		Professional qualifications and experience	Independence	Member of the Remuneration Committee additionally acting as Remuneration Committee member with other IPO companies
Independent Director	Ding- Ren, Liu	Professional qualifications of directors and disclosure of independence information of independent directors (see Pages 14~15)		0
Independent Director	Chong-Yu, Wu			3
Independent Director	Jian-Guo, Yang			2
Independent Director	Jr-Chiun, Tsai			0

##### (II) Information on operation of the Remuneration Committee

- (1) There are four members of the Remuneration Committee with the Company.
- (2) Term of office: From June 9, 2022 to June 8, 2025, the term for Remuneration Committee member is the same for that of the board. In 2022 four meetings were held, at which the following members were present:

Professional Title	Name	Times of Presence in Person	Times of Presence by Proxy	Actual Presence Ratio (%)	Remark
Convenor	Ding- Ren, Liu	4	0	100	
Committee member	Chong-Yu, Wu	4	0	100	
Committee member	Jian-Guo, Yang	4	0	100	
Committee member	Jr-Chiun, Tsai	3	0	100	Newly appointed in June 2022

##### 1. Review compensation regularly

The function of the Remuneration Committee of the Company is to evaluate the remuneration policy and system of the directors, supervisors and managers of the Company in a professional and objective position. It shall meet at least three times a year and may meet at any time as necessary to make recommendations to the board of directors for reference in decision-making.

- (1). Authority of the Remuneration Committee of the Company
  - a) Regularly review the Company's compensation system and put forward suggestions for revision.
  - b) Develop and regularly review the policies, rules, standards and structures of the performance evaluation and remuneration of the directors, supervisors and managers.
- (2). Regularly assess the remuneration of directors and managers of the Company.
- (3). In performing its functions and powers, the Remuneration Committee shall follow the following criteria
  - a) Remuneration management shall be in line with the Company's compensation philosophy.

- b) The performance evaluation and remuneration of directors, supervisors and managers shall be based on the usual level of peer compensation and take into account the reasonableness of the correlation between individual performance and the Company's operating performance and future risks.
- (4).The directors and managers shall not be guided to engage in activities beyond the risk stomach of the Company in pursuit of remuneration.
- (5).For the short-term performance of directors and senior managers, the proportion of bonuses and part of the variable remuneration payment time should be decided by considering the characteristics of the industry and the nature of the Company's business.
- (6).Members of this Committee shall not participate in discussion or vote on decisions of their personal remuneration.

## 2. Other matters to be recorded:

- (1).If the board of directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date and period of the board of directors, the content of the proposal, the outcome of the Board of Directors' decision and the Company's treatment of the Remuneration Committee's opinion (if the compensation approved by the board of directors is superior to the recommendation of the Remuneration Committee, it shall state the circumstances and reasons for the difference): None happened this year.
- (2).If members have objections or reservations and there is a record or written statement, the date and period of the committee, the content of the motion, the opinions of all members and the handling of the opinions of members shall be stated: None happened this year.
- (3).Reasons for and results of the discussion and resolution of the Remuneration Committee and the Company's handling of members' opinions:

Date of meeting Session	Content of the proposal and subsequent handling	The decision of the Remuneration Committee and the Company's handling of the Remuneration Committee's opinion
03.17.2022 The 11th meeting of the 4th session	<ul style="list-style-type: none"> <li>•The Company's annual directors' compensation and employee compensation distribution plan.</li> <li>•The Company's board performance evaluation results for 2021.</li> </ul>	<ul style="list-style-type: none"> <li>•Results of Remuneration Committee's resolution: Adopted with consensus of all Committee members.</li> <li>•The Company's handling of the decisions of the Remuneration Committee: All proposals were adopted unanimously by the directors present on the recommendation of the Remuneration Committee.</li> </ul>
06.21.2022 The 1st meeting of the 5th session	<ul style="list-style-type: none"> <li>•The Company's fixed monthly salary adjustment plan for independent director.</li> <li>•The 2022 salary adjustment plan for managers and audit supervisors of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>•Results of Remuneration Committee's resolution: Adopted with consensus of all Committee members.</li> <li>•The Company's handling of the decisions of the Remuneration Committee: All proposals were adopted unanimously by the directors present on the recommendation of the Remuneration Committee.</li> </ul>
08.11.2022 The 2nd meeting of the 5th session	<ul style="list-style-type: none"> <li>•List of the Company's promotion to vice president and salary adjustment plan.</li> </ul>	<ul style="list-style-type: none"> <li>•Results of Remuneration Committee's resolution: Adopted with consensus of all Committee members.</li> <li>•The Company's handling of the decisions of the Remuneration Committee: All proposals were adopted unanimously by the directors present on the recommendation of the Remuneration Committee.</li> </ul>
10.07.2022 The 3rd meeting of the 5th session	<ul style="list-style-type: none"> <li>•The list of employee s receiving new share with restricted employee rights for 2022 and the number of recipients granted.</li> </ul>	<ul style="list-style-type: none"> <li>•Results of Remuneration Committee's resolution: Adopted with consensus of all Committee members.</li> <li>•The Company's handling of the decisions of the Remuneration Committee: All proposals were adopted unanimously by the directors present on the recommendation of the Remuneration Committee.</li> </ul>

## 3.Information on the evaluation cycle, period, scope, method and content of the Remuneration Committee's self-evaluation.

At the beginning of each year, the performance evaluation of the Functional Committee is carried out regularly, and the evaluation and summary review of self-evaluation and peer mutual evaluation questionnaires are set up to give full play to the self-motivation of the members of the Remuneration Committee and improve the function of sound operation of the Remuneration Committee. Results of the self-evaluation of the Remuneration Committee in 2022: The total score for the Company is 95, and the Remuneration Committee is identified to be in effective operation (19 performance evaluation questions, with a total score of 57 as medium; 76 as Excellent; 95 (full) as Extreme Excellent).

In 2020, the external professional independent organization Chengyi Management Consulting Company was commissioned to carry out the performance evaluation to check the overall performance based on the self-evaluation questionnaire. The effectiveness of the Remuneration Committee refers to the independent and objective evaluation on the overall effectiveness of the Committee by individual directors. It contains five evaluation aspects, including the degree of participation in the Company's operation, the cognition of the committee's responsibilities, the quality of decision-making, the composition and selection of members of the committee and internal control. Evaluation result for 2020. The Remuneration Committee functions effectively and the overall assessment results are between Good and Excellent.

## V. The implementation situation of promoting sustainable development and the circumstances and reasons for the discrepancy from the Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies

Promotion Items	Execution			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (and part-time) unit to promote sustainable development, which is handled by senior management authorized by the board of directors and supervised by the Board?	✓		The Company has not yet set up a cross-departmental staff to form a committee and set up a part-time unit to promote corporate social responsibility. In the future, it will plan and be handled by the chairman of the committee authorized by the board of directors, and then the chairman of the committee will report to the board of directors each year to promote the results and plans.	No material discrepancy.
II. Has the Company conducted risk assessment on environmental, social and corporate governance issues related to the Company's operations and establish relevant risk management policies or strategies in accordance with the principle of materiality?	✓		<p>(I) The Company has set up the Audit Committee and the Remuneration Committee. In the process of operation and management, each department shall assess the risks of the quality and environmental systems and plan the disposal methods according to the departmental positions, stakeholders' requirements and internal and external changes, and record them in the "Risk and Opportunity Assessment Form". Put forward the disposal method and expected effect for each abnormal event and record them in the "Risk and Opportunity Action Record Form".</p> <p>(II) The Company has developed a Code of Practice on Corporate Social Responsibility and posted it on the Company website (<a href="https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies">https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies</a>). The board of directors of the Company shall include the following matters in the performance of corporate social responsibilities by the Company:</p> <p>(1) Put forward the mission or vision of corporate social responsibility, and formulate corporate social responsibility policies, systems or related management guidelines.</p> <p>(2) Incorporate CSR into the Company's operational activities and development direction, and verify the specific promotion plan of CSR.</p> <p>(3) Ensure the real-time and correctness of CSR related information disclosure.</p> <p>(IV) The Company promotes business philosophy and social responsibility through internal meetings and educational training, and appoints professional educational institutions to provide educational training.</p> <p>(IV) The economic, environmental and social issues arising from the operation activities of the Company shall be handled by the high-level management authorized by the board of directors, and the situation shall be reported to the board of directors. The operation process and the relevant responsible personnel shall be specified.</p>	No material discrepancy.
<p>III. Environmental issues</p> <p>(I) Has the Company set up an appropriate environmental management system suitable for its industry characteristics?</p> <p>(II) Is the Company committed to improving energy efficiency and using recycled materials with low environmental load impact?</p> <p>(III) Has the Company evaluated the potential risks and opportunities of climate change for the business now and in the future and taken relevant measures to cope with them?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company has obtained ISO9001:2015 quality certification and ISO14001:2015 environmental certification in 2017, issuing organization SGS, which is valid for the periods 02/18/2020~02/18/2023 and 02/14/2020~02/14/2023, and established a appropriate environmental management system based on its industry characteristics (for more details, visit the website at <a href="https://www.leadtrend.com.tw/tw/4_1certificate.php">https://www.leadtrend.com.tw/tw/4_1certificate.php</a>).</p> <p>(II) The Company is a specialized IC designer, based on IC research and development and design, and has no production line nor emissions of pollutants. The Company is committed to improving the efficiency of the use of resources, and the use of low impact on environmental load of recycled materials, so that the earth resources can be sustainable use.</p> <p>(III) Focusing on the concept of "Green your power, Green the world", the Company promotes waste paper recycling, refuse separation and battery recycling internally, and actively participates in environmental public welfare activities. It also has dedicated environmental management staff to maintain compliance with the environmental management system.</p>	No material discrepancy.



Promotion Items	Execution			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons																						
	Yes	No	Summary																							
(IV)Has the Company collected statistics on greenhouse gas emissions, water consumption and total waste weight for the past two years, and developed policies on greenhouse gas reduction, water reduction or other waste management?	✓		<p>(IV) The Company is a power management solution designer, and operates in the green energy industry, so has no pollution to the environment. The total amount of greenhouse gas carbon emission, water consumption and waste in 2022 and 110 years is shown in the following table:</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th><th rowspan="2">Emissions of Carbon</th><th rowspan="2">Water Consumption</th><th colspan="2">Total of Wastes (Ton)</th></tr> <tr> <th>Hazardous</th><th>Non- Hazardous</th></tr> </thead> <tbody> <tr> <td>2022</td><td>704.42</td><td>3,646.80</td><td>0.68</td><td>2.4</td></tr> <tr> <td>2021</td><td>694.31</td><td>3,137.80</td><td>0.50</td><td>NA</td></tr> <tr> <td>Increase /Decrease(%)</td><td>1.46</td><td>16.22</td><td>36.00</td><td>NA</td></tr> </tbody> </table> <p>(1) In June 2022, due to the expansion of operation, the Zhubei warehouse (area) of 506 sq. was leased and the Zhubei Office (area) of 641 sq. meters was purchased, and the number of employees increased by 8% during the same period, so it is reasonable that the value of 2022 is higher than that of 2021.</p> <p>(2) The greenhouse gas statistics of the Company include: At the addresses located at 1, 4th Floor, No.1 Taiyuan 2nd Street, Zhubei City, Hsinchu County; 16th Floor, No.156 Zhongshan Road 1st Section, Banqiao District, New Taipei City; and A1, 12th Floor, 30 Zhongzhengnan Road, Yongkang District, Tainan City, the data provided in 2022 are indirect greenhouse gas emissions from energy sources, mainly based on the data from utility bills, and greenhouse gas inventory and verification will be conducted under ISO14064 in 2023.</p> <p>(3) The Company will continue to promote the environmental management plan and to achieve energy saving, carbon reduction and environmental protection.</p>	Year	Emissions of Carbon	Water Consumption	Total of Wastes (Ton)		Hazardous	Non- Hazardous	2022	704.42	3,646.80	0.68	2.4	2021	694.31	3,137.80	0.50	NA	Increase /Decrease(%)	1.46	16.22	36.00	NA	No material discrepancy.
Year	Emissions of Carbon	Water Consumption	Total of Wastes (Ton)																							
			Hazardous	Non- Hazardous																						
2022	704.42	3,646.80	0.68	2.4																						
2021	694.31	3,137.80	0.50	NA																						
Increase /Decrease(%)	1.46	16.22	36.00	NA																						
IV. Social Issues																										
(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(I)The Company manages employees in accordance with the Labor Standards Act and other labor related laws and regulations, and assigns specially-assigned personnel to handle the work matters of employees to protect their basic rights and interests.	No material discrepancy.																						
(II)Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave and other benefits, etc.) and properly reflected business performance or results in employee remuneration?	✓		(II)The Company has set up a reasonable compensation policy and performance reward method, clearly standardizes the compensation, reward and punishment standards, and clearly stipulates in the articles of association that the bonus of employees shall not be less than 5%. The Company shares the profits with employees, and grows the remuneration of employees together with the operation of the Company, which is in line with the corporate social responsibility.																							
(III)Has the Company provided a safe and healthy working environment for employees and conducted regular safety and health education for employees?	✓		(III)The Company has assigned labor safety and health managers, who regularly accept relevant training courses, in order to maintain staff safety and health.																							
(IV)Has the Company established effective career ability development training programs for employees?	✓		(IV)The Company has assigned labor safety and health managers, who regularly accept relevant training courses, in order to maintain staff safety and health																							
(V)Has the Company complied with relevant regulations and international standards, and has established policies and appeal procedures to protect the rights and interests of consumers and customers regarding issues such as customer health and safety, customer privacy, marketing and labeling of its products and services?	✓		(V)The Company's products are not directly available to end consumers. However, the Company provides information on power management for customers who purchase the the Company's products for assembly, so that they will offer instructions on their own products to their consumers, and the Company has a dedicated customer service center to deal with relevant matters. The Company's marketing and labeling of products and services comply with relevant regulations and international standards.																							

Promotion Items	Execution			Discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(VI)Has the Company established a supplier management policy, which requires the suppliers to comply with relevant norms in environmental protection, occupational safety and health or labor human rights issues, and the implementation situation?	✓		(VI)The Company audits the suppliers regularly and assists them to improve their production processes that are harmful to the environment. The Company selects manufacturers with transparent procurement procedures, and standardizing manufacturers to adopt products with qualified green raw materials to fulfill their corporate responsibilities. In order to provide the best quality and service, if any supplier uses any raw materials containing toxic substances in breach of regulations, as identified, it will be punished under related provisions, so that the Company and the supplier will achieve the purpose of jointly enhancing corporate social responsibility.	No material discrepancy..
V. Has the Company prepared the perpetuation reports and other reports that disclose non-financial information of the Company by referring to the internationally accepted standards or guidelines for the preparation of reports? Has the aforesaid report obtained the assurance or warranty opinion of the third party verification agency?	✓		The Company will plan the preparation of corporate social responsibility report.	No corporate social responsibility report has been prepared.
VI. If the Company has its own Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please state the discrepancies between its operations and the Code: The Company has developed a code of practice on corporate social responsibility and posted it on the market observation post system and the website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies">https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies</a> , and its actual operation is in no discrepancy from the Code.				
VII. Other important information for understanding and promoting the implementation of sustainable development: In addition to being committed to the business operation and respecting the shareholders' rights and interests, the Company will plan and actively participate in relevant social welfare activities from time to time. For other CSR operations of the Company, please refer to the CSR section of the Company's corporate website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-social-responsibility">https://www.leadtrend.com.tw/tw/investor/corporate-social-responsibility</a> ).				

## VI. Performance of business in good faith and the discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX

### Listed Companies and reasons therefor

Evaluation Items	Operation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary	
<p>I. Formulate ethical corporate management policies and plans</p> <p>(I) Has the Company formulated any ethical corporate management policy adopted by the board of directors, and expressed the policy and practice of honest business in regulations and external documents, and the commitment of the board of directors and senior management to actively implement the policy?</p> <p>(II) Has the Company established a risk assessment mechanism for dishonest behavior, regularly analyzes and evaluates business activities with high risk of dishonest behavior within the business scope, and formulates a plan to prevent dishonest behavior based on it, and at least covers the prevention measures for the behaviors mentioned in Article 7, Item 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Has the company work out plans to prevent dishonest behavior, specify operating procedures, behavioral guidelines, disciplinary and appeal systems for violations in each plan, and implement them, and regularly review and revise the pre-disclosure plan?</p>	✓		<p>(I) The Company has set up an Ethical Corporate Management Best Practice Principles which is posted on our website at <a href="https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies">https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies</a>. The Office of the Chairman of the board is responsible for the revision, implementation, interpretation, advisory services and notification of the Code of entry, document creation and other related operations and supervision of the implementation. and report them to the board as necessary.</p> <p>(II) Depending on the situation, the Company will organize education training or advocacy for the Company's staff from time to time, so that they can understand the Company's determination, policy, prevention points and consequences of dishonest behavior.</p> <p>(III) In order to ensure the implementation of ethical corporate business practices, for any business activities with a high risk of dishonest conduct, (1) an Ethical corporate business evaluation will be conducted prior to the establishment of business relations; (2) explain honest business policy to business partners; (3) avoid dealing with dishonest business operators; and (4) execute proper contracts to specify honest business.</p>	No material discrepancy.
<p>II. Implementation of ethical corporate management</p> <p>(I) Has the Company evaluated the record of the dealing party on ethical corporate management and specified the provisions on it in the contract signed between the Company and the dealing party?</p> <p>(II) Has the Company set up a special unit for promoting business integrity under the board of directors, and reports to the board of directors on a regular basis (at least once a year) its business integrity policy and dishonest behavior prevention plan, and supervises the implementation?</p> <p>(III) Has the Company established policies to prevent conflicts of interest, provided appropriate presentation channels, and implemented them?</p>	✓		<p>(I) The Company has a Ethical Corporate Management Best Practice Principles adopted by the board of directors. In the process of business operation, the staff of the Company shall explain the Company's ethical corporate management policy and relevant regulations to the trading party, and expressly refuse to directly or indirectly provide, promise, demand or accept any improper benefits in any form or name. Including kickbacks, commissions, facilitation fees or otherwise offering or accepting improper advantages.</p> <p>(II) The Company has designated the Director's Office to handle the revision, implementation, interpretation, advisory services and notification content logging and documenting of the Practice Principles, and supervise the implementation thereof, and report them to the board when necessary.</p> <p>(III) The Company has set up Guidelines for the Adoption of Codes of Ethical Conduct , which is posted on the website at <a href="http://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies">http://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies</a>. The directors of the Company shall uphold a high degree of self-discipline, and present opinions and answer questions on any interests with themselves or the legal person represented by them on the proposals submitted by the board of directors, which will cause any party that is harmful to the interests of the Company, and shall not participate in discussions and votes on them, and shall be recused from such discussions and votes, nor exercise the rights to vote on them on behalf of any other directors. When an employee of the Company conducts the business of the Company, he/she shall report any conflict of interest with himself/herself or the legal person he/she represents, or any situation that may cause him/her, his/her spouse, parents, children or his/her interested persons to gain improper benefits, to his/her direct supervisor and the responsible unit of the Company simultaneously, and the direct supervisor shall provide appropriate guidance on it.</p>	No material discrepancy.

Evaluation Items	Operation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary	
<p>(IV) Has the Company established an effective accounting system and internal control system in order to implement the honest operation, and the internal auditing unit will draw up relevant auditing plans based on the evaluation results of dishonest behavior risks, and check the compliance with the dishonest behavior prevention plan according to the results, or entrust accountants to carry out the audit?</p> <p>(V) Has the Company conducted regular internal and external education and training in ethical corporate operation?</p>	✓		<p>(IV) In order to ensure the implementation of honest operation, the Company has established effective accounting system and internal control, internal auditors and regular checks on compliance with the foregoing system.</p> <p>(V) The Company has set up Ethical Corporate Management Best Practice Principles, which is built into our corporate culture and advocated internally from time to time. We will advocate the relevant standards of ethical corporate management before dealing with manufacturers and selecting suppliers with good quality service.</p>	No material discrepancy
<p>III. Operation of the Company's whistle-blowing system</p> <p>(I) Has the Company established specific whistle-blowing and reward systems, established whistle-blowing facilitation channels, and designated appropriate handling personnel for the whistle-blowing targets?</p> <p>(II) Has the Company established the standard operating procedure for accepting the complaint, the follow-up measures to be taken after the investigation is completed and the relevant confidentiality mechanism?</p> <p>(III) Has the Company taken measures to protect the whistle-blower from improper treatment due to the whistle-blowing?</p>	✓		<p>(I) When the Company finds or receives reports of dishonest behavior of its personnel, the specialized unit of the Company shall immediately set up a review team to start an investigation. If it is confirmed that the relevant laws or the provisions of the Company's Code of integrity are violated, the Company shall immediately ask the person to stop the relevant behavior, take appropriate measures, and claim damages through legal procedures if necessary to protect the Company's reputation and interests.</p> <p>(II) For the dishonest behavior that has occurred, the Company shall instruct the relevant units to review the relevant internal control system and operating procedures, and put forward improvement measures to prevent the recurrence of the same behavior. The responsible unit of the Company shall report to the Board any dishonest conduct, the manner in which it has been dealt with and the subsequent review of the improvement measures. If any of the Company's staff is engaged in dishonest acts against the Company, the Company may inform the judicial organs and authority of the relevant facts if such acts involve illegal affairs. If a public organ or a public servant is involved, related governmental anti-corruption body shall be notified of it.</p> <p>(III) The Company provides normal whistle-blowing channel, and keep the whistle-blower's identity and the content of whistle-blowing confidential to protect the whistle-blower.</p>	No material discrepancy.
IV. Enhancement to Information Disclosure Has the Company disclosed the content and effectiveness of its Ethical Corporate Management Best Practice Principles on its website and market observation post system?	✓		<p>(I) Relevant information has been disclosed on the Company's website.</p> <p>(II) Promoting performance: Promote the relevant provisions of ethical code of conduct, actively implement integrity and ethical values, strengthen corporate governance and risk control, and establish an ethical corporate culture, so as to improve business operation without any dishonest conduct.</p>	No material discrepancy.
V. If a company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please state the discrepancies in its operations from the Principles: In order to establish an ethical corporate culture and improve business operation, the Company has formulated the ethical business Code based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies of the Financial Management Council, and operated its business in accordance with the Principles without any discrepancy.				
<p>VI. Other important information conducive to understanding the Company's ethical corporate operation:</p> <p>(I) The Company shall comply with the Company Act, the Securities Exchange Act, the Commercial Accounting Act, the relevant rules and regulations on IPO companies, or other relevant laws and regulations on business conduct, as the basis for the business operation with good faith.</p> <p>(II) The Company's "Rules for the Procedure for the board of directors" stipulate the interest avoidance system of directors. Directors who have an interest in matters of the meeting with themselves or the legal person they represent shall explain the important content of their interest at the meeting of the board. If it is harmful to the interests of the Company, they shall not join in the discussion and vote, and shall withdraw from the discussion and vote, and shall not exercise the right to vote on it on behalf of any other director.</p>				

VII. The Company shall disclose the access to any code of corporate governance and related rules as established by the Company:

In accordance with the requirements of the competent authorities, the Company has established relevant corporate governance regulations and posted them under corporate governance section on the market observation post system at <http://mops.twse.com.tw> or under Investor/Corporate Governance on the website at <https://www.leadtrend.com.tw/tw/investor/corporate-governance/major-internal-policies>, which are available for download.

VIII. Any other information important enough to improve the understanding of the operation of the Company's governance may be disclosed together:

The Company also has an Insider Trading Prevention Operating Procedure and Internal Significant Information Processing Procedure, defining internal significant information processing, disclosure mechanism and prevention of insider trading, to avoid improper disclosure of the Company information, and to ensure that the disclosure of consistent and accurate information by the Company to the public.

