

**ETRON TECHNOLOGY, INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**ETRON TECHNOLOGY, INC.**

**Declaration of Consolidated Financial Statements of Affiliated Enterprises**

For the year ended December 31, 2022, pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity that is required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

ETRON TECHNOLOGY, INC.

By

---

Chao-Chun Lu

Chairman

March 13, 2023

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Etron Technology, Inc.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Etron Technology, Inc. and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

### ***Key audit matters***

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

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

#### **Key audit matters - Valuation of accounts receivable**

##### Description

Please refer to Note 4(10) for accounting policies on valuation of accounts receivable, Note 5 for the uncertainty of accounting estimates and assumptions related to valuation of accounts receivable, and Note 6(5) for details of accounts receivable. As of December 31, 2022, the total amount of accounts receivable and allowance for uncollectible accounts were NT\$960,813 thousand and NT\$82,653 thousand, respectively.

The Group assesses the allowance for uncollectible receivables by each individual counterparty when there are significant past due accounts receivable arising from each individual counterparty. The valuation of allowance for uncollectible accounts receivable for the remaining counterparties is based on the default risk and expected loss rate. The amount of accounts receivable is material to the consolidated financial statements and the valuation involves subjective judgment made by management. Thus, we consider the valuation of accounts receivable a key audit matter.

##### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter, these procedures included: obtained an understanding and evaluated the design and operating effectiveness of internal controls related to revenue and receivable business process, obtained the aging report of accounts receivable and validated the accuracy, obtained and validated the assessment made by management in identifying significant expected credit loss for each individual counterparty and respective supporting documents, obtained and validated the expected credit loss ratios calculated by management based on the Company's historical data of similar credit risk and forward-looking information, and tested subsequent collection in order to assess the reasonableness of allowance for uncollectable accounts.

## **Key audit matters - Valuation of inventories**

### Description

Refer to Note 4(14) for accounting policies on valuation of inventories, Note 5 for the uncertainty of accounting estimates and assumptions related to valuation of inventories, and Note 6(6) for details of inventories. As of December 31, 2022, the total amount of inventories and allowance for inventory valuation loss were NT\$4,098,420 thousand and NT\$515,232 thousand, respectively.

The Group is primarily engaged in the design, manufacture and sale of niche memory chips. Due to rapidly technology changes and fluctuation in market demands, there is a higher risk of decline in market values of inventories or obsolescence. The Group's inventories are measured at the lower of cost and net realizable value. The estimation of net realizable value for inventories aged over a certain period of time and individually identified as obsolete involves management's subjective judgment and the amount of inventories is material to the consolidated financial statements. Thus, we consider the valuation of inventories a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter, these procedures included: assessed the reasonableness of policies regarding valuation of inventories and provision of allowance for inventory valuation loss, validated the consistency of quantities and amounts of inventories between inventory aging report at year end and inventory sub-ledger, sample tested the accuracy of categorization of inventory aging report, sample tested individually identified inventory items and the reasonableness of the estimation of net realisable values in order to ensure the sufficiency of allowance of inventory valuation loss.

***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain investments accounted for under the equity method recognized by the Group's investee accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balances of these investments accounted for under the equity method amounted to NT\$336,110 thousand and NT\$313,775 thousand, constituting 4.08% and 4.36% of the consolidated total assets as at December 31, 2022 and 2021, and the comprehensive income recognized from investments accounted for under the equity method amounted to NT(\$41,365) thousand and NT\$34,364 thousand, constituting (63.71%) and 3.05% of the consolidated total comprehensive income for the years then ended, respectively.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Etron Technology, Inc. as at and for the years ended December 31, 2022 and 2021.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

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

the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



---

Chiang, Tsai-yen

---

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2023

-----  
The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**ETRON TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

| Assets  | Notes          | December 31, 2022   |            | December 31, 2021   |            |
|---|----------------|---------------------|------------|---------------------|------------|
|   |                | AMOUNT              | %          | AMOUNT              | %          |
| <b>Current assets</b>   |                |                     |            |                     |            |
| Cash and cash equivalents   | 6(1)           | \$ 842,402          | 10         | \$ 1,277,391        | 18         |
| Financial assets at fair value through profit or loss - current               | 6(2)           | 60,894              | 1          | 5,253               | -          |
| Financial assets at amortised cost-current                                    | 6(4) and 8     | 30,057              | -          | 18,971              | -          |
| Notes receivable, net   | 6(5)           | 73,838              | 1          | 10,000              | -          |
| Accounts receivable, net  | 6(5)           | 878,160             | 11         | 1,425,185           | 20         |
| Other receivables   | 7              | 18,819              | -          | 46,620              | -          |
| Current income tax assets   |                | 13                  | -          | 14                  | -          |
| Inventories, net  | 6(6)           | 3,583,188           | 44         | 1,802,481           | 25         |
| Prepayments   |                | 145,566             | 2          | 55,989              | 1          |
| Other current assets  |                | 2,859               | -          | 1,268               | -          |
| <b>Total current assets</b>   |                | <b>5,635,796</b>    | <b>69</b>  | <b>4,643,172</b>    | <b>64</b>  |
| <b>Non-current assets</b>   |                |                     |            |                     |            |
| Financial assets at fair value through other comprehensive income-non-current | 6(3)           | 680,510             | 8          | 751,176             | 11         |
| Financial assets at amortised cost-non-current                                | 6(4) and 8     | 5,941               | -          | 5,941               | -          |
| Investments accounted for using equity method                                 | 6(7)           | 336,110             | 4          | 313,775             | 4          |
| Property, plant and equipment   | 6(8)(13) and 8 | 667,688             | 8          | 624,685             | 9          |
| Right-of-use assets   | 6(9)           | 211,371             | 3          | 142,422             | 2          |
| Intangible assets   | 6(11)          | 41,586              | -          | 56,507              | 1          |
| Deferred income tax assets  | 6(33)          | 216,766             | 3          | 241,501             | 3          |
| Other non-current assets  | 6(12)          | 428,657             | 5          | 425,203             | 6          |
| <b>Total non-current assets</b>   |                | <b>2,588,629</b>    | <b>31</b>  | <b>2,561,210</b>    | <b>36</b>  |
| <b>Total assets</b>   |                | <b>\$ 8,224,425</b> | <b>100</b> | <b>\$ 7,204,382</b> | <b>100</b> |

(Continued)

**ETRON TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity   | Notes       | December 31, 2022   |            | December 31, 2021   |            |
|--|-------------|---------------------|------------|---------------------|------------|
|  |             | AMOUNT              | %          | AMOUNT              | %          |
| <b>Current liabilities</b>   |             |                     |            |                     |            |
| Short-term borrowings  | 6(14)       | \$ 1,083,088        | 13         | \$ 140,720          | 2          |
| Financial liabilities at fair value through profit or loss - current     | 6(15)       | 8,662               | -          | -                   | -          |
| Contract liabilities-current   | 6(25)       | 2,164               | -          | 4,276               | -          |
| Notes payable  |             | 753                 | -          | 1,534               | -          |
| Accounts payable   |             | 687,754             | 8          | 943,330             | 13         |
| Other payables   | 6(16)       | 298,604             | 4          | 366,877             | 5          |
| Current income tax liabilities   |             | 5,240               | -          | 324                 | -          |
| Current lease liabilities  |             | 22,514              | -          | 22,833              | -          |
| Long-term liabilities, current portion                                   | 6(18)       | 197,498             | 3          | 766,818             | 11         |
| Other current liabilities, others  | 6(10) and 7 | 8,452               | -          | 31,154              | 1          |
| <b>Total current liabilities</b>   |             | <u>2,314,729</u>    | <u>28</u>  | <u>2,277,866</u>    | <u>32</u>  |
| <b>Non-current liabilities</b>   |             |                     |            |                     |            |
| Bonds payable  | 6(17)       | 739,984             | 9          | -                   | -          |
| Long-term borrowings   | 6(18) and 8 | 574,731             | 7          | 504,432             | 7          |
| Deferred income tax liabilities  | 6(33)       | 3,444               | -          | 483                 | -          |
| Non-current lease liabilities  |             | 193,311             | 2          | 123,237             | 1          |
| Other non-current liabilities  | 6(19) and 7 | 116,145             | 2          | 54,767              | 1          |
| <b>Total non-current liabilities</b>                                     |             | <u>1,627,615</u>    | <u>20</u>  | <u>682,919</u>      | <u>9</u>   |
| <b>Total Liabilities</b>   |             | <u>3,942,344</u>    | <u>48</u>  | <u>2,960,785</u>    | <u>41</u>  |
| <b>Equity attributable to owners of parent</b>                           |             |                     |            |                     |            |
| Share capital  | 6(20)       |                     |            |                     |            |
| Common stock   |             | 2,840,618           | 34         | 2,698,693           | 37         |
| Capital collected in advance   |             | 3,585               | -          | 1,530               | -          |
| Capital surplus  | 6(21)       |                     |            |                     |            |
| Capital surplus  |             | 687,164             | 9          | 568,222             | 8          |
| Retained earnings  | 6(22)       |                     |            |                     |            |
| Legal reserve  |             | 78,407              | 1          | -                   | -          |
| Unappropriated retained earnings   |             | 539,784             | 7          | 784,069             | 11         |
| Other equity interest  | 6(23)       | 32,746              | -          | 87,129              | 2          |
| <b>Equity attributable to owners of parent</b>                           |             | <u>4,182,304</u>    | <u>51</u>  | <u>4,139,643</u>    | <u>58</u>  |
| <b>Non-controlling interests</b>   | 4(3)        | 99,777              | 1          | 103,954             | 1          |
| <b>Total equity</b>  |             | <u>4,282,081</u>    | <u>52</u>  | <u>4,243,597</u>    | <u>59</u>  |
| Significant contingent liabilities and unrecognized contract commitments | 9           |                     |            |                     |            |
| Significant events after the balance sheet date                          | 11          |                     |            |                     |            |
| <b>Total liabilities and equity</b>                                      |             | <u>\$ 8,224,425</u> | <u>100</u> | <u>\$ 7,204,382</u> | <u>100</u> |

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

**ETRON TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items  | Notes          | Year ended December 31 |           |                     |             |
|--|----------------|------------------------|-----------|---------------------|-------------|
|  |                | 2022                   |           | 2021                |             |
|  |                | AMOUNT                 | %         | AMOUNT              | %           |
| Operating revenue  | 6(25)          | \$ 4,684,589           | 100       | \$ 6,146,406        | 100         |
| Operating costs  | 6(6)(30)(31)   | ( 3,484,313)           | ( 74)     | ( 4,024,737)        | ( 65)       |
| Gross profit from operations   |                | <u>1,200,276</u>       | <u>26</u> | <u>2,121,669</u>    | <u>35</u>   |
| Operating expenses   | 6(30)(31)      |                        |           |                     |             |
| Selling expenses   |                | ( 221,106)             | ( 5)      | ( 185,851)          | ( 3)        |
| General and administrative expenses  |                | ( 292,019)             | ( 6)      | ( 305,437)          | ( 5)        |
| Research and development expenses  |                | ( 666,079)             | ( 14)     | ( 599,127)          | ( 10)       |
| Expected credit impairment (loss) gain   | 12(2)          | ( 409)                 | -         | 40,028              | 1           |
| Total operating expenses   |                | ( 1,179,613)           | ( 25)     | ( 1,050,387)        | ( 17)       |
| Other operating income and expenses-net  | 6(26) and 7    | <u>62,523</u>          | <u>1</u>  | <u>57,647</u>       | <u>1</u>    |
| Operating profit   |                | <u>83,186</u>          | <u>2</u>  | <u>1,128,929</u>    | <u>19</u>   |
| Non-operating income and expenses  |                |                        |           |                     |             |
| Interest income  | 6(27)          | 2,437                  | -         | 3,974               | -           |
| Other income   | 6(28)          | 78,052                 | 2         | 30,650              | 1           |
| Other gains and losses   | 6(29)          | ( 33,454)              | ( 1)      | 20,029              | -           |
| Finance costs  | 6(32)          | ( 34,413)              | ( 1)      | ( 39,931)           | ( 1)        |
| Expected credit impairment loss  | 6(4) and 12(2) | -                      | -         | ( 63,000)           | ( 1)        |
| Share of profit of associates and joint ventures accounted for using equity method | 6(7)           | <u>11,504</u>          | <u>-</u>  | <u>3,119</u>        | <u>-</u>    |
| Total non-operating income and expenses  |                | <u>24,126</u>          | <u>-</u>  | <u>( 45,159)</u>    | <u>( 1)</u> |
| <b>Profit before income tax</b>  |                | <u>107,312</u>         | <u>2</u>  | <u>1,083,770</u>    | <u>18</u>   |
| Income tax expense   | 6(33)          | ( 33,112)              | ( 1)      | ( 68,735)           | ( 1)        |
| <b>Net income for the year</b>   |                | <u>\$ 74,200</u>       | <u>1</u>  | <u>\$ 1,015,035</u> | <u>17</u>   |

(Continued)

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items   | Notes    | Year ended December 31 |      |              |      |
|---|----------|------------------------|------|--------------|------|
|   |          | 2022                   |      | 2021         |      |
|   |          | AMOUNT                 | %    | AMOUNT       | %    |
| <b>Other comprehensive income (loss)</b>  |          |                        |      |              |      |
| <b>Items that will not be reclassified to profit or loss</b>  |          |                        |      |              |      |
| Loss on remeasurements of defined benefit plans   | 6(19)    | (\$ 821)               | -    | (\$ 5,181)   | -    |
| Unrealised gains on investment in equity instruments at fair value through other comprehensive (loss) income  | 6(3)(23) | ( 46,882)              | ( 1) | 118,713      | 2    |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss    | 6(7)(23) | 3,161                  | -    | 3,474        | -    |
| Components of other comprehensive income that will not be reclassified to profit or loss  |          | ( 44,542)              | ( 1) | 117,006      | 2    |
| <b>Items that will be reclassified to profit or loss</b>  |          |                        |      |              |      |
| Currency translation differences of foreign operations  | 6(23)    | 91,297                 | 2    | ( 24,582)    | -    |
| Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | 6(7)(23) | ( 56,030)              | ( 1) | 19,290       | -    |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss   |          | 35,267                 | 1    | ( 5,292)     | -    |
| <b>Other comprehensive (loss) income for the year</b>   |          |                        |      |              |      |
|   |          | (\$ 9,275)             | -    | \$ 111,714   | 2    |
| <b>Total comprehensive income for the year</b>  |          |                        |      |              |      |
|   |          | \$ 64,925              | 1    | \$ 1,126,749 | 19   |
| Profit (loss) attributable to:  |          |                        |      |              |      |
| Owners of the parent company  |          | \$ 141,895             | 2    | \$ 1,051,071 | 17   |
| Non-controlling interest  |          | ( 67,695)              | ( 1) | ( 36,036)    | -    |
|   |          | \$ 74,200              | 1    | \$ 1,015,035 | 17   |
| Total comprehensive income (loss) attributable to:  |          |                        |      |              |      |
| Owners of the parent company  |          | \$ 130,647             | 2    | \$ 1,163,508 | 20   |
| Non-controlling interest  |          | ( 65,722)              | ( 1) | ( 36,759)    | ( 1) |
|   |          | \$ 64,925              | 1    | \$ 1,126,749 | 19   |
| Basic earnings per share  |          |                        |      |              |      |
|   |          | \$ 0.50                |      | \$ 3.73      |      |
| Diluted earnings per share  |          |                        |      |              |      |
|   |          | \$ 0.50                |      | \$ 3.69      |      |

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

**ETRON TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

|   | Notes         | Equity attributable to owners of the parent |                              |                 |                   |  |                       |              | Non-controlling interest | Total equity |
|---|---------------|---|------------------------------|-----------------|-------------------|--|-----------------------|--------------|--------------------------|--------------|
|   |               | Share capital                               |                              |                 | Retained earnings |  |                       |              |                          |              |
|   |               | Common stock                                | Capital collected in advance | Capital surplus | Legal reserve     | Unappropriated retained earnings (Accumulated deficit) | Other equity interest | Total        |                          |              |
| <b>2021</b>   |               |   |                              |                 |                   |  |                       |              |                          |              |
| Balance at January 1, 2021  |               | \$ 2,677,073                                | \$ -                         | \$ 496,457      | \$ -              | (\$ 260,481)   | (\$ 31,829)           | \$ 2,881,220 | \$ 35,904                | \$ 2,917,124 |
| Net profit (loss) for the year  |               | -   | -                            | -               | -                 | 1,051,071  | -                     | 1,051,071    | ( 36,036 )               | 1,015,035    |
| Other comprehensive income (loss) for the year  | 6(7)(19)(23)  | -   | -                            | -               | -                 | ( 5,181 )  | 117,618               | 112,437      | ( 723 )                  | 111,714      |
| Total comprehensive income (loss) for the year  |               | -   | -                            | -               | -                 | 1,045,890  | 117,618               | 1,163,508    | ( 36,759 )               | 1,126,749    |
| Exercise of employee share options  | 6(20)(21)(24) | 21,620                                      | 1,530                        | 33,511          | -                 | -  | -                     | 56,661       | -                        | 56,661       |
| Conversion of subsidiaries' convertible bonds   | 6(21)(36)     | -   | -                            | 30,845          | -                 | -  | -                     | 30,845       | 11,958                   | 42,803       |
| Net change in equity of associates  | 6(21)         | -   | -                            | ( 20,354 )      | -                 | -  | -                     | ( 20,354 )   | -                        | ( 20,354 )   |
| Share-based compensation  | 6(21)(24)     | -   | -                            | 16,652          | -                 | -  | -                     | 16,652       | 2,872                    | 19,524       |
| Capital contribution from non-controlling interests   | 6(21)         | -   | -                            | 48,488          | -                 | -  | -                     | 48,488       | 52,602                   | 101,090      |
| Changes in ownership interests in subsidiaries  | 6(21)(36)     | -   | -                            | ( 37,377 )      | -                 | -  | -                     | ( 37,377 )   | 37,377                   | -            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income or loss | 6(3)(23)      | -   | -                            | -               | -                 | ( 1,340 )  | 1,340                 | -            | -                        | -            |
| Balance at December 31, 2021  |               | \$ 2,698,693                                | \$ 1,530                     | \$ 568,222      | \$ -              | \$ 784,069   | \$ 87,129             | \$ 4,139,643 | \$ 103,954               | \$ 4,243,597 |
| <b>2022</b>   |               |   |                              |                 |                   |  |                       |              |                          |              |
| Balance at January 1, 2022  |               | \$ 2,698,693                                | \$ 1,530                     | \$ 568,222      | \$ -              | \$ 784,069   | \$ 87,129             | \$ 4,139,643 | \$ 103,954               | \$ 4,243,597 |
| Net profit (loss) for the year  |               | -   | -                            | -               | -                 | 141,895  | -                     | 141,895      | ( 67,695 )               | 74,200       |
| Other comprehensive income (loss) for the year  | 6(7)(19)(23)  | -   | -                            | -               | -                 | ( 821 )  | ( 10,427 )            | ( 11,248 )   | 1,973                    | ( 9,275 )    |
| Total comprehensive income (loss) for the year  |               | -   | -                            | -               | -                 | 141,074  | ( 10,427 )            | 130,647      | ( 65,722 )               | 64,925       |
| Appropriation and distribution of 2021 retained earnings:   | 6(22)         |   |                              |                 |                   |  |                       |              |                          |              |
| Legal reserve appropriated  |               | -   | -                            | -               | 78,407            | ( 78,407 )   | -                     | -            | -                        | -            |
| Stock dividends   |               | 134,965                                     | -                            | -               | -                 | ( 134,965 )  | -                     | -            | -                        | -            |
| Cash dividends  |               | -   | -                            | -               | -                 | ( 215,943 )  | -                     | ( 215,943 )  | -                        | ( 215,943 )  |
| Exercise of employee share options  | 6(20)(21)(24) | 6,960                                       | 2,055                        | 10,788          | -                 | -  | -                     | 19,803       | -                        | 19,803       |
| Net change in equity of associates  | 6(21)         | -   | -                            | 30,939          | -                 | -  | -                     | 30,939       | -                        | 30,939       |
| Share-based compensation  | 6(21)(24)     | -   | -                            | 38,527          | -                 | -  | -                     | 38,527       | 4,022                    | 42,549       |
| Capital contribution from non-controlling interests   | 6(21)(36)     | -   | -                            | 2,613           | -                 | -  | -                     | 2,613        | 32,974                   | 35,587       |
| Changes in ownership interests in subsidiaries  | 6(7)(21)      | -   | -                            | ( 24,549 )      | -                 | -  | -                     | ( 24,549 )   | 24,549                   | -            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income or loss | 6(3)(22)      | -   | -                            | -               | -                 | 43,956   | ( 43,956 )            | -            | -                        | -            |
| Issuance of convertible bonds   | 6(17)(21)     | -   | -                            | 60,648          | -                 | -  | -                     | 60,648       | -                        | 60,648       |
| Repurchase of convertible bonds   | 6(21)         | -   | -                            | ( 24 )          | -                 | -  | -                     | ( 24 )       | -                        | ( 24 )       |
| Balance at December 31, 2022  |               | \$ 2,840,618                                | \$ 3,585                     | \$ 687,164      | \$ 78,407         | \$ 539,784   | \$ 32,746             | \$ 4,182,304 | \$ 99,777                | \$ 4,282,081 |

