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Confirmation of Your Representation: You have accessed the attached Offering Circular on the basis that you have confirmed your representation to Citigroup Global Markets Limited (the “**Initial Purchaser**”) that (1) (i) you are not resident in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so in an offshore transaction pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or (ii) you are acting on behalf of, or you are, a qualified institutional buyer, as defined in Rule 144A under the Securities Act, and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company, the Initial Purchaser, its affiliates and directors, officers, employees, representatives and agents or any other person controlling the Initial Purchaser, or any of its affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard copy version. The Company will provide a hard copy version of this Offering Circular to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

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WT MICROELECTRONICS

文曄科技

WT Microelectronics Co., Ltd.

(incorporated as a company limited by shares in Taiwan, the Republic of China)

17,000,000 Global Depositary Shares representing 85,000,000 Common Shares, par value NT\$10 per share

We are offering 17,000,000 Global Depositary Shares (the “GDSs”), representing 85,000,000 common shares, par value NT\$10.00 per common share, of our company (the “Shares” or “Common Shares”) through the Initial Purchaser. Each GDS represents five Shares.

Subject to certain restrictions described in this Offering Circular (this “Offering Circular”), on or after the Share Listing Date (as defined herein), which is expected to be no later than the fourth business day in the Republic of China (the “ROC”) following the closing date of this offering, you may surrender GDSs and withdraw and hold the underlying Shares or request the Depositary to sell or cause to be sold on your behalf the underlying Shares.

The Shares are currently listed under the trading code “3036” on the Taiwan Stock Exchange (the “TWSE”) in the ROC. The closing sale price per Share on the TWSE on April 9, 2024 was NT\$135.50 (equivalent to US\$4.22 at the exchange rate of NT\$32.1100 to US\$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 a.m. Fixing rate on April 9, 2024)

Investing in and holding the GDSs involve a high degree of risk. See “Risk Factors” beginning on page 18 for a discussion of certain factors to be considered in connection with an investment in, and the holding of, the GDSs. The GDSs are of a specialist nature and should only be bought and traded by investors particularly knowledgeable in investment matters.

Offering Price: US\$20.08 per GDS

The GDSs and the Shares underlying the GDSs have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). Prospective purchasers are hereby notified that sellers of the GDSs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”). Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act (“Regulation S”). The GDSs are not being directly or indirectly offered in the ROC. See “Transfer Restrictions” and “Plan of Distribution.”

Application has been made to admit the GDSs, which consist of the Rule 144A GDSs and Regulation S GDSs, to the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

This Offering Circular constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 16, 2019.

Delivery of the GDSs is expected to be made in book-entry form through the facilities of The Depositary Trust Company, Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) through their participant accounts on or about April 12, 2024 (the “Closing Date”).

Sole Global Coordinator and Sole Bookrunner



Offering Circular dated April 9, 2024.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Offering Circular. You must not rely on any unauthorized information or representations. This Offering Circular is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should not assume that the information contained in this Offering Circular is accurate as of any date other than the date of this Offering Circular. Our business, financial condition, results of operations and prospects may have changed since that date.

No United States federal, state or foreign securities commission or regulatory authority has recommended the GDSs or reviewed, passed on, determined or confirmed the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offense.

Except as described below, we accept responsibility for the information contained in this Offering Circular. We, having made all reasonable enquiries, confirm that this Offering Circular contains all information with respect to us, our subsidiaries, the GDSs and our Common Shares that is material in the context of the issue and offering of the GDSs, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the GDSs, make this Offering Circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects and that all reasonable enquiries have been made by us to verify the accuracy of such information and that this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading. We accept responsibility for and confirm that the information contained in each of the sections entitled “Appendix A: The Securities Markets of the ROC” and “Appendix B: Foreign Investment and Exchange Controls in the ROC” has been accurately extracted from the TWSE Monthly Review and the laws and regulations of the ROC. However, such information has not been verified by us, the Initial Purchaser or any of our or the Initial Purchaser’s affiliates or advisors in connection with this offering.