The Company plans to introduce the Taiwan Intellectual Property Management Standard (TIPS) in 2023 according to the Article 37 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the requirements of item 2.27 of the Guidelines for Corporate Governance Evaluation, construct the Plan-Do-Check Action Cycle (PDCA) and establish the intelligent property management system based on risk thinking, so as to protect the intelligent property of the Company and enhance its competitiveness. The Company has set up a special section on "Intelligent Property Management" for investors to inquire on its website at <https://www.leadtrend.com.tw/tw/investor/corporate-governance/2022-11-23-05-44-17>.

## IX. The implementation of the internal control system

### (I). Statement of Internal Control

#### Leadtrend Technology Corporation Statement of Internal Control System

Date: March 16, 2023

According to the results of self-assessment, the internal control system of the Company in 2022 is hereby declared as follows:

1. The Company knows that it is the responsibility of the board of directors and managers of the Company to establish implement and maintain the internal control system, and the Company has already established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operating effectiveness and efficiency (including profit, performance and asset security, etc.), reliability, timeliness and transparency of reporting, and compliance with relevant norms and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations, no matter how perfect the design, the effective internal control system can only provide reasonable guarantee for the achievement of the above three goals; Moreover, due to the change of environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the internal control system of the Company has a self-monitoring mechanism, and once the deficiencies are identified, the Company will take corrective actions.
3. The Company judges whether the design and implementation of the internal control system are effective according to the judgment items of the effectiveness of the internal control system stipulated in the "Processing Criteria for Establishing Internal Control Systems of Public Companies" (hereinafter referred to as the "Processing Criteria"). The judgment items of the internal control system adopted in the "Treatment Criteria", is that according to the process of management control, the internal control system is divided into five components(1). Control environment (2). Risk assessment (3). Control operation (4). Information and Communication (5). Supervision operation. Each component includes several items. Please refer to the "Treatment Criteria" for the aforementioned items.
4. The Company has adopted the above-mentioned internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results in the preceding paragraph, the Company considers that the design and implementation of the internal control system (including supervision and management of subsidiaries) of the Company as of December 31, 2022 is effective, including understanding the operation effect and the degree to which the efficiency target is achieved, the reporting system is reliable, timely and transparent, and it can reasonably ensure the achievement of the above objectives.
6. This statement will become the main content of the annual report and the prospectus of the Company, and will be made public. If there are any illegal things such as hypocrisy or concealment in the above-mentioned disclosure, it will involve the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This declaration was approved by the board of directors of the Company on March 16, 2022. Among the 7 directors present, 0 were against it, and the rest agreed with the contents of this declaration, and made this declaration.

Kao Yu-kun, Chairman

Kao Yu-kun, General manager

- (II). If an accountant is entrusted to examine the internal control system, the accountant's examination report shall be disclosed: None.

- X. Penalty imposed to the Company and its internal staff under law in the recent years and up to the date of issuing the annual report due to breach of internal control rules and major deficiencies and remedies thereto: None.

XI. Important resolutions of the shareholders' meeting and the board of directors in the recent years and up to the date of issuing the annual report

(I) Important resolutions of the general meeting of shareholders and execution thereof in 2022

Date	Important resolutions of general meetings of shareholders	Execution
06.09.2022	<p>Important resolutions of the general meeting of shareholders in 2022</p> <p><b>Matters to be adopted:</b></p> <p>(I) Business Report and Financial Statements for 2021.</p> <p>(II) 2021 Profits Distribution Plan.</p> <p><b>Matters to be discussed:</b></p> <p>(I) Proposal on transfer of profits to increase capital and issue new shares in 2021.</p> <p>(II) Amendment to some provisions of the Articles of Association of the Company.</p> <p>(III) Amendment to some provisions of the Company's "Asset acquisition or Disposal Procedure".</p> <p>(IV) The Company issued new shares with restricted employee option in 2022.</p>	<p>The operating income of the Company in 2021 was NT\$2,134,483 thousands, the net income attributable to the parent company was NT\$328,977 thousands and the earnings per common share was NT\$6.37.</p> <p>In 2021, profits were transferred to increase capital and distribute stock dividends amounting NT\$0.7003579932 (i.e. no charge distribution of 70.03579932 shares for each 1,000 shares and distribution of cash dividends of NT\$3.30168803 per share (i.e., NT\$2.80143227 per share of profits and NT\$0.50025576 per share of capital reserves). August 6, 2022 is the ex-dividend base date and August 31, 2022 is the date of distribution.</p> <p>Handled in accordance with the resolution.</p> <p>Amended as approved.</p> <p>Amended as approved.</p> <p>Handled in accordance with the resolution.</p>

(II) Important resolutions of the Board

Date	Meeting	Important Resolutions
06.09.2022	The 1st meeting of the 8th session	<ol style="list-style-type: none"> <li>1. Proposal on the election of chairman.</li> <li>2. Appointment of the fifth session of the Remuneration Committee.</li> </ol>
06.21.2022	The 2nd meeting of the 8th session	<ol style="list-style-type: none"> <li>1. The proposal on the ex-right base date for the Company's transfer of 2021 profits to increase capital and issue of new shares and the ex-dividend base date for cash dividend distribution (cash release from capital reserves).</li> <li>2. The proposal on capital reduction base date for failure to issue</li> </ol>

		<p>2020 new shares with restricted employee rights due to non-vested conditions and cancellation and the withdrawal of shares.</p> <p>3. Amendments to the Company's 2022 Operating Plan.</p> <p>4. The Company's fixed monthly salary adjustment plan for independent director.</p> <p>5. The 2022 salary adjustment plan for managers and audit supervisors of the Company.</p>
08.11.2022	The 3rd meeting of the 8th session	<p>1. Consolidated Financial Statements of the Company for 2022 Q2 adopted..</p> <p>2. Amendment to the Company's proposal on the issuance of new shares of employees' rights for 2022.</p> <p>3. List of the Company's promotion to vice president and salary adjustment plan.</p>
10.07.2022	The 4th meeting of the 8th session	<p>1. The list of employee receiving new share with restricted employee rights for 2022 and the number of recipients granted and the base date for capital increase.</p> <p>2. The proposal on capital reduction base date for failure to issue 2020 new shares with restricted employee rights due to non-vested conditions and cancellation and the withdrawal of shares.</p>
11.10.2022	The 5th meeting of the 8th session	<p>1. Consolidated Financial Statements of the Company for 2022 Q3 adopted.</p> <p>2. Preparation of the Company's Internal Material Information Processing Procedure.</p> <p>3. Amendments to some provisions of the Company's "Rules of Procedure for the board of directors" and "Management Measures for the Operation of the board of directors".</p> <p>4. Amendment to some provisions of the Company's "Administrative Measures against Insider Trading".</p>
12.22.2022	The 6th meeting of the 8th session	<p>1. The Company's 2023 operating plan.</p> <p>2. Submission of the 2023 audit plan.</p>
03.16.2023	The 7th meeting of the 8th session	<p>1. The Company's employee compensation and director compensation distribution plan for 2022.</p> <p>2. The Company's financial statements and consolidated financial statements for 2022 adopted.</p> <p>3. Issuance of the Company's new shares with restricted employee rights in 2023.</p> <p>4. Matters relating to the general meeting of shareholders of the Company in 2023.</p> <p>5. 2022 Internal Control System Effectiveness Assessment and 2022 Internal Control System Statement.</p> <p>6. Amendment to the Company's internal control system and internal audit implementation rules.</p> <p>7. To purchase liability insurance for the directors of the Company in 2023.</p> <p>8. The proposal on capital reduction base date for failure to issue new shares with restricted employee rights due to non-vested conditions and cancellation and the withdrawal of shares.</p> <p>9. Appointment and assessment of the independence and competency of the certified accountants for 2023.</p> <p>10. Application for line of credit from Cathay United Bank.</p> <p>11. Results of 2022 performance evaluation of the board of directors and functional committees.</p>
05.02.2023	The 8th meeting of the	<p>1. Consolidated Financial Statements of the Company for 2023 Q1 adopted.</p>



	8th session	2. The 2022 Business Report of the Company adopted. 3. Profits distribution and cash distribution of capital reserves in 2022. 4. Proposal on transfer of profits to increase capital and issue new shares in 2022. 5. Amendment to some provisions of the Articles of Association of the Company. 6. Matters relating to the general meeting of shareholders of the Company (the reason for convening added) in 2023. 7. Amendment to the Company's 2023 Operation Plan. 8. List of the Company's promotion to vice president and manager salary adjustment plan.
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XII. Any objection of any director or supervisor to any important resolutions adopted by the board as recorded or stated in writing in recent years or up to the date of issuing the annual report: None.

XIII. Summary of the resignation and removal of persons related to financial reports (including chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor and research and development supervisor) in the recent years and as of the date of issuing the annual report: None.

## 5. Information on accountant fee

- I. If non-audit remuneration paid to the contracted accountant, the contracted accountant firm and its affiliated companies accounts for more than a quarter of the audit remuneration, the amount of audit and non-audit remunerations and the content of non-audit services shall be disclosed:

Unit: NT\$ thousand

Name of Accountant Firm	Accountant's Name	Accountant's Audit Period	Audit Fee	Non-Audit Fee	Total	Remark
Deloitte & Touche	Tsai mei-chen	The full fiscal year of 2022	2,930	100	3,030	Non-audit fees for business registration and human resource part.
	Chung ming-yuan					

- II. Where the proportion of non-audit public fees paid to certified public accountants, certified public accountants' firms and their affiliated enterprises to audit public fees is more than one-fourth: this is not the case.
- III. Where an accounting firm is replaced and the audit fees paid in the replacement year are lower than those in the previous year: this is not the case.
- IV. Audit fees decreased by more than 10% compared with the previous year: there is no such situation.

**6.Information on replacement of CPA: None**

**7.Chairman, G.M and Financial Manager has held any position at the accounting firm or at an affiliated enterprise of such accounting firm in the most recent year: None.**

**8.Changes in the equity and pledge of directors, supervisors, managers and major shareholders with a shareholding ratio of more than 10%**

**I. Changes in equity of directors, supervisors, managers and major shareholders**

Unit: Share

Title	Name	2022		The current year ended on April 30, 2023	
		Increase (decrease) number of shareholding	Increase (decrease) number of pledged shares	Increase (decrease) number of shareholding	Increase (decrease) number of pledged shares
Chairman	Power Investments Limited Representative Name : Yu-Kun, Kao	303,970	-	0	(1,600,000)
director	Power Investments Limited Representative Name : Ming-Nan, Chuang	303,970	-	0	(1,600,000)
director	Power Investments Limited Representative Name : Chuei-Hua, Chiou	303,970	-	0	(1,600,000)
Independent Director	Chong-Yu, Wu	0	-	0	-
Independent	Ding- Ren, Liu	0	-	0	-
Director	Jian-Guo, Yang	0	-	0	-
Independent	Jr -Chiun, Tsai	0	-	0	-
Chairman (acting General manager)	Yu-Kun, Kao	15,585	-	5,500	-
Vice-general manager	Ming-Nan, Chuang	3,406	-	1,650	-
Vice-general manager	Chuei-Hua, Chiou	10,291	-	(40,000)	-
Vice-general manager	Heng- Chung, Chi	28,547	-	5,000	-
Associate director	Jiong-feng, Zhou	(3,389)	-	(16,500)	-
Financial and accounting supervisor	Ya-ching, Huang	(197,783)	-	5,000	-

II. The relative person of equity transfers is the related person: none.

III. The relative person of equity pledge is the related person: none.

## 9. Information on the relationship between the top ten shareholders in terms of shareholding ratio

April 15, 2023 ; Unit/Share

Name	Shareholding of self		Shareholding of Spouses and minor children		Total shareholding in name of others		The title or names and relationships of the top ten shareholders who have related relationships with each other or are relatives within spouses or two parent	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Name	Relation
Power Investments Limited Representative Name :	4,644,186	8.17	-	-	-	-	-	-
Yu-Kun, Kao	73,478	0.13	-	-	-	-	-	-
Ming-Nan, Chuang	90,815	0.16	-	-	-	-	-	-
Chuei-Hua, Chiou	41,408	0.07	-	-	-	-	-	-
Hao-min, Lee	2,690,841	4.73	477,450	0.84	-	-	Hsiu-yuan, Chang	spouse
Chih-wei, Tsai	1,981,169	3.49	-	-	-	-	-	-
Chung-wei, Hsieh	1,800,000	3.17	-	-	-	-	-	-
Li-Tong Investment Co., Ltd.	1,704,179	3.00	-	-	-	-	-	-
Representative Name : Hsiu-yuan, Chang	477,450	0.84	2,690,841	4.73	-	-	Hao-min, Lee	spouse
Shiang-chi, Dai	1,214,201	2.14	-	-	-	-	-	-
Zun-jia, Dai	1,154,817	2.03	-	-	-	-	-	-
Rise River Asset Co., Ltd.	844,557	1.49	-	-	-	-	-	-
Mei-yu, Dai	596,009	1.05	-	-	-	-	-	-
Taishin International Commercial Bank Trust Account	584,500	1.03	-	-	-	-	-	-

## 10. Comprehensive shareholding ratio

Unit/Share/%

Re-investment business (note)	The Company Investment		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises		Comprehensive Investment	
	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate	Number of Shares	Shareholding Rate
Leadtrend Technology (Samoa) Limited	767,547	100	-	-	767,547	100
Leadtrend Technology (Shenzhen) Crop.	-	100	-	-	-	100

Note: The long-term investment of the company using the equity method.

## Fund raising

### 1. Overview of capital and shares

#### I. Source of equity

##### (I). Source of equity

Apr. 30, 2023 Unit: 1000 shares; NT \$1000 (except issue price)

Date	Issue price (NT)	Authorized capital stock		Capital stock paid in		Note			
		Number of shares	Capital stock paid in	Number of share	Capital stock paid in	Source of equity		Pay off the share fund with property other than cash	Other
2002.09	10	2,400	24,000	600	6,000	Founded share capital	-	-	MOEA Central Region Office No 09132725400
2003.05	10	16,000	160,000	6,400	64,000	Cash capital increase	58,000	-	MOEA Central Region Office No 09232107660
2003.08	10	16,000	160,000	8,000	80,000	-	-	Technical pricing 16,000	MOEA Central Region Office No 09232507810
2003.12	10	16,000	160,000	9,200	92,000	-	-	Technical pricing 12,000	MOEA Central Region Office No 09233007200
2004.05	10	16,000	160,000	14,000	140,000	Cash capital increase	48,000	-	MOEA Central Region Office No 09332061270
2005.05	10	18,000	180,000	18,000	180,000	Cash capital increase	40,000	-	ZSZ No.0940012626
2006.08	10	36,000	360,000	19,800	198,000	Cash capital increase	18,000	-	ZSZ No.0950022193
2007.05	10	36,000	360,000	20,351	203,513	Execution of ESO	5,513	-	ZSZ No.0960011702
2007.08	10	36,000	360,000	23,886	238,864	Capital increase by retained earning and capital reserve	35,351	-	ZSZ No.0960022506
2008.02	10	36,000	360,000	25,586	255,862	Execution of ESO	16,999	-	ZSZ No.0970004932
2008.08	10	36,000	360,000	25,981	259,807	Execution of ESO	3,945	-	ZSZ No.0970021223
2008.09	10	36,000	360,000	30,760	307,600	Capital increase by retained earning and employee bonus	47,793	-	ZSZ No.0970025189
2008.10	10	36,000	360,000	30,784	307,845	Execution of ESO	245	-	ZSZ No.0970028844
2009.04	10	36,000	360,000	30,936	309,365	Execution of ESO	1,520	-	ZSZ No.0980011384
2009.06	10	36,000	360,000	31,331	313,315	Execution of ESO	3,950	-	ZSZ No.0980016466
2009.07	10	72,000	720,000	34,019	340,194	Capital increase by retained earning and employee bonus	26,879	-	ZSZ No.0980018737
2009.09	10	72,000	720,000	37,719	377,194	Cash capital increase	37,000	-	ZSZ No.0980023977
2009.09	10	72,000	720,000	38,687	386,869	Execution of ESO	9,675	-	ZSZ No.0980025808
2009.12	10	72,000	720,000	39,843	398,431	Execution of ESO	11,562	-	ZSZ No.0980033457
2010.03	10	72,000	720,000	39,941	399,408	Execution of ESO	977	-	ZSZ No.0990007101
2010.05	10	72,000	720,000	39,953	399,528	Execution of ESO	120	-	ZSZ No.0990013569
2010.08	10	72,000	720,000	40,423	404,228	Execution of ESO	4,700	-	ZSZ No.0990022976
2010.08	10	72,000	720,000	42,444	424,440	capital increase by retained earning	20,211	-	ZSZ No.0990025236
2010.12	10	72,000	720,000	42,510	425,098	Execution of ESO	658	-	ZSZ No.0990037774
2011.08	10	72,000	720,000	44,581	445,808	capital increase by retained earning Execution of ESO	20,710	-	ZSZ No.1000025108
2012.08	10	72,000	720,000	44,915	449,148	Execution of ESO	3,340	-	ZSZ No.1010026494
2013.05	10	72,000	720,000	45,037	450,368	Execution of ESO	1,220	-	ZSZ No.1020015038
2014.05	10	72,000	720,000	46,079	460,793	Execution of ESO RSA IPO	10,425	-	ZSZ No.1030012568
2014.08	10	72,000	720,000	46,169	461,693	Execution of ESO	900	-	ZSZ No.1030025409
2014.10	10	72,000	720,000	46,469	464,693	RSA IPO	3,000	-	ZSZ No.1030029849

Date	Issue price (NT)	Authorized capital stock		Capital stock paid in		Note			
		Number of shares	Capital stock paid in	Number of share	Capital stock paid in	Source of equity		Pay off the share fund with property other than cash	Other
2015.04	10	72,000	720,000	46,429	464,288	RSA capital reduction	-405	-	ZSZ No.1040010635
2015.08	10	72,000	720,000	46,381	463,808	RSA capital reduction	-480	-	ZSZ No.1040024356
2016.04	10	72,000	720,000	46,309	463,091	RSA capital reduction	-717	-	MOEA Central Region Office No.1050009307
2016.09	10	72,000	720,000	47,500	474,996	RSA capital reduction	11,905	-	MOEA Central Region Office No.10534331080
2017.01	10	72,000	720,000	47,435	474,352	RSA capital reduction	-645	-	MOEA Central Region Office No.10633027880
2017.04	10	72,000	720,000	47,409	474,092	RSA capital reduction	-260	-	MOEA Central Region Office No.10633182670
2017.09	10	72,000	720,000	47,357	473,572	RSA capital reduction	-520	-	MOEA Central Region Office No.10633518920
2017.11	10	72,000	720,000	47,337	473,372	RSA capital reduction	-200	-	MOEA Central Region Office No.10633701900
2018.04	10	72,000	720,000	47,317	473,172	RSA capital reduction	-200	-	MOEA Central Region Office No.10733197140
2018.08	10	72,000	720,000	46,963	469,632	RSA capital reduction	-3,540	-	MOEA Central Region Office No.10733461040
2019.04	10	72,000	720,000	46,894	468,942	RSA capital reduction	-690	-	MOEA Central Region Office No.10833213020
2019.08	10	72,000	720,000	46,882	468,822	RSA capital reduction	-120	-	MOEA Central Region Office No.10833508460
2020.11	10	72,000	720,000	47,774	477,742	RSA IPO RSA capital reduction	8,920	-	MOEA Central Region Office No.10933646850
2021.08	10	72,000	720,000	48,062	480,622	RSA IPO RSA capital reduction	2,880	-	MOEA Central Region Office No.1033492670
2021.09	10	72,000	720,000	52,864	528,646	Capital increase by retained earning and capital reserve	48,024	-	MOEA No.11001176910
2022.07	10	200,000	2,000,000	52,810	528,101	RSA capital reduction	-545	-	MOEA No.11101107600
2022.08	10	200,000	2,000,000	56,507	565,068	capital increase by retained earning	36,967	-	MOEA No.11101156930
2022.08	10	200,000	2,000,000	56,488	564,888	RSA capital reduction	-180	-	MOEA No.11101156930
2022.11	10	200,000	2,000,000	56,908	569,080	RSA IPO	4,200	-	MOEA No.11101204010
2022.11	10	200,000	2,000,000	56,883	568,838	RSA capital reduction	-250	-	MOEA No.11101204010
2023.04	10	200,000	2,000,000	56,852	568,528	RSA capital reduction	-310	-	MOEA No.11230052270

(II). Types of stock shares

Unit: shares / Apr. 30, 2023

Types of stock shares	Authorized capital stock			Notes
	Outstanding capital stock	Unissued shares	Total	
Common stock	56,852,828	143,147,172	200,000,000	

(III). Summary of information about the declaration system: None. °

II. Shareholder structure

Apr.15, 2023

Shareholder structure Quantity	Government organs	Financial institutions	Other legal entities	Foreign institutions and foreigners	Individuals	Total
Number of people	0	0	246	42	33,406	33,694
Number of shares held	0	0	8,700,242	968,042	47,184,544	56,852,828
Shareholding ratio	0.00%	0.00%	15.30%	1.70%	82.99%	100.00%

### III. Share dispersion (face value per share NT\$ 10)

Apr.15, 2023;Unit:share

Shareholding classification	Number of people	Number of shares held	Shareholding ratio
1 ~ 999	24,180	678,416	1.19%
1,000 ~ 5,000	8,040	14,389,279	25.31%
5,001 ~ 10,000	847	5,980,068	10.52%
10,001 ~ 15,000	274	3,288,010	5.78%
15,001 ~ 20,000	90	1,573,833	2.77%
20,001 ~ 30,000	111	2,701,882	4.75%
30,001 ~ 40,000	45	1,549,317	2.73%
40,001 ~ 50,000	21	948,000	1.67%
50,001 ~ 100,000	52	3,628,695	6.38%
100,001 ~ 200,000	15	1,879,188	3.31%
200,001 ~ 400,000	6	1,614,253	2.84%
400,001 ~ 600,000	5	2,587,937	4.55%
600,001 ~ 800,000	0	0	0.00%
800,001 ~ 1,000,000	1	844,557	1.49%
More than 1,000,001 shares	7	15,189,393	26.72%
Total	33,694	56,852,828	100.00%

Note : Leadtrend does not issue special shares °

### IV List of major shareholders

Unit:share

Shares	Number of shares held	Shareholding ratio
Name of major shareholders		
Power Investments Limited	4,644,186	8.17%
Hao-min, Lee	2,690,841	4.73%
Jr-wei, Tsai	1,981,169	3.48%
Chung-wei, hsieh	1,800,000	3.17%
Li-Tong Investments Limited	1,704,179	3.00%
Shiang-chi, Dai	1,214,201	2.14%
Zun-jia, Dai	1,154,817	2.03%
Rise River Asset Co., Ltd.	844,557	1.49%
Mei-yu, Dai	596,009	1.05%
Taishin International Commercial Bank Trust Account	584,500	1.03%

## V. Market price per share, net worth, earnings, dividends and related information

Unit: NT\$

Year			2021	2022	For the year ended
Project					April 30,2022
Market price per share	Highest		174.50	156.50	67.8
	Lowest		55	43.65	56.8
	Average		103.74	91.04	63.44
Net value per share	Before distribution		31.17	29.06	28.85
	After distribution		25.67	Note 1	-
Earnings per share	Weighted average number of shares (1000 shares)		55,148	55,603	55,847
	Earnings per share	Adjustment before	6.37	2.74	-0.30
		Adjustment after ( note2 )	5.97	Note 1	-
Dividend per share	Cash dividends		3.30168803	0.9	-
	Stock grants	Earnings rationed shares	0.70035799	Note 1	-
		Capital surplus allotment	0	0	-
	Accumulated unpaid dividend		0	Note 1	-
Return on investment analysis	Principal-to-Earnings Ratio(note 3)		17.38	33.23	-
	Principal-to-Profit ratio(Note 4)		31.42	101.16	-
	Cash dividend yield rate(Note 5)		3.18%	0.99%	-

Note1: The distribution of surplus in 2022 was resolved by the board of directors and has not been submitted to the shareholders' meeting.