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

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|  | Notes        | Year ended December 31 |              |
|--|--------------|------------------------|--------------|
|  |              | 2022                   | 2021         |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                   |              |                        |              |
| Profit before tax  |              | \$ 107,312             | \$ 1,083,770 |
| Adjustments  |              |                        |              |
| Adjustments to reconcile profit (loss)                               |              |                        |              |
| Expected credit impairment loss                                      | 12(2)        | 409                    | 22,972       |
| Depreciation   | 6(8)(9)(30)  | 157,477                | 175,261      |
| Amortization   | 6(11)(30)    | 71,931                 | 52,737       |
| Loss (gain) on financial assets at fair value through profit or loss | 6(2)(15)(29) | 45,680                 | ( 8,409 )    |
| Share-based compensation   | 6(24)        | 42,549                 | 19,524       |
| Interest expense   | 6(32)        | 31,153                 | 36,727       |
| Interest expense from lease liabilities                              | 6(9)(32)     | 3,260                  | 3,204        |
| Interest income  | 6(27)        | ( 2,437 )              | ( 3,974 )    |
| Dividend income  | 6(28)        | ( 18,484 )             | ( 19,480 )   |
| Share of profit of associates accounted for using equity method      | 6(7)         | ( 11,504 )             | ( 3,119 )    |
| Gain on disposal of investments accounted for using equity method    | 6(29) and 7  | ( 1,921 )              | -            |
| Gain on disposal of property, plant and equipment                    | 6(29)        | ( 98 )                 | ( 34,444 )   |
| Gains arising from lease modifications                               | 6(29)        | ( 55 )                 | ( 5 )        |
| Changes in operating assets and liabilities                          |              |                        |              |
| Changes in operating assets  |              |                        |              |
| Financial assets at fair value through profit or loss                |              | -                      | 2,627        |
| Notes receivable   | (            | 63,838 )               | ( 10,000 )   |
| Accounts receivable, net   |              | 546,615                | ( 559,584 )  |
| Other receivables  |              | 36,428                 | ( 24,330 )   |
| Inventories, net   | (            | 1,780,707 )            | ( 142,848 )  |
| Prepayments  | (            | 89,577 )               | ( 27,762 )   |
| Other current assets   | (            | 1,591 )                | 434          |
| Changes in operating liabilities                                     |              |                        |              |
| Financial liabilities at fair value through profit or loss           |              | 1,956                  | -            |
| Contract liabilities   | (            | 2,112 )                | ( 4,251 )    |
| Notes payable  | (            | 781 )                  | ( 453 )      |
| Accounts payable   | (            | 255,576 )              | 347,173      |
| Other payables   | (            | 94,389 )               | 198,961      |
| Other current liabilities  | (            | 22,702 )               | ( 51,230 )   |
| Net defined benefit liability  | (            | 1,151 )                | ( 1,167 )    |
| Other non-current liabilities  |              | -                      | ( 22,782 )   |
| Cash (outflow) inflow generated from operations                      | (            | 1,302,153 )            | 1,029,552    |
| Interest received  |              | 2,303                  | 3,961        |
| Dividends received   |              | 18,484                 | 19,480       |
| Interest paid  | (            | 24,842 )               | ( 40,540 )   |
| Income tax refunded  |              | -                      | 112          |
| Net cash flows (used in) from operating activities                   | (            | 1,306,208 )            | 1,012,565    |

(Continued)

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

|  | Notes     | Year ended December 31 |               |
|--|-----------|------------------------|---------------|
|  |           | 2022                   | 2021          |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>  |           |                        |               |
| Acquisition of financial assets at fair value through profit or loss                               |           | (\$ 94,501 )           | (\$ 42,000 )  |
| Proceeds from disposal of financial assets at fair value through profit or loss                    |           | -                      | 45,446        |
| Acquisition of financial assets at fair value through other comprehensive income                   |           | ( 13,232 )             | ( 40,268 )    |
| Proceeds from disposal of financial assets at fair value through other comprehensive income        |           | 75,473                 | 30,580        |
| Proceeds from liquidation of financial assets at fair value through other comprehensive income     | 6(3)      | -                      | 504           |
| Recovery of investment cost from financial assets at fair value through other comprehensive income | 6(3)      | -                      | 5,578         |
| Increase on financial assets at amortised cost   |           | ( 11,086 )             | ( 3,287 )     |
| Proceeds from liquidation of investments accounted for using equity method                         | 6(7)      | 123                    | -             |
| Acquisition of property, plant and equipment   | 6(35)     | ( 161,725 )            | ( 97,207 )    |
| Proceeds from disposal of property, plant and equipment  |           | 100                    | 34,501        |
| Acquisition of intangible assets   | 6(35)     | ( 55,514 )             | ( 82,316 )    |
| Increase in refundable deposits  |           | ( 241 )                | ( 410,762 )   |
| Increase in other non-current assets   |           | ( 3,213 )              | ( 2,077 )     |
| Net cash flows used in investing activities  |           | ( 263,816 )            | ( 561,308 )   |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>  |           |                        |               |
| Increase in short-term loans   | 6(37)     | 3,203,595              | 1,067,454     |
| Decrease in short-term loans   | 6(37)     | ( 2,261,227 )          | ( 1,070,369 ) |
| Increase in long-term loans  | 6(37)     | 776,000                | -             |
| Decrease in long-term loans  | 6(37)     | ( 1,274,973 )          | ( 694,031 )   |
| Increase in guarantee deposits   | 6(37)     | 61,708                 | 205           |
| Payment of lease principal   | 6(37)     | ( 22,794 )             | ( 22,826 )    |
| Proceeds from issuance of convertible bonds payable  | 6(17)(37) | 800,000                | -             |
| Buyback of convertible bonds payable   | 6(17)(37) | ( 5,600 )              | -             |
| Capital contribution from non-controlling interests  | 6(36)     | 35,587                 | 101,090       |
| Exercise of employee share options   | 6(20)     | 19,803                 | 56,661        |
| Cash dividends paid  | 6(22)     | ( 215,943 )            | -             |
| Net cash flows from (used in) financing activities   |           | 1,116,156              | ( 561,816 )   |
| Effect of change in exchange rate  |           | 18,879                 | ( 7,430 )     |
| Net decrease in cash and cash equivalents  |           | ( 434,989 )            | ( 117,989 )   |
| Cash and cash equivalents at beginning of year   |           | 1,277,391              | 1,395,380     |
| Cash and cash equivalents at end of year   |           | \$ 842,402             | \$ 1,277,391  |

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



ETRON TECHNOLOGY, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

Etron Technology, Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacturing and design of various integrated circuits.

2. The Date of Authorisation for Issuance of the Consolidated Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

| New Standards, Interpretations and Amendments                                       | Effective date by<br>International Accounting<br>Standards Board |
|---|--|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’                       | January 1, 2022  |
| Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’ | January 1, 2022  |
| Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’             | January 1, 2022  |
| Annual improvements to IFRS Standards 2018–2020                                     | January 1, 2022  |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

| <u>New Standards, Interpretations and Amendments</u>   | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| Amendments to IAS 1, 'Disclosure of accounting policies'   | January 1, 2023   |
| Amendments to IAS 8, 'Definition of accounting estimates'  | January 1, 2023   |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023   |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board      |
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback'  | January 1, 2024   |
| IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'                               | January 1, 2023   |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2024   |
| Amendments to IAS 1, 'Non-current liabilities with covenants'   | January 1, 2024   |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with “IFRSs” requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of

the consideration paid or received is recognized directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

**B . Subsidiaries included in the consolidated financial statements:**

| Name of investor             | Name of subsidiary                  | Main business activities   | Ownership (%)     |                   | Description |
|------------------------------|-------------------------------------|--|-------------------|-------------------|-------------|
|                              |                                     |  | December 31, 2022 | December 31, 2021 |             |
| Etron Technology, Inc.       | Kingwell Investment Corp.           | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | Kingcharm Investment Corp.          | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | Eutrend Technology, Inc.            | Testing service for high-frequency or high-power radio frequency, analog, digital, and mixed-signal components | 93.57             | 93.57             |             |
| Etron Technology, Inc.       | Kinglord Corp.                      | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | Intercosmos Group Limited           | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | Plusway Corp.                       | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | Creative Ally Limited               | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | eEver Technology Limited            | Investment holdings  | 50.42             | 50.42             | Note 1      |
| Etron Technology, Inc.       | eYs3D Microelectronics, Inc.        | Investment holdings  | 61.98             | 58.66             | Note 2      |
| Etron Technology, Inc.       | eCapture Ltd. Co.                   | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | Insignis Technolgy, Inc.            | Investment holdings  | 100               | 100               |             |
| Etron Technology, Inc.       | DeCloak Intelligences Co.           | Information and software services  | 80.31             | 77.75             |             |
| Etron Technology, Inc.       | T-Era Architecture Technology, Inc. | Investment holdings  | 4.71              | -                 | Note 4      |
| Etron Technology, Inc.       | TAT Technology, Inc.                | Investment holdings  | 5.01              | -                 | Note 5      |
| eEver Technology Limited     | eEver Technology, Inc.              | Electronic components manufacturing, design, research, development, sales and marketing                        | 100               | 100               |             |
| eYs3D Microelectronics, Inc. | eYs3D Microelectronics, Co.         | Electronic components manufacturing, design, research, development, sales and marketing                        | 100               | 100               |             |
| eYs3D Microelectronics, Inc. | AiYs3D Technology, Inc.             | Marketing and customer services  | 100               | 100               |             |

| Name of investor                                 | Name of subsidiary                               | Main business activities  | Ownership (%)     | Ownership (%)     | Description |
|--|--|---|-------------------|-------------------|-------------|
|  |  |   | December 31, 2022 | December 31, 2021 |             |
| Kingwell Investment Corp.                        | Pinoer Chip Technology Limited                   | Electronic components manufacturing, design, research, development, sales and marketing | 100               | 100               |             |
| Kingwell Investment Corp.                        | nD-HI Technologies Lab, Inc.                     | Electronic components manufacturing, design, research, development, sales and marketing | 92.67             | 92.67             | Note 3      |
| Kingcharm Investment Corp.                       | eEver Technology Limited                         | Investment holdings   | 20.66             | 20.66             | Note 1      |
| Kingcharm Investment Corp.                       | eYs3D Microelectronics, Inc.                     | Investment holdings   | 2.63              | 3.05              | Note 2      |
| Kinglord Corp.                                   | Etron Technology America, Inc.                   | Sales agent of electronic components  | 100               | 100               |             |
| Kinglord Corp.                                   | Anzon Technology, Inc.                           | Investment holdings   | 70.85             | 70.85             |             |
| Kinglord Corp.                                   | Etron Technology (HK) Limited                    | Sales of electronic components  | 100               | 100               |             |
| Kinglord Corp.                                   | eYs3D Microelectronics, Inc.                     | Investment holdings   | 0.99              | 1.15              | Note 2      |
| Anzon Technology, Inc.                           | Anzon Corporation                                | Sales agent of electronic components  | 100               | 100               |             |
| Etron Technology (HK) Limited                    | eYs3D Microelectronics, Inc.                     | Investment holdings   | 2.94              | 3.41              | Note 2      |
| Plusway Corp.                                    | eYs3D Microelectronics, Inc.                     | Investment holdings   | 1.12              | 1.30              | Note 2      |
| Intercosmos Group Limited                        | Grandsino Technology Limited                     | Investment holdings   | 100               | 100               |             |
| Intercosmos Group Limited                        | Fullboom International Limited                   | Investment holdings   | 100               | 100               |             |
| Fullboom International Limited                   | Fullboom Electronics (Shenzhen) Co., Ltd.        | Sales agent of electronic components and technical service                              | 100               | 100               |             |
| Creative Ally Limited                            | Invention and Collaboration Laboratory Pte. Ltd. | Research and development, consulting and design services of semiconductor technology    | 81.11             | 81.11             |             |
| eCapture Ltd. Co.                                | eCapture Co., Limited                            | Marketing, sales and development of electronic products                                 | 100               | 100               |             |
| Insignis Technology, Inc.                        | Insignis Technology Corporation                  | Sales of electronic components  | 100               | 100               |             |
| Invention and Collaboration Laboratory Pte. Ltd. | Invention and Collaboration Laboratory, Inc.     | Electronic components manufacturing, design, research, development, sales and marketing | 100               | 100               |             |
| Invention and Collaboration Laboratory Pte. Ltd. | T-Era Architecture Technology, Inc.              | Investment holdings   | 55.80             | -                 | Note4       |
| Invention and Collaboration Laboratory Pte. Ltd. | TAT Technology, Inc.                             | Investment holdings   | 55.38             | -                 | Note5       |
| T-Era Architecture Technology, Inc.              | TAT Technology, Inc.                             | Investment holdings   | 2.28              | -                 | Note5       |
| TAT Technology, Inc.                             | T-Era Architecture Technology, Inc.              | Investment holdings   | 2.14              | -                 | Note4       |
| T-Era Architecture Technology, Inc.              | T-Era Architecture Technology Corp.              | Research and development, consulting and design services of semiconductor technology    | 100               | -                 |             |
| TAT Technology, Inc.                             | TAT Technology Corp.                             | Research and development, consulting and design services of semiconductor technology    | 100               | -                 |             |

Note 1: As of December 31, 2022 and 2021, the comprehensive shareholding ratio held by the Group in eEver Technology Limited were both 71.08%.

Note 2: As of December 31, 2022 and 2021, the comprehensive shareholding ratios held by the Group in eYS3D Microelectronics, Inc. were 69.66% and 67.57%, respectively.

Note 3: This entity was formerly named as Silicon Spintronics Inc., and on September 6, 2021, the Board of Directors resolved to rename the entity as nD-HI Technologies Lab, Inc. The registration of name change was completed on September 23, 2021.

Note 4: As of December 31, 2022, the comprehensive shareholding ratio held by the Group in T-Era Architecture Technology, Inc. was 62.65%.

Note 5: As of December 31, 2022, the comprehensive shareholding ratio held by the Group in TAT Technology, Inc. was 62.67%.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

F. Significant restrictions: None.

E. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2022 and 2021, the non-controlling interest amounted to \$99,777 and \$103,954, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

| Name of subsidiary           | Principal place of business | Non-controlling interest |               |                   |               |
|------------------------------|-----------------------------|--------------------------|---------------|-------------------|---------------|
|                              |                             | December 31, 2022        |               | December 31, 2021 |               |
|                              |                             | Amount                   | Ownership (%) | Amount            | Ownership (%) |
| eEver Technology Limited     | Cayman Islands              | \$37,126                 | 28.92%        | \$48,788          | 28.92%        |
| eYS3D Microelectronics, Inc. | Cayman Islands              | 49,812                   | 30.34%        | 48,260            | 32.43%        |

Summarized financial information of the subsidiaries:

Balance sheets

|                         | eEver Technology Limited |                   |
|-------------------------|--------------------------|-------------------|
|                         | December 31, 2022        | December 31, 2021 |
| Current assets          | \$ 2,982                 | \$ 19,139         |
| Non-current assets      | 96,596                   | 128,453           |
| Current liabilities     | ( 71)                    | ( 69)             |
| Non-current liabilities | -                        | -                 |
| Total net assets        | \$ 99,507                | \$ 147,523        |

|                         | eYs3D Microelectronics, Inc. |                   |
|-------------------------|------------------------------|-------------------|
|                         | December 31, 2022            | December 31, 2021 |
| Current assets          | \$ 4,093                     | \$ 2,309          |
| Non-current assets      | 149,765                      | 140,565           |
| Current liabilities     | ( 82)                        | ( 79)             |
| Non-current liabilities | -                            | -                 |
| Total net assets        | <u>\$ 153,776</u>            | <u>\$ 142,795</u> |

Statements of comprehensive income

|  | eEver Technology Limited |                  |
|--|--------------------------|------------------|
|  | Year ended December 31   |                  |
|  | 2022                     | 2021             |
| Revenue  | \$ 27                    | \$ 24,877        |
| Expense  | ( 52,283)                | ( 3,075)         |
| (Loss) profit before income tax                  | ( 52,256)                | 21,802           |
| Income tax expense                               | -                        | -                |
| (Loss) profit for the year                       | ( 52,256)                | 21,802           |
| Other comprehensive (loss) income,<br>net of tax | ( 12,088)                | 2,822            |
| Total comprehensive (loss) income                | <u>(\$ 64,344)</u>       | <u>\$ 24,624</u> |

|   | eYs3D Microelectronics, Inc. |                   |
|---|------------------------------|-------------------|
|   | Year ended December 31       |                   |
|   | 2022                         | 2021              |
| Revenue                                 | \$ 52                        | \$ 5              |
| Expense                                 | ( 135,092)                   | ( 115,559)        |
| Loss before income tax                  | ( 135,040)                   | ( 115,554)        |
| Income tax expense                      | -                            | -                 |
| Loss for the year                       | ( 135,040)                   | ( 115,554)        |
| Other comprehensive loss, net of<br>tax | ( 13,530)                    | ( 3)              |
| Total comprehensive loss                | <u>(\$ 148,570)</u>          | <u>\$ 115,557</u> |

Statements of cash flows

|   | eEver Technology Limited |                  |
|---|--------------------------|------------------|
|   | Year ended December 31   |                  |
|   | 2022                     | 2021             |
| Net cash flows used in operating activities           | (\$ 245)                 | (\$ 326)         |
| Net cash flows used in investing activities           | ( 17,515)                | ( 20,011)        |
| Net cash flows from financing activities              | -                        | -                |
| Effect of exchange rates on cash and cash equivalents | 1,492                    | ( 878)           |
| Decrease in cash and cash equivalents                 | ( 16,268)                | ( 21,215)        |
| Cash and cash equivalents at beginning of year        | 18,687                   | 39,902           |
| Cash and cash equivalents at end of year              | <u>\$ 2,419</u>          | <u>\$ 18,687</u> |

|   | eYs3D Microelectronics, Inc. |                 |
|---|------------------------------|-----------------|
|   | Year ended December 31       |                 |
|   | 2022                         | 2021            |
| Net cash flows used in operating activities           | (\$ 615)                     | (\$ 2,307)      |
| Net cash flows used in investing activities           | ( 140,853)                   | ( 264,932)      |
| Net cash flows from financing activities              | 142,954                      | 266,142         |
| Effect of exchange rates on cash and cash equivalents | 284                          | ( 80)           |
| Increase (decrease) in cash and cash equivalents      | 1,770                        | ( 1,177)        |
| Cash and cash equivalents at beginning of year        | 2,182                        | 3,359           |
| Cash and cash equivalents at end of year              | <u>\$ 3,952</u>              | <u>\$ 2,182</u> |

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.



#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be pay off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of The Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

- A. For financial assets at amortized cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.
- B. For accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(15) Investments accounted for using the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of The Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.
- C. Land is not depreciated other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of the main property, plant and equipment are as follows:

|                          |              |
|--------------------------|--------------|
| Buildings and structures | 3 ~ 50 years |
| Machinery and equipment  | 2 ~ 10 years |
| Other equipment          | 2 ~ 10 years |

(17) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost. Cost recognized is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Intangible assets

A. Patents and special technology

Separately acquired patents and special technology are stated at historical cost. Patents and special technology have a finite useful life and are amortized on a straight-line basis over their economic benefits.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its contract period.

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Accounts and notes payable

Accounts and notes payable are liabilities for purchases of goods or services that have been acquired in the ordinary course of business from suppliers. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

Mandatory convertible bonds

A. Mandatory convertible bonds issued by the Group are initially recognized at fair value. The bonds will be settled by exchanging a fixed amount for an unfixed number of shares, which does not meet the definition of an equity component, and therefore are classified as liabilities. The bonds are subsequently remeasured at the present value of the redemption amount over the period of circulation.

B. The mandatory convertible bonds are transferred from liabilities to equity when the bonds are converted at maturity.

(23) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to ‘finance costs’ over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.



(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead and conducts an actuarial valuation at the end of the year.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(28) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Group repurchases the Group's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

(29) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the Group's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

Sales of goods

- A. The Group designs, manufactures and sells integrated circuits. Sales are recognized when control of the products has been transferred, when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- B. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Valuation of accounts receivable

The Group values the allowance for uncollectible accounts receivable by individual counterparties when there are significant past due accounts receivable arising from those individual counterparties. The valuation of allowance for uncollectible accounts receivable for the remaining counterparties is based on the default risk and expected loss rate. The Group considers the historical experience in determining the assumptions adopted and the inputs used when calculating the impairment. Such valuation of accounts receivable is estimated based on the reasonable expectation about expected credit losses on the basis of conditions existing at the

balance sheet date. The estimation may differ from the actual result. Therefore, there might be material changes to the valuation.

As of December 31, 2022, the carrying amount of accounts receivable was \$878,160.

#### B. Valuation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such valuation of inventories is valued based on the current market conditions and historical sales experience. Any changes in the market conditions may have material impact on the results of valuation. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$3,583,188.

### 6. Details of Significant Accounts

#### (1) Cash and cash equivalents

|                                       | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds      | \$ 2,346                 | \$ 2,232                 |
| Checking accounts and demand deposits | 765,002                  | 1,229,433                |
| Time deposits                         | 74,249                   | 42,680                   |
| Deposits in transit                   | 805                      | 3,046                    |
|                                       | <u>\$ 842,402</u>        | <u>\$ 1,277,391</u>      |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's cash and cash equivalents shown on the balance sheet were not pledged to others as collateral. Details of the Group's cash and cash equivalents (shown as current and non-current financial assets at amortized cost) which pledged to others as collateral are provided in Note 8.

#### (2) Financial assets at fair value through profit or loss

|                                 | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------|--------------------------|--------------------------|
| Current items:                  |                          |                          |
| Listed stocks                   | \$ 92,314                | \$ 791                   |
| Hybrid instruments              | 3,071                    | -                        |
| Valuation adjustment            |                          |                          |
| Forward exchange contracts      | -                        | 558                      |
| Foreign exchange swap contracts | -                        | 3,838                    |
| Equity instruments              | ( 34,747)                | 66                       |
| Hybrid instruments              | 256                      | -                        |
|                                 | <u>\$ 60,894</u>         | <u>\$ 5,253</u>          |

A. The Group recognized net (loss) profit amounting to (\$38,973) and \$8,407 on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

December 31, 2022: None.

| <u>Financial instruments</u>    | <u>December 31, 2021</u>                        |                            |
|---------------------------------|---|----------------------------|
|                                 | <u>Contract amount<br/>(notional principal)</u> | <u>Contract<br/>period</u> |
| Assets - current items:         |   |                            |
| Forward exchange contracts      | 4,000<br>USD ( <u>thousands</u> )               | 2021.9.28~<br>2022.3.16    |
| Foreign exchange swap contracts | 18,000<br>USD ( <u>thousands</u> )              | 2021.9.17~<br>2022.3.28    |

C. The Group entered into forward exchange contracts and foreign exchange swap contracts to hedge exchange rate risk of export proceeds. However, these contracts are not accounted for under hedge accounting.

D. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

(3) Financial assets at fair value through the comprehensive income

| <u>Items</u>         | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------|--------------------------|--------------------------|
| Non-current items:   |                          |                          |
| Listed stocks        | \$ 91,249                | \$ 85,928                |
| Unlisted stocks      | 478,624                  | 487,416                  |
| Valuation adjustment | 110,637                  | 177,832                  |
|                      | <u>\$ 680,510</u>        | <u>\$ 751,176</u>        |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$680,510 and \$751,176 as at December 31, 2022 and 2021, respectively.