Note2: Refers to the basic after-tax earnings per share that has included the impact of the free allotment in retrospective adjustments

Note 3: Equals to year average closing price per share / EPS

Note 4: Equals to year average closing price per share / cash dividend per share

Note 5: Equals to cash dividend per share / year average closing price per share

## VI. Dividend policy and implementation of the company

### (I). Dividend policy

If the Company's annual closing shows after-tax net profit in the current period, it shall be distributed in the following order:

- (1) Compensation of accumulated losses (including adjustment of non-distributed profit amount).
- (2) 10% legal reserve, except if the legal reserve already reached the Company's paid-in capital.
- (3) Provision or recycling of special reserve in accordance with laws or regulations of the competent authority.
- (4) For the remaining profit, together with non-distributed profit in the beginning of same period (including adjustment of non-distributed profit amount), the board of director shall prepare a profit distribution proposal. If done through issuance of new shares, the proposal shall be submitted to the shareholders' meeting for resolution and distribution.

If all or part of the dividend, bonus, legal or capital reserve is issued in cash by the Company, the board of directors is authorized to do so through the majority of directors attending a meeting that is attended by 2/3 or more of all directors, with a report to the shareholders' meeting.

The distribution of the Company's dividend shall be consistent with the profitability status of the current period and shall be in accordance with the principle of stable dividend. The distribution ratio shall not be less than 30% of the after-tax profit of the current year. Cash dividend distributed every year shall not be less than 10% of the total distribution in cash and in stock in the current year.

## (II). Proposed Dividend Distribution at the Shareholders' Meeting

The allocated shareholders' bonus is NT\$31,286,105. A cash dividend of NT\$0.55 per share (i.e. NT\$550 per 1,000 shares) is distributed to the shareholders, and based on their respective shares, listed in the register of shareholders as of the record date with respect to the dividend distribution. In addition, an amount of NT\$19,909,340 is withdrawn from the capital surplus generated from incomes of the shares issued in excess of face value, and is used to distribute NT\$0.35 per share in cash (i.e. NT\$350 per 1,000 shares) to the shareholders, and based on their respective shares, listed in the register of shareholders as of the record date with respect to the cash distribution. As summarized above, a total of NT\$0.9 is distributed per share.

Cash dividends allocated and cash distributed are rounded to the whole number by unconditionally rounding off decimal digits. Any amount of less than NT\$1 will be allocated to other incomes of Leadtrend. Chairman is authorized to determine record date and date of allocation for allocation of dividends, distribution of cash, and relevant matters. The board of directors is authorized to handle relevant matters if the number of outstanding shares is so impacted that the dividend allocation ratio changes due to any changes in legal requirements or any adjustments made by the competent authority, or any shares purchased back or cancelled, debentures converted or new shares issued by Leadtrend or other reasons that may influence changes in shares.

VII. The effect of the stock grants on the Company's operating performance and earnings per share: The company distribution dividend of 2022 in accordance with the dividend policy. The allotment of shares discussed by the Board of directors is not expected to have a significant impact on the company's operating performance or earnings per share.

## VIII. Remuneration of employees and directors

### (I). The ratio or scope of remunerations to employees and directors as stated in the company's articles

If the Company is profit-making in a year ("profit-making" refers to pre-tax profit before deduction for distribution of employee remuneration and director remuneration), no less than 5% shall be provisioned as employee remuneration and no more than 2% as director remuneration. However, if the Company still has accumulated losses (including adjustment of non-distributed profit amount), compensation amount shall first be provisioned.

Employee remuneration under the previous paragraph may be paid in stock or in cash and the recipients may include employees of subsidiaries who meet the conditions established by the board of directors. Director remuneration under the previous paragraph shall only be paid in cash.

The previous two paragraphs shall be done through board resolutions and shall be reported to the shareholders' meeting.

When the Company issues employee stock options, restricted employee new shares, new shares for employee subscription or transfers to employees shares bought back in accordance with the law, the targets of issuance or transfer include employees of subsidiaries who meet the conditions established by the board of directors.

The employees' remuneration distributed for 2022 is NT\$32,059,784, and the directors' remuneration, NT\$2,581,168, both of which are distributed in cash. It was approved by the board of directors on March 16, 2022, and will report to 2023 Annual General Shareholders' Meeting.

### (II). The basis for estimating the amount of employee and director compensation, the basis for calculating the number of shares of employee compensation distributed in stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount :

According to the regulations of the articles of association of the company and with reference to the actual remuneration paid in the past, the company estimates the amount of remuneration that may be paid to employees and directors. If there is any difference between the actual amount paid in and the estimated amount, it shall be treated according to the change of accounting estimation and listed as the profit and loss of the next year.



(III). Remuneration approved by the board of directors for the year of 2022:

(1) Amount of employee remuneration and director remuneration distributed in cash or stock :

The employees' remuneration and the directors' remuneration are distributed NT\$32,059,784, and NT\$2,581,168 for 2022 approved by the board of directors on March 16, 2022, and there is no difference between actual expenses and estimate in accounting.

(2)The amount of employee remuneration distributed by stock and its proportion to the total after-tax net profit and total employee remuneration of individual or individual financial reports in the current period : not applicable.

(IV).The actual distribution of employees' and directors' remuneration in the previous year and the difference between the amount of employee and director's remuneration, the reasons for the difference and the treatment of the difference should be stated:

unit: NT\$

The distribution of 2021	Actual distribution (Cash amount)	Original amount approved by BOD	Differences from annual estimates of approved expenses	Recognized expenses	Differences from annual estimates of recognized expenses
Employees' Compensation	73,879,536	73,879,536	0	73,879,536	0
Directors' Compensation	4,441,300	4,441,300	0	4,441,300	0

IX. Buy-back of the Company's shares by the Company: None.

**2. Issuance of corporate bonds: None.**

**3. Preferred Shares: None.**

**4. Overseas Depository Certificate: None.**

**5. Issuance of Employee Stock Option Plan: None.**

## 6. Issuance of Employee Restricted Stock:

### I. Status of Employee Restricted Stock

Apr.30, 2023

Type of Employee Restricted Stock	Employee Restricted Stock Awards of 2020			
Date of Effective Registration and total shares	109.09.08/1,200,000			
Issue Date	109.11.06	110.08.03		
Number of Employee Restricted Stock Issued	900,000	300,000		
Unissued shares	300,000	0		
Issued Price	Issue for free			
Employee Restricted Stock as a Percentage of Shares Issued (Note)	1.70%	0.57%		
Vesting conditions of Employee Restricted Stock	After new restricted stock awards are allocated to an employee, the employee must obtain an assessment grade of “Compliance”for the latest Individual Performance prior to the vesting date and is still working at Leadtrend upon expiration of any of the following vesting periods. Then the employee will receive such new restricted stock awards based on the ratio of vested portion for the concerned vesting period.			
	Vesting Period	Ratio of Vested Portion	Vesting Period	Ratio of Vested Portion
	From the vesting date to Oct. 15 of the next year	1/6	From the vesting date to Apr. 15 of the next 3rd year	1/6
	From the vesting date to Apr. 15 of the next 2nd year	1/6	From the vesting date to Oct. 15 of the next 3rd year	1/6
	From the vesting date to Oct. 15 of the next 2nd year	1/6	From the vesting date to Apr. 15 of the next 4th year	1/6
Restricted Rights of Employee Restricted Stock	1.Before the expiration of the vesting period, an employee shall not sell, pledge, assign, give as gifts, set for mortgage or dispose any new restricted stock awards 2.Before satisfying vesting conditions , the new shares with restricted employee Stock Awards still have right to participate in allotment, dividend distribution and cash capital increase subscription. ° 3.After the issue of new restricted stock awards, the new restricted stock awards shall be entrusted in trust immediately. Before satisfying vesting conditions, an employee shall not give any reason or use any method to request the trustee to return the new restricted stock awards to him/her. 4.If an employee violates Paragraph (8) of this article by terminating or cancelling, before the satisfaction of vesting conditions, the proxy authorization granted to Leadtrend, then Leadtrend shall take back, without compensation payment, the stock awards from the employee.			
Custody Status of Employee Restricted Stock	During the period in which the new restricted stock awards have been entrusted in trust, Leadtrend shall act on behalf of its employees to handle, together with the stock trust institution, the negotiation, execution, revision, extension, cancelation and termination of, for example, a trust deed and the delivery, use and disposal-related instructions for trust property.			
Measures to be Taken Where Employees Fail to Meet the Vesting Conditions	1.When an employee resigns voluntarily, is dismissed or laid off, retires, passes away, takes unpaid leave or is transferred to a related enterprise during the period between the vesting date and the expiration of the vesting period, Leadtrend shall take back, without compensation payment, from the employee the stock awards that have been allocated to, but not been vested in, the employee. 2.When an employee fails to achieve the threshold of the latest individual performance prior to the vesting date, Leadtrend will take back, without compensation payment, the restricted stock awards that have not been vested in the employee yet. 3. Before satisfying vesting conditions for the new restricted stock awards			

	issued under the Regulations, employees have the right to enjoy allocation of shares, cash bonuses and capital reserve.	
Number of Employee Restricted Stock Which Have Been Reclaimed	55,500	86,500
Number of Released Employee Restricted Stock	571,500	73,500
Number of Unreleased Employee Restricted Stock	273,000	140,000
Ratio of Unreleased Employee Restricted Stock to Total Issued Shares ( %) (Note)	0.48%	0.25%
Impact on Shareholders' Interest	As for the impact of the vesting conditions and the amount amortized annually for the temporarily estimated expensed amount on earnings per share, the earnings per share for 2020, 2021, 2022, 2023 and 2024 will be probably reduced by NT\$0.08, NT\$0.23, NT\$0.16, NT\$0.08 and NT\$0.02 respectively (which are calculated based on 46,882,200 shares, plus restricted stock awards). The dilution of earnings per share is limited, so there is no significant impact on shareholders' equity.	

Note: Total issued shares is 56,852,828 based on April 7, 2023.

Type of Employee Restricted Stock	Employee Restricted Stock Awards of 2022			
Date of Effective Registration and total shares	111.08.18			
Issue Date	111.10.12			
Number of Employee Restricted Stock Issued	420,000			
Unissued shares	0			
Issued Price	Issue for free			
Employee Restricted Stock as a Percentage of Shares Issued (Note)	0.74%			
Vesting conditions of Employee Restricted Stock	After new restricted stock awards are allocated to an employee, the employee must obtain an assessment grade of “Compliance” or above (i.e. a scale score $\geq 5.8$ ) for the latest Individual Performance prior to the vesting date and is still working at Leadtrend upon expiration of any of the following vesting periods. Then the employee will receive such new restricted stock awards based on the ratio of vested portion for the concerned vesting period.			
	Vesting Period	Ratio of Vested Portion	Vesting Period	Ratio of Vested Portion
	From the vesting date to Oct. 11 of the next year	1/6	From the vesting date to Apr. 11 of the next 3rd year	1/6
	From the vesting date to Apr. 11 of the next 2nd year	1/6	From the vesting date to Oct. 11 of the next 3rd year	1/6
	From the vesting date to Oct. 11 of the next 2nd year	1/6	From the vesting date to Apr. 11 of the next 4th year	1/6
Restricted Rights of Employee Restricted Stock	<p>1.Before the expiration of the vesting period, an employee shall not sell, pledge, assign, give as gifts, set for mortgage or dispose any new restricted stock awards.</p> <p>2.After the issue of new restricted stock awards, the new restricted stock awards shall be entrusted in trust immediately. Before satisfying vesting conditions, an employee shall not give any reason or use any method to request the trustee to return the new restricted stock awards to him/her.</p> <p>3.If an employee violates Paragraph (8) of this article by terminating or cancelling, before the satisfaction of vesting conditions, the proxy authorization granted to Leadtrend, then Leadtrend shall take back, without compensation payment, the stock awards from the employee.</p>			
Custody Status of Employee Restricted Stock	During the period in which the new restricted stock awards have been entrusted in trust, Leadtrend shall act on behalf of its employees to handle, together with the stock trust institution, the negotiation, execution, revision, extension, cancelation and termination of, for example, a trust deed and the delivery, use and disposal-related instructions for trust property.			
Measures to be Taken Where Employees Fail to Meet the Vesting Conditions	<p>1.When an employee resigns voluntarily, is dismissed or laid off, retires, passes away, takes unpaid leave or is transferred to a related enterprise during the period between the vesting date and the expiration of the vesting period, Leadtrend shall take back, without compensation payment, from the employee the stock awards that have been allocated to, but not been vested in, the employee.</p> <p>2.When an employee fails to achieve the threshold of the latest individual performance prior to the vesting date, Leadtrend will take back, without compensation payment, the restricted stock awards that have not been vested in the employee yet.</p> <p>3. Before satisfying vesting conditions for the new restricted stock awards issued under the Regulations, employees do not have the right to enjoy allocation of shares, cash bonuses and capital reserve. Other rights of a shareholder are the same as those for the common shares issued already by Leadtrend.</p>			

Number of Employee Restricted Stock Which Have Been Reclaimed	21,000
Number of Released Employee Restricted Stock	0
Number of Unreleased Employee Restricted Stock	399,000
Ratio of Unreleased Employee Restricted Stock to Total Issued Shares ( % ) (Note)	0.70%
Impact on Shareholders' Interest	As for the impact of the vesting conditions and the amount amortized annually for the temporarily estimated expensed amount on earnings per share, the earnings per share for 2023, 2024, 2025, 2026 and 2027 will be probably reduced by NT\$0.03, NT\$0.16, NT\$0.08, NT\$0.03 and NT\$0.01 respectively (which are calculated based on 56,883,828 shares, issued on Mar. 15, 2023, plus restricted stock awards). The dilution of earnings per share is limited, so there is no significant impact on shareholders' equity.

Note: Total issued shares is 56,852,828 based on April 7, 2023.

## II. Employee Restricted Stock Granted to Management Team and to Top 10 Employees

Apr.30, 2023

	Title	Name	No. of Employee Restricted Stock Granted	Employee Restricted Stock as a Percentage of Shared Issued ( Note2 )	Restrictions Released				Restrictions Unreleased ( Note1 )			
					No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ thousands)	Released Shares as a Percentage of Shares Issued ( Note2 )	No. of Shares	Issued Price (NT\$)	Issued Amount (NT\$ thousands)	Released Shares as a Percentage of Shares Issued ( Note2 )
Management team	Chairman (acting General manager)	Yu-kun, Gao	841,900	1.32%	650,300	-	-	1.14%	191,600	-	-	0.34%
	Vice-general manager	Ming-Nan, Chuang										
	Vice-general manager	Chuei-Hua, Chiou										
	Vice-general manager	Heng- Chung, Chi										
	Associate director	Jiong-feng, Zhou										
	Financial and accounting supervisor	Ya-ching, Huang										
Employee	Special Assistant	Hao-ming, Lee	879,100	1.61%	666,700	-	-	1.17%	212,400	-	-	0.37%
	Director	Jin- he, Wu										
	Director	Ming-chang, Tsou										
	Director	Meng-jen, Tsai										
	Director	Chung-wei, Lin										
	senior manager	Yu-pin, Wang										
	senior manager	Sheng-chun, Hung										
	senior manager	Kuen-cheng Chen										
	senior manager	Teng-he, Wu										
	project Manager	Chih-chi, Chang										

Note1: The unrestricted rights do not include resignation and the number of canceled shares that have not met the vested conditions.

Note2: Total issued shares is 56,852,828 based on April 7, 2023.

Note3: The 650,300 shares whose restricted rights have been released by the manager include 69,000 shares that have been withdrawn and canceled.

Note 4: Among the 666,700 shares whose restricted rights have been lifted by employees, 74,000 shares have been withdrawn and canceled.

7. Status of New Share Issuance in Connection with Mergers and Acquisitions: None

8. Implementation of fund utilization: None

# Operation Overview

## 1. Business content

### I. Business scope

(I). The main contents of the Company's business

- (1) CC01080 electronic component manufacturing industry
- (2) I301010 information software service industry.
- (3) i501010 product design industry.
- (4) i599990 other design industry.
- (5) F601010 intellectual property industry.

(II). Business proportion

Unit: NT\$ Thousands

Product Item	2022	
	Amount	Sales Percentage (%)
Power Management IC	1,631,877	100

(III). Current products/services of the Company: Power management IC.

(IV). Planned new products/services

(1) AC/DC power management IC

Leadtrend always focus on its research and development to provide complete power management solutions with streamlined product lines and advanced environmentally-friendly and power-efficient products. Currently, the performance of our products not only meet the market demand, but also is ahead of the requirements of laws and regulations.

- 1) In the application of ACDC power management IC, products with input less than 75W are operated in mixed mode, and those with input more than 75W are optimized by taking PFC/THD and PWM operation mode into account, so as to comprehensively improve the chip to meet the most stringent energy efficiency requirements of Energy Star DoE-6 and CoC Tier-2, and to present at least 1% higher than the regulatory efficiency margin, to ensure the consistent quality in mass production. It can be used in system power supply such as mobile phone /NB/TV/Network.
- 2) Integrated high voltage MOS(700V) is in continuous development, and has been successfully applied in all types of products less than 65W applications, and transmitted towards high power packaging without heat fin design, with the current application field covering Monitor/TV/Network.
- 3) High-density packaging is the focus of future development. By using a new generation of packaging stack technology, integrated IC/MOSFET into high-density packaging, currently the temperature reliability verification on the samples have been completed and mass production has been started.
- 4) Develop new generation Inject Printer power supply products to provide terminal brand customers with more energy saving power Solution, and introduce various models with different power demands into mass production.
- 5) The application of derivative PD IC products, based on the current PD MCU base products, is introduced into the power products for Game Console, and proceed with expansion and development of the next generation of products.
- 6) In order to improve the conversion efficiency of power system, synchronous rectifier IC has become a necessary product for 5G mobile phone /WiFi6/NB and other applications. The third-generation self-powered detection synchronous rectifier IC and related integrated medium-voltage MOS products can save system costs without additional power supply windings, and have been imported into mass production.
- 7) The adapter power supply in the Indian market is used to greatly simplify the external circuit, and actively detect the input power supply, which can immediately protect the system when the abnormal state, improve the system stability, and successfully import into well-known brand adapters.
- 8) The mini-type control IC with low energy consumption and high frequency (>300kHz) has been successfully launched and is used in the development of MOS/GaN integrated products.
- 9) Optimized EMI characteristics of conduction and radiation for network communication adapter power applications, has been successfully introduced into mass production.
- 10) The new PFC inductor does not need the reference coil for ZCD detection method, which can greatly improve the system cost, and has been successfully introduced into mass production.
- 11) High-performance Primary Side Regulation (PSR) fly-back architecture, using mixed mode operation,

can meet the most stringent new energy regulations, and can save PC817 and TL431 components, optimize the number of system components and plate area, and has been successfully imported into well-known adapters.

- 12) Power control IC for small-volume high-power chargers has been developed, with gallium nitride (GaN) field effect transistor (FET), IC operating for 250kHz application, and its sizes can be greatly reduced by about half.
- 13) High power integrated power management IC is developed, built in PFC and Flyback control architecture, with logical communication to optimize system efficiency and save system components.
- 14) New QR steep frequency technology can greatly improve the conducted EMI design in the amount of >3dB in LC resonant band, and successfully imported into the TV power board of well-known brand.
- 15) As per the new regulation IEC62368, improve the overcurrent protection error, in order to develop a high precision overcurrent protection, to meet the needs of the market display 3-in-1 module application.
- 16) Highly integrated packaging technology is developed to successfully improve the efficiency and power density of switching power supply, including from the packaging material and heat transfer optimization (such as WSOP, SOP\_EP, DNF, QFN, SPAK packaging).
- 17) Develop a new IC grid driver, combined with the third generation of semiconductor GaN FET direct drive, can simplify the drive circuit, reduce the system vibration to optimize EMI characteristics.
- 18) Develop High efficiency asymmetric half-bridge controller, Adaptive ZVS switch, to achieve efficiency optimization, output power application 65W-240W range, adaptable for PD3.1 output.
- 19) Develop new digital control staggered power factor corrector development, digital control to increase the circuit accuracy and adjustment degree, and reduce its design difficulty and noise interference, in order to increase the reliability of the overall circuit.

## (2) USB charging management IC

In recent years, due to the improvement of battery density, the progress of material system and the needs of users, all the battery applications take fast charging as the highlight in product development, especially in the mobile phone where it is developed most rapidly, including Qualcomm® Quick Charge™ or MediaTek's Pump Express Plus™, and the Power Delivery (PD) protocol published by the USB IF Institute which is becoming an industry standard, and the birth of self-reliant protocols in cell phone in the Mainland. At present, a new Universal Fast Charging Specification (UFCS) Converged fast Charging agreement is a new generation of converged fast charging agreement completed by a number of terminals and chips manufacturers and industrial partners. This protocol is intended to develop the convergence fast charging standard of mobile terminals, solve the incompatibility problem of mutual fast charging (integrated with the above-mentioned manufacturers' own protocols), and create a fast, safe and compatible charging environment for end users.

- 1) As per the resolution of the European Parliament that, from the end of 2024, small and medium-sized electronic products such as mobile phones and tablet computers sold in the EU, as well as NB devices from the end of 2025, must be compatible with USB Type-C specification, which will soon become the mainstream of data transmission and charging in the market. The PD Share rate of NB will gradually increase, which has been introduced in LD6612 series in the past and even to laptop products ranging 45W to 65W, and subsequent shipment will gradually increase in the market.
- 2) USB IF Association released a new generation of protocol specification PD3.1 in 2021, which will increase the 100W upper limit of PD products from PD3.0 to 240W of PD3.1, making the application of PD products extend from 3C products to household appliances and automotive applications. Leadtrend takes the lead in the industry to launch a new generation of LD6617 products conforming to PD3.1 specifications and compatible with PD3.0 applications, which can support up to 180W. At present, it has been introduced into various international brands of 140W products. At present, we are also planning the Total solution of the full power segment of PD3.1 for products LD5780+LD8529x+LD6618 for 240W.
- 3) We are also preparing to launch LD6612T1, which is a solution to optimize IC and system components, so that customers can make more cost saving products with fewer parts. It has been accepted by customers at present, and is expected to be introduced into 45W cases.
- 4) In response to the multi-port applications in the accessory market, the multi-port application of LD6621x for 1A1C is also planned at present. In addition to the multi-port application, this product also carries the UFCS protocol currently being implemented by the mainland government. In the future, there will be a Buck+PD IC combo scheme integrated with LD7300, so that customers can be more simplified and simpler in application.
- 5) In response to fast charging products miniaturization and circuit simplification, we launched LD6935 integrated PD protocol and Type\_blocking MOSFET, which can greatly reduce the external components, so that the customer power circuit structure can be more concise, reduce materials and processing costs, has been used by the related brand manufacturers and mass production.



### (3) LED-driver power management IC

With the popularization of LED, TV/monitor back-light drive and high quality lighting requirements, LED has become an indispensable mainstream, and the new generation of LED programs focus on lighting quality improvement such as dimming depth, no stoning, high power factor low harmonic, and high efficiency.

- 1) THDi < 10% LED IC (PFC+SSR architecture) product LD7792SX used in high power intelligent dimming type LED power supply products have been mass produced.
- 2) It is compatible with PFC+SSR architecture for emergency power supply (175Vdc~250Vdc). IC product LD7792N/O has been introduced into mass production.
- 3) Single-stage PFC fixed voltage control IC LD7841 for high-power factor products can meet the latest standard (IEC61000-3-2 Class C Ed 5.1) of harmonic requirements for ACDC power supply unit in AI application market, featuring low harmonic, high power factor, high efficiency, and optimized system cost, and the product has been introduced into mass production.
- 4) Active high power booster type constant voltage control IC LD7597 can comply with the latest harmonic standard (IEC61000-3-2 Class C Ed 5.1), with advantages of low harmonic, high power factor, high efficiency, and high stability, and the products have been mass produced.

## II. Industry Overview

### (I). Current situation and development of the industry

The epidemic accelerated digital transformation, AI, 5G, and HPC drive the demand of the new generations, automobile battery is in strong recovery, plus the imbalance of supply and demand for the semiconductor in various application fields, wafer manufacturers have actively expanded production, but it is still difficult to meet the needs of various semiconductor components related applications, such as analog, power management, display driver IC, power components MOSFET, micro-controllers (MCUS) and sensors. In the future, HPCS, mobile phones and automobiles are bound to trigger a huge growth in the demand for various types of IC. Based on the expansion of the production capacity of the major suppliers of 8-inch wafers, it is estimated that the production capacity will grow to 21% by 2024, reaching a historical peak of 6.9 million wafers per month. On the current market, the demand growth is still not enough, so the ability to master is one of the very important competitive factors in the future.

From 2019 to 2025, the average annual compound growth rate in 5G mobile phones exceeds 100%, and the global sales volume of 5G mobile phones will be 1.43 billion units in 2025. Cell phone core processor, 5G communication components such as base station, power management IC, memory, lens sensor, driver IC, etc. Both types and quantities will increase rapidly, and new applications will follow. The demand side includes power semiconductors driven by the need for carbon reduction, IT equipment demand driven by the pandemic, and the trend of automobile electrification and intelligence. The types and quantities of semiconductors required will increase significantly, such as MCU, microprocessor (MPU), programmable logic gate array (FPGA) and other demands, are in significant growth. In the future car will be the "third computer" in addition to the PC and mobile phone. Due to the increasing number of electronic products in the car, the speed and consumption of data transmission demand is also increased, so the traditional vehicle communication technology has shifted to Ethernet. Use of Ethernet cables instead of heavy communication cable for traditional communications technology largely reduces car weight.

In the IC design, the International Institute of Obstetrics and Technology Research Institute conducts analysis on "the epidemic changes human life, smart medical, smart factory, smart city, smart agriculture are accelerating development, coupled with the popularization of 5G, WiFi6 technology, a variety of electronic terminal products continue to sell well, providing the global semiconductor industry multi-oriented growth momentum", among which, automatic driving technique is the spotlight. According to IC Insights statistics, last year sales of on-board logic IC grew by nearly 40%, that of analog IC also increased more than 30%, which are higher than the average growth of the industry.

In addition, in response to the global net zero carbon emissions target by 2050, institutional investors around the world have included environmental, social and corporate governance (ESG) achievements in their investment metrics. If the industry is to continue to grow at the current pace in its pursuit of higher energy efficiency, energy conservation and emission reduction, SiC and GaN wide-gap materials are the most promising innovative technologies for the relay of silicon components.

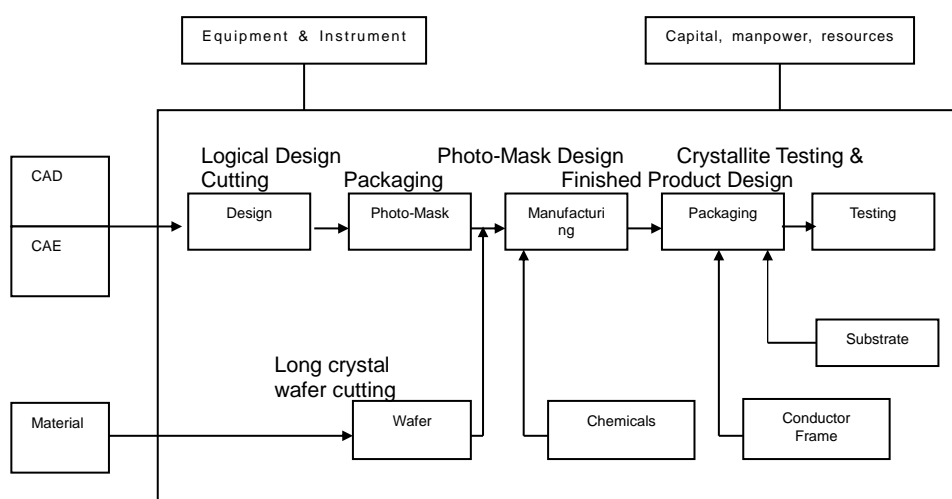
GaN power module is a candidate component for realizing high efficiency and miniaturization of the system. It is mainly used in fast chargers of smart phones and computers, and is expected to be applied in the power supply of industrial equipment and servers in the future. GaN transistors for power conversion can be classified into common-source common-gates and p-GaN gates, the latter using p-GaN gates to keep GaN HEMTs normally off. Gans generate less heat than traditional silicon-based chargers, so components can be

tightly packed. Because the components of the charger can be packed tightly, the charger is small in size, thus improving portability and overall usability, but also maintaining its power capacity and ensuring compliance with safety standards.

The GaN power semiconductor market is expected to reach \$1.32 billion by 2025. In addition, the third-generation power semiconductor substrates are more difficult and expensive to manufacture than traditional silicon substrates, according to Trend Force.

## 2. Correlation between upper, middle and downstream industries

In recent years, with the evolution of vertical division of labor integration of the whole semiconductor, Chinese IC industry is developing vigorously and the division of labor system is becoming professional. Each production link has many individual manufacturers input, the division of labor is clear and each is specialized, so that the structure of the upper, middle and downstream of Chinese IC industry system is more complete. In the value chain of integrated circuit (IC) industry, IC design industry belongs to the upstream industry, IC design companies must go through professional wafer foundries or IDM factories (integrated semiconductor factories: Integrated Device Manufacturer: design, manufacturing, packaging, testing and sales are all handled by the manufacturer. ) Semi-finished wafers are manufactured, tested in the front section, then transferred to professional packaging factories for cutting and packaging, and finally tested in the back section by professional testing factories. The finished product after testing is sold to the system manufacturer for assembly and production through the sales pipeline. The relevance between upper, middle and downstream industries is given below.



Data source: Yearbook for Semiconductor Industry

72% of semiconductor executives believe that, the 5G peripheral industry (including 5G technology and infrastructure, smart phones and other mobile devices) will be the engine of rapid revenue growth for semiconductor plants in the next three years, while laptops and multimedia devices will see explosive growth dividends this year and next due to COVID-19.

Behind industry growth, whoever can first address the top three keys will stand out from the competition

- (1) Avoid import/export tariff losses caused by regional competition
- (2) Manage the supply chain more flexibly and efficiently (acquire strategic capacity)
- 3) Accelerate the recruitment of talents

## (III). Product development trend and competition situation

### (1) Product development trend

The main products of the Company are AC/DC converter, USB-PD/QC4.0+ total solution and LED driver for lighting field, as described below.

#### ●AC/DC converter

AC/DC products are still the focus in the Company's development, and mainly used in various electronic applications of power supply, mainly including, TV/MNT, PC/NB, Mobile, Networking, Home Appliance, Power Tool, LED Lighting and Accessory. As the display has developed towards 4K/8K high resolution in recent years and 5G/WiFi6 is put into application successively, and Type-C port is becoming the standard interface on devices supporting PD protocol (including network terminals and mobile products), network communication products with the Internet application continue to lead the growth momentum. Leadtrend's unique multi-mode operation of CCM+QR PWM

controller coupled with synchronous rectification technology is significantly ahead of energy conservation regulatory requirements (e.g. (DoE) Level-6 of U.S. Department of Energy and CoC Tier-2 of the European Union), and takes advantage of the demand to take the lead in new applications, such as smart speakers, fast charger for mobile phone and laptop, miniaturized power supply for network communication and so on. In addition, the application of Hi-power application LLC +PFC IC has been promoted from the application of TV/MNT to other terminal products and achieved a breakthrough. In the completion of the layout of each product line, it is believed that in the next few years, with the contribution to revenues, it will create a new vision and continue to grow.

#### ●USB-PD3.1/China UFCS total solution

As per the resolution of the European Parliament that, from the end of 2024, small and medium-sized electronic products such as mobile phones and tablet computers sold in the EU, as well as NB devices from the end of 2025, must be compatible with USB Type-C specification, which will soon become the mainstream of data transmission and charging in the market. Our PD solutions for 18W~180W are prepared. At present, the total solution for 240W is in progress. The layout of USD PD will be covered from the existing PD3.0 100W to the Total solution of the full power segment of PD3.1 240W.

In addition, the converged fast charging protocol for Universal Fast Charging Specification (UFCS) is a new-generation converged fast charging protocol completed by many terminals and chips manufacturers and industrial partners. This protocol is intended to develop the convergence fast charging standard of mobile terminals, solve the incompatibility problem of mutual fast charging, and create a fast, safe and compatible charging environment for end users. At present, Leadtrend has planned multi-port charging product LD6621 to comply with UFCS converged quick-charge protocol, and will apply for UFCS certification. Subsequent new products will continue to be planned in this direction to conform to the trend of China PD protocol.

#### ●LED Driver

This LED product line includes LED related products such as smart lighting and back-light driver IC.

In terms of LED lighting products, the market demand for both light source and lamps will grow in 2022. However, in the long run, the market demand for LED light source products will slow down, mainly due to the decline in replacement demand and consumers' increasing preference for lamp products. The global LED lighting market is projected to grow at a CAGR of 3.9% during 2021-2026. Seen from the LED Lighting products market, the penetration ratio of lighting products equipped with various sensors and communication modules, and Connected Lighting product is growing. In order to achieve the goal of "carbon neutrality", the global demand for LED energy-saving reconstruction projects is increasing, and the future commercial, home, outdoor and industrial lighting applications will be in face of new opportunities of growth.

We launch power-efficient lighting IC to mainly address lighting regulation and STF suppression problems, and taking into account the digital/analog interface compatibility, focus on external lighting regulation power source, and has our product recognized by the international lighting device/lamp manufacturers. Due to the development of smart desk lamp market, the use of "LED eye protection desk lamp" adopted ACDC program revenue growth opportunities, there is opportunity for revenue growth in ACDC solution, as well as the "IoT home appliances" solution to meet the increasingly strict requirements of LED related policies and regulations and the applications on plant lighting market.

#### (2) Competition situation

When Ban on Huawei 2.0 comes out, supply chain players will have a greater impact on the 2020-21 business growth target than Taiwan Semiconductor, which will be the first to feel the pressure. Taiwanese IC designers generally expect the positive impact to be slightly greater than the negative side. After all, Huawei will have to be more active to get rid of reliance on USA products and technologies, and the Taiwan chips suppliers have more possibility to go ahead.

In addition, Huawei may have its market share taken by other Chinese mobile phone manufacturers, and the market share of chips owned by Taiwanese IC designers is expected to remain safe. Finally, unless China and the United States end up fighting and escalate the trade war again, which affects the global economic situation, there will be no complete egg pressure under the overhang, which will be the last headache to Taiwan IC designer.

Taiwanese IC designers assessed that Ban on Huawei 2.0 would cause three circumstances: first, Huawei's shipments would not be affected, except that production of HiSilicon Kirin chipset would be forced to suspend, which forces Huawei to switch to Mediatek, Uniguro and Samsung Electronics' mobile chip line instead of Qualcomm. Considering the scale of nearly 100 million mobile phone chips used by Huawei in a year, Mediatek's preferential profit is predictable no matter how many chips it gets in the end.

Secondly, Huawei's mobile phone shipments will be affected, and the market share of terminal phones will also decline, but it may still be made up by other Chinese brand mobile phone manufacturers such as Oppo, Vivo, Honor and Xiaomi, which will deepen the persistence and level of China's efforts to get rid of reliance on USA products and technologies.

For Taiwan IC designers closely related to China's domestic and export mobile phone chip market business, purchase of LCD driver IC, fast charge IC, CMOS sensor, light sensing IC, fingerprint identification chip, TDDI chip, PA chip and MEMS microphone from Taiwan is expected to further increase, which will help to increase the market share of Taiwanese manufacturers in terminal chips instead.

Lastly, China and the United States will escalate the level of confrontation and start an irrational trade war. In such case, global economy hit by the epidemic first since in 2020 will get worse due to this shock and the probability of economic downturn will increase again, which will influence Taiwanese IC designers who had expected to gain profits, so it is necessary to lower the Company's operating growth target.

The smart lighting market is primarily benefiting from the declining cost of overall smart lighting solutions and the increasing end consumer demand for smart lighting systems, driving the growth of the IoT lighting market, especially the smart home lighting market. In addition, under the background of government's investment in smart building lighting and development of smart city and future industrial automation, the market demand for smart lighting will be driven up. TrendForce estimates the global LED lighting market size to be USD 78.36 billion in 2026, with a compound growth rate of 3.9% from 2021 to 2026.

### III. Technology and R&D overview

#### 1. R&D investment in recent years and as of the date of annual report

Unit: NT\$ Thousands

Project/Year	2022	As of Apr 30, 2023
R&D Investment	312,978	80,860

#### 2. Technology or product successfully developed in recent years and as of the date of annual report

Apr 30, 2023

Item	R&D Outcomes	Applications
1	Circuit for controlling a latch mode of a pulse width modulation circuit and method	NB/NWK/MNT/TV
2	Active feedback control integrated circuit applied to an alternating current/direct current converter and operation method	NB/ Game console
3	Controller for controlling a power converter to output constant power and related method	NB/ NWK/ Storage
4	Controller for generating jitters in a constant current mode of a power converter and method	NB/ NWK/ USB Charger/ LED Lighting
5	Power controller with over power protection	NB/NWK/PC/Server Power
6	Controller for detecting an output current of a power converter, device for detecting an average output current of a power converter, method for detecting an average output current of a power converter, and method for detecting an output current of a power converter	NB/PC/Server Power/TV/MNT
7	Constant current control units and control methods for primary side control	USB Charger
8	Controller of a power converter with adjustable jitter amplitude and method of generating adjustable jitter amplitude	NB/NWK
9	Protection circuit and protection method controller for generating jitters in a quasi-resonant mode and method for generating jitters in a quasi-resonant mode	NB/NWK/USB Charger
10	Control circuit for reducing touch current of a power converter and operation method	MNT/TV
11	The active sink current of OUT pin	USB Charger/NWK
12	Adjustable green mode operation with input for high efficiency	NWK/NB/MNT
13	One-line AC OFF Protection	MNT/TV/NB/PC/Server Power
14	Low VF Diode Leakage Protection	USB Charger/NWK
15	Ultra low operation current to improve power saving at no load condition	NB/USB Charger/PC Standby/ MNT/TV
16	Multi-mode PWM QR and CCM, and can meet the scathing ENERGY STAR regulations (DoE 6)	NB/NWK/TV/MNT/USB Charger
17	Qualcomm® Quick Charge™ 2.0 compatible technology	USB Charger
18	MediaTek Pump Express™ & Pump Express Plus™ compatible technology	USB Charger
19	Synchronous rectification driver in CCM, DCM and QR (Valley lock) mode	USB Charger/NWK/NB/TV/PC/Server Power
20	Without Comp PIN solution to reduce component count	USB Charger/LED Lighting/ NWK/ NB
21	Min. THDi controller with AC injection technical for IEC61000-3-2 Class C at Pin≤25W	LED Lighting/Smart Lighting
22	Ripple suppressor with system protection ( as open/ short LED ) at LED replacement lighting application	LED Lighting/Smart Lighting
23	High Power Factor LED primary side regulation Flyback Controller with HV Start-up, LED lighting and dimmable by TRIAC dimmer	LED Lighting/Smart Lighting
24	Shimmer compensation during low phase dimming for TRIAC dimmer	LED Lighting
25	Analog dimming technology (1K~30KHz PWM input to amplitude output current)	TV/ MNT/LCD Backlight
26	Mixed dimming technology for LED backlight application	TV/ MNT/LCD Backlight
27	Stack power structure for LED backlight application	MNT/ TV/ LCD Backlight

Item	R&D Outcomes	Applications
28	Sensing FET of current ratio	Appliance Power/ MNT/ TV/ USB Charger
29	Compensation technology for Line / Load regulation	NB/ NWK/ TV/ MNT/ LED Lighting
30	Average current mode technology for DC/DC constant current control	LED Lighting/ Smart Lighting
31	Adjustable Power for CC/CV control technology	NB/ PC/Server Power/ USB Charger
32	COMP loop compensation technology ( Pin <0.3W at no load and full range input)	TV/ MNT
33	Robust Power Semiconductor with High Unclamp Inductive Switch (UIS/EAS) Capability	NB/ NWK/ TV/ MNT/ LED Lighting
34	Power Semiconductor Wafer Level Unclamp Inductive Switch (UIS/EAS) Volume Test.	NB/ TV/ MNT
35	Fast Dynamic Improve Technology for PSR	NB/ NWK
36	High Power Density Packing Technical for Combo IC	TV /MNT/Charger
37	ZCD Auxiliary Winding is Unnecessary	TV
38	SR Fast turn-off total delay of 30ns	USB Charger/ NWK/ NB/ TV/ PC/ Server Power
39	AC Injection Technical by HV pin for LED IC	LED Lighting
40	COMP pin Compensation for On time Variation by HV pin	LED Lighting
41	The dimming controller and correlative dimming method of the pulse width modulation signal and DC signal	LED Lighting
42	PSR operating in CCM to explore the power range.	NWK
43	Constant Current (CC) for CCM Mode. Accurate OCP $\pm$ 8%	NWK
44	Novel QR Mode Jitter to improve quasi-peak level in conduction EMI.	NWK/NB
45	Novel IC protection pause status in Flyback Controller.	NWK
46	Current mode Active clamp Flyback controller with Low CS loop Propagation delay <50ns	NB
47	Valley Synchronized Turn-on Requires No Second Winding On The Boost Inductor	TV/MNT
48	Half-bridge LLC Resonant Controller for dual output	TV/MNT
49	Drain sense pin capable of handling input voltages up to 200 V	NWK/NB
50	Self-supplying for high-side rectification without the use of an auxiliary winding	NWK/NB
51	Self-supplying for operation with low output voltage	NWK/NB
52	A control method used in asymmetric half bridge LLC topology	TV
53	Optimization and Analysis of Power Factor Corrector Controller	NB
54	Novel Multi-control output (DSCP 、 OCP 、 ZVS 、 Vo OVP) CS PIN with Power Factor Correction Circuits	TV
55	Single stage PFC and PSR operation with dimming and thermal fold-back control	LED Lighting
56	Limited Power Source (LPS) for USB Power Delivery (PD) Application	NB
57	An adaptive Min-On-Time Method for Synchronous Rectifier	NWK/NB
58	Current mode control for LLC resonant converter with common mode detection	TV
59	A new control method of flyback with QR/ZVS mode	NWK/NB
60	AI Efficiency tacking of Flyback PWM Controller	NWK/NB
61	A enhanced PF/THDi control method of single stage PFC topology	LED Lighting
62	Hybrid dimming control method of DC Buck constant current output controller	LED Lighting
63	The Communication Mechanism Between the Flyback of PSR and SR for Sleep Mode & Fast Response	NWK
64	Power factor correction controller and operational method thereof	MNT/TV
65	A Secondary Side Flyback Control Method by Using Ripple Injection Technique	NB/NWK
66	Controller applied to a power converter is installed in a primary side of the power converter	NB
67	Flyback Converter with Forward Mode Bias of Auxiliary Winding in a Wide Output Range Application	NB/NWK
68	BCM operation in COT control for secondary side ZVS	NB/NWK
69	Active Gate drive compensation of GaN FETs	NB/NWK/TV
70	A enhanced PF/THDi control method of pre-regulation Boost topology	LED Lighting

## IV. Long-term and short-term business development plans

### (I). Short-term development plan

#### (1) R&D strategies

- 1) Taking the advantage of the future development trend of information, communication and application products and consumer electronics products and with the norms of energy laws and regulations, develop a variety of power management IC products, so as to cut down the cost of system products, grasp the market fluctuations and customer needs, and further expand the market share of application products.
- 2) Make good use of the accumulated technical knowledge of the Company, in addition to maintaining the existing products, and reduce costs and develop other product lines, introduce new products into the market, improve product quality and popularity, and strengthen product competitiveness.

#### (2) Production and marketing strategies

- 1) Make use of Taiwan's unique capacity as semiconductor production division to provide customized flexible operation, and maintain a good relationship with domestic wafer manufactures and packaging and testing plants, and maintain a close coordination with OEMs, so as to ensure the production capacity and control the product delivery time to meet the special needs of customers and improve customer satisfaction.
- 2) Based on the needs of customers, make use of the Company's system design capabilities, provide perfect technical support and channel agent marketing activities, to increase the market share of high-profit proprietary products.
- 3) Directly cooperate with world-class commercial customers, and further develop customized products after obtaining first-hand information and specifications, improve product hit rate and reduce time to market.

#### (3) Operational and financial planning strategies

Pay attention to employee welfare policies, implement dividend and performance bonus system to improve employee morale and cohesion.

### (II). Long-term development plan

#### (1) R&D strategies

- 1) Based on the application needs of the market, provide complete product series, and with accumulated IC design experience and integration of technical capabilities, expand the breadth and depth of the product line, and develop other high-level products, so as to diversify products and meet the customer demands.
- 2) Seek the communication in information and technology with domestic and foreign academic and research institutions, and establish strategic alliance with IC design industry to accumulate the product research and development technology database, so as to accumulate experience and improve technology.
- 3) Keep up with the development of industrial trends and the pace of the trend, not only make the enterprise follow up, but also pay attention to the skills training of employees.

#### (2) Production and marketing strategies

- 1) Continue to maintain long-term cooperation with upstream wafer OEMs, packaging and testing manufacturers (including mainland manufacturers), and develop them into strategic partners to jointly develop special functional processes, so as to reduce production costs and develop high-quality, multifunctional and competitive products.
- 2) Master key technologies, focus on IC design, actively carry out more advanced, more sophisticated product integration development, in order to increase market share and become the market leader.

#### (3) Operational and financial planning strategies

- 1) Promote the concept of internationalization and cultivate the management ability of international enterprises, actively cultivate international talents, and move towards the goal of international enterprises.
- 2) Make use of diversified financial tools in the capital market to support the operation and development of the Company.

## 2. Marketing and Production Overview

### I. Market analysis

(I) The territories where our main products/services are sold/supplied

Unit: NT\$ Thousands

Territory \ 2022	2021		2022	
	Sales Amount	Sales Amount	Sales Amount	Ratio (%)
Within Taiwan	1,232,735	57.75%	851,269	52.17%
Outside Taiwan	901,748	42.25%	780,608	47.83%
Total	2,134,483	100.00%	1,631,877	100.00%

(II). Market share

Since the first half of 2020, the global supply and demand of semiconductor components has gradually become tight, and the delivery cycle has been extended, mainly due to the Russia-Ukraine war, the epidemic prevention and lock-down in the mainland, and the earthquake in Japan. Related events have a continuous impact on the severely restricted supply chain. Lead times would set a new record, especially with power management, microcontroller (MCU), analog IC, and memory, for which delivery cycle was extended most significantly.

According to the statistics of the Institute of Industrial Research, the output value of IC design in Taiwan reached NT \$1.23 trillion in 2022. Although the consumer electronics terminal market continued to slow down demand, resulting in the declining order demand for some components, but in the long term, there was still a steady growth in 5G, AI, automotive, IOT and other applications.