B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

|  | <u>Year ended December 31</u> |                   |
|--|-------------------------------|-------------------|
|  | <u>2022</u>                   | <u>2021</u>       |
| <u>Equity instruments at fair value through other comprehensive income</u>       |                               |                   |
| Fair value change recognised in other comprehensive (loss) income                | <u>(\$ 46,882)</u>            | <u>\$ 118,713</u> |
| Cumulative (losses) gains reclassified to retained earnings due to derecognition | <u>(\$ 43,956)</u>            | <u>\$ 1,340</u>   |
| Dividend income recognised in profit or loss                                     |                               |                   |
| Held at end of year  | <u>\$ 17,224</u>              | <u>\$ 19,275</u>  |

- C. For the year ended December 31, 2021, the Group disposed the investee, UNRE AI Ltd. for proceeds of \$30,580, and transferred cumulative valuation loss of \$920 to retained earnings.
- D. For the year ended December 31, 2021, the Group received proceeds of \$504 from liquidation of the investee, Qunyang Venture Co., Ltd., and transferred cumulative valuation loss of \$420 to retained earnings.
- E. For the year ended December 31, 2021, the Group recovered investment cost of \$5,578 from the investee, China Walden Venture Investments II, L.P.
- F. For the year ended December 31, 2022, the Group disposed the investee, PLSense Ltd. for proceeds of \$83,867, and transferred cumulative valuation gain of \$43,956 to retained earnings.
- G. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortized cost

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Current items</u>                               |                          |                          |
| Restricted time deposits and performance guarantee | <u>\$ 30,057</u>         | <u>\$ 18,971</u>         |
| <u>Non-current items</u>                           |                          |                          |
| Preference share                                   | \$ 63,000                | \$ 63,000                |
| Restricted time deposits                           | <u>5,941</u>             | <u>5,941</u>             |
|  | 68,941                   | 68,941                   |
| Less: Accumulated impairment                       | <u>(63,000)</u>          | <u>(63,000)</u>          |
|  | <u>\$ 5,941</u>          | <u>\$ 5,941</u>          |

- A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

|                 | <u>Year ended December 31</u> |                  |
|-----------------|-------------------------------|------------------|
|                 | <u>2022</u>                   | <u>2021</u>      |
| Interest income | <u>\$ 23</u>                  | <u>\$ 20</u>     |
| Impairment loss | <u>\$ -</u>                   | <u>\$ 63,000</u> |

- B. The preference shares are invested for a period of 7 years from May 6, 2017 to May 5, 2024 and cannot be converted into ordinary shares. The issue company may redeem the shares at the actual issue price at the maturity. The investors have no right to ask for early redemption of preference shares. The dividends are cumulative at the rate of 5% per annum. If the dividends are undistributed or are not distributed in full, it will be accumulated for deferred payment in the subsequent years when there are earnings.
- C. Since the credit risk of the investee of preference shares increased as its financial position was impacted by the COVID-19 pandemic and industry competition, the Group recognized impairment loss amounting to \$63,000, respectively for the year ended December 31, 2021.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).  
The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

|  | December 31, 2022 | December 31, 2021   |
|--|-------------------|---------------------|
| Notes receivable                           | \$ 73,838         | \$ 10,000           |
| Accounts receivable                        | 960,813           | 1,507,429           |
| Less: Allowance for uncollectible accounts | ( 82,653)         | ( 82,244)           |
|  | <u>\$ 951,998</u> | <u>\$ 1,435,185</u> |

A. The ageing analysis of accounts and notes receivable that were past due but not impaired is as follows:

|                | December 31, 2022   |                  | December 31, 2021   |                  |
|----------------|---------------------|------------------|---------------------|------------------|
|                | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due   | \$ 682,931          | \$ 73,838        | \$ 1,506,017        | \$ 10,000        |
| Up to 30 days  | 140,870             | -                | 1,412               | -                |
| 31 to 90 days  | 134,368             | -                | -                   | -                |
| 91 to 120 days | 1,984               | -                | -                   | -                |
| Over 181 days  | 660                 | -                | -                   | -                |
|                | <u>\$ 960,813</u>   | <u>\$ 73,838</u> | <u>\$ 1,507,429</u> | <u>\$ 10,000</u> |

The above aging analysis for was based on past due payment date.

B. As of December 31, 2022 and 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$1,034,641, \$1,517,429, and \$947,846, respectively.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts and notes receivable was \$951,998 and \$1,435,185, respectively.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

|                  | December 31, 2022   |                              |                     |
|------------------|---------------------|------------------------------|---------------------|
|                  | Cost                | Allowance for valuation loss | Book value          |
| Raw materials    | \$ 1,694,511        | (\$ 41,428)                  | \$ 1,653,083        |
| Work in progress | 1,466,174           | ( 264,541)                   | 1,201,633           |
| Finished goods   | 937,735             | ( 209,263)                   | 728,472             |
|                  | <u>\$ 4,098,420</u> | <u>(\$ 515,232)</u>          | <u>\$ 3,583,188</u> |

|                  | December 31, 2021   |                     |                     |
|------------------|---------------------|---------------------|---------------------|
|                  | Cost                | Allowance for       | Book value          |
|                  |                     | valuation loss      |                     |
| Raw materials    | \$ 189,785          | (\$ 26,487)         | \$ 163,298          |
| Work in progress | 1,246,728           | ( 234,341)          | 1,012,387           |
| Finished goods   | 816,978             | ( 190,182)          | 626,796             |
|                  | <u>\$ 2,253,491</u> | <u>(\$ 451,010)</u> | <u>\$ 1,802,481</u> |

The cost of inventories recognized as expense for the year:

|   | Year ended December 31 |                     |
|---|------------------------|---------------------|
|   | 2022                   | 2021                |
| Cost of goods sold (including cost of services) | \$ 3,420,091           | \$ 3,934,704        |
| Loss on decline in market value                 | 64,222                 | 90,033              |
| Transferred to expenses                         | 16,703                 | 15,170              |
|   | <u>\$ 3,501,016</u>    | <u>\$ 4,039,907</u> |

(7) Investments accounted for using the equity method

A. Details of changes in investments accounted for using the equity method are as follows:

| <u>Investees</u>                                  | December 31, 2022 |                    | December 31, 2021 |                    |
|---|-------------------|--------------------|-------------------|--------------------|
|   | Carrying amount   | Shareholding ratio | Carrying amount   | Shareholding ratio |
| Investments accounted for using the equity method |                   |                    |                   |                    |
| Great Team Backend Foundry, Inc.                  | \$ 336,110        | 41.39%             | \$ 313,775        | 41.39%             |
| NetVinci, Inc.                                    | -                 | -                  | -                 | 57.75%             |
|   | <u>\$ 336,110</u> |                    | <u>\$ 313,775</u> |                    |

B. The summarised financial information of the associates that are material to the Group is as follows:

|             | December 31, 2022 |             | December 31, 2021 |             |
|-------------|-------------------|-------------|-------------------|-------------|
|             | Assets            | Liabilities | Assets            | Liabilities |
| Assets      | \$ 818,832        |             | \$ 744,367        |             |
| Liabilities |                   | \$ 99,862   |                   | \$ 92,686   |

  

|                     | Year ended December 31 |           |
|---------------------|------------------------|-----------|
|                     | 2022                   | 2021      |
| Revenue             | \$ -                   | \$ -      |
| Profit for the year | \$ 20,486              | \$ 12,882 |

C. For the years ended December 31, 2022 and 2021, the investment (loss) profit and other comprehensive (loss) income of investments accounted for using the equity method amounted to \$11,504 and \$3,119, (\$52,869) and \$22,764, respectively.



- D. As of December 31, 2021, the comprehensive shareholding ratio held by the Group in NetVinci, Inc. was 57.75%. The investee's total assets did not reach 1% of the consolidated assets as of December 31, 2021, and the Group could not obtain more than half seats on the Board, which indicated that the Group has no right to direct the operating decisions. Thus, the investee was accounted for using the equity method.
- E. The Group is the largest shareholder of Great Team Backend Foundry, Inc. with a 41.39% equity interest. However, in accordance with rule for director election stated in the Articles of Incorporation of the investee, the Group could not obtain more than half of the seats on the Board, which indicated that the Group has no right to direct the operating decisions. Thus, the investee was accounted for using the equity method.
- F. In the fourth quarter of 2022, NetVinci, Inc. completed the liquidation process, and the Group recognised gain on disposal of investments accounted for using the equity method of \$1,921. After the liquidation process, this company returned the residual proceeds from liquidation of \$123.

(8) Property, plant and equipment

|   | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Others            | Total             |
|---|--------------------------------|-------------------------------|-------------------|-------------------|
| At January 1, 2022                        |                                |                               |                   |                   |
| Cost                                      | \$ 536,498                     | \$ 573,812                    | \$ 2,918,312      | \$ 4,028,622      |
| Accumulated depreciation and impairment   | ( 235,943)                     | ( 538,442)                    | ( 2,629,552)      | ( 3,403,937)      |
|   | <u>\$ 300,555</u>              | <u>\$ 35,370</u>              | <u>\$ 288,760</u> | <u>\$ 624,685</u> |
| <u>2022</u>                               |                                |                               |                   |                   |
| Opening net book amount as at January 1   | \$ 300,555                     | \$ 35,370                     | \$ 288,760        | \$ 624,685        |
| Additions                                 | 5,744                          | 2,679                         | 168,351           | 176,774           |
| Disposals                                 | -                              | -                             | ( 2)              | ( 2)              |
| Depreciation charge for the year          | ( 11,627)                      | ( 19,427)                     | ( 102,772)        | ( 133,826)        |
| Net exchange differences                  | -                              | -                             | 57                | 57                |
| Closing net book amount as at December 31 | <u>\$ 294,672</u>              | <u>\$ 18,622</u>              | <u>\$ 354,394</u> | <u>\$ 667,688</u> |
| December 31, 2022                         |                                |                               |                   |                   |
| Cost                                      | \$ 542,242                     | \$ 576,159                    | \$ 3,083,966      | \$ 4,202,367      |
| Accumulated depreciation and impairment   | ( 247,570)                     | ( 557,537)                    | ( 2,729,572)      | ( 3,534,679)      |
|   | <u>\$ 294,672</u>              | <u>\$ 18,622</u>              | <u>\$ 354,394</u> | <u>\$ 667,688</u> |

|   | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Others            | Total             |
|---|--------------------------------|-------------------------------|-------------------|-------------------|
| <u>At January 1, 2021</u>                 |                                |                               |                   |                   |
| Cost                                      | \$ 544,148                     | \$ 845,620                    | \$ 2,863,287      | \$ 4,253,055      |
| Accumulated depreciation and impairment   | ( 231,825)                     | ( 791,984)                    | ( 2,539,825)      | ( 3,563,634)      |
|   | <u>\$ 312,323</u>              | <u>\$ 53,636</u>              | <u>\$ 323,462</u> | <u>\$ 689,421</u> |
| <u>2021</u>                               |                                |                               |                   |                   |
| Opening net book amount as at January 1   | \$ 312,323                     | \$ 53,636                     | \$ 323,462        | \$ 689,421        |
| Additions                                 | -                              | 2,313                         | 84,671            | 86,984            |
| Disposals                                 | -                              | -                             | ( 57)             | ( 57)             |
| Depreciation charge for the year          | ( 11,768)                      | ( 20,579)                     | ( 119,292)        | ( 151,639)        |
| Net exchange differences                  | -                              | -                             | ( 24)             | ( 24)             |
| Closing net book amount as at December 31 | <u>\$ 300,555</u>              | <u>\$ 35,370</u>              | <u>\$ 288,760</u> | <u>\$ 624,685</u> |
| <u>December 31, 2021</u>                  |                                |                               |                   |                   |
| Cost                                      | \$ 536,498                     | \$ 573,812                    | \$ 2,918,312      | \$ 4,028,622      |
| Accumulated depreciation and impairment   | ( 235,943)                     | ( 538,442)                    | ( 2,629,552)      | ( 3,403,937)      |
|   | <u>\$ 300,555</u>              | <u>\$ 35,370</u>              | <u>\$ 288,760</u> | <u>\$ 624,685</u> |

A. Impairment information about the property, plant and equipment is provided in Note 6(13).

B. Information about the property, plant and equipment plant that were pledged to others as collateral is provided in Note 8.

(9) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. Short-term leases with a lease term of 12 months or less comprise parking spaces.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

|  | Carrying amount   |                   |
|--|-------------------|-------------------|
|  | December 31, 2022 | December 31, 2021 |
| Land   | \$ 120,485        | \$ 122,751        |
| Buildings                                    | 84,659            | 17,399            |
| Transportation equipment (Business vehicles) | 6,227             | 2,272             |
|  | <u>\$ 211,371</u> | <u>\$ 142,422</u> |

  

|  | Depreciation charge    |                  |
|--|------------------------|------------------|
|  | Year ended December 31 |                  |
|  | 2022                   | 2021             |
| Land   | \$ 4,430               | \$ 4,384         |
| Buildings                                    | 17,172                 | 16,843           |
| Transportation equipment (Business vehicles) | 2,049                  | 2,395            |
|  | <u>\$ 23,651</u>       | <u>\$ 23,622</u> |

- D. The information on profit and loss accounts relating to lease contracts is as follows:

|                                       | Year ended December 31 |                 |
|---------------------------------------|------------------------|-----------------|
|                                       | 2022                   | 2021            |
| <u>Items affecting profit or loss</u> |                        |                 |
| Interest expense on lease liabilities | <u>\$ 3,260</u>        | <u>\$ 3,204</u> |
| Expense on short-term lease contracts | <u>\$ 6,830</u>        | <u>\$ 7,089</u> |
| Gain on lease modification            | <u>\$ 55</u>           | <u>\$ 5</u>     |

- E. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$96,001 and \$0, respectively.
- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$32,884 and \$33,119, respectively.

(10) Leasing arrangements – lessor

- A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 2 to 5 years.
- B. For the years ended December 31, 2022 and 2021, the Group recognized rent income in the amounts of \$66,810 and \$64,009, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

|      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------|--------------------------|--------------------------|
| 2022 | \$ -                     | \$ 65,329                |
| 2023 | 71,107                   | 65,860                   |
| 2024 | 68,991                   | 65,775                   |
| 2025 | 68,991                   | 65,775                   |
| 2026 | 67,396                   | 64,179                   |
| 2027 | 34,286                   | 32,089                   |
|      | <u>\$ 310,771</u>        | <u>\$ 359,007</u>        |

The amounts include the received in advance rent of \$0 and \$22,782 (shown as 'other current liabilities, others') as of December 31, 2022 and 2021, respectively. Refer to Note 7 for advance rent made by the related parties.

(11) Intangible assets

|  | <u>Patent and<br/>special<br/>technology</u> | <u>Computer software</u> | <u>Total</u>     |
|--|--|--------------------------|------------------|
| <u>At January 1, 2022</u>                    |  |                          |                  |
| Cost   | \$ 175,556                                   | \$ 144,637               | \$ 320,193       |
| Accumulated amortisation<br>and impairment   | ( 133,658)                                   | ( 130,028)               | ( 263,686)       |
|  | <u>\$ 41,898</u>                             | <u>\$ 14,609</u>         | <u>\$ 56,507</u> |
| <u>2022</u>                                  |  |                          |                  |
| Opening net book amount<br>as at January 1   | \$ 41,898                                    | \$ 14,609                | \$ 56,507        |
| Additions                                    | 5,640  | 51,370                   | 57,010           |
| Amortisation charge for the<br>year          | ( 23,838)                                    | ( 48,093)                | ( 71,931)        |
| Closing net book amount as<br>at December 31 | <u>\$ 23,700</u>                             | <u>\$ 17,886</u>         | <u>\$ 41,586</u> |
| <u>At December 31, 2022</u>                  |  |                          |                  |
| Cost   | \$ 181,196                                   | \$ 196,007               | \$ 377,203       |
| Accumulated amortisation<br>and impairment   | ( 157,496)                                   | ( 178,121)               | ( 335,617)       |
|  | <u>\$ 23,700</u>                             | <u>\$ 17,886</u>         | <u>\$ 41,586</u> |

|  | Patent and<br>special<br>technology | Computer<br>software | Total            |
|--|-------------------------------------|----------------------|------------------|
| <u>At January 1, 2021</u>                    |                                     |                      |                  |
| Cost   | \$ 134,160                          | \$ 177,210           | \$ 311,370       |
| Accumulated amortisation<br>and impairment   | ( 118,602)                          | ( 165,712)           | ( 284,314)       |
|  | <u>\$ 15,558</u>                    | <u>\$ 11,498</u>     | <u>\$ 27,056</u> |
| <u>2021</u>                                  |                                     |                      |                  |
| Opening net book amount<br>as at January 1   | \$ 15,558                           | \$ 11,498            | \$ 27,056        |
| Additions                                    | 41,396                              | 40,792               | 82,188           |
| Amortisation charge for the<br>year          | ( 15,056)                           | ( 37,681)            | ( 52,737)        |
| Closing net book amount as<br>at December 31 | <u>\$ 41,898</u>                    | <u>\$ 14,609</u>     | <u>\$ 56,507</u> |
| <u>At December 31, 2021</u>                  |                                     |                      |                  |
| Cost   | \$ 175,556                          | \$ 144,637           | \$ 320,193       |
| Accumulated amortisation<br>and impairment   | ( 133,658)                          | ( 130,028)           | ( 263,686)       |
|  | <u>\$ 41,898</u>                    | <u>\$ 14,609</u>     | <u>\$ 56,507</u> |

Details of amortisation on intangible assets are as follows:

|                    | Year ended December 31 |                  |
|--------------------|------------------------|------------------|
|                    | 2022                   | 2021             |
| Operating costs    | \$ 412                 | \$ 243           |
| Operating expenses | 71,519                 | 52,494           |
|                    | <u>\$ 71,931</u>       | <u>\$ 52,737</u> |

(12) Other non-current assets

|                                     | December 31, 2022 | December 31, 2021 |
|-------------------------------------|-------------------|-------------------|
| Guarantee deposits paid             | \$ 419,826        | \$ 419,585        |
| Prepayments for business facilities | 8,831             | 5,618             |
|                                     | <u>\$ 428,657</u> | <u>\$ 425,203</u> |

Some of guarantee deposits paid were guarantees prepaid for capacity reservation contracts signed with suppliers.

(13) Impairment of non-financial assets

Idle assets

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Idle assets (shown as machinery and equipment) | \$ 43,144                | \$ 43,144                |
| Less: Accumulated depreciation                 | ( 43,144)                | ( 43,144)                |
| Net realisable value                           | <u>\$ -</u>              | <u>\$ -</u>              |

(14) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------|--------------------------|--------------------------|
| Bank borrowings           |                          |                          |
| Unsecured borrowings      | <u>\$ 1,083,088</u>      | <u>\$ 140,720</u>        |

The interest rate ranges as of December 31, 2022 and 2021 were 1.66%~6.31% and 0.82%~1.13%, respectively.

(15) Financial liabilities at fair value through profit or loss

| <u>Items</u>   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Current items:   |                          |                          |
| Financial liabilities designated as at fair value through profit or loss |                          |                          |
| Call options and put options of convertible bonds                        | \$ 1,955                 | \$ -                     |
| Valuation adjustment   | 6,707                    | -                        |
|  | <u>\$ 8,662</u>          | <u>\$ -</u>              |

A. For the years ended December 31, 2022 and 2021, the Group recognized net (losses) gains on financial liabilities at fair value through profit or loss in the amounts of (\$6,707) and \$2, respectively.

B. The Group's subsidiary - eYs3D Microelectronics, Inc. issued mandatory convertible bonds for USD 1,500,000 in total, bearing 0% rate. The period between the contract signing date and the bond conversion date is less than a year. On the issuer's next financing, the bonds will be mandatorily converted into the issuer's stock. All bonds have been converted into the issuer's ordinary stocks in the equivalent amount. The conversion price was stipulated in the contract.

C. The Group designated this convertible bond as a financial liability measured at fair value through profit or loss. The main reason is that the number of convertible shares in the future will change due to change in the conversion price. Therefore, the Group intends to use fair value as measurement of the liability in the future. Changes are recognized in the current profit and loss.

(16) Other accounts payable

|                                    | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------|--------------------------|--------------------------|
| Wages and salaries payable         | \$ 107,776               | \$ 106,685               |
| Employees' compensation payable    | 24,510                   | 119,001                  |
| Directors' remuneration payable    | 4,070                    | 19,833                   |
| Payable on machinery and equipment | 25,636                   | 9,091                    |
| Others                             | 136,612                  | 112,267                  |
|                                    | <u>\$ 298,604</u>        | <u>\$ 366,877</u>        |

(17) Bonds payable

|                                 | <u>December 31, 2022</u> |
|---------------------------------|--------------------------|
| Bonds payable                   | \$ 794,400               |
| Less: Discount on bonds payable | ( 54,416)                |
|                                 | <u>\$ 739,984</u>        |

December 31, 2021: None.

A. Domestic convertible bonds issued by the Company

(a) The terms of the third domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$800,000 at 100.8% of face value, the third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (May 24, 2022 ~ May 24, 2027) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on May 24, 2022.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The effective date for the conversion price of the convertible bonds was set on May 16, 2022. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of one of 1, 3, 5 trading days before the effective date (effective date is excluded) by convertible premium rate of 106%. If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT\$63.9 (in dollars) per share based on the aforementioned method. After the effective date of the ex-right and ex-dividend, September 20, 2022, the conversion price was adjusted from NT\$63.9 (in dollars) to NT\$59.9 (in dollars).



iv. The Company may repurchase the bonds held by bondholders in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period within 30 days after three months of the bonds issue to 40 days before the maturity date.

v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$60,648 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call and put options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

C. As of December 31, 2022, the Company's third domestic unsecured convertible bonds have not been exercised.

D. For the year ended December 31, 2022, the amount of convertible bonds repurchased by the Company (including repurchased from Taipei Exchange) was \$5,600.

(18) Long-term borrowings

| <u>Type of borrowings</u>  | <u>Repayment term</u>                                      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--|--------------------------|--------------------------|
| Installment loans  |  |                          |                          |
| Secured syndicated loan - Land Bank of Taiwan and five other banks | Installment before 2023.2.16 (Refer to Note C for details) | \$ -                     | \$ 1,238,929             |
| Secured borrowings - Land Bank of Taiwan                           | Installment before 2031.2.17                               | 10,436                   | 11,609                   |
| Secured borrowings - Sunny Bank                                    | Installment before 2024.9.27                               | -                        | 18,370                   |
| Secured borrowings - Sunny Bank                                    | Installment before 2027.9.23                               | 26,000                   | -                        |
| Long-term unsecured borrowings from KGI Bank Co., Ltd.             | Installment before 2024.8.8                                | 300,000                  | -                        |

| <u>Type of borrowings</u>  | <u>Repayment term</u>                   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|---|--------------------------|--------------------------|
| Long-term unsecured borrowings from Taichung Commercial Bank Co., Ltd.           | Installment before 2025.8.30            | 89,185                   | -                        |
| Long-term unsecured borrowings from First Commercial Bank Co., Ltd.              | Installment before 2025.9.8             | 18,379                   | -                        |
| Long-term unsecured borrowings from Taiwan Cooperative Bank Co., Ltd.            | Installment before 2025.9.15            | 200,000                  | -                        |
| Long-term unsecured borrowings from First Commercial Bank Co., Ltd.              | Installment before 2025.10.4            | 75,680                   | -                        |
| Long-term unsecured borrowings from Mega International Commercial Bank Co., Ltd. | Installment before 2025.10.14           | 50,000                   | -                        |
| U.S. Small Business Administration (SBA) secured borrowings                      | Installment repayments before 2050.10.7 | \$ 2,549                 | \$ 2,342                 |
|  |   | 772,229                  | 1,271,250                |
| Less: Current portion  |   | ( 197,498)               | ( 766,818)               |
|  |   | <u>\$ 574,731</u>        | <u>\$ 504,432</u>        |

- A. Interest rate ranges as of December 31, 2022 and 2021 for the above borrowings were 1.95%~3.75% and 1.59%~3.75%, respectively.
- B. Information about the collateral pledged for the aforementioned secured borrowings is provided in Note 8.
- C. On August 13, 2020, the Company entered into the second supplemental agreement with the Land Bank of Taiwan and five other banks, the maturity date of borrowing was February 16, 2023, and the borrowings were repaid in the full amount in June 2022.