In the second half of 2022, it was expected that the overall supply shortage will be gradually alleviated after the major wafer OEM gradually opened new production capacity, and consumer IC customers would gradually reflect the situation of the terminal consumption market (demand gradually slows down). The momentum of shipment will also slow down and entered the inventory adjustment stage. This wave of inventory adjustment power in the consumer market was likely to continue from Q1 2023 to the end of Q2, that was to say, the inventory adjustment would last until the middle of 2023. At that time, it will have an impact on the IC design giants such as MediaTek, NOVATEK and Realtek, which have entered the consumer IC market. Although the terminal demand for the IC related supply chain may not grow so strongly, the basic demand remains. In the aspect of PMIC, the supply of 8-inch wafers has hardly grown, while in view of the stable demand for PMIC in all terminal applications, the supply and demand in 2023 will shift to the stable growth in Q3 and Q4 with the inventory adjustment in Q1 and Q2. PMIC insiders are more conservative about the possibility of a cost shift, saying that unless end-demand for the app remains strong, there is little room for price increase.

(III). Future supply and demand conditions and growth of the market

As expected by IDC, as a whole, total semiconductor revenues will decline 5.3 percent annually in 2023, down 13.8 percent in Q1, 12.5 percent in Q2, 0.6 percent in Q3, and only turn positive in Q4, when revenue will grow 7.5 percent annually. Global semiconductor revenue is expected to recover only in 2024, reaching a new record of \$46 billion, up 15.1 percent annually, making a new record again.

It is estimated by World Semiconductor Trade Statistics (WSTS) that, the global semiconductor market will grow by 25.1% in 2021 compared to 2020, and the output value is expected to reach a record high of \$550.9 billion. In 2022, supply and demand gradually returned to normal, still maintaining an annual growth rate of 10.1%, the output value of \$606.5 billion, Taiwan semiconductor industry performance is higher than the global average.

In fact, the sharp imbalance between chip supply and demand has sparked the global supply chain emergency expansion trend, according to analysis of Ye Xianwen. Intel expects that, this year's capital expenditure will see 28 billion dollars, and announced that it will spend 20 billion dollars to build at least two R&D bases and wafer plant mainly producing advanced chips, which is expected to be put into production before 2025 at the earliest. Taiwan Semiconductor will spend \$40 billion to \$44 billion on fab expansion this year, while Samsung Electronics expects total CAPEX of \$205 billion from 2021 to 2023 to increase capacity by plant expansion.

The competition in advanced manufacturing process is undoubtedly the focus in 2022. Both TSMC and Samsung announced that they would start 3-nm mass production in 2022 and advance to 2-nm process in 2025. However, TSMC is ahead in extreme ultraviolet (EUV) micrography technology and continues to strengthen its special manufacturing process capability. Samsung strategically focuses on mobile application processors and



memory storage chips in the Internet of Things, and aims to overtake Taiwan Semiconductor manufacturing in wafer foundry in 2023. Intel announces to return to the contract manufacturing market, striving to win the leading position in 2025.

In the next five years, automotive, storage and industrial semiconductors will be the main growth categories. It is estimated that wireless communication will be the main application of semiconductors in 2022, while automotive semiconductors will take over in 2023, surpassing industrial semiconductors and consumer semiconductors in 2024. Secondly, Intel's development of neural computing chips, using 7-nanometer EUV technology, creates new functions of "touch and taste". Finally, vehicle electrification drives the demand for HPC chips. The average annual compound growth rate of HPC chips for vehicles between 2021 and 2025 is 212.4%, showing explosive growth.

(IV). Advantages and disadvantages of competitive niche and development prospect and countermeasures.

(1) Competitive niche

1) Excellent technical capacity in R&D

Since its establishment, the Company has been focusing on the field of analog IC. Based on excellent talent quality as the foundation for development of the Company, coupled with long-term training on R&D talents and continuous cooperation with the academic community, the Company has accumulated quite profound technology and experience, and its R&D team provides complete design resources for global IC designers and system manufacturer, which is the core technology that the Company relies on to compete, but also the new force of the Company's business growth. In addition, the wide application field of analog IC and long product life cycle are conducive to the future development of the Company.

2) Master the long-term cooperation between the wafer OEM and the third party

The process technology, quality yield, equipment capacity, delivery speed and price of wafer OEM are important factors affecting product development competitiveness and sales success, and the long-term cooperation of testing and packaging partners is also indispensable. In this regard we have developed long-term cooperation with suppliers, so the product quality is stable and the supply is adequate.

3) Maintain good cooperative relationship with customers

Our business marketing team provides customers with complete product development services, which has higher product value and is closer to the demand market in terms of quality, yield, delivery time and after-sales service. We keep a good tacit understanding with customers, help customers shorten the product development cycle through early involve, grow up together with customers and maintain long-term cooperative relationship. Established marketing channels and deep rooted customer relations are conducive to the Company's future business development.

(2) Favorable factors

1) The upstream and downstream semiconductor industries are closely related, which, with the clustering effect, can quickly provide services.

The industrial structure of vertical division in disciplines is the characteristic of our semiconductor industry, which can be roughly divided into IC design industry, wafer foundry, cutting and sealing factory and testing factory. Under the rapidly changing industrial environment and the increasingly expanding capital equipment investment scale, our unique professional division of labor is indeed in line with the industrial development trend, and mainly established in Hsinchu Science Park, so we can easily maintain close contact and good cooperative relationship with these companies, in order to provide rapid service, which, in cost, quality or time control, are helpful to enhance the market competitiveness of domestic IC designers. At the same time, we will continue to strengthen cooperation with suppliers in mainland China.

2) IC industry still has room for growth

With the continuous progress of information technology, the proportion of demand for power management chips in various application fields is still very high. Although the solutions have changed with the application of portable products such as mobile phones, NB, IoT and vehicle, IC will be applied in a wider range due to the demand of digitalization, the commercialization of high-speed Internet and the progress of semiconductor process miniaturization technology, which will certainly drive the market demand in overall IC industry. Therefore, the application of analog and digital hybrid IC components has been the mainstream, and there is broad development space in future.

Electronic products are changing, while it is unchanged to rely on power management IC to provide efficient power. The power management IC which can provide the longest standby duration, the lowest power consumption, and the highest conversion efficiency is still the necessity to these terminal electronic products, such as tablets, IoT, laptops, smartphones and other products. We will provide complete product lines, a wider range of applications, in order to provide a complete solution of power management IC services, and there is still a great room for growth.

3) Analog IC market has regional entry barriers

Because the analog IC industry has different specifications, there is no determined standard, and the R&D technology covers both hardware and software fields, so small enterprises with good mobility will have a better market niche if they can respond quickly to individual markets, and avoid falling into the price war for standard products. In addition, the development of analog IC design products often requires the accumulation of long-term experience and fault detection technology, and the system manufacturer certification cycle is long, and the supplier is not easy to change once the certification is obtained, so the domestic industry cannot become a supplier in place of us in the short term. Our technical team has many years of experience in R&D in related fields, which can shorten the learning curve and establish entry barriers.

### (3) Adverse factors and countermeasures

#### 1) The rise of manpower cost and shortage of R&D talents in domestic analog IC industry

In recent years, due to the vigorous development of the IC industry, professional labor cost is relatively increased, and it takes long time to train professional talents in the analog IC design, and the domestic industry puts emphasis on digital application over analog for a long period, domestic colleges and institutes annually train analog IC design talents in very limited number. In addition, the products change rapidly on the market, so talent cultivation falls short of demand.

Countermeasures:

Conduct recruitment in campus and implement education training, improve staff welfare to strengthen staff's cohesion and reduce brain drain, and strengthen the development of R&D talents. Develop more advanced process database, enhance the Company's core competitiveness, in order to win more opportunities of cooperation with customers.

#### 2) High dependence on wafer OEM

With the trend of vertical division of labor and integration in semiconductor industry, the upstream and downstream industries are roughly divided into IC design industry, wafer OEM, cutting and packaging factories and testing factories, which are closely related.

Countermeasures:

Maintain good interaction with downstream OEM to ensure their capacity, and actively develop other OEM to reduce risks.

#### 3) Competition from foreign manufacturers

Domestic and international analog IC design companies are gradually expanding, taking advantage of their cost advantages (profits from wafers, packaging and testing can be reduced strategically in the same company) to adopt low price policies or product bundling and other approaches to squeeze our market expansion opportunities.

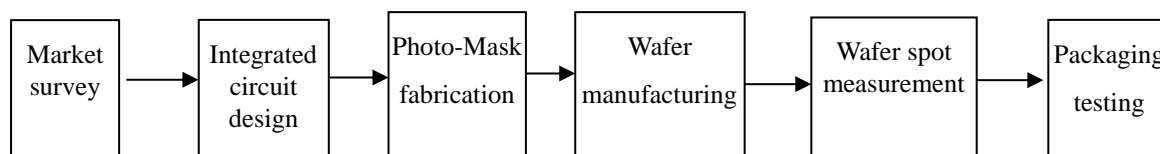
Countermeasures:

- a) Strengthen our own product R&D ability, and shorten the launch cycle of new products.
- b) Ensure stable supply quality, control capacity, and strengthen customer confidence.
- c) Strengthen cooperation with domestic and foreign system manufacturers to develop new products.
- d) Be committed to production yield improvement, in order to reduce production and marketing costs.
- e) Strengthen marketing management, establish a global marketing network and after-sales service system, in order to build customer loyalty.

## II. Important uses and manufacturing processes of the main products

(I). Important uses of main products: Please refer to Pages 74~75 for details.

(II). Manufacturing process



## III. Supply of main raw materials

The Company is a professional IC designer, with wafer manufacturing, packaging and testing processes commissioned to external OEM, and currently has a good relationship with suppliers, and the material supply is in good condition.

#### IV. List of major supplies and purchasers in the recent two years

(I). Name of the suppliers who have accounted for more than 10% of the total purchase amount and proportion in either of the recent years, and the reasons for the changes

Unit: NT\$ thousands

Item	2021				2022			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with issuer
1	Supplier A	450,115	70.23	None	Supplier A	503,775	63.52	None
2	Supplier B	132,266	20.64	None	Supplier B	151,336	19.08	None
3	Other	58,508	9.13	None	Other	137,999	17.40	None
	Net purchases	640,889	100.00		Net purchases	793,110	100.00	
Analysis: Considering the process capacity, production capacity, price and other factors, the Company chooses a professional wafer OEM to cooperate with it. In the recent two years, the main purchasers have not significantly increased or decreased.								

(II). Name of the customers who have accounted for more than 10% of the total sales amount and proportion in either of the recent years, and the reasons for the changes

Unit: NT\$ thousands

Item	2021				2022			
	Name	Amount	Percentage of total annual net sales (%)	Relationship with issuer	Name	Amount	Percentage of total annual net sales (%)	Relationship with issuer
1	Customer A	779,079	36.50	None	Customer A	509,907	31.25	None
2	Customer B	217,681	10.20	None	Customer B	139,640	8.55	None
3	Other	1,137,723	53.30	None	Other	982,330	60.20	None
	Net sales	2,134,483	100.00		Net sales	1,631,877	100.00	
Analysis: In the recent two years, the sales amount of major customers decreased, mainly due to the reduction of customer demand in 2022.								

#### V. Output value in the recent two years

Unit: NT\$ thousands

Output Value Main Products		2021			2022		
		Capacity (note)	Yield	Output Value	Capacity (note)	Yield	Output Value
ACDC_PWM power management IC		Not applicable	591,637	984,055	Not applicable	353,008	739,134
ACDC_Secondary power management IC		Not applicable	70,976	223,354	Not applicable	59,244	196,570
ACDC_Lighting power management IC		Not applicable	26,843	74,157	Not applicable	24,396	70,442
Total		Not applicable	689,456	1,281,566	Not applicable	436,648	1,006,146
Analysis: The output and output value in 2022 decreased by 36.67% and 21.49%, respectively, compared with that in 2021, mainly due to the reduction of order demand and the reduction of production due to the reduction of inventory.							

Note: The products designed and developed by us are mainly manufactured by wafer OEM, which is outsourced for packaging and testing, so the capacity calculation is not applicable.

## VI. Sales volume in recent two years

Unit: NT\$ thousands

Sales Volume Main Products	Year	2021				2022			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
ACDC_PWM power management IC		354,834	1,020,903	206,436	655,672	217,323	689,939	141,849	534,366
ACDC_Secondary power management IC		23,595	118,711	44,086	193,488	22,831	127,745	35,405	147,656
ACDC_Lighting power management IC		14,006	93,121	12,601	52,589	5,694	33,585	18,617	98,586
Total		392,436	1,232,735	263,124	901,748	245,848	851,269	195,871	780,608
Analysis: The proportion of export sales in 2022 increased compared with 2021, mainly due to a larger decline in domestic sales.									

### 3. Employee Analysis

Number of employees, average length of service, average age and education distribution ratio of employees in the recent two years and as of the date of the annual report

Year		2021	2022	As of April 15, 2023
Number of Staff	Managers	5	5	5
	R&D staff	105	110	105
	Other employees	87	86	84
	Total	197	201	194
Average age		37.9	37.9	38.2
Average Length of Service		4.88	5.23	5.44
Education Background	Doctor's degree	1.5%	1.0%	1.5%
	Master's degree	42.1%	46.0%	45.1%
	Junior college degree	56.3%	53.0%	53.3%
	High school degree	0.0%	0.0%	0.0%
	Below high school	0.0%	0.0%	0.0%

#### 4. Expenditure in Environmental Protection

In recent years and up to the date of this annual report, the total amount of losses (including compensation) and penalty imposed as a result of environmental pollution, as well as the future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of losses, penalty and compensation that may occur if no countermeasures are taken. Where it is impossible to estimate the amount, the fact that they cannot be reasonably estimated shall be explained): None.

#### 5. Employment Relationship

I. The Company's various employee benefits, further education, training and retirement systems and their implementation, as well as the employment agreement and various measures to protect employees' rights and interests

(I). Staff working environment and personal safety

As for working environment and personal safety of employees, the Company has set up strict access security measures, provide employees with perfect workplace, and regularly inspect and maintain the workplace access, floor, stairs or ventilation, lighting, fire control, disaster prevention and other equipment related to employee safety and health, and set forth occupational disaster compensation and related insurance in the employment statement and publish them on the internal website.

Item	Content
Access Control	<ol style="list-style-type: none"><li>1. Strict access control monitoring system is operated day and night.</li><li>2. Security staff are assigned at the entrance and exit of the building at night and on holidays to ensure the safety of the facility.</li></ol>
Maintenance and inspection of all equipment	<ol style="list-style-type: none"><li>1. According to the regulations on certification and declaration for public safety inspection of buildings, Taiyuan Science and Technology Park has commissioned a professional agent to conduct public safety inspection once a year.</li><li>2. In accordance with the provisions of the fire Protection Law, Taiyuan Science and Technology Park has commissioned a professional agent to conduct fire inspection annually.</li><li>3. In accordance with the code of labor safety and health practices, the Company annually conducts air conditioning inspection, maintain the water dispenser quarterly, and inspect and maintain fire control facilities monthly.</li></ol>
Disaster preventions and response	The park annually employs fire control authorities to conduct fire prevention workshop.
Health and safety	<ol style="list-style-type: none"><li>1. Health examination: In accordance with the Labor Safety and Health Law, employees are provided with regular health examination annually. Physicians are invited to share health information and analysis on fault in health examination.</li><li>2. Sanitation of working environment: Smoking is prohibited completely around the premises in accordance with regulations, and cleaning staff are hired regularly to clean the office facility.</li><li>3. Office floors are waxed regularly.</li></ol>
Mental health	<ol style="list-style-type: none"><li>1. Mental health class: Provided flexible courses on mental health, emotional management and stress relief, to relieve staff's stress and maintain mental health.</li><li>2. Expression of opinion: The Company set up general manager mailbox and hold staff communication meeting and afternoon tea party, encourage employees to put forward suggestions and proposals for the Company's products, quality, systems, policies and other projects, and the general manager will personally give reply to them.</li></ol>
Insurance and medical support	<ol style="list-style-type: none"><li>1. We provide labor insurance (including occupational disaster insurance), health insurance, and free business group insurance for employees, including life insurance, accident insurance, accident medical insurance and cancer insurance.</li><li>2. In addition to group insurance, the Company also provides bereavement and sickness benefits to assist employees or their family members.</li></ol>

(II). Employee benefits

(1) Company benefits: Labor insurance, health insurance and group insurance; Group insurance includes life insurance, accident insurance, accident medical, hospitalization medical, cancer medical and other insurances.

(2) Employee benefits: Employees enjoy subsidy for legal festival and holidays, birth allowance and leaves for wedding and funeral celebrations. We organize staff travel and group activities.

(III). Further education and training: Implement internal and external training courses based on business needs.

(IV). Retirement system: The Company has set up a special account for workers' retirement. In accordance with the provisions on the provision and management of workers' retirement reserve, 2% of the total monthly salary is allocated to the Workers' Retirement Reserve Supervision Committee and deposited into the special account of the Bank of Taiwan (which was incorporated into the Bank of Taiwan by the Central Trust Administration in 2007) in the name of the Committee. Since July 1, 2005, all employees voluntarily chose to apply the new system of labor retirement. The pension contributions were made based on 6% of the salary scale of the monthly pension contributions of workers and deposited into the special account of employees' personal pension.

(V). Employment agreement and various measures to protect employees' rights and interests: The Company is committed to enhancing harmonious employment relationship, regularly convenes executive meetings as a communication approach between the Company and the staff, and develops sound measures to align the benefits of the staff with those of the Company, so there have been no major labor disputes so far.

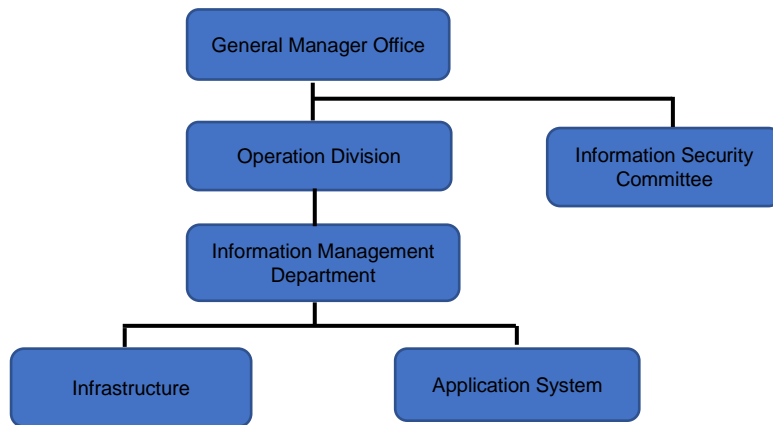
II. The losses incurred as a result of industrial disputes in recent years and as of the date of this annual report, and disclosure of the estimated amounts and measures currently and possibly in the future. Where it is impossible to estimate the amount, the fact that they cannot be reasonably estimated shall be explained: None.

## **6. Information Security Management**

The Company has established the Information Security Committee in May 2012. The chief of the committee is the assistant director of the CAD Department of the Company, and the committee is composed of first-level directors of each department. The committee holds regular information security meetings to evaluate information security risks, and make adjustment from time to time in response to emergency. The information security report and results of governance for this year have been submitted to the fifty meeting of the eighth session of Board of Directors on November 10, 2022.

### **I. Information security management framework**

As the top decision-maker for information security policy within the Company, the Information Security Committee coordinates the implementation of information security control measures, promotes the internal information security of the organization with reasonable responsibility allocation and effective resource management, and the practical support of the management. The Information Management Department has the authority to conduct information security activities, which consists of an information supervisor and several professional information specialists, and is responsible for formulating internal information security policies, planning and implementing information security operations and promoting and implementing information security policies.



**Responsibilities and duties:**

- Network administration
- Server administration
- Virus prevention
- Information security management
- Hardware/network maintenance across the plant

**Responsibilities and duties:**

- System integration planning and setup

## II. Information security policy

- (I). Policies on network security management, personal computer management, and information system management are established based on the information security objectives.
- (II). Program and data access control
- (III).Data input/output control
- (IV).Data processing control
- (V). Equipment safety and file backup operations in the computer room
- (VI).System recovery and test operations
- (VII).Network security around corporate computer system

## III. Information security management scheme

Information Control	Control Description
Program and data access control	Specifications on how program designers and developers control old and new versions of programs.
Data output/input control	Specifications on how to validate data input and output systems and avoid incorrect data input.
Data processing control	Specifications on how to update and keep operation manuals and electronic documents.
Equipment safety control in computer room	Specifications on how to control internal and external environment and ensure safety of physical equipment in computer room.
File backup operation control	Specification on how and when to back up important systems related to production.
Data storage control	Specifications on how to store important research results within the Company in accordance with relevant law and regulations.
System restoration control	Specifications on how to cope with the disaster and avoid the expansion of losses.
Network security control	Specifications on how to protect the internal and external networks of the Company during their operation.
Operation-related system access control	Specifications on how to control access to information services available within the Company.

#### IV. Resources for Information security management

Information security has become an important issue in the Company's operation, and resources invested in information security management include:

(I).Continuously increasing investment of resources in software: Additional two-factor authentication to strengthen user account authority management, and additional file encryption systems, and evaluation of new anti-virus software features.

(II).Education and training:

(1)Information security related staff participate in various information security seminars from time to time.

(2)Advocate and supervise colleagues to follow the code of information security management of the Company.

(3)Regularly arrange training of newcomers in information security and release announcement on information security.

In addition, e-Learning courses have been established in the education and training of newcomers, and information security education and training are conducted from time to time to advocate information security and strengthen employees' awareness of information security and respect for intellectual property rights, and to protect personal and corporate information. The Company releases announcement on information security at least quarterly, convey important provisions and precautions on information security and protection, and have conducted the following training seminars on information security in 2022.

Item	Hours of Class	Total Number of Trainees
Information security education and advocacy	29	352
Information security management training on information-related staff	5	7

(III).Customer satisfaction: No major security incident nor complaint for loss of customer data occurs.

V. In recent years and up to the date of this report, the losses incurred due to major information security incidents, possible impacts and response measures. Where it is impossible to estimate the amount, the fact that they cannot be reasonably estimated shall be explained.

As reported by Mr. Jiong-feng, Zhou, the Information Security Chairman to the board of directors on November 10, 2022, no major information security incident occurred in 2022.

#### 7. Important Contracts

Nature of Contract	Contractor	Term of Contract	Main Contents	Restrictive Clauses
Lease	Aiban Xinji Co. Ltd.	12/01/2021~11/30/2024	Lease of 16/F of Pangyo office	-
Lease	Liu Zhihui	02/01/2022~01/31/2024	Lease of Shenzhen Office	-
Lease	Taizi Construction and Development Co. Ltd.	06/01/2021~05/31/2023	Lease of A1, 12/F of Tainan Office	-
Lease	Wuxi Henglong Real Estate Co. Ltd.	02/28/2021~02/27/2024	Lease of Room 3504, Block #1 of Wuxi Office	-
Lease	Fan Xiuming	06/01/2022~05/31/2023	Lease of the No. 2 Warehouse in Zhubei	-



## Financial Information

### 1、Condensed financial statements for the last five years

#### I. Condensed Balance Sheet and Income Statement Information

##### (I). Condensed Balance Sheet – Consolidate

Unit : NT\$ Thousands

Project \ Year		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,137,840	1,075,357	1,156,834	1,643,439	1,320,369
Property, plant and equipment		421,758	402,206	392,504	471,671	529,530
Intangible Assets		32,797	27,504	16,250	9,504	13,829
Other Assets		8,225	30,004	48,205	47,682	28,674
Total Assets		1,600,620	1,535,071	1,613,343	2,172,296	1,892,402
Current liabilities	Before distribution	265,180	204,561	272,153	496,536	226,129
	After distribution (Note 2)	300,351	251,443	348,992	707,776	NA
Non-current liabilities		16,873	22,930	12,226	28,207	13,322
Total liabilities	Before distribution	282,053	227,491	284,379	524,743	239,451
	After distribution (Note 2)	317,224	274,373	361,218	735,983	NA
Equity attributable to owners of parent company		1,318,567	1,307,580	1,328,964	1,647,553	1,652,951
Share capital		469,632	468,822	477,742	528,646	568,838
Capital surplus		417,643	404,327	400,276	409,669	390,432
(Retained earnings	Before distribution	435,999	435,527	474,704	749,944	720,024
	After distribution (Note 2)	412,552	414,488	421,877	565,109	NA
Other interests		(4,707)	(1,096)	(23,758)	(40,706)	(26,343)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,318,567	1,307,580	1,328,964	1,647,553	1,652,951
	After distribution (Note 2)	1,283,396	1,260,698	1,252,125	1,436,313	NA

Financial information using international financial reporting standards.