(19) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognized in the balance sheet are as follows:

|  | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations                             | (\$ 102,167)             | (\$ 95,745)              |
| Fair value of plan assets  | <u>64,829</u>            | <u>58,077</u>            |
| Net defined benefit liability (shown as other non - current liabilities) | <u>(\$ 37,338)</u>       | <u>(\$ 37,668)</u>       |

(c) Movements in net defined benefit liabilities are as follows:

|  | <u>Present value of<br/>defined benefit<br/>obligations</u> | <u>Fair value of<br/>plan assets</u> | <u>Net defined<br/>benefit<br/>liability</u> |
|--|---|--------------------------------------|--|
| 2022   |   |                                      |  |
| At January 1   | (\$ 95,745)   | \$ 58,077                            | (\$ 37,668)                                  |
| Current service cost   | ( 490)  | -                                    | ( 490)                                       |
| Interest (expense) income  | ( 663)  | 405                                  | ( 258)                                       |
|  | <u>( 96,898)</u>  | <u>58,482</u>                        | <u>( 38,416)</u>                             |
| Remeasurements:  |   |                                      |  |
| Return on plan assets<br>(excluding amounts included<br>in interest income or expense) | -   | 4,448                                | 4,448  |
| Change in demographic assumptions  | ( 176)  | -                                    | ( 176)                                       |
| Change in financial assumptions  | 4,769   | -                                    | 4,769  |
| Experience adjustments   | ( 9,862)  | -                                    | ( 9,862)                                     |
|  | <u>( 5,269)</u>   | <u>4,448</u>                         | <u>( 821)</u>                                |
| Pension fund contribution  | -   | 1,899                                | 1,899  |
| At December 31   | <u>(\$ 102,167)</u>   | <u>\$ 64,829</u>                     | <u>(\$ 37,338)</u>                           |

|  | Present value of<br>defined benefit<br>obligations | Fair value of<br>plan<br>assets | Net defined<br>benefit<br>liability |
|--|--|---------------------------------|-------------------------------------|
| 2021   |  |                                 |                                     |
| At January 1   | (\$ 89,006)  | \$ 55,352                       | (\$ 33,654)                         |
| Current service cost   | ( 462)   | -                               | ( 462)                              |
| Interest (expense) income  | ( 255)   | 157                             | ( 98)                               |
|  | <u>( 89,723)</u>                                   | <u>55,509</u>                   | <u>( 34,214)</u>                    |
| Remeasurements:  |  |                                 |                                     |
| Return on plan assets<br>(excluding amounts included<br>in interest income or expense) | -  | 841                             | 841                                 |
| Change in demographic assumptions  | ( 388)   | -                               | ( 388)                              |
| Change in financial assumptions  | 3,563  | -                               | 3,563                               |
| Experience adjustments   | ( 9,197)   | -                               | ( 9,197)                            |
|  | <u>( 6,022)</u>                                    | <u>841</u>                      | <u>( 5,181)</u>                     |
| Pension fund contribution  | -  | 1,727                           | 1,727                               |
| At December 31   | <u>(\$ 95,745)</u>                                 | <u>\$ 58,077</u>                | <u>(\$ 37,668)</u>                  |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

|                         | Year ended December 31 |       |
|-------------------------|------------------------|-------|
|                         | 2022                   | 2021  |
| Discount rate           | 1.25%                  | 0.70% |
| Future salary increases | 2.50%                  | 2.50% |

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

|   | Discount rate  |                | Future salary increases |                |
|---|----------------|----------------|-------------------------|----------------|
|   | Increase 0.25% | Decrease 0.25% | Increase 0.25%          | Decrease 0.25% |
| <u>December 31, 2022</u>                              |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 2,070)     | \$ 2,134       | \$ 2,102                | (\$ 2,050)     |
| <u>December 31, 2021</u>                              |                |                |                         |                |
| Effect on present value of defined benefit obligation | (\$ 2,166)     | \$ 2,238       | \$ 2,193                | (\$ 2,134)     |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$1,995.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

|               | Amount            |
|---------------|-------------------|
| Within 1 year | \$ 2,503          |
| 1-2 year(s)   | 8,532             |
| 2-5 years     | 29,415            |
| Over 5 years  | 72,659            |
|               | <u>\$ 113,109</u> |

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group’s mainland China subsidiary, Fullboom Electronic (Shenzhen), has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) Etron Technology (HK) Limited and eCapture Co., Limited have a defined contribution plan. Annual pension contributions or retirement allowance for the locally hired employees are based on their salaries and wages. Other than the annual contributions, the Group has no further obligations.
- (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were \$28,008 and \$24,844, respectively.

(20) Share capital

- A. As of December 31, 2022, the Company’s authorised capital was \$6,500,000, consisting of 650 million shares of ordinary stock (including 65 million shares reserved for employee stock options ), and the paid-in capital was \$2,840,618 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows (excluding treasury shares):

|   | Expressed in thousands of shares |                   |
|---|----------------------------------|-------------------|
|   | 2022                             | 2021              |
| January 1                               | \$ 269,869                       | \$ 267,707        |
| Capital increase from earnings reserves | 13,497                           | -                 |
| Employee stock options exercised        | 696                              | 2,162             |
| December 31                             | <u>\$ 284,062</u>                | <u>\$ 269,869</u> |

- B. For the year ended December 31, 2022, the employees exercised 786 thousand shares of stock options in accordance with the terms of stock options. 696 thousand shares have been registered (including 60 thousand shares paid but yet to be registered at the beginning of the period). Proceeds from the remaining 150 thousand shares amounting to \$3,585 have been collected as of December 31, 2022 and the effective date of the capital increase for conversion was set on March 15, 2023 as resolved by the Board of Directors on March 13, 2023.

C. For the year ended December 31, 2021, the employees exercised 2,222 thousand shares of stock options in accordance with the terms of stock options. On December 31, 2021, the shares paid but yet to be registered amounted to \$1,530.

D. Pursuant to the paragraph 7 of Article 43-6 of the Securities and Exchange Act, private placement securities may be carried out by installments within one year of the date of resolution of the shareholders' meeting. On May 12, 2021, it will have been a year since the private placement was approved at the shareholders' meeting on May 13, 2020. Considering the market conditions and the needs of the Company, the Board of Directors resolved on March 24, 2021 to discontinue the private placement, and has reported it at the shareholders' meeting on July 2, 2021.

(21) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| Items   | Share premium     | Net change in equity of associates | Changes in ownership interests in subsidiaries | Employee stock options | Convertible bonds | Treasury share transactions | Others         |
|---|-------------------|------------------------------------|--|------------------------|-------------------|-----------------------------|----------------|
| At January 1, 2022                                  | \$ 281,014        | \$ 57,214                          | \$ 189,347                                     | \$ 37,105              | \$ -              | \$ 372                      | \$3,170        |
| Employee stock options exercised                    | 10,788            | -                                  | -  | -                      | -                 | -                           | -              |
| Capital contribution from non-controlling interests | -                 | -                                  | 2,613  | -                      | -                 | -                           | -              |
| Changes in ownership interests in subsidiaries      | -                 | -                                  | ( 24,549)                                      | -                      | -                 | -                           | -              |
| Net change in equity of associates                  | -                 | 30,939                             | -  | -                      | -                 | -                           | -              |
| Share-based payments                                | -                 | -                                  | -  | 38,527                 | -                 | -                           | -              |
| Issuance of convertible bonds                       | -                 | -                                  | -  | -                      | 60,648            | -                           | -              |
| Repurchase of convertible bonds                     | -                 | -                                  | -  | -                      | -                 | ( 24)                       | -              |
| December 31, 2022                                   | <u>\$ 291,802</u> | <u>\$ 88,153</u>                   | <u>\$ 167,411</u>                              | <u>\$ 75,632</u>       | <u>\$ 60,648</u>  | <u>\$ 348</u>               | <u>\$3,170</u> |

| Items   | Share premium     | Net change in equity of associates | Changes in ownership interests in subsidiaries | Employee stock options | Treasury share transactions | Others          |
|---|-------------------|------------------------------------|--|------------------------|-----------------------------|-----------------|
| At January 1, 2021                                  | \$ 247,503        | \$ 77,568                          | \$ 147,391                                     | \$ 20,453              | \$ 372                      | \$ 3,170        |
| Employee stock options exercised                    | 33,511            | -                                  | -  | -                      | -                           | -               |
| Net change in equity of associates                  | -                 | ( 20,354)                          | -  | -                      | -                           | -               |
| Share-based payments                                | -                 | -                                  | -  | 16,652                 | -                           | -               |
| Conversion of subsidiaries' convertible bonds       | -                 | -                                  | 30,845   | -                      | -                           | -               |
| Capital contribution from non-controlling interests | -                 | -                                  | 48,488   | -                      | -                           | -               |
| Changes in ownership interests in subsidiaries      | -                 | -                                  | ( 37,377)                                      | -                      | -                           | -               |
| December 31, 2021                                   | <u>\$ 281,014</u> | <u>\$ 57,214</u>                   | <u>\$ 189,347</u>                              | <u>\$ 37,105</u>       | <u>\$ 372</u>               | <u>\$ 3,170</u> |

(22) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Also, the Company shall set aside or reverse special reserve as resolved by the stockholders, or by order of the competent authority. The appropriation of remaining earnings along with accumulated unappropriated earnings from prior years shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is set out by the Board of Directors according to the Company's medium- and long-term operational plan, investment plans, capital budget as well as internal and external situations, while considering the interests of stockholders. Except for the aforementioned regulations, cash dividends shall not be less than 5% of total dividends when appropriating the dividends to stockholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.



E. Information about the loss make-up proposal as resolved by the stockholders on July 2, 2021 will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

F. The appropriation of 2021 earnings as approved by the shareholders on June 8, 2022 is as follows:

|                 | Year ended December 31, 2021 |                                    |
|-----------------|------------------------------|------------------------------------|
|                 | Amount                       | Dividend per share<br>(in dollars) |
| Legal reserve   | \$ 78,407                    |                                    |
| Cash dividends  | 215,943                      | \$ 0.8                             |
| Stock dividends | 134,965                      | 0.5                                |
|                 | <u>\$ 429,315</u>            |                                    |

(23) Other equity interest

|   | Currency translation | Financial assets at fair value through other comprehensive income | Total            |
|---|----------------------|---|------------------|
| At January 1, 2022  | (\$ 101,165)         | \$ 188,294  | \$ 87,129        |
| Revaluation - Group   | -                    | ( 46,882)   | ( 46,882)        |
| Revaluation - Associates  | -                    | 3,161   | 3,161            |
| Revaluation transferred to retained earnings – disposal of financial assets | -                    | ( 43,956)   | ( 43,956)        |
| Currency translation differences:   |                      |   |                  |
| -Group  | 89,324               | -   | 89,324           |
| -Associates   | ( 56,030)            | -   | ( 56,030)        |
| At December 31, 2022  | <u>(\$ 67,871)</u>   | <u>\$ 100,617</u>   | <u>\$ 32,746</u> |

|   | Currency translation | Financial assets at fair value through other comprehensive income | Total            |
|---|----------------------|---|------------------|
| At January 1, 2021  | (\$ 96,596)          | \$ 64,767   | (\$ 31,829)      |
| Revaluation - Group   | -                    | 118,713   | 118,713          |
| Revaluation - Associates  | -                    | 3,474   | 3,474            |
| Revaluation transferred to retained earnings – disposal of financial assets | -                    | 1,340   | 1,340            |
| Currency translation differences:   |                      |   |                  |
| -Group  | ( 23,859)            | -   | ( 23,859)        |
| -Associates   | 19,290               | -   | 19,290           |
| At December 31, 2021  | <u>(\$ 101,165)</u>  | <u>\$ 188,294</u>   | <u>\$ 87,129</u> |

(24) Share-based payment

A.(a) For the years ended December 31, 2022 and 2021, the Company's share-based payment arrangements are as follows:

| Type of arrangement                             | Grant date | Quantity granted<br>(share in thousands) | Contract period | Vesting conditions   |
|---|------------|--|-----------------|--|
| The 4 <sup>th</sup> employee stock options plan | 2016.03.23 | 7,300                                    | 8 years         | 40% vested after two years of issuance; 70% after three years; 100% after four years |
| The 4 <sup>th</sup> employee stock options plan | 2016.08.10 | 300                                      | 8 years         | 40% vested after two years of issuance; 70% after three years; 100% after four years |
| The 4 <sup>th</sup> employee stock options plan | 2016.11.10 | 400                                      | 8 years         | 40% vested after two years of issuance; 70% after three years; 100% after four years |
| Employee stock options plan in 2021             | 2021.08.09 | 8,000                                    | 6 years         | 50% vested after two years of issuance; 75% after three years; 100% after four years |

The share-based payment arrangements above are settled by equity.

(b) For the years ended December 31, 2022 and 2021, details of the share-based payment arrangements are as follows:

| Options                                  | 2022                             |   | 2021                             |   |
|--|----------------------------------|---|----------------------------------|---|
|  | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in dollars) | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in dollars) |
| Outstanding at the beginning of the year | 10,818                           | \$ 41.10  | 5,600                            | \$ 25.50  |
| Options granted                          | -                                | -   | 8,000                            | 46.75   |
| Options exercised                        | ( 786)                           | 25.20   | ( 2,222)                         | 25.50   |
| Options forfeited due to resignations    | ( 488)                           | -   | ( 560)                           | -   |
| Outstanding at the end of the year       | <u>9,544</u>                     | 39.44   | <u>10,818</u>                    | 41.10   |
| Exercisable at the end of the year       | <u>2,092</u>                     | 23.90   | <u>2,878</u>                     | 25.50   |

(c) Details of stock options outstanding are as follows:

| Date              | Weighted-average period remaining contractual life | Range of exercise prices (in dollars) |
|-------------------|--|---------------------------------------|
| December 31, 2022 | 3.87 years   | \$23.90 ~ \$43.80                     |
| December 31, 2021 | 4.71 years   | \$25.5 ~ \$46.75                      |

Note: The range of exercise prices was adjusted according to annual stock dividends and cash dividends after the grant date.

(d) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|                           | <u>Grant date</u><br>March 23, 2016 | <u>Grant date</u><br>August 10, 2016 | <u>Grant date</u><br>November 10, 2016 |
|---------------------------|-------------------------------------|--------------------------------------|--|
| Dividend yield            | 0%                                  | 0%                                   | 0%                                     |
| Expected price volatility | 44.51%~44.71%                       | 43.38%~45.60%                        | 41.80%~44.32%                          |
| Risk-free interest rate   | 0.375%~0.400%                       | 0.375%~0.500%                        | 0.375%~0.625%                          |
| Expected option life      | 8 years                             | 8 years                              | 8 years                                |
| Fair value per share      | 3.73 ~ 4.92<br>(in dollars)         | 3.45~4.64<br>(in dollars)            | 3.02~4.18<br>(in dollars)              |
|                           | <u>Grant date</u><br>August 9, 2021 |                                      |  |
| Dividend yield            | 0%                                  |                                      |  |
| Expected price volatility | 51.78% ~ 59.71%                     |                                      |  |
| Risk-free interest rate   | 0.125%                              |                                      |  |
| Expected option life      | 6 years                             |                                      |  |
| Fair value per share      | 16.03 ~ 18.77<br>(in dollars)       |                                      |  |

B.(a) For the years ended December 31, 2022 and 2021, the eEver Technology Limited's share-based payment arrangements were as follows:

| Type of arrangement                                  | Grant date | Quantity granted<br>(share in thousands) | Contract period | Vesting conditions |
|--|------------|--|-----------------|--------------------|
| The 1st employee stock options plan in 2017 (Note 2) | 2017.11.27 | 2,340                                    | 10 years        | Note 3             |
| The 1st employee stock options plan in 2019 (Note 1) | 2019.8.6   | 1,080                                    | 10 years        | Note 3             |

| Type of arrangement                                  | Grant date | Quantity granted (share in thousands) | Contract period | Vesting conditions |
|--|------------|---------------------------------------|-----------------|--------------------|
| The 1st employee stock options plan in 2020 (Note 1) | 2020.05.05 | 30                                    | 10 years        | Note 3             |
| The 2nd employee stock options plan in 2020 (Note 1) | 2020.10.1  | 3,040                                 | 10 years        | Note 3             |
| The 1st employee stock options plan in 2021 (Note 1) | 2021.11.19 | 30                                    | 10 years        | Note 3             |
| The 1st employee stock options plan in 2022 (Note 1) | 2022.3.15  | 280                                   | 10 years        | Note 3             |
| The 2nd employee stock options plan in 2022 (Note 1) | 2022.05.26 | 30                                    | 10 years        | Note 3             |
| The 3rd employee stock options plan in 2022 (Note 1) | 2022.08.22 | 1,090                                 | 10 years        | Note 3             |

The share-based payment arrangements above are settled by equity.

Note 1: It refers to the employee stock options issued by eEver Technology Limited to the employees of its subsidiary, eEver Technology, Inc.

Note 2: Due to the reorganisation, eEver Technology Limited assumed the eEver Technology, Inc.'s liabilities to issue employee stock options.

Note 3: The employees whose service year longer than 1 years' service can be vested with 25%, 2 years' service with 50%, 3 years' service with 75% and 4 years' service with 100%.

(b) For the years ended December 31, 2022 and 2021, the quantity and weighted average exercise price of eEver Technology Limited's employee stock options plans were as follows:

| Options  | 2022                             |   | 2021                             |   |
|--|----------------------------------|---|----------------------------------|---|
|  | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in dollars) | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in dollars) |
| Options outstanding at the beginning of the year | 6,530                            | \$ 10.00  | 6,250                            | \$ 10.00  |
| Options granted                                  | 1,150                            | 10.00   | -                                | -   |
| Options forfeited due to resignations            | ( 830)                           | -   | -                                | -   |
| Outstanding at the end of the year               | <u>6,850</u>                     | 10.00   | <u>6,250</u>                     | 10.00   |
| Exercisable at the end of the year               | <u>3,345</u>                     | 10.00   | <u>3,468</u>                     | 10.00   |

(c) Details of eEver Technology Limited's stock options outstanding are as follows:

| Date              | Weighted-average remaining contractual life | Range of exercise price (in dollars) |
|-------------------|---|--------------------------------------|
| December 31, 2022 | 7.12 years                                  | \$ 10                                |
| December 31, 2021 | 6.2 years                                   | \$ 10                                |

(d) The fair value of stock options granted by eEver Technology, Inc. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|                           | Grant date<br>2017.11.27 | Grant date<br>2019.8.6 | Grant date<br>2020.05.05 |
|---------------------------|--------------------------|------------------------|--------------------------|
| Expected dividend yield   | 0%                       | 0%                     | 0%                       |
| Expected price volatility | 32.78%~38.63%            | 38.72%~42.04%          | 39.54%~43.32%            |
| Risk-free interest rate   | 0.500%                   | 0.500%                 | 0.500%                   |
| Expected option life      | 4.5 years                | 4.5 years              | 4.5 years                |
| Fair value per share      | 1.56~2.91(in dollars)    | 1.90~3.31(in dollars)  | 2.17~2.98(in dollars)    |

|                           | Grant date            | Grant date            | Grant date            |
|---------------------------|-----------------------|-----------------------|-----------------------|
|                           | 2020.10.01            | 2021.11.19            | 2022.03.15            |
| Expected dividend yield   | 0%                    | 0%                    | 0%                    |
| Expected price volatility | 39.54%~43.32%         | 45.87%~50.01%         | 46.71%~51.25%         |
| Risk-free interest rate   | 0.500%                | 0.500%                | 0.500%                |
| Expected option life      | 4.5 years             | 4.5 years             | 4.5 years             |
| Fair value per share      | 2.17~2.98(in dollars) | 2.17~3.39(in dollars) | 2.38~3.69(in dollars) |
|                           | Grant date            | Grant date            |                       |
|                           | 2022.05.26            | 2022.08.22            |                       |
| Expected dividend yield   | 0%                    | 0%                    |                       |
| Expected price volatility | 46.16~52.93%          | 46.87~54.38%          |                       |
| Risk-free interest rate   | 0.500%                | 0.500%                |                       |
| Expected option life      | 4.5 years             | 4.5 years             |                       |
| Fair value per share      | 2.43~3.66(in dollars) | 2.53~3.73(in dollars) |                       |

C.(a) For the years ended December 31, 2022 and 2021, the eYs3D Microelectronics, Inc.'s share-based payment arrangements were as follows:

| Type of arrangement                         | Grant date | Quantity granted<br>(share in thousands) | Contract period | Vesting conditions |
|---|------------|--|-----------------|--------------------|
| The 1st employee stock options plan in 2017 | 2017.11.9  | 3,179                                    | 8 years         | Note 2             |
| The 1st employee stock options plan in 2017 | 2017.11.9  | 250                                      | 10 years        | Note 2             |
| The 1st employee stock options plan in 2018 | 2018.8.8   | 280                                      | 10 years        | Note 2             |
| The 2nd employee stock options plan in 2018 | 2018.11.9  | 120                                      | 10 years        | Note 2             |

| Type of arrangement                         | Grant date | Quantity granted (share in thousands) | Contract period | Vesting conditions |
|---|------------|---------------------------------------|-----------------|--------------------|
| The 1st employee stock options plan in 2019 | 2019.3.25  | 140                                   | 10 years        | Note 2             |
| The 2nd employee stock options plan in 2019 | 2019.8.6   | 1,530                                 | 10 years        | Note 2             |
| The 3rd employee stock options plan in 2019 | 2019.11.12 | 450                                   | 10 years        | Note 2             |
| The 1st employee stock options plan in 2020 | 2020.2.21  | 1,000                                 | 10 years        | Note 2             |
| The 2nd employee stock options plan in 2020 | 2020.5.5   | 250                                   | 10 years        | Note 2             |
| The 3rd employee stock options plan in 2020 | 2020.8.10  | 2,130                                 | 10 years        | Note 2             |
| The 4th employee stock options plan in 2020 | 2020.11.6  | 90                                    | 10 years        | Note 2             |
| The 1st employee stock options plan in 2021 | 2021.3.22  | 765                                   | 10 years        | Note 2             |
| The 2nd employee stock options plan in 2021 | 2021.9.13  | 600                                   | 10 years        | Note 2             |
| The 3rd employee stock options plan in 2021 | 2021.11.19 | 85                                    | 10 years        | Note 2             |
| The 1st employee stock options plan in 2022 | 2022.3.15  | 80                                    | 10 years        | Note 2             |
| The 2nd employee stock options plan in 2022 | 2022.8.22  | 1,085                                 | 10 years        | Note 2             |

The share-based payment arrangements above are settled by equity.

Note 1: Due to the reorganisation, eYs3D Microelectronics, Inc. assumed the eYs3D Microelectronics, Co.'s liabilities to issue employee stock options.

Note 2: The employees whose service year longer than 1 years' service can be vested with 25%, 2 years' service with 50%, 3 years' service with 75% and 4 years' service with 100%.

(b) For the years ended December 31, 2022 and 2021, the quantity and weighted average exercise price of eYs3D Microelectronics, Inc.'s employee stock options plans were as follows:

| Options  | 2022                             |   | 2021                             |   |
|--|----------------------------------|---|----------------------------------|---|
|  | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in dollars) | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in dollars) |
| Options outstanding at the beginning of the year | 6,488                            | \$ 10.00  | 1,656                            | \$ 10.00  |
| Options granted                                  | 1,165                            | 10.00   | -                                | -   |
| Options forfeited due to resignations            | ( 353)                           | -   | ( 136)                           | -   |
| Outstanding at the end of the year               | <u>7,300</u>                     | 10.00   | <u>1,520</u>                     | 10.00   |
| Exercisable at the end of the year               | <u>3,711</u>                     | 10.00   | <u>1,520</u>                     | 10.00   |

(c) Details of eYs3D Microelectronics, Inc.'s employee stock options outstanding are as follows:

| Date              | Weighted-average remaining contractual life | Range of exercise price (in dollars) |
|-------------------|---|--------------------------------------|
| December 31, 2022 | 6.78 years                                  | \$ 6.14~\$10.13                      |
| December 31, 2021 | 2.58 years                                  | \$ 10                                |

(d) The fair value of stock options granted by eYs3D Microelectronics, Inc. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|                           | Grant date                   | Grant date                   | Grant date                    |
|---------------------------|------------------------------|------------------------------|-------------------------------|
|                           | 2017.11.9                    | 2018.8.8                     | 2018.11.9                     |
| Expected dividend yield   | 0%                           | 0%                           | 0%                            |
| Expected price volatility | 27.41%~37.2%                 | 37.4%~41.75%                 | 39.57%~45.22%                 |
| Risk-free interest rate   | 0.375%~0.500%                | 0.375%~0.500%                | 0.375%~0.500%                 |
| Expected option life      | 4.5 years                    | 4.5 years                    | 4.5 years                     |
| Fair value per share      | 1.319~2.8256<br>(in dollars) | 2.006~3.1852<br>(in dollars) | 2.1716~3.2832<br>(in dollars) |



|                           | Grant date    | Grant date    | Grant date    |
|---------------------------|---------------|---------------|---------------|
|                           | 2019.3.25     | 2019.8.6      | 2019.11.12    |
| Expected dividend yield   | 0%            | 0%            | 0%            |
| Expected price volatility | 40.28%~45.23% | 38.72%~42.04% | 38.55%~42.01% |
| Risk-free interest rate   | 0.375%~0.500% | 0.375%~0.500% | 0.375%~0.500% |
| Expected option life      | 4.5 years     | 4.5 years     | 4.5 years     |
| Fair value per share      | 2.1791~3.3342 | 2.0857~3.4367 | 1.901~3.3137  |
|                           | (in dollars)  | (in dollars)  | (in dollars)  |
|                           | Grant date    | Grant date    | Grant date    |
|                           | 2020.2.21     | 2020.5.5      | 2020.8.10     |
| Expected dividend yield   | 0%            | 0%            | 0%            |
| Expected price volatility | 38.67%~41.72% | 39.47%~43.32% | 39.97%~42.6%  |
| Risk-free interest rate   | 0.375%~0.500% | 0.375%~0.500% | 0.375%~0.500% |
| Expected option life      | 4.5 years     | 4.5 years     | 4.5 years     |
| Fair value per share      | 1.8824~3.2187 | 1.8862~3.1723 | 1.8932~3.1703 |
|                           | (in dollars)  | (in dollars)  | (in dollars)  |
|                           | Grant date    | Grant date    | Grant date    |
|                           | 2020.11.6     | 2021.3.22     | 2021.9.13     |
| Expected dividend yield   | 0%            | 0%            | 0%            |
| Expected price volatility | 40.08%~42.77% | 40.99%~42.57% | 44.81%~49.98% |
| Risk-free interest rate   | 0.375%~0.500% | 0.375%~0.500% | 0.375%~0.500% |
| Expected option life      | 4.5 years     | 4.5 years     | 4.5 years     |
| Fair value per share      | 1.8545~3.1086 | 1.8998~3.1292 | 2.1571~3.3028 |
|                           | (in dollars)  | (in dollars)  | (in dollars)  |
|                           | Grant date    | Grant date    | Grant date    |
|                           | 2021.11.19    | 2022.3.15     | 2022.8.22     |
| Expected dividend yield   | 0%            | 0%            | 0%            |
| Expected price volatility | 45.85%~50.02% | 46.71%~51.25% | 46.93%~54.42% |
| Risk-free interest rate   | 0.375%~0.500% | 0.375%~0.500% | 0.375%~0.500% |
| Expected option life      | 4.5 years     | 4.5 years     | 4.5 years     |
| Fair value per share      | 2.1661~3.3869 | 2.2743~3.5291 | 2.5348~3.7308 |
|                           | (in dollars)  | (in dollars)  | (in dollars)  |

D.(a) For the years ended December 31, 2022 and 2021, DeCloak Intelligences Co.'s share-based payment arrangements were as follows:

| Type of arrangement                         | Grant date | Quantity granted<br>(share in<br>thousands) | Contract<br>period | Vesting conditions   |
|---|------------|---|--------------------|--|
| The 1st employee stock options plan in 2021 | 2021.03.17 | 207   | 8 years            | 50% vested after two years of services<br>100% vested after four years of services |
| The 2nd employee stock options plan in 2021 | 2021.11.05 | 5   | 8 years            | 50% vested after two years of services<br>100% vested after four years of services |
| The 1st employee stock options plan in 2022 | 2022.08.16 | 315   | 8 years            | 50% vested after two years of services<br>100% vested after four years of services |

The share-based payment arrangements above are settled by equity.

(b) For the years ended December 31, 2022 and 2021, the quantity and weighted average exercise price of DeCloak Intelligences Co.'s employee stock options plans were as follows:

| Options  | 2022                                   |  | 2021                                   |  |
|--|--|--|--|--|
|  | No. of<br>options<br>(in<br>thousands) | Weighted-<br>average<br>exercise price<br>(in dollars) | No. of<br>options<br>(in<br>thousands) | Weighted-<br>average<br>exercise price<br>(in dollars) |
| Options outstanding at the beginning of the year | 190                                    | \$ 1.00  | -                                      | \$ -   |
| Options granted                                  | 315                                    | 1.00   | 212                                    | 1.00   |
| Options forfeited due to resignations            | -                                      | -  | (22)                                   | -  |
| Outstanding at the ended of the year             | <u>505</u>                             | 1.00   | <u>190</u>                             | 1.00   |
| Exercisable at the end of the year               | <u>-</u>                               | -  | <u>-</u>                               | -  |

(c) Details of DeCloak Intelligences Co.'s employee stock options outstanding are as follows:

| Date              | Weighted-average<br>remaining contractual life | Range of<br>exercise price (in dollars) |
|-------------------|--|---|
| December 31, 2022 | 7.06 years                                     | \$ 1                                    |
| December 31, 2021 | 7.22 years                                     | \$ 1                                    |

(d) The fair value of stock options granted by DeCloak Intelligences Co. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|                           | <u>Grant date</u>             | <u>Grant date</u>             | <u>Grant date</u>             |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|
|                           | March 17, 2021                | November 5, 2021              | August 16, 2022               |
| Expected dividend yield   | 0%                            | 0%                            | 0%                            |
| Expected price volatility | 27.45%~32.29%                 | 27.95%~30.42%                 | 30.62%~34.09%                 |
| Risk-free interest rate   | 0.125%~0.292%                 | 0.125%~0.292%                 | 0.5%~1.25%                    |
| Expected option life      | 4.5 years                     | 4.5 years                     | 4.5 years                     |
| Fair value per share      | 0.2027~0.2341<br>(in dollars) | 0.1913~0.2382<br>(in dollars) | 0.2174~0.2759<br>(in dollars) |

E.(a) For the years ended December 31, 2022 and 2021, Invention and Collaboration Laboratory Pte, Ltd.'s share-based payment arrangements were as follows:

| Type of arrangement                         | <u>Grant date</u> | Quantity granted<br>(share in thousands) | Contract period | Vesting conditions  |
|---|-------------------|--|-----------------|---|
| The 1st employee stock options plan in 2021 | 2021.08.09        | 1,055                                    | 10 years        | 25% vested after one year of services<br>50% vested after two years of services<br>75% vested after three years of services<br>100% vested after four years of services |
| The 2nd employee stock options plan in 2021 | 2021.10.01        | 8  | 10 years        | 25% vested after one year of services<br>50% vested after two years of services<br>75% vested after three years of services<br>100% vested after four years of services |

| Type of arrangement                         | Grant date | Quantity granted<br>(share in thousands) | Contract period | Vesting conditions  |
|---|------------|--|-----------------|---|
| The 1st employee stock options plan in 2022 | 2022.02.23 | 77                                       | 10 years        | 25% vested after one year of services<br>50% vested after two years of services<br>75% vested after three years of services<br>100% vested after four years of services |
| The 2nd employee stock options plan in 2022 | 2022.08.23 | 190                                      | 10 years        | 25% vested after one year of services<br>50% vested after two years of services<br>75% vested after three years of services<br>100% vested after four years of services |

The share-based payment arrangements above are settled by equity.

(b) For the years ended December 31, 2022 and 2021, the quantity and weighted average exercise price of Invention and Collaboration Laboratory Pte, Ltd.'s employee stock options plans were as follows:

| Options  | 2022                             |  | 2021                             |  |
|--|----------------------------------|--|----------------------------------|--|
|  | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in US dollars) | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in US dollars) |
| Options outstanding at the beginning of the year | 1,063                            | \$ 0.14  | -                                | \$ -   |
| Options granted                                  | 267                              | 0.14   | 1,063                            | 0.14   |
| Outstanding at the end of the year               | 1,330                            | 0.14   | 1,063                            | 0.14   |
| Exercisable at the end of the year               | 266                              | 0.14   | -                                | -  |

(c) Details of Invention and Collaboration Laboratory Pte, Ltd.'s employee stock options outstanding are as follows:

| Date              | Weighted-average<br>remaining contractual life | Range of<br>exercise price<br>(in US dollars) |
|-------------------|--|---|
| December 31, 2022 | 8.79 years                                     | \$ 0.14                                       |
| December 31, 2021 | 9.61 years                                     | \$ 0.14                                       |

(d) The fair value of stock options granted by Invention and Collaboration Laboratory Pte, Ltd. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|   | Grant date<br>August 9, 2021  | Grant date<br>October 1, 2021 | Grant date<br>February 23, 2022 |
|---|-------------------------------|-------------------------------|---------------------------------|
| Expected dividend yield                 | 0%                            | 0%                            | 0%                              |
| Expected price volatility               | 44.97%~57.12%                 | 45.53%~57.12%                 | 45.14%~57.34%                   |
| Risk-free interest rate                 | 1.438%                        | 1.438%                        | 3.528%                          |
| Expected option life                    | 6.25 years                    | 6.25 years                    | 6.25 years                      |
| Fair value per share<br>(in US dollars) | 0.03                          | 0.03                          | 0.03                            |
|   | Grant date<br>August 23, 2022 |                               |                                 |
| Expected dividend yield                 | 0%                            |                               |                                 |
| Expected price volatility               | 45.88%~57.49%                 |                               |                                 |
| Risk-free interest rate                 | 3.528%                        |                               |                                 |
| Expected option life                    | 6.25 years                    |                               |                                 |
| Fair value per share<br>(in US dollars) | 0.05                          |                               |                                 |

F. (a) For the year ended December 31, 2022, TAT Technology, Inc.'s share-based payment arrangements were as follows:

| Type of arrangement                         | Grant date | Quantity granted<br>(share in thousands) | Contract<br>period | Vesting conditions                       |
|---|------------|--|--------------------|--|
| The 1st employee stock options plan in 2022 | 2022.10.03 | 84                                       | 10 years           | 2.08% vested after one month of services |

The share-based payment arrangements above are settled by equity.

- (b) For the year ended December 31, 2022, the quantity and weighted average exercise price of TAT Technology, Inc.'s employee stock options plans were as follows:

| Options  | 2022                             |  |
|--|----------------------------------|--|
|  | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in US dollars) |
| Options outstanding at the beginning of the year | -                                | \$ -   |
| Options granted                                  | 84                               | 0.066  |
| Outstanding at the ended of the year             | 84                               | 0.066  |
| Exercisable at the end of the year               | 3                                | -  |

- (c) Details of TAT Technology, Inc.'s employee stock options outstanding are as follows:

| Date              | Weighted-average remaining contractual life | Range of exercise price (in US dollars) |
|-------------------|---|---|
| December 31, 2022 | 9.76 years                                  | \$0.066                                 |

- (d) The fair value of stock options granted by TAT Technology, Inc. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|   | Grant date      |
|---|-----------------|
|   | October 3, 2022 |
| Expected dividend yield                 | 0%              |
| Expected price volatility               | 46.35%~57.66%   |
| Risk-free interest rate                 | 2.895%          |
| Expected option life                    | 6.25 years      |
| Fair value per share<br>(in US dollars) | 0.001           |

- G. (a) For the year ended December 31, 2022, T-Era Architecture Technology, Inc.'s share-based payment arrangements were as follows:

| Type of arrangement                         | Grant date | Quantity granted<br>(share in thousands) | Contract period | Vesting conditions                       |
|---|------------|--|-----------------|--|
| The 1st employee stock options plan in 2022 | 2022.09.28 | 495                                      | 10 years        | 2.08% vested after one month of services |

The share-based payment arrangements above are settled by equity.

(b) For the year ended December 31, 2022, the quantity and weighted average exercise price of T-Era Architecture Technology, Inc.'s employee stock options plans were as follows:

| Options  | 2022                             |  |
|--|----------------------------------|--|
|  | No. of options<br>(in thousands) | Weighted-average exercise price<br>(in US dollars) |
| Options outstanding at the beginning of the year | -                                | \$ -   |
| Options granted                                  | 495                              | 0.066  |
| Outstanding at the ended of the year             | 495                              | 0.066  |
| Exercisable at the end of the year               | 31                               | -  |

(c) Details of T-Era Architecture Technology, Inc.'s employee stock options outstanding are as follows:

| Date              | Weighted-average remaining contractual life | Range of exercise price (in US dollars) |
|-------------------|---|---|
| December 31, 2022 | 9.74 years                                  | \$0.066                                 |

(d) The fair value of stock options granted by T-Era Architecture Technology, Inc. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

|   | Grant date         |
|---|--------------------|
|   | September 28, 2022 |
| Expected dividend yield                 | 0%                 |
| Expected price volatility               | 46.35%~57.66%      |
| Risk-free interest rate                 | 2.895%             |
| Expected option life                    | 6.25 years         |
| Fair value per share<br>(in US dollars) | 0.001              |

H. For the years ended December 31, 2022 and 2021, expenses incurred on equity-settled share-based payment transactions amounted to \$42,549 and \$19,524, respectively.

(25) Operating revenue

|   | Year ended December 31 |              |
|---|------------------------|--------------|
|   | 2022                   | 2021         |
| Revenue from contractors with customers | \$ 4,684,589           | \$ 6,146,406 |

The Group derives revenue from the transfer of goods at a point in time as follows:

|                     | Year ended December 31 |                     |
|---------------------|------------------------|---------------------|
|                     | 2022                   | 2021                |
| Integrated circuits | \$ 4,627,752           | \$ 6,135,671        |
| Others              | 56,837                 | 10,735              |
|                     | <u>\$ 4,684,589</u>    | <u>\$ 6,146,406</u> |

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

|                      | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|----------------------|-------------------|-------------------|-----------------|
| Contract liabilities | <u>\$ 2,164</u>   | <u>\$ 4,276</u>   | <u>\$ 8,527</u> |

|   | Year ended December 31 |                 |
|---|------------------------|-----------------|
|   | 2022                   | 2021            |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | <u>\$ 4,272</u>        | <u>\$ 8,527</u> |

(26) Other income and expenses – net

|                  | Year ended December 31 |                  |
|------------------|------------------------|------------------|
|                  | 2022                   | 2021             |
| Rent income, net | <u>\$ 62,523</u>       | <u>\$ 57,647</u> |

(27) Interest income

|                                    | Year ended December 31 |                 |
|------------------------------------|------------------------|-----------------|
|                                    | 2022                   | 2021            |
| Interest income from bank deposits | <u>\$ 2,437</u>        | <u>\$ 3,974</u> |

(28) Other income

|                       | Year ended December 31 |                  |
|-----------------------|------------------------|------------------|
|                       | 2022                   | 2021             |
| Dividend income       | \$ 18,484              | \$ 19,480        |
| Other income - others | 59,568                 | 11,170           |
|                       | <u>\$ 78,052</u>       | <u>\$ 30,650</u> |



(29) Other gains and losses

|   | Year ended December 31 |                  |
|---|------------------------|------------------|
|   | 2022                   | 2021             |
| Gains on disposals of investments   | \$ 1,921               | \$ -             |
| Gains arising from lease modifications  | 55                     | 5                |
| Gains on disposal of property,<br>plant and equipment   | 98                     | 34,444           |
| Foreign exchange gains (losses)   | 10,848 (               | 22,731)          |
| Net (losses) gains on financial<br>assets (liabilities) at fair value through<br>profit or loss | ( 45,680)              | 8,409            |
| Miscellaneous disbursements   | ( 696)                 | ( 98)            |
|   | <u>(\$ 33,454)</u>     | <u>\$ 20,029</u> |

(30) Expenses by nature

|   | Year ended December 31 |                   |
|---|------------------------|-------------------|
|   | 2022                   | 2021              |
| Employee benefit expense                  | <u>\$ 859,365</u>      | <u>\$ 830,327</u> |
| Depreciation charges (Note)               | <u>\$ 157,477</u>      | <u>\$ 175,261</u> |
| Amortisation charges on intangible assets | <u>\$ 71,931</u>       | <u>\$ 52,737</u>  |

Note: Including the depreciation charges presented as a deduction item to rent income under other income.

(31) Employee benefit expense

|                            | Year ended December 31 |                   |
|----------------------------|------------------------|-------------------|
|                            | 2022                   | 2021              |
| Post-employment benefits   |                        |                   |
| Defined contribution plans | \$ 28,008              | \$ 24,844         |
| Defined benefit plans      | 748                    | 560               |
|                            | <u>28,756</u>          | <u>25,404</u>     |
| Other personnel expenses   | <u>830,609</u>         | <u>804,923</u>    |
|                            | <u>\$ 859,365</u>      | <u>\$ 830,327</u> |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 12% for employees' compensation and shall not be higher than 2% for directors' remuneration. The employees' compensation can be distributed in the form of shares or cash. Including the employees of subsidiaries of the company meeting certain specific requirements, are entitled to receive aforementioned shares or cash.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$24,420 and \$119,901, respectively; while directors' remuneration was accrued at \$4,070 and \$19,833, respectively. The aforementioned amounts were recognised in salary expenses. For the years ended December 31, 2022 and 2021, the employees' compensation and directors' remuneration were accrued based on the distributable profit of the current year and the Company's Articles of Incorporation.