Note 1: The financial data of the last five years have been audited and certified by accountants.

Note 2: The latest earnings distribution has been proposed by the board of directors on May 2, 2023 and has not yet been decided by the board of shareholders.

## (II).Condensed Balance Sheet - individual

Unit : NT\$ Thousands

Project \ Year		Financial information for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		1,061,104	1,030,198	1,099,290	1,465,026	1,140,917
Property, plant and equipment		414,684	396,767	388,457	425,407	480,674
Intangible Assets		32,797	27,504	16,250	9,504	13,829
Other Assets		86,728	69,423	97,516	256,486	229,900
Total Assets		1,595,313	1,523,892	1,601,513	2,156,423	1,865,320
Current liabilities	Before distribution	259,873	196,711	261,610	482,481	200,138
	After distribution (Note 2)	295,044	243,593	338,449	693,721	NA
Non-current liabilities		16,873	19,601	10,939	26,389	12,231
Total liabilities	Before distribution	276,746	216,312	272,549	508,870	212,369
	After distribution (Note 2)	311,917	263,194	349,388	720,110	NA
Equity attributable to owners of parent company		1,318,567	1,307,580	1,328,964	1,647,553	1,652,951
Share capital		469,632	468,822	477,742	528,646	568,838
Capital surplus		417,643	404,327	400,276	409,669	390,432
Retained earnings	Before distribution	435,999	435,527	474,704	749,944	720,024
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## II. Condensed Income Statement Information

### (I). Condensed Income Statement – Consolidate

Unit : NT\$ Thousands

Project \ Year	Financial information for the last five years (Note)				
	2018	2019	2020	2021	2022
Operating income	1,080,437	1,048,390	1,446,599	2,134,483	1,631,877
Gross operating profit	388,694	364,258	466,103	881,959	663,148
Operating profit and loss	21,874	28,352	78,248	367,540	155,044
Non-operating income and expenses	16,849	5,826	(2,884)	9,963	35,157
Net income before tax	38,723	34,178	75,364	377,503	190,201
Net profit for the current period from continuing operations	37,015	23,377	60,508	328,977	152,363
Loss from suspended units	-	-	-	-	-
Current net profit (loss)	37,015	23,377	60,508	328,977	152,363
Other comprehensive income (loss) for the current period (net of tax)	2,639	(1,169)	1,649	(2,004)	6,287
Total comprehensive income or loss for the current period	39,654	22,208	62,157	326,973	158,650
Net income attributable to owners of parent company	37,015	23,377	60,508	328,977	152,363
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income or loss attributable to owners of the parent company	39,654	22,208	62,157	326,973	158,650
Total comprehensive income or loss attributable to non-controlling interests	-	-	-	-	-
Earnings per share	0.80	0.50	1.18	5.97	2.74

Financial information using international financial reporting standards.

Note : The financial data of the last five years have been audited and certified by accountants

## (II). Condensed Income Statement - individual

Unit : NT\$ Thousands

Project \ Year	Financial information for the last five years (Note)				
	2018	2019	2020	2021	2022
Operating income	1,080,462	1,046,741	1,431,380	2,030,052	1,555,862
Gross operating profit	388,698	362,204	447,906	788,360	605,947
Operating profit and loss	62,704	69,228	99,834	307,200	134,281
Non-operating income and expenses	(23,981)	(35,050)	(24,470)	70,303	55,920
Net income before tax	38,723	34,178	75,364	377,503	190,201
Net profit for the current period from continuing operations	37,015	23,377	60,508	328,977	152,363
Loss from suspended units	-	-	-	-	-
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Total comprehensive income or loss attributable to owners of the parent company	39,654	22,208	62,157	326,973	158,650
Total comprehensive income or loss attributable to non-controlling interests	-	-	-	-	-
Earnings per share	0.80	0.50	1.18	5.97	2.74

Financial information using international financial reporting standards.

Note: The financial data of the last five years have been audited and certified by accountants

## III. Name and audit opinion of certified public accountants in recent five years

Year	Name of Accounting Firm	Name of Certified Public Accountant	Comments
2018	Deloitte & Touche	Yu- Fong, Huang Ming-Yuan, Chung	Unqualified opinion
2019	Deloitte & Touche	Yu- Fong, Huang Ming-Yuan, Chung	Unqualified opinion
2020	Deloitte & Touche	Ming-Yuan, Chung Mei-Chen, Tsai	Unqualified opinion
2021	Deloitte & Touche	Mei-Chen, Tsai Ming-Yuan, Chung	Unqualified opinion
2022	Deloitte & Touche	Mei-Chen, Tsai Ming-Yuan, Chung	Unqualified opinion

## 2. Financial analysis of the last five years

### I. Financial analysis – Consolidation

Analysis items (Note 2)		Year (Note 1)	Financial analysis of the last five years				
			2018	2019	2020	2021	2022
Financial Structure	Debt to assets ratio (%)		17.62	14.82	17.63	24.16	12.65
	Proportion of long term funds in real estate, plant and equipment (%)		316.64	330.80	342.09	355.28	314.67
Solvency	Current ratio (%)		429.08	525.69	425.07	330.98	583.90
	Quick ratio (%)		333.70	390.22	298.46	236.83	221.90
	Interest coverage ratio		38,724	74.98	213.29	1,607.40	338.24
Operating Capacity	Receivables turnover ratio (times)		7.65	7.27	7.99	8.12	6.63
	Average cash collection days		47.71	50.21	45.68	44.95	55.05
	Inventory turnover ratio (times)		2.63	2.30	3.17	3.11	1.50
	Turnover rate of accounts payable (times)		3.62	4.47	7.00	6.09	6.07
	Average days of sales		138.78	140.38	115.14	117.36	243.33
	Property, plant and equipment turnover rate (times)		2.56	2.61	3.69	4.53	3.08
	Total assets turnover rate (times)		0.68	0.68	0.90	0.98	0.86
Profitability	Return on assets (%)		2.32	1.51	3.86	17.39	7.52
	Return rate of owner's equity attributable to parent company (%)		2.83	1.78	4.59	22.10	9.23
	Ratio of net income before tax to paid-in capital (%)		8.25	7.29	15.78	71.41	33.44
	Net income ratio (%)		3.43	2.23	4.18	15.41	9.34
	Earnings per share (NT\$)		0.80	0.50	1.30	5.97	2.74
Cash Flow	Fund flow ratio (%)		48.76	-	36.16	80.47	-87.88
	Fund Flow Adequacy Ratio (%)		58.24	45.19	40.19	70.92	32.61
	Cash reinvestment ratio (%)		6.47	-1.39	2.94	17.44	-16.96
Leverage	Operating leverage ratio		16.33	12.01	5.69	2.39	4.00
	Financial leverage ratio		1.00	1.02	1.00	1.00	1.00

The changes in financial ratios of 20% or more in the last two years are described as follows

**Financial Structure:** Debt to assets ratio decrease due to accounts payable reduced.

**Solvency:** Current ratio increase due to accounts payable reduced.

Interest coverage ratio decrease due to net income reduced.

**Operating capacity:** Receivables turnover ratio (times)/Average cash collection days/ Average days of sales/ Property, plant and equipment turnover rate (times)/ Total assets turnover rate (times) become poorer due to revenue reduced.

**Profitability:** Return on assets (%)/Return rate of owner's equity attributable to parent company (%)/Net income ratio (%)/Ratio of net income before tax to paid-in capital (%)/Earnings per share (NT\$) become poorer due to net income after tax reduced.

**Cash Flow:** Fund flow ratio (%)/Fund Flow Adequacy Ratio (%)/Cash reinvestment ratio (%) become poorer due to net cash flow from operating activities reduced.

**Leverage:** Operating leverage ratio increase due to net operating income reduced.

Financial information is using international financial reporting standards.

Note 1: The financial data of the last five years have been audited and certified by accountants

Note 2: The calculation formula of financial ratio is as follows:

■ Financial structure

- (1) The ratio of liabilities to assets = Total Liabilities / total assets.
- (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non current liabilities) / net amount of real estate, plant and equipment.

■ Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventory - Prepaid Expenses) / Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expense for the current period.

■ Operating capacity

- (1) Receivables (including accounts receivable and notes receivable due to business) turnover ratio = Net sales / Average receivables (including accounts receivable and notes receivable due to business) balance for each period.
- (2) Average cash collection days = 365/receivable turnover rate.
- (3) Inventory turnover = cost of goods sold / average inventory amount.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover ratio= cost of goods sold / average amount payable in each period (including accounts payable and notes payable due to business) in each period.
- (5) Average days of sales = 365 / Inventory turnover rate.
- (6) Property, plant and equipment turnover ratio = net sales / average net sales of property, plant and equipment.
- (7) Total assets turnover = net sales / average total assets.

■ Profitability

- (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
- (2) Return on equity attributable to the parent company's owners = Net income after tax attributable to the parent company's owners / average net shareholders' equity attributable to the parent company's owners.
- (3) Net income ratio = Profit and loss after tax / net sales.
- (4) Earnings per share = (Profit and loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding.

■ Cash Flow

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the last five years / last five years (capital expenditures + increase in inventories + cash dividends).
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

■ Leverage ratio

- (1) Operating leverage ratio = (net operating income - variable operating costs and expenses) / operating income.
- (2) Financial leverage ratio= operating income / (operating income - interest expense).

## II. Financial analysis –individual

Analysis items \ Year (Note 1)		Financial analysis of the last five years				
		2018	2019	2020	2021	2022
Financial Structure	Debt to assets ratio (%)	17.35	14.19	17.02	23.60	11.39
	Proportion of long term funds in real estate, plant and equipment (%)	322.04	334.50	344.93	393.49	346.43
Solvency	Current ratio (%)	408.32	523.71	420.20	303.64	570.07
	Quick ratio (%)	311.01	383.97	292.02	213.03	189.83
	Interest coverage ratio	38,724	85.39	308.61	2,484.57	440.26
Operating Capacity	Receivables turnover ratio (times)	7.65	7.02	7.46	7.62	6.91
	Average cash collection days	47.71	51.99	48.93	47.90	52.82
	Inventory turnover ratio (times)	2.63	2.61	3.24	3.24	1.58
	Turnover rate of accounts payable (times)	3.62	4.48	7.06	6.16	6.21
	Average days of sales	138.78	139.85	112.65	112.65	231.01
	Property, plant and equipment turnover rate (times)	2.59	2.58	3.65	4.99	3.43
	Total assets turnover rate (times)	0.68	0.67	0.92	1.08	0.77
Profitability	Return on assets (%)	2.33	1.52	3.88	17.51	7.59
	Return rate of owner's equity attributable to parent company (%)	2.88	1.78	4.59	22.10	9.23
	Ratio of net income before tax to paid-in capital (%)	8.25	7.29	15.78	71.41	33.44
	Net income ratio (%)	3.43	2.23	4.23	16.21	9.79
	Earnings per share (NT\$)	0.80	0.50	1.30	5.97	2.74
Cash Flow	Fund flow ratio (%)	63.75	2.96	46.94	79.65	-71.62
	Fund Flow Adequacy Ratio (%)	67.19	56.57	54.85	95.70	46.41
	Cash reinvestment ratio (%)	8.60	-	4.33	16.62	-14.43
Leverage	Operating leverage ratio	5.25	4.91	3.97	2.12	3.95
	Financial leverage ratio	1.00	1.01	1.00	1.00	1.00

The changes in financial ratios of 20% or more in the last two years are described as follows

**Financial Structure:** Debt to assets ratio decrease due to accounts payable reduced.

**Solvency:** Current ratio increase due to accounts payable reduced.

Interest coverage ratio decrease due to net income reduced.

**Operating capacity:** Receivables turnover ratio (times)/Average cash collection days/ Average days of sales/ Property, plant and equipment turnover rate (times)/ Total assets turnover rate (times) become poorer due to revenue reduced.

**Profitability:** Return on assets (%)/Return rate of owner's equity attributable to parent company (%)/Net income ratio (%)/Ratio of net income before tax to paid-in capital (%)/Earnings per share (NT\$) become poorer due to net income after tax reduced.

**Cash Flow:** Fund flow ratio (%)/Fund Flow Adequacy Ratio (%)/Cash reinvestment ratio (%) become poorer due to net cash flow from operating activities reduced.

**Leverage:** Operating leverage ratio increase due to net operating income reduced.

Financial information is using international financial reporting standards.

Note 1: The financial data of the last five years have been audited and certified by accountants

3. The Audit Committee's Review Report of the Latest Financial Report:

## **Audit Report of Audit Committee**

The Board of Directors prepared the Company's business report, financial statements and disposition of net profit for 2022, among which the financial statements were audited by Deloitte & Touche, and the audit report was issued. The above-mentioned business report, financial statements and disposition of net profit have been checked by the Audit Committee, and it is found that there is no discrepancy. According to Article 14-4 of the Securities Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Leadtrend Technology Corporation

Convenor of Audit Committee:

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Jian Guo, Yang      May 02, 2023

- 4. Consolidated Financial Statements for the Most Recent Year: Please reference the Attachment I .**
- 5. Parent Company Only Financial Statements audited and certified by CPA for the most recent year: Please reference the Attachment II .**
- 6. If the company and its affiliates have financial difficulties in the most recent year and as of the date of annual report publication, the impact on financial status shall be listed:** In 2010 and as of May 03, 2011, there was no financial turnover difficulty.



## Analysis of Financial Status, Financial Performance and Risk Management

- 1. Analysis of financial status:** The main reasons and impacts of major changes in assets, liabilities, and shareholders' equity in the last two years, and if the impact is significant, the future response plan should be explained

Unit : NT\$ Thousands

Project \ Year	2022	2021	Difference	
			Amount	%
Current Assets	1,320,369	1,643,439	-323,070	-19.66
Real estate, plant and equipment	529,530	471,671	57,859	12.27
Intangible assets	13,829	9,504	4,325	45.51
Other assets	28,674	47,682	-19,008	-39.86
Total assets	1,892,402	2,172,296	-279,894	-12.88
Current liabilities	226,129	496,536	-270,407	-54.46
Current liabilities	-	-	-	-
Other liabilities	13,322	28,207	-14,885	-52.77
Total liabilities	239,451	524,743	-285,292	-54.37
Share capital	568,838	528,646	40,192	7.60
Capital surplus	390,432	409,669	-19,237	-4.70
Retained earnings	720,024	749,944	-29,920	-3.99
Other adjustments	(26,343)	(40,706)	14,363	-35.28
Total shareholders' equity	1,652,951	1,647,553	5,398	0.33
<p>The analysis of the change in the proportion of increase and decrease shows:</p> <p>Intangible assets increase : Mainly due to the purchase of software.</p> <p>Other assets decrease: Mainly due to the amortization cost °</p> <p>Other liabilities decrease: Mainly due to Account payable reduced.</p> <p>Other liabilities decrease: Mainly due to the lease debt reduced.</p> <p>Other adjustments decrease: Mainly due to the change of recognition of restricted stock costs leaves employees unearned.</p> <p>The future response plan : NA.</p>				

**2. Analysis of financial performance:** The main reasons for major changes in operating income, operating profit and pre-tax net profit in the last two years, the expected sales volume and its basis, the possible impact on the company's future financial business and the response plan

I. Financial performance comparison analysis table

Unit : NT\$ Thousands

Project \ Year	2022	2021	Difference Amount	Difference (%)
Operating revenues	1,631,877	2,134,483	-502,606	-23.55
Operating costs	968,729	1,252,524	-283,795	-22.66
Gross operating profit	663,148	881,959	-218,811	-24.81
Operating expenses	508,104	514,419	-6,315	-1.23
Operating income	155,044	367,540	-212,496	-57.82
Non-operating income and expenses	35,157	9,963	25,194	252.88
Net income from continuing operations before taxes	190,201	377,503	-187,302	-49.62
Income tax expense	37,838	48,526	-10,688	-22.03
Net profit after tax from continuing operations	152,363	328,977	-176,614	-53.69
The analysis of the change in the proportion of increase and decrease shows that: Operating revenues decreased: Mainly due to the market demand reduced. Operating costs、gross operating profit、operating income、income tax expense、tax expense and net profit after tax: Mainly due to revenues decreased。 Non-operating income and expenses net increase : Mainly due to the exchange benefits increased.				

II. Expected sales volume and its rationale

Due to the expected steady growth of the semiconductor market and the launch of new products, the company predicts that the sales volume will continue to grow in the future.

III. Possible impact on the company's future financial business and response plan

Future response plans are not applicable as there is no significant impact on the financial position.

**3. Analysis of cash flow: analysis of cash flow changes in the most recent year, improvement plan for insufficient liquidity, and cash flow analysis for the coming year**

I. Financial performance comparison analysis table

Unit : NT\$ Thousands

2022.01.01 Cash balance at the beginning of the period	Net cash flow from operating activities for the whole year	Net cash flow from investing and financing activities for the whole year	Impact of exchange rate changes	Cash balance (2022.12.31)	Remedial measures for cash deficiency	
					Investment plan	Financial management plan
729,431	(198,713)	(283,876)	3,838	250,680	-	-

Analysis of cash flow changes:

- (I). Cash flow from operating activities: Net cash outflow NT\$ 198,713 thousands, mainly due to increase in inventory.
- (II). Cash flow from investing : Net cash outflow NT\$ 95,862 thousands , mainly due to the real estate, plant and R&D equipment of NT\$124,711 thousands.
- (III). Net cash flow from financing activities : Net cash outflow NT\$ 188,014 thousands, mainly due to the distribution of cash dividends and the repayment of lease principal °

II. Remedial measures and liquidity analysis of expected cash shortage: not applicable.

III. Analysis of cash flow in the next year

Unit : NT\$ Thousands

2023.01.01 Cash balance at the beginning of the period	Net cash flow from operating activities for the whole year	Net cash flow from investing and financing activities for the whole year	Cash balance (2023.12.31)	Remedial measures for cash deficiency	
				Investment plan	Financial management plan
250,680	361,645	(89,120)	523,205	-	-
(1)The estimated cash outflow from investing and financing activities of 2023 are includes investment in additional equipment and cash dividends.					
(2) Leadtrend will be no shortage of cash liquidity in the company in the coming year.					

#### 4. Impact of major capital expenditure in recent year

- I. Review and analysis of major capital expenditure and its capital source : not applicable.
- II. Expected potential benefits : not applicable.

#### 5. Reinvestment policies in the recent years, main reasons for the profit or loss on them, and improvement and investment plans for the next year:

The Company 100% owned Leadtrend Technology (Shenzhen) Limited, and its major business covers computer software design services, computer system integration services, integrated circuits and related electronic products wholesale, agent and import and export business activities. Since 2019, Leadtrend Technology (Shenzhen) Limited, has begun to accept orders from customers, and its revenue in 2022 slightly declined compared with that in 2021. In the future, we will make efforts towards local packaging and testing and direct sales to customers, in order to improve efficiency and save costs.

The Company has accumulated investment of US\$768 thousands in Leadtrend Technology (Samoa) Limited which focuses on investment as its core business.

#### 6. Risks in the recent years and as of the date of issuing the annual report

- I. The impact of interest rate, exchange rate fluctuations and inflation on the Company's profit and loss and future countermeasures

- (I). Interest rate

In 2022 the net interest income amounted NT\$3,472 thousands accounting for 0.21% of the annual net operating income valuing NT\$1,631,877 thousands, or accounting for 2.24% of the annual operating profit valuing NT\$155,044 thousands. The Company's interest income accounted for a very small share of the operating income, and the interest income did not change much as interest rates for time deposits remained stable.

Countermeasures: Maintain good relationship with the banks, so that the Company can obtain more favorable interest rates in case of the need for funds, currently there is no need for loan.

#### (II).Exchange rate

In 2022, the Company's domestic sales of IC chips accounted for about 52%. The IC design industry conventionally use US dollar as the settlement currency, and the Company's sales revenue is settled also mainly in US dollars, so exchange rate fluctuations had a certain impact on the Company's profit and loss. In 2022, the conversion profit of the Company was NT\$16,596 thousands, representing 1.02% and 10.70% of the net operating revenue of NT\$1,631,877 thousands and operating profit of NT\$155,044 thousands respectively for the same year.

Countermeasures to cope with exchange rate fluctuations:

- (1) Continue to strengthen the exchange risk aversion concept with financial staff, with the network exchange rate real-time system and by strengthening the close contact with the foreign exchange department of financial institutions, collect the relevant information on exchange rate changes at any time to analyze the trend of exchange rate changes, collect the relevant information on exchange rate changes at any time, fully grasp the international exchange rate trend and change information, and make positive response to the negative effects of exchange rate fluctuations.
- (2) Try to use the sales revenue in the same currency to pay for the purchase expenditure, in order to achieve the natural effect of risk mitigation.

#### (III). Inflation

The price of raw materials required by the Company is stable and short-term inflation will have little impact on the Company's future profit and loss.

Countermeasures: The Company will continue to pay attention to the inflation situation, and adjust the price of products and the stock of raw materials appropriately to reduce the impact of inflation on the Company.

## II. Policies for engaging in high-risk and highly leveraged investments, loans to others, endorsement guarantees and derivatives trading, main reasons for profits or losses on them and future countermeasures

Leadtrend does not engage in any high-risk, highly leveraged investments, capital loans, endorsements for others and derivatives trading. Leadtrend has established "Procedure for Loaning of Funds" for total limit for Loan, "Procedure for Making of Endorsements/Guarantees" and "Procedure for Derivatives Trading". If any such transactions occur in the future, they will be handled in accordance with the relevant provisions and measures set out in order to protect the best interests of Leadtrend.

## III. Future R&D plans and estimated R&D expenses

The Company's future annual research and development plan mainly focuses on reducing energy consumption, maintaining the earth clean energy saving and environmental protection products, with innovative technology to constantly pursue the highest standard of energy saving power management IC is the Company's commitment, 2023 annual research and development expenses accounted for 18% of the net operating income, mainly for research and development personnel salaries and other research and development related expenses.

## IV. Impact of important domestic and foreign policies and legal changes on the Company's financial business and corresponding measures

All the business of the Company is handled in accordance with the regulations of the competent authorities. In the recent years and up to the date of issuing the annual report, the Company has not been affected by important domestic and foreign policy and legal changes that affect the Company's finance and business.

## V. The impact of technological changes (including capital security risks) and industrial changes on the Company's financial business and corresponding measures.

The Company attaches great importance to the improvement of research and development ability. In addition to keeping abreast of the industrial market and technological trends, the Company will continue to develop new products related to power management IC and energy conservation by utilizing the Company's mature system research and development technology in the future, strengthen the product quality management system and research and development process management, and construct a complete marketing organization and strategy. To provide customers with customized complete power solution planning and layout. In addition to continuously increasing R&D investment, we will maintain sound and flexible financial management to meet the challenges of technological change.

In 2012, Leadtrend set up the Information Security Committee and appointed the chief of the committee. The Information Security Committee is composed of the top-level directors of all departments. As the top information security decision-maker within the organization, it convenes information security meeting regularly or from time to time based on any emergency, coordinate implementation of information security control measures, distribute and effectively manage resources with reasonable responsibility, and get the practical support of the management to promote the information security within the organization.