Employees' compensation of \$119,001 and directors' remuneration of \$19,833 for the year ended December 31, 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(32) Finance costs

|                                       | Year ended December 31 |                  |
|---------------------------------------|------------------------|------------------|
|                                       | 2022                   | 2021             |
| Interest expense on bank loan         | \$ 24,232              | \$ 36,727        |
| Interest expense on bonds payable     | 6,921                  | -                |
| Interest expense on lease liabilities | 3,260                  | 3,204            |
|                                       | <u>\$ 34,413</u>       | <u>\$ 39,931</u> |

(33) Income tax

A. Income tax expense

(a) Components of income tax expense:

|   | Year ended December 31 |                  |
|---|------------------------|------------------|
|   | 2022                   | 2021             |
| Current tax:                                      |                        |                  |
| Current tax on profits for the year               | \$ -                   | \$ 354           |
| Tax on undistributed surplus earnings             | 5,416                  | 25               |
| Total current tax                                 | <u>5,416</u>           | <u>379</u>       |
| Deferred tax:                                     |                        |                  |
| Origination and reversal of temporary differences | \$ 21,269              | \$ 167,695       |
| Change in tax losses                              | 6,427                  | (99,339)         |
| Total deferred tax                                | <u>27,696</u>          | <u>68,356</u>    |
| Income tax expense                                | <u>\$ 33,112</u>       | <u>\$ 68,735</u> |

(b) Reconciliation between income tax expense and accounting profit:

|   | Year ended December 31 |                  |
|---|------------------------|------------------|
|   | 2022                   | 2021             |
| Tax calculated based on (loss) income before tax and statutory tax rate | \$ 21,462              | \$ 208,406       |
| Effects from items disallowed by tax regulation                         | 1,791                  | 9,751            |
| Temporary difference not recognised as deferred tax assets              | 41,656                 | 6,252            |
| Change in assessment of realisation of deferred tax assets              | ( 52,261)              | ( 173,134)       |
| Tax on undistributed surplus earnings                                   | 5,416                  | 25               |
| Effect from alternative minimum tax                                     | -                      | 354              |
| Taxable loss not recognised as deferred tax assets                      | 15,048                 | 17,081           |
| Income tax expense  | <u>\$ 33,112</u>       | <u>\$ 68,735</u> |

B. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

|   | 2022              |                              |                   |
|---|-------------------|------------------------------|-------------------|
|   | January 1         | Recognised in profit or loss | December 31       |
| Temporary differences:                              |                   |                              |                   |
| – Deferred tax assets:                              |                   |                              |                   |
| Unrealised allowance for inventory valuation losses | \$ 90,202         | \$ -                         | \$ 90,202         |
| Unrealised investment losses                        | 27,473            | ( 27,473)                    | -                 |
| Others  | 16,168            | 9,165                        | 25,333            |
| Tax losses  | 107,658           | ( 6,427)                     | 101,231           |
|   | <u>\$ 241,501</u> | <u>(\$ 24,735)</u>           | <u>\$ 216,766</u> |
| – Deferred tax liabilities:                         |                   |                              |                   |
| Unrealised exchange gain                            | (\$ 483)          | (\$ 2,961)                   | (\$ 3,444)        |
| Total   | <u>\$ 241,018</u> | <u>(\$ 27,696)</u>           | <u>\$ 213,322</u> |

|   | 2021              |                              |                   |
|---|-------------------|------------------------------|-------------------|
|   | January 1         | Recognised in profit or loss | December 31       |
| Temporary differences:                              |                   |                              |                   |
| – Deferred tax assets:                              |                   |                              |                   |
| Unrealised allowance for inventory valuation losses | \$ 93,120         | (\$ 2,918)                   | \$ 90,202         |
| Unrealised investment losses                        | 171,603           | ( 144,130)                   | 27,473            |
| Others  | 36,332            | ( 20,164)                    | 16,168            |
| Tax losses  | 8,319             | 99,339                       | 107,658           |
|   | <u>\$ 309,374</u> | <u>(\$ 67,873)</u>           | <u>\$ 241,501</u> |
| – Deferred tax liabilities:                         |                   |                              |                   |
| Unrealised exchange gain                            | \$ -              | (\$ 483)                     | (\$ 483)          |
| Total   | <u>\$ 309,374</u> | <u>(\$ 68,356)</u>           | <u>\$ 241,018</u> |

C. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

| December 31, 2022 |                       |                     |                                  |             |
|-------------------|-----------------------|---------------------|----------------------------------|-------------|
| Year incurred     | Amount filed/assessed | Unused amount       | Unrecognised deferred tax assets | Expiry year |
| 2015              | \$ 70,139             | \$ 64,514           | \$ 64,514                        | 2025        |
| 2016              | 252,201               | 213,186             | 213,186                          | 2026        |
| 2017              | 398,425               | 398,425             | 398,425                          | 2027        |
| 2018              | 568,288               | 568,288             | 568,288                          | 2028        |
| 2019              | 737,250               | 737,250             | 481,978                          | 2029        |
| 2020              | 354,398               | 354,398             | 103,515                          | 2030        |
|                   | <u>\$ 2,380,701</u>   | <u>\$ 2,336,061</u> | <u>\$ 1,829,906</u>              |             |

| December 31, 2021 |                       |                     |                                  |             |
|-------------------|-----------------------|---------------------|----------------------------------|-------------|
| Year incurred     | Amount filed/assessed | Unused amount       | Unrecognised deferred tax assets | Expiry year |
| 2012              | \$ 461,037            | \$ 380,698          | \$ 380,698                       | 2022        |
| 2015              | 70,139                | 70,139              | 70,139                           | 2025        |
| 2016              | 252,201               | 252,201             | 252,201                          | 2026        |
| 2017              | 398,425               | 398,425             | 398,425                          | 2027        |
| 2018              | 495,735               | 495,735             | 495,735                          | 2028        |
| 2019              | 727,191               | 727,191             | 439,780                          | 2029        |
| 2020              | 360,005               | 360,005             | 109,126                          | 2030        |
|                   | <u>\$ 2,764,733</u>   | <u>\$ 2,684,394</u> | <u>\$ 2,146,104</u>              |             |

D. The Company's, Kingcharm Investment Corp.'s, Kingwell Investment Corp.'s, Invention and Collaboration Laboratory, Inc., Eutrend Technology, Inc., DeCloak Intelligences Co., eEver Technology, Inc., eYs3D Microelectronics, Co., Pinoeer Chip Technology Limited and nD-HI Technologies Lab, Inc. (formerly named Silicon Spintronics Inc.) income tax returns through 2020 have been assessed.

(34) Earnings per share

|   | <u>Year ended December 31, 2022</u> |  |   |
|---|-------------------------------------|--|---|
|   | <u>Amount after tax</u>             | <u>Weighted average<br/>number of ordinary<br/>shares outstanding<br/>(share in thousands)</u> | <u>Earning per<br/>share<br/>(in dollars)</u> |
| <u>Basic earnings per share</u>   |                                     |  |   |
| Profit attributable to ordinary<br>shareholders of the parent   | \$ 141,895                          | 283,868  | \$ 0.50                                       |
| <u>Diluted earnings per share</u>   |                                     |  |   |
| Profit attributable to ordinary<br>shareholders of the parent   | \$ 141,895                          | 283,868  |   |
| Assumed conversion of all dilutive<br>potential ordinary shares   |                                     |  |   |
| - Employee share options  | -                                   | 1,214  |   |
| - Employees' compensation   | -                                   | 618  |   |
| Profit attributable to ordinary<br>shareholders of the parent plus<br>assumed conversion of all dilutive<br>potential ordinary shares | \$ 141,895                          | 285,700  | \$ 0.50                                       |

|  | Year ended December 31, 2021 |  |                                      |
|--|------------------------------|--|--------------------------------------|
|  | Amount after tax             | Weighted average<br>number of ordinary<br>shares outstanding<br>(share in thousands) | Earning per<br>share<br>(in dollars) |
| <u>Basic earnings per share</u>  |                              |  |                                      |
| Profit attributable to ordinary shareholders of the parent   | \$ 1,051,071                 | 282,032  | \$ 3.73                              |
| <u>Diluted earnings per share</u>  |                              |  |                                      |
| Profit attributable to ordinary shareholders of the parent   | \$ 1,051,071                 | 282,032  |                                      |
| Assumed conversion of all dilutive potential ordinary shares   |                              |  |                                      |
| - Employee share options   | -                            | 1,143  |                                      |
| - Employees' compensation  | -                            | 1,382  |                                      |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 1,051,071                 | 284,557  | \$ 3.69                              |

Note 1: For the year ended December 31, 2022, if the convertible bonds were accrued, there would be anti-dilutive effect, thus, it would not be included in the calculation of dilutive number of shares.

Note 2: For the years ended December 31, 2022 and 2021, the weighted average numbers of outstanding shares were retrospectively adjusted in proportion to 105% of the capitalised amount of unappropriated earnings in September 2022.

(35) Supplemental cash flow information

Investing activities with partial cash payments

|  | Year ended December 31 |            |
|--|------------------------|------------|
|  | 2022                   | 2021       |
| Purchase of property, plant, equipment and intangible assets | \$ 233,784             | \$ 169,172 |
| Add: Opening balance of payable on equipment                 | 9,091                  | 19,442     |
| Less: Ending balance of payable on equipment                 | ( 25,636)              | ( 9,091)   |
| Cash paid during the year                                    | \$ 217,239             | \$ 179,523 |

(36) Transactions with non-controlling interest

- A. The Group's subsidiary, eYs3D Microelectronics, Inc.(eYs3D), increased its capital by issuing new shares in 2022. As a result, the Group increased its share interest by 2.09% due to the above effects.
- B. The Group's subsidiary, eYs3D Microelectronics, Inc.(eYs3D), increased its capital by issuing new shares in 2021. The convertible bonds issued by eYs3D in 2020 have been converted into its shares in 2021. As a result, the Group decreased its share interest by 8.12% due to the above effects.
- C. For the years ended December 31, 2022 and 2021, the Group's subsidiary, DeCloak Intelligences Co., increased its capital by issuing new shares, as a result, the Group increased its share interest by 2.56% and 14.81%, respectively.
- D The Group's subsidiary, nD-HI Technologies Lab, Inc. (formerly named Silicon Spintronics Inc.), increased its capital by issuing new shares in 2021, as a result, the Group decreased its share interest by 7.33%.
- E. The Group's subsidiary, T-Era Architecture Technology, Inc., increased its capital by issuing new shares in 2022, and the Group held 62.65% share interest in the end of period.
- F. The Group's subsidiary, TAT Technology, Inc., increased its capital by issuing new shares in 2022, and the Group held 62.67% share interest in the end of period.

The effect of change in interest contributed to the aforementioned transactions on the equity attributable to owners of the parent for the year ended December 31, 2022 is shown below:

|  | Year ended December 31 |                  |
|--|------------------------|------------------|
|  | 2022                   | 2021             |
| Cash contributed by non-controlling interests                                  | \$ 35,587              | \$ 101,090       |
| Conversion of the subsidiaries' convertible bonds by non-controlling interests | -                      | 42,803           |
| Changes in ownership interests in subsidiaries                                 | ( 32,974)              | ( 64,560)        |
|  | <u>\$ 2,613</u>        | <u>\$ 79,333</u> |
| Increase in capital surplus attributable to:                                   |                        |                  |
| Owners of the parent   | <u>\$ 2,613</u>        | <u>\$ 79,333</u> |

(37) Changes in liabilities from financing activities

|   | Short-term<br>borrowings | Bonds<br>payable  | Long-term<br>borrowings<br>(Note) | Lease<br>liabilities | Guarantee<br>deposits<br>received |
|---|--------------------------|-------------------|-----------------------------------|----------------------|-----------------------------------|
| At January 1, 2022                                | \$ 140,720               | \$ -              | \$ 1,271,250                      | \$ 146,070           | \$ 17,099                         |
| Changes in cash flow<br>from financing activities | 942,368                  | 794,400           | ( 498,973)                        | ( 22,794)            | 61,708                            |
| Changes in other<br>non-cash items                |                          |                   |                                   |                      |                                   |
| Discount on bonds<br>payable                      | -                        | ( 61,337)         | -                                 | -                    | -                                 |
| Amortisation of<br>discount on bonds<br>payable   | -                        | 6,921             | -                                 | -                    | -                                 |
| New lease contracts                               | -                        | -                 | -                                 | 96,001               | -                                 |
| Modification of lease<br>contract                 | -                        | -                 | -                                 | ( 3,314)             | -                                 |
| Net exchange<br>differences                       | -                        | -                 | ( 48)                             | ( 138)               | -                                 |
| December 31, 2022                                 | <u>\$ 1,083,088</u>      | <u>\$ 739,984</u> | <u>\$ 772,229</u>                 | <u>\$ 215,825</u>    | <u>\$ 78,807</u>                  |

  

|   | Short-term<br>borrowings | Long-term<br>borrowings<br>(Note) | Lease<br>liabilities | Guarantee<br>deposits<br>received | Financial<br>liabilities at<br>fair value through<br>profit or loss |
|---|--------------------------|-----------------------------------|----------------------|-----------------------------------|---|
| At January 1, 2021  | \$ 143,635               | \$ 1,965,281                      | \$ 169,212           | \$ 16,894                         | \$ 42,722   |
| Changes in cash flow<br>from financing<br>activities                      | ( 2,915)                 | ( 694,031)                        | ( 22,826)            | 205                               | -   |
| Changes in other<br>non-cash items  |                          |                                   |                      |                                   |   |
| Modification of lease<br>contract   | -                        | -                                 | ( 251)               | -                                 | -   |
| Current financial<br>liabilities at fair value<br>through profit and loss | -                        | -                                 | -                    | -                                 | ( 2)  |
| Conversion of bonds   | -                        | -                                 | -                    | -                                 | ( 42,803)   |
| Net exchange<br>differences   | -                        | -                                 | ( 65)                | -                                 | 83  |
| December 31, 2021   | <u>\$ 140,720</u>        | <u>\$ 1,271,250</u>               | <u>\$ 146,070</u>    | <u>\$ 17,099</u>                  | <u>\$ -</u>   |

Note: Including current portion.



## 7. Related Party Transactions

### (1) Names of related parties and relationship

| Names of related parties      | Relationship with the Group  |
|-------------------------------|--|
| Giga Solution Tech. Co., Ltd. | The chairman of the investee and the chairman of the Company are relatives within the second degree of kinship |
| Kai Chun Investment Corp.     | The Company's corporate director   |
| Chao-Chun Lu                  | The Company's chairman   |

### (2) Significant related party transactions

#### A. Receivables from related parties

|                        | December 31, 2022 | December 31, 2021 |
|------------------------|-------------------|-------------------|
| Other receivables:     |                   |                   |
| -Other related parties | \$ <u>6,329</u>   | \$ <u>4,418</u>   |

Other receivables arose from leasing assets to related parties and are collected within 30 days after the invoices are issued. The receivables are unsecured in nature and bear no interest.

#### B. Advance receipts

|                               | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Other related parties         |                   |                   |
| Giga Solution Tech. Co., Ltd. |                   |                   |
| -Current                      | \$ <u>-</u>       | \$ <u>22,782</u>  |

#### C. Guarantee deposits received

|                               | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Other related parties         |                   |                   |
| Giga Solution Tech. Co., Ltd. | \$ 16,487         | \$ 16,487         |
| Others                        | <u>3</u>          | <u>3</u>          |
|                               | \$ <u>16,490</u>  | \$ <u>16,490</u>  |

#### D. Other transactions

(a) Other related party transactions are summarised below:

|                               | Year ended December 31 |                  |
|-------------------------------|------------------------|------------------|
|                               | 2022                   | 2021             |
| Rent income:                  |                        |                  |
| -Other related parties        |                        |                  |
| Giga Solution Tech. Co., Ltd. | \$ 65,929              | \$ 57,524        |
| Others                        | <u>11</u>              | <u>11</u>        |
|                               | \$ <u>65,940</u>       | \$ <u>57,535</u> |

(b) Information on the issuance of subsidiary – Decloak Intelligences Co.’s ordinary shares to related parties for the years ended December 31, 2022 and 2021 is as follows:

For the year ended December 31, 2022: None.

| Year ended December 31, 2021 |                       |               |  |               |
|------------------------------|-----------------------|---------------|--|---------------|
| Counterparty                 | Accounts              | No. of shares | Objects                                    | Consideration |
| Other related parties        | Property transactions | 60,000        | Decloak Intelligences Co.'s ordinary share | \$ 600        |

(3) Key management compensation

|   | Year ended December 31 |                   |
|---|------------------------|-------------------|
|   | 2022                   | 2021              |
| Salaries and other short-term employee benefits | \$ 84,190              | \$ 96,596         |
| Post-employment benefits                        | 1,435                  | 1,136             |
| Services expenses                               | 1,860                  | 1,196             |
| Share-based payments                            | 8,997                  | 4,032             |
|   | <u>\$ 96,482</u>       | <u>\$ 102,960</u> |

8. Pledged Assets

The Group’s assets pledged as collateral are as follows:

| Pledged asset   | Book value        |                   | Purpose   |
|---|-------------------|-------------------|---|
|   | December 31, 2022 | December 31, 2021 |   |
| Time deposits (shown as "Current financial assets at amortised cost")     | \$ 30,057         | \$ 18,971         | Government subsidy projects and tariff guarantees |
| Time deposits (shown as "Non-current financial assets at amortised cost") | 5,941             | 5,941             | Land lease agreement guarantee                    |
| Buildings and structures  | 45,093            | 296,095           | Long-term borrowings                              |
|   | <u>\$ 81,091</u>  | <u>\$ 321,007</u> |   |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

In February 2017, Securities and Futures Investors Protection Center (the “SFIPC”) filed a civil lawsuit against the Company, the former subsidiary, TM Technology Inc. and other defendants, claiming that they are jointly liable for compensation, on behalf of the investors of the former subsidiary, TM Technology Inc., as the Company’s former director Mr. Wu was sued for violating the Securities and Exchange Act in January 2016. On March 18, 2019, Taiwan HsinChu District Court dismissed the lawsuit. However, the SFIPC filed an appeal with Taiwan High Court, which was dismissed on February 26, 2021. On March 24, 2021, SFIPC disagreed with the ruling rendered by the Taiwan High Court and filed an application for an appeal.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On March 13, 2023, the Board of Directors of the Company resolved the effective date of capital increase for exercise of employee stock option. Refer to Note 6(20) for details.

12. Others

(1) Capital management

The Group must maintain adequate capital to expand product lines and that sales could achieve economic of scale. The Group's objectives when managing capital are to secure necessary financial resources to meet the needs of operating funds for the next year, capital expenditure, research and development activities expenditures and debt repayment.

(2) Financial instruments

A. Financial instruments by category

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u>   |                          |                          |
| Financial assets at fair value through profit or loss                         |                          |                          |
| Financial assets at mandatorily measured at fair value through profit or loss | \$ <u>60,894</u>         | \$ <u>5,253</u>          |
| Financial assets at fair value through other comprehensive income             |                          |                          |
| Designation of equity instrument  | \$ <u>680,510</u>        | \$ <u>751,176</u>        |
| Financial assets at amortised cost/Loans and receivables                      |                          |                          |
| Cash and cash equivalents   | \$ 842,402               | \$ 1,277,391             |
| Financial assets at amortised cost  | 35,998                   | 24,912                   |
| Notes receivable  | 73,838                   | 10,000                   |
| Accounts receivable   | 878,160                  | 1,425,185                |
| Other receivables   | 18,819                   | 46,620                   |
| Guarantee deposits paid (shown as other non-current assets)                   | <u>419,826</u>           | <u>419,585</u>           |
|   | <u>\$ 2,269,043</u>      | <u>\$ 3,203,693</u>      |

December 31, 2022    December 31, 2021

Financial liabilities

|  |              |              |
|--|--------------|--------------|
| Financial liabilities at fair value through profit or loss               |              |              |
| Financial liabilities designated as at fair value through profit or loss | \$ 8,662     | \$ -         |
| Financial liabilities at amortised cost                                  |              |              |
| Short-term borrowings  | \$ 1,083,088 | \$ 140,720   |
| Notes payable  | 753          | 1,534        |
| Accounts payable   | 687,754      | 943,330      |
| Other payables   | 298,604      | 366,877      |
| Convertible bonds payable  | 739,984      | -            |
| Long-term borrowings (including current portion)                         | 772,229      | 1,271,250    |
| Guarantee deposits received (shown as other non-current liabilities)     | 78,807       | 17,099       |
|  | \$ 3,661,219 | \$ 2,740,810 |
| Lease liability  | \$ 215,825   | \$ 146,070   |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on the Group's financial condition and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and reduce financial risks in close co-operation with the Group's operating units. The Group provides written principles for specific areas and matters, such as use of derivative financial instruments.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The consolidated entities exposed to the exchange rate risk arising from operating activities which were denominated in non-functional currency. The Group's functional currency includes New Taiwan dollars, US Dollars, RMB and JPY. Those transactions were mainly denominated in New Taiwan dollars, US Dollars, RMB, HKD and JPY.

- ii. The Group employs foreign currency derivative financial instruments, including forward exchange contracts or foreign exchange swap contracts to hedge exchange rate risk arising from monetary financial assets and liabilities and forecast transactions that are not denominated in NTD. These hedges can minimize the effects of changes in foreign exchange rates on assets and liabilities, but the risk cannot be eliminated entirely.
- iii. The Group's businesses involve some non-functional currency operations (The Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| <b>(Foreign currency: functional currency)</b> | December 31, 2022       |               |              |
|--|-------------------------|---------------|--------------|
|  | Foreign currency amount |               | Book value   |
|  | (In thousands)          | Exchange rate | (NTD)        |
| <u>Financial assets</u>                        |                         |               |              |
| <u>Monetary items</u>                          |                         |               |              |
| USD:NTD  | \$ 37,142               | 30.710        | \$ 1,140,616 |
| <u>Non-monetary items</u>                      |                         |               |              |
| USD:NTD  | 54,835                  | 30.710        | 1,683,982    |
| JPY:NTD  | 14,251                  | 0.2324        | 3,312        |
| <u>Financial liabilities</u>                   |                         |               |              |
| <u>Monetary items</u>                          |                         |               |              |
| USD:NTD  | 28,117                  | 30.710        | 863,457      |
| <br>   |                         |               |              |
| <b>(Foreign currency: functional currency)</b> | December 31, 2021       |               |              |
|  | Foreign currency amount |               | Book value   |
|  | (In thousands)          | Exchange rate | (NTD)        |
| <u>Financial assets</u>                        |                         |               |              |
| <u>Monetary items</u>                          |                         |               |              |
| USD:NTD  | \$ 61,838               | 27.680        | \$ 1,711,676 |
| <u>Non-monetary items</u>                      |                         |               |              |
| USD:NTD  | 70,004                  | 27.680        | 1,937,712    |
| JPY:NTD  | 14,765                  | 0.2405        | 3,551        |
| <u>Financial liabilities</u>                   |                         |               |              |
| <u>Monetary items</u>                          |                         |               |              |
| USD:NTD  | 26,577                  | 27.680        | 735,651      |

- iv. The unrealised exchange gains (losses) arising from the monetary items with significant influence held by the Group for the years ended December 31, 2022 and 2021 amounted to \$13,119 and (\$1,149), respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

| <b>(Foreign currency:<br/>functional currency)</b> | Year ended December 31, 2022 |                              |  |
|--|------------------------------|------------------------------|--|
|  | Sensitivity analysis         |                              |  |
|  | Degree of<br>variation       | Effects on<br>profit or loss | Effect on other<br>comprehensive<br>income |
| <u>Financial assets</u>                            |                              |                              |  |
| <u>Monetary items</u>                              |                              |                              |  |
| USD:NTD  | 1%                           | \$ 11,406                    | \$ -                                       |
| <u>Non-monetary items</u>                          |                              |                              |  |
| USD:NTD  | 1%                           | -                            | 16,840                                     |
| JPY:NTD  | 1%                           | -                            | 33   |
| <u>Financial liabilities</u>                       |                              |                              |  |
| <u>Monetary items</u>                              |                              |                              |  |
| USD:NTD  | 1%                           | 8,635                        | -  |
| <br>   |                              |                              |  |
| <b>(Foreign currency:<br/>functional currency)</b> | Year ended December 31, 2021 |                              |  |
|  | Sensitivity analysis         |                              |  |
|  | Degree of<br>variation       | Effects on<br>profit or loss | Effect on other<br>comprehensive<br>income |
| <u>Financial assets</u>                            |                              |                              |  |
| <u>Monetary items</u>                              |                              |                              |  |
| USD:NTD  | 1%                           | \$ 17,117                    | \$ -                                       |
| <u>Non-monetary items</u>                          |                              |                              |  |
| USD:NTD  | 1%                           | -                            | 19,377                                     |
| JPY:NTD  | 1%                           | -                            | 36   |
| <u>Financial liabilities</u>                       |                              |                              |  |
| <u>Monetary items</u>                              |                              |                              |  |
| USD:NTD  | 1%                           | 7,357                        | -  |

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign listed and unlisted shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, before-

tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$3,045 and \$43, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$34,026 and \$37,559, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from time deposits maturing over three months and long-term borrowings at variable rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2022 and 2021, the Group's borrowings were denominated in New Taiwan dollars and US Dollars.
- ii. On December 31, 2022 and 2021, if the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased / increased by \$1,539 and \$2,538, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- iii. On December 31, 2022 and 2021, if the interest rate of New Taiwan dollars time deposits and time deposits maturing over three months had increased/decreased by 0.25% with all other variables held constant, the impact to profit, net of tax for the years ended December 31, 2022 and 2021 would be immaterial. The main factor is that changes in interest income result in floating-rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. Policy for credit risk management of the Group's operating units is as follows:
  - (i) The Group sets the relevant procedures to monitor, manage and reduce the credit risk of accounts receivable; however, it is not guaranteed that the procedures can effectively exclude the credit risk and avoid losses. The exposure of such credit risk will increase in the deteriorating economic environment.
  - (ii) The Group periodically monitors, reviews and adjusts the credit limits based on the market conditions and credit status of counterparties to timely manage the credit risk. The Group only transacts with banks and financial institutions with high credit quality, and therefore does not expect to assume the credit risk.