The Company attaches great importance to the information security and preventions against network risks, and sets up a complete set of multi-level defense network, including firewall, intrusion detection, anti-virus system, vulnerability scanning and patch management from the outside in, and implements the information security management system. The Company conducts information security risk assessment and internal and external information security cycle audit regularly every year to ensure the effectiveness of the management system and comply with the regulations, so the information security risk is not a significant operating risk for the Company.

VI. Impact of corporate image change on corporate crisis management and corresponding measures: None.

VII. Expected benefits from and possible risks in M&A and countermeasures: None.

VIII. Expected benefits from and possible risks in plant facility expansion and countermeasures: None.

IX. Risks in purchase or sales of goods and countermeasures

After the IC designer has completed the product design, it shall entrust the OEM with processing and manufacturing. In order to maintain the product quality and cost competitiveness, it is necessary to consider the equipment capacity, process technology, quality yield and delivery time of the OEM and other relevant important factors, so the IC designers usually choose a suitable OEM as the long-term partner for purchase. In the recent two years, the main OEMs did not increase or decrease significantly. In addition to maintaining a good cooperative relationship with the current OEM, the Company will seek cooperation with other OEMs in the future according to the product manufacturing process demand and cost consideration, to ensure the supply of future production capacity and to minimize the risk of single supply source.

The Company sells goods through its agents to the end customers, so the target customers may be concentrated. It is a conventional practice in the industry that a cooperation pattern is set up between IC designer and the agent for joint development. The agents of the Company are mainly listed companies or 100% owned subsidiaries of listed companies, on which related financial information is available at the market observation post system, and which always make payment as scheduled. In addition, the Company evaluates the financial position of its customers regularly and from time to time, and makes provision for bad debts according to the collection status and age of overdue accounts. In the recent years and up to the date of issuing the annual report, the Company has no accounts overdue in its account.

- X. Directors or major shareholders holding more than 10% of the shares, the impact of transfer or replacement of shares in a large amount on the Company, and related risks and countermeasures: None.
- XI. Impact, risks and countermeasures of the change of management right on the Company: None.
- XII. Litigation or non-litigation shall include material litigation, non-litigation or administrative litigation which have been decided or are pending between the Company and its directors, general managers, actually persons in charge, major shareholders holding more than 10% of the Company and its subsidiaries, the result of which may have a material impact on shareholders' equity or the price of securities, so the Company shall disclose the facts of the dispute, the target amount, the date of filing the lawsuit, the main litigants and the handling up to the date of issuing the annual report: None.
- XIII. Other important risks and countermeasures: None.

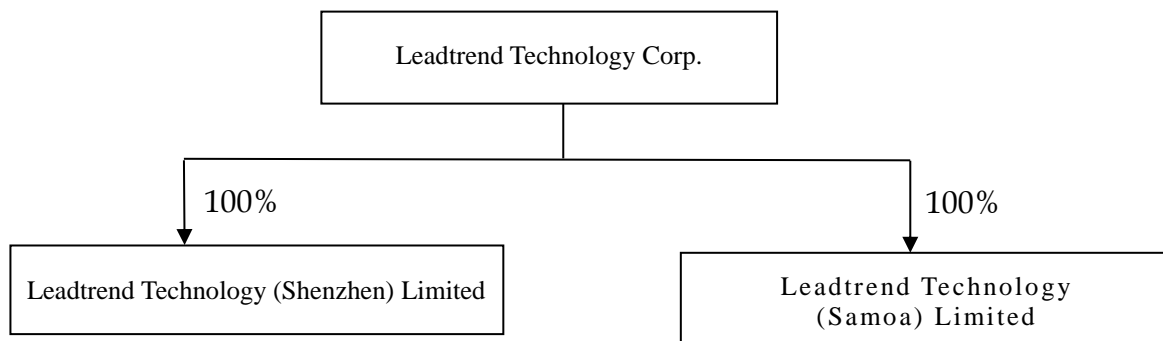
**7. Other Important Matters: None.**

## Special Disclosures

### 1. Affiliates Information

#### I. Affiliated company and business report

##### (I). Group Brief Introduction



##### (II). Background Information of the Affiliated Companies

Unit: US\$ Thousands 2022.12.31

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Leadtrend Technology (Samoa) Limited	2011/07/26	Portcullis TrustNet Chambers, P.O.Box1225, Apia, Samoa	768	investment business.
Leadtrend Technology (Shenzhen) Limited	2011/11/07	Rm10B, Benyuan building, No.6015 Shennan Road, The juncture of Shennan Road and Tairan Nine Road, Southeast, Shatou Street, Futian District ,Shenzhen Guangdong Province, China	9,900	computer software design services, computer system integration services, integrated circuits and related electronic products wholesale, agent and import and export business activities.

##### (III). Information Regarding Same Shareholders of Affiliated Companies Who Is Deemed to Have Control or Subject to Significant Influence : None

##### (IV). Directors, Supervisors, and Presidents of the Affiliated Companies :

2022.12.31

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
Leadtrend Technology (Samoa) Limited	Director	Hao-mín, Lee	-	-
Leadtrend Technology (Shenzhen) Limited	Executive director	Ya-ching, Huang	-	-

(V). Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit : NT\$ Thousands

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Operating Income	Net Income (After Tax))	EPS (NT\$) (After Tax)	Face Value (original \$)
Leadtrend Technology (Samoa) Limited	23,889	3,411	-	3,411	-	(26)	(1)	(0.001)	USD 1
Leadtrend Technology (Shenzhen) Limited	304,029	322,388	59,817	262,571	481,317	20,789	23,518	不適用	不適用

Note: The above companies information was until December 31, 2022

Balance Sheet Exchange Rate:

\$ 1 USD=\$ 30.7100 NT

\$ 1 RMB=\$ 4.4080 NT

Income Statement Exchange Rate:

\$ 1 USD=\$ 29.8044 NT

\$ 1 RMB=\$ 4.4219 NT

II. Consolidated Financial Statements: Please refer to the Consolidated Financial Statements.

**2. Private Placement Securities in the Most Recent Years : None.**

**3. Leadtrend Shares Held or Sold by its Subsidiaries : None.**

**4. Other Necessary Supplements : None.**



## **Major items to affect equity or stock price**

**Major Items to Affect Equity or Stock Price : None**

**LEADTREND TECHNOLOGY CO.  
LTD. AND SUBSIDIARIES**

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

Address: 1, 4/F, 1, the Second Taiyuan Street, Zhubei City, Hsinchu County  
Telephone: (03) 5543588

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## Consolidated Financial Statements of Affiliated Companies

In 2022 (from January 1, 2022 to December 31, 2022), the affiliated companies of the Company which shall be incorporated into the consolidated financial statements of affiliated companies under the Standards of Consolidated Business Reports and Consolidated Financial Statements and Relationship Report of Affiliated Companies are the same as those which shall be incorporated into the consolidated financial statements of parent company and subsidiaries under the International Financial Reporting Standards No. 10. In addition, any related information which shall be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the aforesaid consolidated financial statements of parent company and subsidiaries, and so the consolidated financial statements of affiliated companies will not be prepared additionally.

Name of company: LEADTREND TECHNOLOGY CO. LTD.

Principal: Gao Yukun

March 16, 2023

## **INDEPENDENT AUDITORS' REPORT**

**To LEADTREND TECHNOLOGY CO. LTD.,**

### **Opinion**

We have finished the audit of the consolidated balance sheets respectively as of December 31, 2022 and as of December 31, 2021, and the consolidated composite income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated 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, with respect to LEADTREND TECHNOLOGY CO. LTD. ("the Company") and its subsidiaries (hereinafter collectively referred to as "Affiliated Companies").

In our opinion, the aforesaid consolidated financial statements have been prepared in all material respects in accordance with the financial reporting standards of the securities issuers and International Financial Reporting Standards, International Accounting Standards, interpretations and explanatory announcements approved and issued by the Financial Supervisory Commission, and are sufficient to express the consolidated financial position of the affiliated companies as of December 31, 2022 and as of December 31, 2021 respectively, and the consolidated financial performance and consolidated cash flows during the period from January 1 through December 31, 2022 and the period from January 1 through December 31, 2021 respectively.

### **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 Affiliated Companies 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 Affiliated Companies during 2022 based on our professional knowledge. Such matters have been taken into account in the audit of the consolidated 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 consolidated financial statements of Affiliated Companies during 2022 are described below:

#### **Recognition of sales revenue**

1. The sales revenue of Affiliated Companies is in large amount as detailed in Note 19. The sales revenue for Affiliated Companies 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 Affiliated Companies, 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 9 of consolidated financial statements for details. The inventory balance of Affiliated Companies accounts for 43% 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 Affiliated Companies are 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.

#### **Other matters**

The Company has prepared the individual financial statements as of 2022 and 2021 respectively, and we have issued audit report with clear opinion for filing and for reference.

#### **Responsibility of Management and Governance for Consolidated Financial Statements**

The responsibility of the management is to prepare financial statements with fair representation in accordance with the financial reporting standards of the securities issuers and

International Financial Reporting Standards, International Accounting Standards, interpretations and explanatory announcements approved and issued by the Financial Supervisory Commission, and maintain necessary internal control related to preparation of financial statements, to ensure that the financial statements are free from material misrepresentation due to fraud or error.

In the preparation of consolidated financial statements, the responsibility of the management also includes assessment of Affiliated Companies' 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 Affiliated Companies, or there is no practical solution except liquidation or shutdown.

The governance units (including the audit committee) of Affiliated Companies shall be responsible for supervising the financial reporting process.

### **Responsibility of Accountant to Audit Consolidated Financial Statements**

The purpose of accountant's audit of consolidated financial statements is to obtain reasonable assurance that the consolidated 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 consolidated 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 consolidated 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 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 the internal controls of Affiliated Companies.
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 Affiliated Companies 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 consolidated financial statements to relevant disclosures in the consolidated financial statements or amend the audit opinion if such disclosures are inappropriate. Our conclusion is based on the evidence obtained as of the date of this audit report. However,

future events or circumstances may result in Affiliated Companies' disability to continue as a going concern.

5. Assess the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements fairly and appropriately present relevant transactions and events.
6. Obtain sufficient and appropriate verification evidence of the financial information on the Group's affiliates to express an opinion on the consolidated financial statements. We are responsible for providing instructions on, supervising and executing the Group's audit case and giving audit opinions.

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 consolidated financial statements of Affiliated Companies. 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

Cai Meizhen, Accountant

Zhong Mingyuan, Accountant

FSC Approval No.  
FSC-A-1010028123

FSC Approval No.  
FSC-A-1050024633

March 16, 2023



# LEADTREND TECHNOLOGY CO. LTD. AND SUBSIDIARIES

## Consolidated Balance Sheet

As of December 31, 2022 and December 31, 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)	\$ 250,680	13	\$ 729,431	34
1110	Financial Assets measured at fair value through profit and loss - Current (Notes 4 and 7)	55,634	3	110,093	5
1170	Notes and Accounts Receivable (Notes 4, 5, 8 and 19)	169,644	9	322,377	15
130X	Inventory (Notes 4, 5 and 9)	808,004	43	458,221	21
1470	Other current assets (Note 14)	<u>36,407</u>	<u>2</u>	<u>23,317</u>	<u>1</u>
11XX	Total current assets	<u>1,320,369</u>	<u>70</u>	<u>1,643,439</u>	<u>76</u>
	Non-Current Assets				
1600	Real estate, plant and equipment (Notes 4 and 11)	529,530	28	471,671	22
1755	Right-of-use assets (Notes 4 and 12)	19,712	1	28,256	1
1780	Intangible assets (Notes 4 and 13)	13,829	1	9,504	-
1840	Deferred income tax assets (Notes 4 and 21)	91	-	23	-
1990	Other non-current assets (Notes 4 and 14)	<u>8,871</u>	<u>-</u>	<u>19,403</u>	<u>1</u>
15XX	Total non-current assets	<u>572,033</u>	<u>30</u>	<u>528,857</u>	<u>24</u>
1XXX	Total assets	<u>\$ 1,892,402</u>	<u>100</u>	<u>\$ 2,172,296</u>	<u>100</u>
	Liabilities and Equity				
	Current liability				
2170	Payable account	\$ 63,567	3	\$ 255,436	12
2200	Remuneration payable to staff and directors (Note 20)	37,508	2	78,321	4
2230	Current income tax liabilities (Notes 4 and 21)	15,120	1	59,187	3
2280	Lease liabilities - current (Notes 4 and 12)	12,415	1	11,138	-
2399	Other current liabilities (Note 15)	<u>97,519</u>	<u>5</u>	<u>92,454</u>	<u>4</u>
21XX	Total current liabilities	<u>226,129</u>	<u>12</u>	<u>496,536</u>	<u>23</u>
	Non-current liability				
2580	Lease liabilities - non-current (Notes 4 and 12)	7,568	1	17,267	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 16)	4,840	-	9,694	-
2645	Deposits received	<u>914</u>	<u>-</u>	<u>1,246</u>	<u>-</u>
25XX	Total non-current liabilities	<u>13,322</u>	<u>1</u>	<u>28,207</u>	<u>1</u>
2XXX	Total liabilities	<u>239,451</u>	<u>13</u>	<u>524,743</u>	<u>24</u>
	Equity (Notes 4, 17 and 18)				
	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	Stocks with restricted employee's option	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	27	582,957	27
	Other equity				
3410	Exchange difference in conversion of financial statements by foreign operating institutions	5,602	-	1,867	-
3491	Remuneration not gained by staff	<u>( 31,945 )</u>	<u>( 2 )</u>	<u>( 42,573 )</u>	<u>( 2 )</u>
3XXX	Total equity	<u>1,652,951</u>	<u>87</u>	<u>1,647,553</u>	<u>76</u>
	Total liabilities and equity	<u>\$ 1,892,402</u>	<u>100</u>	<u>\$ 2,172,296</u>	<u>100</u>

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

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

**LEADTREND TECHNOLOGY CO. LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED 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 and 19)				
4110	Sales revenue	\$ 1,665,321	102	\$ 2,147,428	101
4170	Sales returns and allowances	( 33,444 )	( 2 )	( 12,945 )	( 1 )
4000	Net operating revenue	1,631,877	100	2,134,483	100
	Operating costs (Notes 9, 16 and 20)				
5110	Cost of goods sold	968,729	60	1,252,524	59
5900	Operating margin	663,148	40	881,959	41
	Operating expenses (Notes 16 and 20)				
6100	Amortization cost	87,577	5	92,716	4
6200	Management costs	107,549	7	116,903	6
6300	Research and development expenses	312,978	19	304,800	14
6000	Total operating expenses	508,104	31	514,419	24
6900	Net operating profit	155,044	9	367,540	17
	Non-operating income and expenditure (Note 20)				
7100	Interest incomes	3,472	-	3,475	-
7010	Other Income	15,514	1	12,700	-
7020	Other interests and losses	16,735	1	( 5,977 )	-
7050	Financial Costs	( 564 )	-	( 235 )	-
7000	Total non-operating incomes and expenses	35,157	2	9,963	-
7900	Pre-tax net profit	190,201	11	377,503	17

7950	Income tax expense (Notes 4 and 21)	<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>9</u>	<u>328,977</u>	<u>15</u>
	Other composite gains and losses				
8310	Items not reclassified as profit or loss:				
8311	Revaluation of identified benefit plan (Note 16)	\$ 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 17)	<u>3,735</u>	<u>1</u>	( <u>1,079</u> )	<u>-</u>
8300	Total other comprehensive net profit and loss	<u>6,287</u>	<u>1</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>15</u>
	Earnings per share (Note 22)				
9750	Basic	<u>2.74</u>		<u>\$ 5.97</u>	
9850	Dilutive	<u>2.66</u>		<u>\$ 5.80</u>	

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

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

**LEADTREND TECHNOLOGY CO. LTD. AND SUBSIDIARIES**  
**CONSOLIDATED 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 Thousands)	Amount	Share premium	Donations received from shareholders	Restricted employee 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	Capital reserve distributed stock dividend - \$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 2022	-	-	-	-	-	-	-	2,552	2,552	3,735	-	6,287
D5	Total consolidated profit/loss for 2022	-	-	-	-	-	-	-	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 consolidated financial statements.

Chairman: Gao Yukun

Manager: Gao Yukun

Accounting manager: Huang Yaqing

**LEADTREND TECHNOLOGY CO. LTD. AND SUBSIDIARIES**  
**CONSOLIDATED 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	89,102	68,470
A20200	Amortization cost	13,194	17,360
A20400	Net benefit of financial assets and liabilities measured at fair value through profit and loss	( 1,227 )	( 1,892 )
A20900	Financial Costs	564	235
A21200	Interest incomes	( 3,472 )	( 3,475 )
A21900	Compensation cost on stocks with restricted employee's option	21,013	20,422
A22500	Loss in disposal and abandonment of real estate, plant and equipment	151	-
A24100	Net gain/loss on foreign currency exchange	( 1,854 )	1,371
A29900	Benefit from lease modification	( 20 )	( 3 )
A30000	Net changes in operating assets and liabilities		
A31150	Decrease/increase in notes and accounts receivable	151,993	( 119,311 )
A31200	Inventory increase	( 349,783 )	( 119,568 )
A31240	Decrease/increase in other current assets	1,832	( 11,736 )
A32150	Increase/decrease in notes payable and accounts	( 191,586 )	99,788
A32200	Increase/decrease in compensation payable to staff and directors	( 40,813 )	65,793
A32230	Increase in other current liabilities	6,831	22,975
A32240	Decrease in net defined benefit liability	( 2,302 )	( 1,901 )
A33000	Cash inflow to/outflow from operations	( 116,176 )	416,031
A33300	Interest paid	( 564 )	( 235 )
A33500	Income tax paid	( 81,973 )	( 16,240 )
AAAA	Net cash inflow to/outflow from operating activities	( 198,713 )	399,556

Cash flow from investment activities			
B00100	Acquisition of financial assets measured at fair value through profit and loss	( 57,304 )	( 91,224 )
B00200	Dispose of financial assets measured at fair value through profit and loss	114,608	25,195
B02700	Acquisition of real estate, plant and equipment	( 124,711 )	( 112,541 )
B03700	Increase in deposit margin	( 14,486 )	( 1,250 )
B04500	Acquisition of intangible assets	( 17,519 )	( 10,614 )
B07500	Interest received	<u>3,550</u>	<u>3,459</u>
BBBB	Net cash outflows from investment activities	( <u>95,862</u> )	( <u>186,975</u> )
Cash flows from financing activities			
C03000	Increase/decrease in deposits received	( \$ 332 )	\$ 380
C04020	Repayment of lease principal	( 13,417 )	( 13,340 )
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>188,014</u> )	( <u>41,766</u> )
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>3,838</u>	( <u>2,407</u> )
EEEE	Current net increase/decrease in cash and cash equivalents in current year	( 478,751 )	168,408
E00100	Balance of cash and cash equivalents at the beginning of the year	<u>729,431</u>	<u>561,023</u>
E00200	Balance of cash and cash equivalents at the end of the year	<u>\$ 250,680</u>	<u>\$ 729,431</u>

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

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

# LEADTREND TECHNOLOGY CO. LTD. AND ITS SUBSIDIARIES

## Notes to Consolidated Financial Statements

From January 1 to December 31, 2022 and From January 1 to December 31, 2021

(In Thousands of New Taiwan Dollars, unless specified 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. These consolidated 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 consolidated 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 the revised IFRSs approved and issued by the FSC will not result in any material change in the accounting policies of Affiliated Companies.

(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 consolidated 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 consolidated 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 consolidated financial statements have been prepared in accordance with the financial reporting standards of securities issuers and the IFRSs approved and issued by the Financial Regulatory Commission.

(II) Preparation basis

These consolidated 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 planned 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.

(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) Consolidation basis

These consolidated financial statements cover the financial statements of the Company and the entities under its control (i.e. subsidiaries). The financial statements of the subsidiaries has been adjusted to bring their accounting policies in line with those of the Company. In the preparation of consolidated financial statements, all transactions between individual affiliates, account balances, gains and losses have been wiped out.

Please refer to Notes 10 and 29 for details on the subsidiaries, shareholding ratios and operating items.

(V) 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 the individual 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 consolidated 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.

If the Company disposes of its all equity in the foreign operators, all accumulated exchange differences related to the foreign operators will be reclassified to profit or loss.

#### (VI) Inventory

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.

#### (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 consolidated 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 types of financial assets held by the Company are financial assets measured at fair value through profit and loss and financial assets measured at amortized cost.

##### a) Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss include financial assets that are mandated to be measured at fair value through profit or loss and designated to be measured at fair value through profit or loss. Financial assets that are mandated to be measured at fair value through income and loss include investments in equity instruments that are not specified to be measured at fair value through other comprehensive income and loss, and investments in debt instruments that are not classified as measured at amortized cost or measured at fair value through other comprehensive income and loss.

Financial assets measured at fair value through profit and loss are measured at fair value, and dividends and interest generated are recognized as other income and interest income respectively, and benefits or losses generated by measurement are recognized as other benefits and losses. Please refer to Note 25 for how the fair value is determined.

##### b) 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 consolidated 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 respective jurisdictions.

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>
Bank checks and demand deposits	\$ 61,549	\$ 62,049
Foreign currency deposits	59,085	165,405
Petty cash and cash on hand	775	732
Cash equivalents		
Time deposits	129,271	436,245
Commercial note	<u>-</u>	<u>65,000</u>
	<u>\$250,680</u>	<u>\$729,431</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. Financial Instruments measured at fair value through profit and loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial Assets - Current</u>		
Non-derivative financial assets measured at fair value compulsively through profit and loss		
- Fund benefit certificate	<u>\$ 55,634</u>	<u>\$110,093</u>

VIII. Notes and Accounts Receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total book amount	<u>\$ 18,854</u>	<u>\$ 18,707</u>
incurred due to business operation	<u>\$ 18,854</u>	<u>\$ 18,707</u>
<u>Receivable account</u>		
Measured at amortized cost		
Total book amount	<u>\$150,790</u>	<u>\$303,670</u>

The Company's average credit period for merchandise sales is 30 to 45 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>\$150,790</u>	<u>\$303,670</u>

IX. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$118,812	\$ 92,682
Products in process	462,857	316,891
Raw materials	<u>226,335</u>	<u>48,648</u>
	<u>\$808,004</u>	<u>\$458,221</u>

The inventory-related cost of goods sold in 2022 and 2021 was \$968,729,000 and \$1,252,524,000 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.

## X. Subsidiary

### (I) Subsidiaries incorporated into consolidated financial statements

The subjects incorporated into preparation of these consolidated financial statements are listed below:

Name of company invested in:	Name of Subsidiary	Nature of business	Percentage of Holdings		Description
			December 31, 2022	December 31, 2021	
LEADTREND TECHNOLOGY CO. LTD.	Leadtrend Technology (Samoa) Limited	Various investment business	100%	100%	-
	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD. ("LEADTREND SHENZHEN")	Computer software design service, computer system integration service, wholesale of integrated circuits and related electronic products, and agent import and export business activities	100%	100%	-

## XI. Real Estate, Plant and Equipment

### Used by the Company itself

	Land	Buildings	R&D equipment	Furniture and fixtures	Molding equipment	Improvements on leased property	Mask	Total
<b>Cost</b>								
Balance as of January 1, 2022	\$ 72,270	\$ 301,363	\$ 252,971	\$ 33,492	\$ 25,356	\$ 21,632	\$ 242,950	\$ 950,034
Increase	13,930	45,847	32,322	2,876	726	4,952	32,324	132,977
Reduce	-	-	( 528 )	( 1,041 )	-	( 454 )	-	( 2,023 )
Conversion adjustment	-	635	125	59	-	62	-	881
Balance as of December 31, 2022	<u>\$ 86,200</u>	<u>\$ 347,845</u>	<u>\$ 284,890</u>	<u>\$ 35,386</u>	<u>\$ 26,082</u>	<u>\$ 26,192</u>	<u>\$ 275,274</u>	<u>\$1,081,869</u>
<b>Accumulated depreciation</b>								
Balance as of January 1, 2022	\$ -	\$ 42,302	\$ 161,696	\$ 24,902	\$ 23,950	\$ 16,484	\$ 209,029	\$ 478,363
Increase	-	10,453	27,030	3,483	660	4,032	30,004	75,662
Decrease	-	-	( 528 )	( 1,041 )	-	( 303 )	-	( 1,872 )
Conversion adjustment	-	( 3 )	92	44	-	53	-	186
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 52,752</u>	<u>\$ 188,290</u>	<u>\$ 27,388</u>	<u>\$ 24,610</u>	<u>\$ 20,266</u>	<u>\$ 239,033</u>	<u>\$ 552,339</u>
Net amount on December 31, 2022	<u>\$ 86,200</u>	<u>\$ 295,093</u>	<u>\$ 96,600</u>	<u>\$ 7,998</u>	<u>\$ 1,472</u>	<u>\$ 5,926</u>	<u>\$ 36,241</u>	<u>\$ 529,530</u>
<b>Cost</b>								
Balance as of January 1, 2021	\$ 72,270	\$ 258,236	\$ 196,379	\$ 27,166	\$ 23,613	\$ 19,668	\$ 219,343	\$ 816,675
Increase	-	43,127	57,789	6,640	1,743	1,995	23,607	134,901
Decrease	-	-	( 1,141 )	( 289 )	-	-	-	( 1,430 )
Conversion adjustment	-	-	( 56 )	( 25 )	-	( 31 )	-	( 112 )
Balance as of December 31, 2021	<u>\$ 72,270</u>	<u>\$ 301,363</u>	<u>\$ 252,971</u>	<u>\$ 33,492</u>	<u>\$ 25,356</u>	<u>\$ 21,632</u>	<u>\$ 242,950</u>	<u>\$ 950,034</u>
<b>Accumulated depreciation</b>								
Balance as of January 1, 2021	\$ -	\$ 34,244	\$ 145,168	\$ 22,409	\$ 23,607	\$ 12,495	\$ 186,698	\$ 424,621
Increase	-	8,058	17,713	2,803	343	4,009	22,331	55,257
Decrease	-	-	( 1,141 )	( 289 )	-	-	-	( 1,430 )
Conversion adjustment	-	-	( 44 )	( 21 )	-	( 20 )	-	( 85 )
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 42,302</u>	<u>\$ 161,696</u>	<u>\$ 24,902</u>	<u>\$ 23,950</u>	<u>\$ 16,484</u>	<u>\$ 209,029</u>	<u>\$ 478,363</u>
Net amount on December 31, 2021	<u>\$ 72,270</u>	<u>\$ 259,061</u>	<u>\$ 91,275</u>	<u>\$ 8,590</u>	<u>\$ 1,406</u>	<u>\$ 5,148</u>	<u>\$ 33,921</u>	<u>\$ 471,671</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
Die equipment	3 years
Improvements on leased property	2 ~ 6 years
Photo-mask	2 ~ 3 years

## XII. Lease Agreement

### (I) Right-of-use assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Buildings	<u>\$ 19,712</u> 2022	<u>\$ 28,256</u> 2021
Additions to right-of-use asset	<u>\$ 7,517</u>	<u>\$ 30,136</u>
Depreciation expense of right-of-use assets		
Buildings	<u>\$ 13,440</u>	<u>\$ 13,213</u>

### (II) Lease liability

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 12,415</u>	<u>\$ 11,138</u>
Non-Current	<u>\$ 7,568</u>	<u>\$ 17,267</u>

The discount rate for lease liabilities ranges as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

	<u>2022</u>	<u>2021</u>
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>(\$ 16,016)</u>	<u>(\$ 14,956)</u>

### XIII. Intangible Assets

	computer software	Specialized technology	right of patent	Other	Total
Cost					
Balance as of January 1, 2022	\$ 92,624	\$ 17,993	\$ 8,383	\$ 2,922	\$ 121,922
Increase	7,540	9,979	-	-	17,519
Conversion adjustment	( 2 )	-	-	-	( 2 )
Balance as of December 31, 2022	<u>\$ 100,162</u>	<u>\$ 27,972</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 139,439</u>
<u>Cumulative amortization</u>					
Balance as of January 1, 2022	\$ 90,451	\$ 16,459	\$ 2,586	\$ 2,922	\$ 112,418
Increase	1,830	10,525	839	-	13,194
Conversion adjustment	( 2 )	-	-	-	( 2 )
Balance as of December 31, 2022	<u>\$ 92,279</u>	<u>\$ 26,984</u>	<u>\$ 3,425</u>	<u>\$ 2,922</u>	<u>\$ 125,610</u>
Net amount on December 31, 2022	<u>\$ 7,883</u>	<u>\$ 988</u>	<u>\$ 4,958</u>	<u>\$ -</u>	<u>\$ 13,829</u>
Cost					
Balance as of January 1, 2021	\$ 96,316	\$ 3,692	\$ 8,383	\$ 2,922	\$ 111,313
Increase	1,114	9,500	-	-	10,614
Current reclassification	( 4,801 )	4,801	-	-	-
Conversion adjustment	( 5 )	-	-	-	( 5 )
Balance as of December 31, 2021	<u>\$ 92,624</u>	<u>\$ 17,993</u>	<u>\$ 8,383</u>	<u>\$ 2,922</u>	<u>\$ 121,922</u>
<u>Cumulative amortization</u>					
Balance as of January 1, 2021	\$ 87,375	\$ 3,019	\$ 1,747	\$ 2,922	\$ 95,063
Increase	7,482	9,039	839	-	17,360
Reclassified	( 4,401 )	4,401	-	-	-
Conversion adjustment	( 5 )	-	-	-	( 5 )
Balance as of December 31, 2021	<u>\$ 90,451</u>	<u>\$ 16,459</u>	<u>\$ 2,586</u>	<u>\$ 2,922</u>	<u>\$ 112,418</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

### XIV. Other Assets

<u>Current</u>	<u>t</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refundable deposit		\$ 15,000	\$ -
Tax retained		4,726	1,104
Advances on sales		4,107	4,270
Provisional payment		3,322	2,005
Tax rebate receivable		2,709	10,827
Other		<u>6,543</u>	<u>5,111</u>
		<u>\$ 36,407</u>	<u>\$ 23,317</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-Current</u>		
Prepayment for equipment	\$ 5,099	\$ 15,117
Refundable deposit	<u>3,772</u>	<u>4,286</u>
	<u>\$ 8,871</u>	<u>\$ 19,403</u>

XV. Other Current Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonuses payable	\$ 53,428	\$ 45,779
Unpaid leave benefits payable	10,145	10,600
Premium payable	4,284	3,790
Labor expenses payable	3,505	4,539
Payable for equipment	3,282	5,034
Other	<u>22,875</u>	<u>22,712</u>
	<u>\$ 97,519</u>	<u>\$ 92,454</u>

XVI. 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. In addition, the basic pension premium paid by LEADTREND SHENZHEN under the government management fund program shall be recognized as the current annual expense at the time of provision.

(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 consolidated 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:

	<u>Present Value of Identified benefit obligation</u>	<u>Fair Value of Planned Assets</u>	<u>Net Identified Benefit Liabilities (assets)</u>
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	<u>24,933</u>	( <u>15,239</u> )	<u>9,694</u>
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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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%	(\$ <u>527</u> )	(\$ <u>589</u> )
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

## XVII. Equity

### (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>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 20 (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	\$ 1,867	\$ 2,946
Current year		
Difference in conversion of foreign operators in current year	3,735	( 1,079 )
Other comprehensive gains and losses in current year	3,735	( 1,079 )
Balance at end of the year	\$ 5,602	\$ 1,867

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 18.

	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	9,397	309
Balance at end of the year	( \$ 31,945 )	( \$ 42,573 )

XVIII. 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)	board		Base date of capital increase	Actual number of shares issued (thousand shares)	Date of Offering Fair Value
		Offered shares decided by BOD (thousand shares)	Date of Offering			
2016.06.21	1,200	1,200	105.07.28	105.08.25	1,200	\$ 30.2
2020.06.23	1,200	900	109.09.11	109.11.06	900	34.35
2020.06.23	1,200	300	110.08.03	110.08.03	300	122
2022.06.09	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	( <u>197.0</u> )
Outstanding at the end of the year	<u>-</u>
Obtained by employee	<u>613.0</u>

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:

<u>G r a n t i n g   p e r i o d</u>	<u>Granting ratio</u>
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 ~ April 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)	109 - 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	( 28.5 )	( 60.0 )
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	( 12.0 )	( 9.0 )
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 stock with restricted employee option totaling \$ 4,200,000 in 4,200,000 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 - 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.

#### XIX. Operating Revenue

	2022	2021
Revenue from customer contracts integrated circuit	<u>\$ 1,631,877</u>	<u>\$ 2,134,483</u>
(I) Contractual balance		
	December 31, 2022	December 31, 2021
Notes and accounts receivable (Note 8)	<u>\$ 169,644</u>	<u>\$ 322,377</u>
		January 1, 2021
		<u>\$ 203,102</u>

(II) Breakdown of customer contract revenue

Differential subdivision by district

	<u>2022</u>	<u>2021</u>
Taiwan (where the Company is located)	\$ 851,269	\$ 1,232,735
Mainland China	760,072	892,996
Korea	5,201	3,464
Other countries	<u>15,335</u>	<u>5,288</u>
	<u>\$ 1,631,877</u>	<u>\$ 2,134,483</u>

XX. Net Profit of business units

(I) Interest incomes

	<u>2022</u>	<u>2021</u>
Interest incomes		
Bank deposit	\$ 3,305	\$ 3,456
With repurchase of bonds	101	-
Commercial note	44	-
Interest on deposit	<u>22</u>	<u>19</u>
	<u>\$ 3,472</u>	<u>\$ 3,475</u>

(II) Other incomes

	<u>2022</u>	<u>2021</u>
Income from government subsidy	\$ 9,327	\$ 6,673
Rental income		
Other business leases	2,182	2,009
Other	<u>4,005</u>	<u>4,018</u>
	<u>\$ 15,514</u>	<u>\$ 12,700</u>

(III) Other interests and losses

	<u>2022</u>	<u>2021</u>
Profit and loss on financial assets		
Gains on financial assets measured at fair value through profit and loss	\$ 1,227	\$ 1,892
Net gain (loss) on foreign currency exchange	16,596	( 5,871 )
Loss in disposal of real estate, plant and equipment	( 151 )	-
Lease modification	20	3
Other	<u>( 957 )</u>	<u>( 2,001 )</u>
	<u>\$ 16,735</u>	<u>( \$ 5,977 )</u>

(IV) Financial cost

	2022	2021
Interest on lease liabilities	\$ 564	\$ 234
Other interest expense	<u>-</u>	<u>1</u>
	<u>\$ 564</u>	<u>\$ 235</u>

(V) Depreciation and amortization

	2022	2021
Summary of depreciation costs by function		
Operating costs	\$ 26,140	\$ 23,112
Operating Expenses	<u>62,962</u>	<u>45,358</u>
	<u>\$ 89,102</u>	<u>\$ 68,470</u>
Summary of amortized expenses by function		
Operating costs	\$ 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
Identified benefit plan (Note 16)	<u>520</u>	<u>509</u>
	11,643	10,476
Share-based payment (Note 18)		
Delivery of equity	21,013	20,422
Other employee benefits	<u>366,330</u>	<u>396,719</u>
Total employee benefit expenses	<u>\$398,986</u>	<u>\$427,617</u>
Summary by function		
Operating costs	\$ 58,201	\$ 74,671
Operating Expenses	<u>340,785</u>	<u>352,946</u>
	<u>\$398,986</u>	<u>\$427,617</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 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 consolidated financial statements, 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 statements 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/losses in foreign currency exchange

	2022	2021
Total foreign exchange benefits	\$ 38,803	\$ 9,837
Total loss on foreign currency exchange	( 22,207 )	( 15,708 )
Net profit (loss)	<u>\$ 16,596</u>	<u>( \$ 5,871 )</u>

I. 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:

	<u>2022</u>	<u>2021</u>
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 for previous years in current year	( <u>5,355</u> )	( <u>14,497</u> )
Income tax expense recognized as profit and loss	<u>\$ 37,838</u>	<u>\$ 48,526</u>

The tax rate applicable to the Company under the Income Tax Law of Taiwan is 20%. The tax rate for undistributed earnings shall be 5%. Subsidiaries in Mainland China are subject to the tax rate subsidy for high-tech enterprises, so the applicable tax rate is 15%. Taxes in other jurisdictions shall be calculated on the basis of the tax rates applicable in the respective jurisdictions.

(II) Current income tax liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

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

2021

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

	Balance at Beginning of the Year	Variations in current year	Balance at end of the year
Deferred income tax liability			
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.

XXII. 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>

Number of shares      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.

#### XXIII. Government Subsidy

In 2021, the Company obtained a government subsidy amounting \$16 million 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.

#### XXIV. 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.

#### XXV. 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) Fair Value information - financial instruments measured at fair value on a recurring basis

###### 1. Fair value hierarchy

###### December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>measured at fair</u>				
<u>value through profit</u>				
<u>and loss</u>				
Fund benefit certificate	\$ 55,634	\$ -	\$ -	\$ 55,634

###### December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>measured at fair</u>				
<u>value through profit</u>				
<u>and loss</u>				
Fund benefit certificate	\$ 110,093	\$ -	\$ -	\$ 110,093

There was no transfer of fair value measurement between Class 1 and Class 2 in 2022 and 2021.

(III) Classification of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial Assets</u>		
Measured at fair value through profit and loss		
Non-derivative financial assets measured at fair value	\$ 55,634	\$110,093
Financial assets measured at cost after amortization		
Cash and Cash Equivalents	250,680	729,431
Notes and accounts receivable	169,644	322,377
Refundable deposit	18,772	4,286
 <u>Financial liabilities</u>		
Measured at amortized cost		
Payable account	63,567	255,436
Deposits received	914	1,246

(IV) Purpose and policies of financial risk management

The Company's principal financial instruments include accounts receivable, 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 28 for the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements).

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 rates of the individual functional currencies increase or decrease 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, other receivables, 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 individual functional currency appreciates by 5% relative to all relevant currencies. When the individual functional currency 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	\$ 5,236	\$ 8,470	\$ 70	\$ 3,642

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 exchange rate during the year was mainly due to the decrease in US dollar net 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 affiliates of the Company hold 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	\$129,271	\$501,245
- Financial liabilities	19,983	28,405
Interest rate risk in cash flow		
- Financial assets	121,409	227,454

#### 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 \$121,000 and \$227,000 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 consolidated 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, Customer D and Customer E 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, Customer D and Customer E, 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, Customer D and Customer E 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	\$ 21,875	\$ 41,692	\$ -	\$ -	\$ 63,567
lease liabilities	\$ 1,079	\$ 2,158	\$ 9,440	\$ 7,644	\$ 20,321
Other current liabilities	\$ 15,571	\$ 9,235	\$ -	\$ -	\$ 24,806

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	\$ 12,677	\$ 7,644	\$ -

#### 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	\$ 83,390	\$ 172,046	\$ -	\$ -	\$ 255,436
lease liabilities	\$ 1,254	\$ 1,879	\$ 8,453	\$ 17,601	\$ 29,187
Other current liabilities	\$ 17,187	\$ 11,632	\$ -	\$ -	\$ 28,819

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	\$ 11,586	\$ 17,601	\$ -

## XXVI. Transactions with Related Parties

(I) All transactions between the Company and its subsidiaries, account balances, gains and losses have been wiped out at the time of consolidation and are not disclosed in this note. The Company has no dealings with any other affiliated party.

### (II) 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.

## XXVII. 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.

## XXVIII. 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 individual 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
<u>Foreign currency assets</u>				
<u>Monetary items</u>				
USD	\$ 4,748	30.710 (USD: TWD)		\$ 145,819
USD	17	6.967 (USD: RMB)		536
RMB	318	4.408 (RMB: TWD)		<u>1,404</u>
				<u>\$ 147,759</u>
<u>Foreign currency liabilities</u>				
<u>Monetary items</u>				
USD	1,356	30.710 (USD: TWD)		<u>\$ 41,629</u>

December 31, 2021

Unit:1,000 in each foreign currency

	Foreign currency	exchange rate	carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 10,828	27.680 (USD:TWD)	\$ 299,718
USD	17	6.372 (USD:RMB)	483
RMB	16,768	4.344 (RMB:TWD)	<u>72,841</u>
			<u>\$ 373,042</u>

Foreign currency liabilitiesMonetary items

USD	4,725	27.680 (USD:TWD)	<u>\$ 130,797</u>
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The total realized and unrealized net gain (loss) on foreign currency exchange of the Company for 2022 and 2021 were \$16,596,000 and (\$5,871,000) respectively. Due to the wide variety of individual foreign currencies used in transactions by the affiliates of the Group, it is not possible to disclose exchange gains and losses by foreign currency with significant impact.

XXIX. Matters Disclosed in Notes

- (I) Major transactions and (II) Related information on reinvested business: At the time of preparation of these consolidated financial statements, all significant transactions between the parent and subsidiaries and their balances have been wiped out.

## 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 of bad debts	Collateral security		Loans and limits for individual s (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	\$661,18	-

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.

## 2. Endorse for another: none.

## 3. Securities holdings at the end of the period:

Holder	Class of Marketable Securities	Names of securities	Relationship with Securities Issuer	Presented Items	End of the Period				Remark
					Number of shares or Unit	Carrying amount	Shareholding Ratio%	Planned Assets	

LEADTREND SHENZHEN	Fund	Fund B on Mainland China Resources Yuanta Cash Connect Money Market	-	Financial assets measured at fair value through profit and loss - Flows	-	\$ 55,6	-	\$ 55,634	Note 1
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Note 1: Based on net value as at December 31, 2022.

Note 2: No security, pledged loans or other agreed restriction for use of the securities as listed above has been offered as of December 31, 2022.

4. Cumulative purchase or sale of the same securities amounting to NT \$300 million or more than 20% of the paid-in capital: none.

5. Real estate acquired amounting NT \$300 million or more than 20% of the paid-in capital: none.

6. Immovable property disposed amounting NT \$300 million or more than 20% of the paid-in capital: none.

7. Sales to/from related parties amounting NT \$100 million or more than 20% of the paid-in capital .

Company buying/selling goods	Trader	Relationship	Transaction Situation				Conditions and reason for difference from general terms of trading		Notes and account receivable/payable		R e m a r k
			Buy or Sell	A m o u n t	Ratio to total goods (%)	Credit Extension Period	Unit price	Credit Extension Period	B a l a n c e	Ratio to total notes and accounts receivable/pa yable (%)	
LEADTREND TECHNOLOGY CO. LTD.	LEADTREND TECHNOLOGY (SHENZHEN) CO. LTD.	Parent company	Sell	\$397,335	26	60 days on monthly payment	Note	Equivalent	\$ 29,074	22	-

Note: The price at which the Company sells goods to affiliated 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. Trading involving derivatives: none.

10. Others: Information and amount of business relations and important transactions between the parent company and subsidiaries:

2022

					Transaction Information			
		Trading Party			Trading			Ratio to total
No.	Name of Trader			Relationship (Note 2)	Item	Amount	Condition	revenues or total assets
0	LEADTREND TECHNOLOGY	LEADTREND	TECHNOLOGY	1	Sales revenue	\$ 397,33.	Note 3	24%
	CO. LTD.	(SHENZHEN)	CO. LTD.					
0	LEADTREND TECHNOLOGY	LEADTREND	TECHNOLOGY	1	Accounts Receivable -	29,07.	Note 3	2%
	CO. LTD.	(SHENZHEN)	CO. LTD.		related parties			

Note 1: The amount of transactions with parent company is 0. Subsidiaries are numbered in sequence starting with the number 1.

Note 2: There is no appropriate object comparable with the sales price between subsidiaries, and the collection period with the subsidiary is comparable to that with ordinary customers.

Note 3: Material transactions in this table may be listed at the discretion of the Company based on the principle of materiality.

## 11.Information on company invested in:

Unit: TWD / USD \$1,000

Invested Company Name	Jurisdiction	Main business items	Original investment amount		Ending holdings			Invested Company Income/loss for the period	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 Name of Entity	Primary Business Item	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/loss 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	Recovery						
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 ( USD9,900)	Note 1	\$ 216,506 ( USD7,050)	\$ - ( USD -	\$ -	\$ 216,506 ( USD7,050)	\$ 23,518 ( USD789)	100%	\$ 23,518 ( USD789)	\$ 203,713 ( USD8,550)	\$ -

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 companies 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 consolidated 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) 10. Others.

(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

### XXX. Department Information

#### (I) Revenue, Operating Results and Assets of Department

The Company's operating decision makers focus on and use product-specific information to allocate resources and evaluate department performance. Each product has similar economic characteristics and is marketed by a unified and centralized marketing approach, so the Company summarizes and reports them in a single operating department. In addition, the department information provided by the Company to the operating decision makers for review is measured on the same basis as the consolidated financial statements. Therefore, for the department's revenue and operating results reported for 2022 and 2021, refer to the consolidated income statement for 2022 and 2021. For the department's assets to be reported as of December 31, 2022 and December 31, 2021, refer to the consolidated balance sheet as of December 31, 2022 and December 31, 2021 respectively.



(II) Income from main products and services:

The income analysis on the Company's main products and services is given below:

	2022	2021
Integrated circuit	<u>\$ 1,631,877</u>	<u>\$ 2,134,483</u>

(III) District-specific information:

The revenues of the Company's continuously operating unit from external customers are classified based on the country where the customers are located and on the jurisdiction where non-current asset is located, as shown below:

	Revenue from external customers		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan (where the Company is located)	\$ 851,269	\$ 1,232,735	\$ 514,470	\$ 476,598
Mainland China	760,072	892,996	53,700	47,950
Korea	5,201	3,464	-	-
Other countries	<u>15,335</u>	<u>5,288</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,631,877</u>	<u>\$ 2,134,483</u>	<u>\$ 568,170</u>	<u>\$ 524,548</u>

Non-current assets do not include deferred income tax assets and deposit margin.

(IV) Information on Important Customers:

Customers accounting for more than 10% of the Company's net operating revenues are listed below.

Name of Customer	2022		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Company A	\$ 509,907	31	\$ 779,078	36
Company B	139,640	9	217,681	10

# **LEADTREND TECHNOLOGY CO. LTD.**

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

Address: 1, 4/F, 1, the Second Taiyuan Street, Zhubei City, Hsinchu  
County

Telephone: (03) 5543588

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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

(See next page)

(See previous page)

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>
<u>Wholly-owned subsidiary</u>		
	<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&amp;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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

	<u>2022</u>	<u>2021</u>
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

	<u>Computer software</u>	<u>Specialized technology</u>	<u>Right of patent</u>	<u>Other</u>	<u>Total</u>
<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

	<u>2022</u>	<u>2021</u>
Total foreign exchange benefits	\$ 38,740	\$ 9,780
Total loss on foreign currency exchange	( <u>22,190</u> )	( <u>15,012</u> )
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:

	<u>2022</u>	<u>2021</u>
Current income tax		
Incurred in current year	\$ 43,261	\$ 63,228
Adjustments from previous years	( <u>5,355</u> )	( <u>14,497</u> )
	37,906	48,731
Deferred income tax		
Incurred in current year	( <u>68</u> )	( <u>205</u> )
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:

	<u>2022</u>	<u>2021</u>
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	( <u>5,355</u> )	( <u>14,497</u> )
Income tax expense recognized as profit and loss	<u>\$ 37,838</u>	<u>\$ 48,526</u>

(II) Current income tax liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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 Interval	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

通嘉科技股份有限公司  
Leadtrend Technology Corp.



負責人:高育坤



Chairman: Yu- Kun, Kao





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