- (iii) The main credit risks arise from deposits with bank and financial institutions, financial assets at amortised cost and accounts receivable.
- ii. The situation that the Group regards as breach of contract specified in the contract are as follows: when the contract payments may not be recovered and have to be transferred to overdue receivables, the default has occurred.
- iii. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision matrix based on the loss rate methodology to estimate the expected credit loss.
- iv. The Group adopts following assumptions to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments.
- vi. The Group used the historical information and the forecastability of Taiwan Institute of Economic Research boom observation report to assess the default possibility of accounts receivable.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability information to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the loss rate methodology is as follows:

| <u>December 31, 2022</u> | <u>Accounts receivable</u> |              |              |
|--------------------------|----------------------------|--------------|--------------|
|                          | <u>Individual</u>          | <u>Group</u> | <u>Total</u> |
| Expected loss rate       | 0%                         | 5.55%~7.89%  |              |
| Total book value         | \$ -                       | \$ 960,813   | \$ 960,813   |
| Loss allowance           | \$ -                       | \$ 82,653    | \$ 82,653    |
|                          | <u>Accounts receivable</u> |              |              |
| <u>December 31, 2021</u> | <u>Individual</u>          | <u>Group</u> | <u>Total</u> |
| Expected loss rate       | 0%                         | 5.55%~7.89%  |              |
| Total book value         | \$ -                       | \$ 1,507,429 | \$ 1,507,429 |
| Loss allowance           | \$ -                       | \$ 82,244    | \$ 82,244    |



ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

|   | 2022      | 2021       |
|---|-----------|------------|
| At January 1                                | \$ 82,244 | \$ 122,272 |
| Provision for impairment loss               | 409       | \$ -       |
| Gain on reversal of<br>expected credit loss | -         | ( 40,028)  |
| At December 31                              | \$ 82,653 | \$ 82,244  |

x. As of December 31, 2022 and 2021, the collateral held by the Group as security for accounts receivable was letters of credit, promissory note and cheques amounting to \$880,157 and \$799,830, respectively.

xi. Movements in loss allowance for investments in debt instruments carried at amortized cost are as follows:

|                                    | 2022      |  |                         |
|------------------------------------|-----------|--|-------------------------|
|                                    |           | Lifetime                               |                         |
|                                    | 12 months | Significant increase<br>in credit risk | Impairment of<br>credit |
| At January 1 (December 31)         | \$ -      | \$ 63,000                              | \$ -                    |
|                                    | 2021      |  |                         |
|                                    |           | Lifetime                               |                         |
|                                    | 12 months | Significant increase<br>in credit risk | Impairment of<br>credit |
| At January 1                       | \$ -      | \$ -                                   | \$ -                    |
| Transfer and measurement<br>stages |           |  |                         |
| Provision for impairment           | -         | 63,000                                 | -                       |
| At December 31                     | \$ -      | \$ 63,000                              | \$ -                    |

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs for the next one year.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

|   | <u>Less than 1 year</u> | <u>Between 1<br/>and 5 years</u> | <u>Over 5 years</u> |
|---|-------------------------|----------------------------------|---------------------|
| December 31, 2022                           |                         |                                  |                     |
| <u>Non-derivative financial liabilities</u> |                         |                                  |                     |
| Short-term borrowings                       | \$ 1,088,285            | \$ -                             | \$ -                |
| Notes payable                               | 753                     | -                                | -                   |
| Accounts payable                            | 687,754                 | -                                | -                   |
| Other payables                              | 298,604                 | -                                | -                   |
| Lease liability                             | 12,459                  | 28,685                           | 131,176             |
| Long-term liabilities, current<br>portion   | 211,697                 | -                                | -                   |
| Bonds payable                               | -                       | 794,400                          | -                   |
| Long-term borrowings                        | -                       | 578,934                          | 7,493               |
| Guarantee deposits received                 | -                       | 78,807                           | -                   |
|   |                         |                                  |                     |
|   | <u>Less than 1 year</u> | <u>Between 1<br/>and 5 years</u> | <u>Over 5 years</u> |
| December 31, 2021                           |                         |                                  |                     |
| <u>Non-derivative financial liabilities</u> |                         |                                  |                     |
| Short-term borrowings                       | \$ 140,926              | \$ -                             | \$ -                |
| Notes payable                               | 1,534                   | -                                | -                   |
| Accounts payable                            | 943,330                 | -                                | -                   |
| Other payables                              | 366,877                 | -                                | -                   |
| Lease liability                             | 25,888                  | 24,367                           | 136,534             |
| Long-term liabilities, current<br>portion   | 781,486                 | -                                | -                   |
| Long-term borrowings                        | -                       | 499,041                          | 8,711               |
| Guarantee deposits received                 | -                       | 17,099                           | -                   |

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of The Group's investment in the listed stocks classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of The Group's investment in

derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

- B. The carrying amounts of financial instruments not measured at fair value including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, bonds payable, lease liabilities and long-term borrowings are approximate to their fair values.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

| <u>December 31, 2022</u>  | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>      |
|---|-------------------|----------------|-------------------|-------------------|
| Assets:   |                   |                |                   |                   |
| <u>Recurring fair value measurements</u>                          |                   |                |                   |                   |
| Financial assets at fair value through profit or loss             |                   |                |                   |                   |
| Equity securities   | \$ 57,567         | \$ -           | \$ -              | \$ 57,567         |
| Hybrid instruments  | -                 | -              | 3,327             | 3,327             |
| Financial assets at fair value through other comprehensive income |                   |                |                   |                   |
| Equity securities   | 187,885           | -              | 492,625           | 680,510           |
|   | <u>\$ 245,452</u> | <u>\$ -</u>    | <u>\$ 495,952</u> | <u>\$ 741,404</u> |
|   | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>      |
| Liabilities:  |                   |                |                   |                   |
| Financial liabilities at fair value through profit or loss        |                   |                |                   |                   |
| Call and put options of convertible bonds                         | \$ -              | \$ -           | \$ 8,662          | \$ 8,662          |

| <u>December 31, 2021</u>  | <u>Level 1</u>    | <u>Level 2</u>  | <u>Level 3</u>    | <u>Total</u>      |
|---|-------------------|-----------------|-------------------|-------------------|
| Assets:   |                   |                 |                   |                   |
| <u>Recurring fair value measurements</u>                          |                   |                 |                   |                   |
| Financial assets at fair value through profit or loss             |                   |                 |                   |                   |
| Equity securities   | \$ 857            | \$ -            | \$ -              | \$ 857            |
| Forward exchange contracts and foreign exchange swap contracts    | -                 | 4,396           | -                 | 4,396             |
| Financial assets at fair value through other comprehensive income |                   |                 |                   |                   |
| Equity securities   | <u>208,363</u>    | <u>-</u>        | <u>542,813</u>    | <u>751,176</u>    |
|   | <u>\$ 209,220</u> | <u>\$ 4,396</u> | <u>\$ 542,813</u> | <u>\$ 756,429</u> |

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Listed share

Market quoted price

Closing price

- (b) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate.
- (d) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. If one or more of the significant inputs are not based on observable market data, such financial instrument is included in level 3.

G. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

|  | <u>Equity securities</u> |                   |
|--|--------------------------|-------------------|
|  | <u>2022</u>              | <u>2021</u>       |
| At January 1   | \$ 542,813               | \$ 491,713        |
| Gains or losses recognised in other comprehensive income | ( 16,953)                | 56,524            |
| Acquired in the year                                     | 13,232                   | 40,268            |
| Disposal and liquidation in the year                     | ( 83,968)                | ( 31,084)         |
| Transfers out from level 3                               | ( 9,316)                 | -                 |
| Recovery of investment cost                              | -                        | ( 5,578)          |
| Effect of exchange rate changes                          | 46,817                   | ( 9,030)          |
| At December 31   | <u>\$ 492,625</u>        | <u>\$ 542,813</u> |

H. Because Senti Bioscience Inc. was listed in the public market from the third quarter of 2022, and there is sufficient observable market information, thus the Group has transferred the fair value from Level 3 into Level 1 at the end of the month when the event occurred.

I. Investment segment is in charge of valuation procedures for fair value measurements being adopted within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis to valuation model used in Level 3 fair value measurement:

|                                      | Fair value at<br>December<br>31, 2022 | Valuation<br>technique | Significant<br>unobservable<br>input     | Range<br>(weighted<br>average) | Relationship of<br>inputs to fair<br>value   |
|--------------------------------------|---------------------------------------|------------------------|--|--------------------------------|--|
| Non-derivative<br>equity instrument: |                                       |                        |  |                                |  |
| Unlisted shares                      | \$ 67,587                             | Market price<br>method | Discount for<br>lack of<br>marketability | 15%~35%                        | The higher the<br>discount for lack<br>of marketability,<br>the lower the<br>fair value    |
| Venture<br>capital shares            | 425,038                               | Net asset<br>value     | Net asset<br>value                       | 15%~35%                        | The higher the<br>net asset value,<br>the higher the<br>fair value                         |
| Hybrid instruments:                  |                                       |                        |  |                                |  |
| Convertible<br>bond                  | 3,327                                 | Binomial<br>Model      | Discount rate                            | -                              | The higher the<br>discount rate,<br>the lower the<br>fair value                            |
|                                      | Fair value at<br>December<br>31, 2021 | Valuation<br>technique | Significant<br>unobservable<br>input     | Range<br>(weighted<br>average) | Relationship of<br>inputs to fair<br>value   |
| Non-derivative<br>equity instrument: |                                       |                        |  |                                |  |
| Unlisted shares                      | \$ 126,894                            | Market price<br>method | Discount for<br>lack of<br>marketability | 15%~35%                        | The higher the<br>discount for<br>lack of<br>marketability,<br>the lower the<br>fair value |
| Venture<br>capital shares            | 415,919                               | Net asset<br>value     | Net asset<br>value                       | 10%~45%                        | The higher the<br>net asset value,<br>the higher the<br>fair value                         |

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

|                   |  | December 31, 2022               |                        |   |                        |            |
|-------------------|--|---------------------------------|------------------------|---|------------------------|------------|
|                   |  | Recognised in<br>profit or loss |                        | Recognised in other<br>comprehensive income |                        |            |
| Input             | Change   | Favourable<br>change            | Unfavourable<br>change | Favourable<br>change                        | Unfavourable<br>change |            |
| Financial assets  |  |                                 |                        |   |                        |            |
| Equity instrument | Discount for lack of marketability, weighted average cost of capital and long-term revenue growth rate | ±1%                             | \$ -                   | \$ -  | \$ 4,926               | (\$ 4,926) |

|                   |  | December 31, 2021               |                        |   |                        |            |
|-------------------|--|---------------------------------|------------------------|---|------------------------|------------|
|                   |  | Recognised in<br>profit or loss |                        | Recognised in other<br>comprehensive income |                        |            |
| Input             | Change   | Favourable<br>change            | Unfavourable<br>change | Favourable<br>change                        | Unfavourable<br>change |            |
| Financial assets  |  |                                 |                        |   |                        |            |
| Equity instrument | Discount for lack of marketability, weighted average cost of capital and long-term revenue growth rate | ±1%                             | \$ -                   | \$ -  | \$ 5,428               | (\$ 5,428) |

(4) The impact of the COVID-19 pandemic to the Group's operations in 2022

Based on the Group's assessment, the supply chain and industry in 2022 have adjusted and adapted to the pandemic. The Group has taken the relevant countermeasures and will continue to monitor the development of pandemic and adjust its strategies in time.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of The Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Notes 6(2) and 6(15).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The details of commissions expense and service expense paid by the Group to Fullboom Electronics (Shenzhen) Co., Ltd for the years ended December 31, 2022 and 2021, and their outstanding balances (shown as 'other payables') as of December 31, 2022 and 2021 are as follows:

|                     | Year ended December 31 | Year ended December 31 |
|---------------------|------------------------|------------------------|
|                     | 2022                   | 2021                   |
| Commissions expense | \$ 15,382              | \$ 14,629              |
| Service expense     | \$ 17,178              | \$ 12,668              |
|                     | December 31, 2022      | December 31, 2021      |
| Other payables      | \$ 3,880               | \$ 7,862               |

(4) Major shareholders information

Major shareholders information: None.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment. The Group manages the business from each consolidated entity's perspective.



(2) Segment information

Years ended December 31, 2022 and 2021: Only one reportable operating segment. Refer to the statements of comprehensive income for details.

The accounting policies of the operating segments are no significant different to the significant accounting policies summarised in Note 4. The Company's reportable segment income or loss are measured using the income/(loss) before tax.

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of income/(loss) before tax from continuing operations is provided as follows:

Years ended December 31, 2022 and 2021: Only one reportable operating segment. Refer to the statements of comprehensive income for details.

(4) Information on products and services

Revenue from external customers is mainly from design, manufacturing and sale of integrated circuits. Components of revenue are as follows:

|                         | Year ended December 31 |                     |
|-------------------------|------------------------|---------------------|
|                         | 2022                   | 2021                |
| Sales revenue           | \$ 4,627,752           | \$ 6,135,671        |
| Other operating revenue | 56,837                 | 10,735              |
|                         | <u>\$ 4,684,589</u>    | <u>\$ 6,146,406</u> |

(5) Geographical information

|           | Year ended December 31 |                     |                     |                     |
|-----------|------------------------|---------------------|---------------------|---------------------|
|           | 2022                   |                     | 2021                |                     |
|           | Revenue                | Non-current assets  | Revenue             | Non-current assets  |
| Taiwan    | \$ 1,283,666           | \$ 1,338,348        | \$ 2,502,130        | \$ 1,240,053        |
| Hong Kong | 1,398,744              | 882                 | 1,906,549           | 2,093               |
| China     | 203,129                | 445                 | 262,771             | 492                 |
| Others    | 1,799,050              | 797                 | 1,474,956           | 561                 |
|           | <u>\$ 4,684,589</u>    | <u>\$ 1,340,472</u> | <u>\$ 6,146,406</u> | <u>\$ 1,243,199</u> |

(6) Major customer information

|     | Year ended December 31, 2022 |           |     | Year ended December 31, 2021 |           |
|-----|------------------------------|-----------|-----|------------------------------|-----------|
|     | Revenue                      | Segment   |     | Revenue                      | Segment   |
| ALM | \$ 908,068                   | The Group | ALM | \$ 630,058                   | The Group |

Etron Technology, Inc.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by            | Type of marketable securities | Name of marketable securities              | Relationship with the securities issuer   | General ledger account  | As of December 31, 2022 |            |               |            | Footnote |
|-------------------------------|-------------------------------|--|---|---|-------------------------|------------|---------------|------------|----------|
|                               |                               |  |   |   | Number of shares        | Book value | Ownership (%) | Fair value |          |
| Kingwell Investment Corp.     | Stock                         | Macronix International Co., Ltd            | The general manager of the investee and the chairman of the Company are relatives within second degree of kinship | Current financial assets at fair value through profit or loss                 | 15,840                  | \$ 534     | -             | \$ 534     |          |
| Kingcharm Investment Corp.    | Stock                         | Walton Advanced Engineering, Inc.          | None  | Current financial assets at fair value through profit or loss                 | 10,000                  | 114        | -             | 114        |          |
| Kingcharm Investment Corp.    | Stock                         | ProMos Technology, Inc.                    | None  | Current financial assets at fair value through profit or loss                 | 6                       | -          | -             | -          |          |
| Etron Technology, Inc.        | Stock                         | Taiwan Semiconductor Manufacturing Company | None  | Current financial assets at fair value through profit or loss                 | 110,000                 | 49,335     | -             | 49,335     |          |
| Etron Technology, Inc.        | Stock                         | UPI semiconductor corp.                    | None  | Current financial assets at fair value through profit or loss                 | 32,000                  | 7,584      | -             | 7,584      |          |
| Plusway Corp.                 | Convertible bonds             | Cognito Health International, Inc.         | None  | Current financial assets at fair value through profit or loss                 | -                       | 3,327      | -             | 3,327      |          |
| Creative Ally Limited         | Stock                         | Cognito Health International, Inc.         | None  | Non-current financial assets at fair value through other comprehensive income | 1,010,101               | -          | 1.26%         | -          |          |
| Etron Technology (HK) Limited | Equity investment             | Shanghai Walden Venture Capital Enterprise | None  | Non-current financial assets at fair value through other comprehensive income | -                       | 150,843    | 1.52%         | 150,843    |          |
| Etron Technology (HK) Limited | Equity investment             | Walden Technology Ventures II, L.P.        | None  | Non-current financial assets at fair value through other comprehensive income | -                       | 152,716    | 2.64%         | 152,716    |          |
| Etron Technology (HK) Limited | Equity investment             | Arm IoT Fund, L.P                          | None  | Non-current financial assets at fair value through other comprehensive income | -                       | 27,950     | 4.65%         | 27,950     |          |
| Etron Technology (HK) Limited | Equity investment             | WI Harper Fund IX L.P.                     | None  | Non-current financial assets at fair value through other comprehensive income | -                       | 13,110     | 1.10%         | 13,110     |          |
| Kinglord Corp.                | Stock                         | Senti Biosciences, Inc.                    | The chairman of the investee and the chairman of the Company are relatives within second degree of kinship        | Non-current financial assets at fair value through other comprehensive income | 41,475                  | 1,796      | 0.09%         | 1,796      |          |
| Kinglord Corp.                | Stock                         | Personal Genomics, Inc.                    | None  | Non-current financial assets at fair value through other comprehensive income | 741,926                 | 15,095     | 1.34%         | 15,095     |          |
| Plusway Corp.                 | Stock                         | Personal Genomics, Inc.                    | None  | Non-current financial assets at fair value through other comprehensive income | 1,261,456               | 30,217     | 2.28%         | 30,217     |          |
| Plusway Corp.                 | Equity investment             | WI Harper Fund IX L.P.                     | None  | Non-current financial assets at fair value through other comprehensive income | -                       | 19,547     | 1.64%         | 19,547     |          |

Etron Technology, Inc.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Securities held by         | Type of marketable securities | Name of marketable securities                      | Relationship with the securities issuer  | General ledger account  | As of December 31, 2022 |            |               |            | Footnote |
|----------------------------|-------------------------------|--|--|---|-------------------------|------------|---------------|------------|----------|
|                            |                               |  |  |   | Number of shares        | Book value | Ownership (%) | Fair value |          |
| Plusway Corp.              | Equity investment             | IT-Farm J-Tech Fund Investment Limited Partnership | None   | Non-current financial assets at fair value through other comprehensive income | -                       | \$ 5,355   | 7.09%         | \$ 5,355   |          |
| Kingwell Investment Corp.  | Stock                         | Foho Technology Corp.                              | None   | Non-current financial assets at fair value through other comprehensive income | 3,872,234               | -          | 19.54%        | -          |          |
| Kingwell Investment Corp.  | Stock                         | Bridge Semiconductor Corporation                   | None   | Non-current financial assets at fair value through other comprehensive income | 1,375,000               | -          | 5.75%         | -          |          |
| Kingwell Investment Corp.  | Stock                         | Innorich Venture Capital Corp.                     | None   | Non-current financial assets at fair value through other comprehensive income | 6,000,000               | 32,618     | 11.19%        | 32,618     |          |
| Kingwell Investment Corp.  | Stock                         | Raytek Semiconductor, Inc.                         | None   | Non-current financial assets at fair value through other comprehensive income | 1,852,000               | 21,416     | 1.54%         | 21,416     |          |
| Kingwell Investment Corp.  | Stock                         | Ardentec Corporation                               | The chairman of the investee and the chairman of the Company are relatives within second degree of kinship | Non-current financial assets at fair value through other comprehensive income | 3,712,457               | 184,137    | 0.76%         | 184,137    |          |
| Kingwell Investment Corp.  | Stock                         | Anqing Innovation Investment Co., Ltd.             | None   | Non-current financial assets at fair value through other comprehensive income | 2,000,000               | 13,642     | 4.33%         | 13,642     |          |
| Kingwell Investment Corp.  | Stock                         | Mosa Industrial Corporation                        | None   | Non-current financial assets at fair value through other comprehensive income | 38,000                  | 923        | 0.02%         | 923        |          |
| Kingwell Investment Corp.  | Equity investment             | Arm IoT Fund L.P                                   | None   | Non-current financial assets at fair value through other comprehensive income | -                       | 9,257      | 1.54%         | 9,257      |          |
| Kingwell Investment Corp.  | Stock                         | IQE PLC  | None   | Non-current financial assets at fair value through other comprehensive income | 55,916                  | 1,029      | 0.01%         | 1,029      |          |
| Kingcharm Investment Corp. | Stock                         | Bridge Semiconductor Corporation                   | None   | Non-current financial assets at fair value through other comprehensive income | 1,988,970               | -          | 8.32%         | -          |          |
| Kingcharm Investment Corp. | Stock                         | Digitimes Inc.                                     | None   | Non-current financial assets at fair value through other comprehensive income | 78,750                  | 859        | 0.42%         | 859        |          |
| Etron Technology, Inc.     | Preference share              | Foho Technology Corp.                              | None   | Non-current financial assets at amortised cost                                | 4,200,000               | -          | -             | -          |          |

Etron Technology, Inc.  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Purchaser/seller       | Counterparty                 | Relationship with the counterparty           | Transaction       |              |                                       |                      | Differences in transaction terms compared to third party transactions |                | Notes/accounts receivable (payable) |   | Footnote |
|------------------------|------------------------------|--|-------------------|--------------|---------------------------------------|----------------------|---|----------------|-------------------------------------|---|----------|
|                        |                              |  | Purchases (sales) | Amount       | Percentage of total purchases (sales) | Credit term          | Unit price  | Credit term    | Balance                             | Percentage of total notes/accounts receivable (payable) |          |
| Etron Technology, Inc. | Etron Technology(HK) Limited | An indirectly held subsidiary of the Company | Sales             | (\$ 123,034) | 2.73%                                 | 90 days end of month | Not applicable  | Not applicable | \$ 58,115                           | 6.47%   |          |

Etron Technology, Inc.  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Number<br>(Note 1) | Company name                | Counterparty                             | Relationship<br>(Note 2) | Transaction            |           |                               |   |
|--------------------|-----------------------------|--|--------------------------|------------------------|-----------|-------------------------------|---|
|                    |                             |  |                          | General ledger account | Amount    | Transaction terms<br>(Note 4) | Percentage of consolidated total operating<br>revenues or total assets (Note 3) |
| 0                  | Etron Technology, Inc.      | Etron Technology America, Inc.           | 1                        | Service expense        | \$ 17,735 | -                             | 0.38%   |
| 0                  | Etron Technology, Inc.      | Etron Technology America, Inc.           | 1                        | Commissions expense    | 28,263    | -                             | 0.60%   |
| 0                  | Etron Technology, Inc.      | Etron Technology America, Inc.           | 1                        | Other accrued expense  | 2,246     | -                             | 0.03%   |
| 0                  | Etron Technology, Inc.      | Anzon Corporation                        | 1                        | Service expense        | 2,123     | -                             | 0.05%   |
| 0                  | Etron Technology, Inc.      | Fullboom Electronic (Shenzhen) Co., Ltd. | 1                        | Commissions expense    | 15,382    | -                             | 0.33%   |
| 0                  | Etron Technology, Inc.      | Fullboom Electronic (Shenzhen) Co., Ltd. | 1                        | Service expense        | 4,667     | -                             | 0.10%   |
| 0                  | Etron Technology, Inc.      | Fullboom Electronic (Shenzhen) Co., Ltd. | 1                        | Other accrued expense  | 2,222     | -                             | 0.03%   |
| 0                  | Etron Technology, Inc.      | Etron Technology (HK) Limited            | 1                        | Sales revenue          | 123,034   | -                             | 2.62%   |
| 0                  | Etron Technology, Inc.      | Etron Technology (HK) Limited            | 1                        | Notes receivable       | 31,756    | -                             | 0.39%   |
| 0                  | Etron Technology, Inc.      | Etron Technology (HK) Limited            | 1                        | Accounts receivable    | 26,359    | -                             | 0.32%   |
| 0                  | Etron Technology, Inc.      | eEver Technology, Inc.                   | 1                        | Other receivables      | 3,847     | -                             | 0.05%   |
| 0                  | Etron Technology, Inc.      | eEver Technology, Inc.                   | 1                        | Other income           | 13,999    | -                             | 0.30%   |
| 0                  | Etron Technology, Inc.      | eEver Technology, Inc.                   | 1                        | Support service income | 3,411     | -                             | 0.07%   |
| 0                  | Etron Technology, Inc.      | eYs3D Microelectronics, Co.              | 1                        | Support service income | 4,887     | -                             | 0.10%   |
| 0                  | Etron Technology, Inc.      | eYs3D Microelectronics, Co.              | 1                        | Other receivables      | 28,104    | -                             | 0.34%   |
| 0                  | Etron Technology, Inc.      | eYs3D Microelectronics, Co.              | 1                        | Other income           | 17,643    | -                             | 0.38%   |
| 0                  | Etron Technology, Inc.      | Insignis Technology Corporation          | 1                        | Sales revenue          | 49,342    | -                             | 1.05%   |
| 0                  | Etron Technology, Inc.      | Insignis Technology Corporation          | 1                        | Accounts receivable    | 9,915     | -                             | 0.12%   |
| 1                  | eYs3D Microelectronics, Co. | Fullboom Electronic (Shenzhen) Co., Ltd. | 3                        | Service expense        | 9,679     | -                             | 0.21%   |
| 1                  | eYs3D Microelectronics, Co. | Fullboom Electronic (Shenzhen) Co., Ltd. | 3                        | Other accrued expense  | 1,658     | -                             | 0.02%   |
| 1                  | eYs3D Microelectronics, Co. | AiYs3D Technology, Inc.                  | 3                        | Service expense        | 6,481     | -                             | 0.14%   |
| 1                  | eYs3D Microelectronics, Co. | AiYs3D Technology, Inc.                  | 3                        | Other accrued expense  | 1,704     | -                             | 0.02%   |
| 2                  | eEver Technology, Inc.      | Fullboom Electronic (Shenzhen) Co., Ltd. | 3                        | Service expense        | 2,832     | -                             | 0.06%   |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The prices and credit terms for the transactions between parent company and subsidiaries would be available for third parties. The terms for incomparable transactions are negotiated by the both parties.

Etron Technology, Inc.  
Information on investees  
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investor                   | Investee                            | Location               | Main business activities   | Initial investment amount       |                                 | Shares held as at December 31, 2022 |               |            | Net profit (loss) of the investee for the year ended December 31, 2022 | Investment income (loss) recognised by the Company for the year ended December 31, 2022 | Footnote                           |
|----------------------------|-------------------------------------|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|------------------------------------|
|                            |                                     |                        |  | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | Ownership (%) | Book value |  |   |                                    |
| Etron Technology, Inc.     | Eutrend Technology, Inc.            | Taiwan                 | Testing service for high-frequency or high-power radio frequency, analog, digital, and mixed-signal components | \$ 112,099                      | \$ 112,099                      | 2,702,522                           | 93.57%        | \$ 333     | \$ 126   | (\$ 64)   | Subsidiary                         |
| Etron Technology, Inc.     | Kinglord Corp.                      | British Virgin Islands | Investment holdings  | 853,849                         | 853,849                         | 25,458                              | 100.00%       | 412,666    | ( 4,472)   | ( 4,472)  | Subsidiary                         |
| Etron Technology, Inc.     | Plusway Corp.                       | British Virgin Islands | Investment holdings  | 511,185                         | 511,185                         | 10,485                              | 100.00%       | 184,619    | 1,208  | 1,208   | Subsidiary                         |
| Etron Technology, Inc.     | Kingwell Investment Corp.           | Taiwan                 | Investment holdings  | 22,861                          | 22,861                          | 14,083,000                          | 100.00%       | 336,369    | 8,128  | 8,128   | Subsidiary                         |
| Etron Technology, Inc.     | Kingcharm Investment Corp.          | Taiwan                 | Investment holdings  | 188,512                         | 188,512                         | 18,000,000                          | 100.00%       | 30,555     | ( 14,368)  | ( 14,368)   | Subsidiary                         |
| Etron Technology, Inc.     | Interocosmos Group Limited          | British Virgin Islands | Investment holdings  | 142,188                         | 142,188                         | 5,292                               | 100.00%       | 226,458    | 7,885  | 7,885   | Subsidiary                         |
| Etron Technology, Inc.     | Creative Ally Limited               | British Virgin Islands | Investment holdings  | 111,921                         | 111,921                         | 3,720                               | 100.00%       | 11,144     | ( 9,946)   | ( 9,946)  | Subsidiary                         |
| Etron Technology, Inc.     | NetVinci, Inc.                      | Cayman Islands         | Investment holdings  | -                               | 38                              | -                                   | -             | -          | ( 457)   | -   | Investee company(Note)             |
| Etron Technology, Inc.     | eCapture Ltd. Co.                   | Cayman Islands         | Investment holdings  | 31,051                          | 31,051                          | 11,666,667                          | 100.00%       | 2,337      | ( 280)   | ( 280)  | Subsidiary                         |
| Etron Technology, Inc.     | Insignis Technology, Inc.           | Cayman Islands         | Investment holdings  | 60,488                          | 60,488                          | 24,500,000                          | 100.00%       | 23,881     | 10,351   | 10,351  | Subsidiary                         |
| Etron Technology, Inc.     | eEver Technology Limited            | Cayman Islands         | Investment holdings  | 44,857                          | 44,857                          | 14,250,001                          | 50.42%        | 41,252     | ( 52,256)  | ( 29,053)   | Subsidiary                         |
| Etron Technology, Inc.     | eYs3D Microelectronics, Inc.        | Cayman Islands         | Investment holdings  | 429,195                         | 306,761                         | 49,130,350                          | 61.98%        | 91,312     | ( 135,040)   | ( 79,853)   | Subsidiary                         |
| Etron Technology, Inc.     | DeCloak Intelligence Co.            | Taiwan                 | Information and software services  | 35,600                          | 18,622                          | 2,994,053                           | 80.31%        | 10,873     | ( 17,102)  | ( 13,438)   | Subsidiary                         |
| Etron Technology, Inc.     | T-Era Architecture Technology, Inc. | Cayman Islands         | Investment holdings  | 6,309                           | -                               | 1,689,600                           | 4.71%         | 436        | ( 4,046)   | ( 197)  | Third-tier subsidiary              |
| Etron Technology, Inc.     | TAT Technology, Inc.                | Cayman Islands         | Investment holdings  | 4,730                           | -                               | 1,267,200                           | 5.01%         | 346        | ( 1,892)   | ( 98)   | Third-tier subsidiary              |
| Kingwell Investment Corp.  | Pioneer Chip Technology Limited     | Taiwan                 | Electronic components manufacturing, design, research, development, sales and marketing                        | 2,000                           | 2,000                           | 200,000                             | 100.00%       | 77         | ( 24)  | ( 24)   | Second-tier subsidiary             |
| Kingwell Investment Corp.  | nD-HI Technologies Lab, Inc.        | Taiwan                 | Electronic components manufacturing, design, research, development, sales and marketing                        | 12,093                          | 12,093                          | 1,300,000                           | 92.67%        | 728        | ( 9,664)   | ( 8,956)  | Second-tier subsidiary             |
| Kingwell Investment Corp.  | Great Team Backend Foundry, Inc.    | British Virgin Islands | Investment holdings  | 33,737                          | 33,737                          | 1,868,009                           | 5.29%         | 37,546     | 20,943   | 1,470   | Investee company of the subsidiary |
| Kingcharm Investment Corp. | eEver Technology Limited            | Cayman Islands         | Investment holdings  | 58,969                          | 58,969                          | 5,838,680                           | 20.66%        | 18,132     | ( 52,256)  | ( 10,675)   | Subsidiary                         |
| Kingcharm Investment Corp. | eYs3D Microelectronics, Inc.        | Cayman Islands         | Investment holdings  | 21,654                          | 21,654                          | 2,084,340                           | 2.63%         | 3,920      | ( 135,040)   | ( 3,809)  | Subsidiary                         |
| Kinglord Corp.             | Etron Technology America, Inc.      | U.S.A                  | Sales agent of electronic components   | 172,590                         | 155,562                         | 47,666,666                          | 100.00%       | 28,064     | ( 982)   | ( 1,287)  | Second-tier subsidiary             |
| Kinglord Corp.             | Anzon Technology, Inc.              | British Virgin Islands | Investment holdings  | 11,086                          | 9,992                           | 1,681,000                           | 70.85%        | 2,403      | ( 99)  | ( 72)   | Second-tier subsidiary             |

Etron Technology, Inc.  
Information on investees  
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investor   | Investee   | Location               | Main business activities  | Initial investment amount       |                                 | Shares held as at December 31, 2022 |               |            | Net profit (loss) of the investee for the year ended December 31, 2022 | Investment income (loss) recognised by the Company for the year ended December 31, 2022 | Footnote                                       |
|--|--|------------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|--|
|  |  |                        |   | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | Ownership (%) | Book value |  |   |  |
| Kinglord Corp.                                   | Etron Technology (HK) Limited                    | Hong Kong              | Sales of electronic components  | \$ 147,408                      | \$ 132,864                      | 37,440,000                          | 100.00%       | \$ 358,758 | (\$ 1,176)   | (\$ 1,176)  | Second-tier subsidiary                         |
| Kinglord Corp.                                   | eYs3D Microelectronics, Inc.                     | Cayman Islands         | Investment holdings   | 8,609                           | 7,760                           | 785,273                             | 0.99%         | 1,476      | ( 135,040)   | ( 1,443)  | Subsidiary                                     |
| Etron Technology (HK) Limited                    | eYs3D Microelectronics, Inc.                     | Cayman Islands         | Investment holdings   | 25,544                          | 23,024                          | 2,329,918                           | 2.94%         | 4,382      | ( 135,040)   | ( 4,274)  | Subsidiary                                     |
| Anzon Technology, Inc.                           | Anzon Corporation                                | Japan                  | Sales agent of electronic components  | 17,368                          | 15,655                          | 185                                 | 100.00%       | 3,312      | ( 157)   | ( 118)  | Third-tier subsidiary                          |
| Intercosmos Group Limited                        | Grandsino Technology Limited                     | British Virgin Islands | Investment holdings   | 78,346                          | 70,616                          | 4,611                               | 100.00%       | 210,760    | 7,641  | 7,641   | Second-tier subsidiary                         |
| Intercosmos Group Limited                        | Fullboom International Limited                   | Samoa                  | Investment holdings   | 32,246                          | 29,064                          | 1,050,000                           | 100.00%       | 14,246     | 354  | 657   | Second-tier subsidiary                         |
| Grandsino Technology Limited                     | Great Team Backend Foundry, Inc.                 | British Virgin Islands | Investment holdings   | 75,186                          | 67,767                          | 9,583,909                           | 27.15%        | 207,850    | 20,943   | 7,546   | Investee company of the second-tier subsidiary |
| Plusway Corp.                                    | Great Team Backend Foundry, Inc.                 | British Virgin Islands | Investment holdings   | 76,151                          | 68,637                          | 2,755,508                           | 8.95%         | 90,714     | 20,943   | 2,488   | Investee company of the subsidiary             |
| Plusway Corp.                                    | eYs3D Microelectronics, Inc.                     | Cayman Islands         | Investment holdings   | 8,990                           | 8,103                           | 887,121                             | 1.12%         | 1,669      | ( 135,040)   | ( 1,624)  | Subsidiary                                     |
| Creative Ally Limited                            | NetVinci, Inc.                                   | Cayman Islands         | Investment holdings   | -                               | 35,633                          | -                                   | -             | -          | ( 457)   | -   | Investee company of the subsidiary(Note)       |
| Creative Ally Limited                            | Invention and Collaboration Laboratory Pte. Ltd. | Singapore              | Research and development, consulting and design services of semiconductor technology    | 15,362                          | 13,846                          | 5,214,000                           | 81.11%        | 10,063     | ( 14,181)  | ( 11,502)   | Second-tier subsidiary                         |
| eCapture Ltd. Co.                                | eCapture Co., Limited                            | Hong Kong              | Marketing, sales and development of electronic products                                 | 29,175                          | 26,296                          | 950,000                             | 100.00%       | 1,960      | ( 108)   | ( 108)  | Second-tier subsidiary                         |
| Insignis Technology, Inc.                        | Insignis Technology Corporation                  | U.S.A                  | Sales of electronic components  | 58,810                          | 53,007                          | 1,915,000                           | 100.00%       | 23,752     | 10,096   | 10,782  | Second-tier subsidiary                         |
| eEver Technology Limited                         | eEver Technology, Inc.                           | Taiwan                 | Electronic components manufacturing, design, research, development, sales and marketing | 200,772                         | 164,684                         | 29,450,000                          | 100.00%       | 96,596     | ( 49,357)  | ( 49,357)   | Second-tier subsidiary                         |
| eYs3D Microelectrions, Inc.                      | eYs3D Microelectronics, Co.                      | Taiwan                 | Electronic components manufacturing, design, research, development, sales and marketing | 779,718                         | 571,876                         | 85,800,000                          | 100.00%       | 149,165    | ( 132,698)   | ( 132,698)  | Second-tier subsidiary                         |
| eYs3D Microelectrions, Inc.                      | AiYs3D Technology, Inc                           | U.S.A                  | Marketing and customer services   | 307                             | 277                             | 10,000                              | 100.00%       | 600        | ( 375)   | ( 375)  | Second-tier subsidiary                         |
| Invention and Collaboration Laboratory Pte. Ltd. | Invention and Collaboration Laboratory, Inc.     | Taiwan                 | Electronic components manufacturing, design, research, development, sales and marketing | 1,477                           | 1,331                           | 134,000                             | 100.00%       | 1,178      | ( 58)  | ( 58)   | Third-tier subsidiary                          |

Etron Technology, Inc.  
Information on investees  
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investor   | Investee                            | Location       | Main business activities   | Initial investment amount       |                                 | Shares held as at December 31, 2022 |               |            | Net profit (loss) of the investee for the year ended December 31, 2022 | Investment income (loss) recognised by the Company for the year ended December 31, 2022 | Footnote              |
|--|-------------------------------------|----------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|-----------------------|
|  |                                     |                |  | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares                    | Ownership (%) | Book value |  |   |                       |
| Invention and Collaboration Laboratory Pte. Ltd. | T-Era Architecture Technology, Inc. | Cayman Islands | Investment holdings  | \$ 614                          | \$ -                            | 20,000,000                          | 55.80%        | \$ 5,161   | (\$ 4,046)   | (\$ 2,258)  | Third-tier subsidiary |
| Invention and Collaboration Laboratory Pte. Ltd. | TAT Technology, Inc.                | Cayman Islands | Investment holdings  | 430                             | -                               | 14,000,000                          | 55.38%        | 3,829      | ( 1,892)   | ( 1,048)  | Third-tier subsidiary |
| T-Era Architecture Technology, Inc.              | T-Era Architecture Technology Corp. | Taiwan         | Research and development, consulting and design services of semiconductor technology | 10,281                          | -                               | 1,000,000                           | 100.00%       | 6,321      | ( 3,679)   | ( 3,679)  | Third-tier subsidiary |
| T-Era Architecture Technology, Inc.              | TAT Technology, Inc.                | Cayman Islands | Investment holdings  | 2,211                           | -                               | 576,000                             | 2.28%         | 160        | ( 1,892)   | ( 41)   | Third-tier subsidiary |
| TAT Technology, Inc.                             | TAT Technology Corp.                | Taiwan         | Research and development, consulting and design services of semiconductor technology | 7,711                           | -                               | 750,000                             | 100.00%       | 5,987      | ( 1,513)   | ( 1,513)  | Third-tier subsidiary |
| TAT Technology, Inc.                             | T-Era Architecture Technology, Inc. | Cayman Islands | Investment holdings  | 2,948                           | -                               | 768,000                             | 2.14%         | 199        | ( 4,046)   | ( 86)   | Third-tier subsidiary |

Note: Note: NetVinci, Inc. has completed the liquidation process in the fourth quarter of 2022.



Etron Technology, Inc.  
Information on investments in Mainland China  
Year ended December 31, 2022

Table 5

1. Basic information

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investee in<br>Mainland China               | Main business<br>activities                                  | Paid-in capital | Investment<br>method<br>(Note 1) | Accumulated<br>amount of<br>remittance from<br>Taiwan to<br>Mainland China | Amount remitted from Taiwan<br>to Mainland China/<br>Amount remitted back<br>to Taiwan for the year<br>ended December 31, 2022 |                            | Accumulated<br>amount<br>of remittance<br>from Taiwan to<br>Mainland China | Net income of<br>investee as of<br>December 31, 2022 | Ownership<br>held by<br>the<br>Company<br>(direct or<br>indirect) | Investment income<br>(loss) recognised<br>by the Company<br>for the<br>year ended<br>December 31, 2022 | Book value of<br>investments in<br>Mainland China<br>as of<br>December 31, 2022 | Accumulated<br>amount<br>of investment<br>income<br>remitted back to<br>Taiwan as of<br>December 31, 2022 | Footnote         |
|---|--|-----------------|----------------------------------|--|--|----------------------------|--|--|---|--|---|---|------------------|
|   |  |                 |                                  | as of<br>January 1, 2022   | Remitted to<br>Mainland China  | Remitted back<br>to Taiwan | as of<br>December 31, 2022   |  |   | December 31, 2022<br>(Note 2)  |   |   |                  |
| Great Team Backend Foundry (Dongguan), Ltd. | Other transistors  | \$ 2,706,061    | (2)                              | \$ 248,045   | \$ -   | \$ -                       | \$ 248,045   | \$ 208,386   | 12.42%  | \$ 25,875  | \$ 253,893  | \$ -  | Notes 3, 4 and 5 |
| Fullboom Electronics (Shenzhen) Co., Ltd.   | Wholesale and international trading of electronic components | 30,710          | (2)                              | 32,285   | -  | -                          | 32,285   | 436  | 100.00%   | 436  | 13,306  | -   | Note 6           |
| Shanghai Walden Venture Capital Enterprise  | Investment in new venture companies                          | 39,640          | (2)                              | 572  | 34,582   | -                          | 35,154   | -  | 1.52%   | -  | 150,843   | -   | Note 7           |
| Walden Technology Ventures II, L.P.         | Investment in new venture companies                          | 3,177,944       | (2)                              | 95,442   | 226  | -                          | 95,668   | -  | 2.64%   | -  | 152,716   | -   | Note 7           |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: Investment income from Fullboom Electronics (Shenzhen) Co., Ltd. was recognized based on the financial statements that are audited and attested by R.O.C. parent company's CPA;

Investment income from Great Team Backend Foundry (Dongguan), Ltd. was recognized based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 3: Investing through Great Team Backend Foundry, Inc., which is invested by Kingwell Investment Corp.

Note 4: Investing through Great Team Backend Foundry, Inc., which is invested by Grandsino Technology Limited and Grandsino Technology Limited is invested by Intercosmos Group Limited.

Note 5: Investing through Great Team Backend Foundry, Inc., which is invested by Plusway Corp.

Note 6: Investing through Fullboom International Limited, which is invested by Intercosmos Group Limited.

Note 7: Investing through Etron Technology (HK) Limited, which is invested Kinglord Corp.

2. Ceiling on reinvestments in Mainland China:

| Company name           | Accumulated<br>amount of<br>remittance<br>from Taiwan<br>to Mainland<br>China as of<br>December 31, 2022 | Investment<br>amount approved<br>by the<br>Investment<br>Commission of<br>the Ministry of<br>Economic<br>Affairs (MOEA) | Ceiling on<br>investments in<br>Mainland China<br>imposed by the<br>Investment<br>Commission of<br>MOEA |
|------------------------|--|---|---|
| Etron Technology, Inc. | \$ 411,152<br>(USD 12,464 thousands)   | \$ 437,157<br>(USD 14,235 thousands)  | \$ 2,569,249  |