The distribution of this Offering Circular and the offering and sale of the GDSs in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the GDSs and distribution of this Offering Circular, see “Plan of Distribution” and “Transfer Restrictions.” This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchaser to subscribe for or purchase any of the GDSs in any jurisdiction in which such offer or invitation would be unlawful. This Offering Circular may be used only for the purposes for which it has been published.

Available Information

If, at any time, we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, we will furnish, upon request, to any person in whose name GDSs are registered on the books of the Depositary (as defined herein), any holder of any beneficial interest in GDSs or any prospective purchaser designated by a holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. Alternatively, a holder may obtain such information at the specified office in Luxembourg, so long as the GDSs are listed on the Luxembourg Stock Exchange.

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PRESENTATION OF INFORMATION

The references to the “Company”, the “Issuer” or “WT Microelectronics” in this Offering Circular refer to WT Microelectronics Co., Ltd., and references to “we,” “us” and “our” in this Offering Circular refer to WT Microelectronics Co., Ltd. or WT Microelectronics Co., Ltd. and its subsidiaries, as the context requires, unless specifically indicated. The references to “Shares” or “Common Shares” refer to the common shares of the Company, par value NT\$10 per common share. The references to “Preferred Shares” refer to the preferred shares of the Company, par value NT\$10 per preferred share. The references to “Taiwan” and “ROC” refer to Taiwan, the Republic of China. The references to “PRC” and “China” refer to the People’s Republic of China. The references to the “ROC Company Act” refer to the Company Act of the ROC. The references to “FSC” refer to the Financial Supervisory Commission of the ROC. The references to “MOEA” refer to the Ministry of Economic Affairs of the ROC. The references to “DIR” refer to the Department of Investment Review, Ministry of Economic Affairs of the ROC (which was previously named Investment Commission of the Ministry of Economic Affairs). The references to “TWSE” refer to the Taiwan Stock Exchange Corporation. “PRC person” means (A) an individual holding a passport issued by the PRC or PRC residence registration (including an individual who used to hold PRC passport or PRC residence registration but has given up his or her PRC citizenship and converted to the citizenship of another jurisdiction for less than 4 years or has not stayed outside the PRC for a period of over 4 years, but not including a resident in a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of Taiwan); (B) any agency or instrumentality of the PRC or any corporation, partnership or other entity of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong or Macau, if so excluded by applicable laws of the ROC); or (C) any corporation, partnership or other entity organized under the laws of any other jurisdiction outside of the PRC that either (i) is directly or indirectly controlled by, or (ii) having more than 30 percent of its capital being directly or indirectly owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity referred to in (A) to (B).

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Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2021, 2022 and 2023 included in this Offering Circular are presented on a consolidated basis. We prepared our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards and relevant interpretations and interpretative

PRESENTATION OF INFORMATION

bulletins endorsed by the Financial Supervisory Commission, ROC (the “FSC”) (the “T-IFRSs”), which differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. Potential investors should seek professional advice with respect to such differences from generally accepted accounting principles. Our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 have been audited by the independent auditors and included elsewhere in this Offering Circular.

The financial statements of the Company are published in New Taiwan dollars, the lawful currency of the ROC. All references to “United States dollars,” “US dollars” and “US\$” are to United States dollars, all references to “New Taiwan dollars,” “NT dollars” and “NT\$” are to New Taiwan dollars. Unless otherwise noted, all translations from NT dollars to US dollars were made at the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board (the “Noon Buying Rate”) as of December 29, 2023, which was NT\$30.62 = US\$1.00. All amounts translated into US dollars in this Offering Circular have not been audited or reviewed by the independent auditors and are provided solely for your convenience and no representation is made that the NT dollar or US dollar amounts referred to herein could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded according to established commercial standards. As a result, rounded figures in the tables below may not add up to the aggregate amounts in such tables.

We have compiled all industry and market information and statistics contained in this Offering Circular from various published and private sources, which may be inconsistent with other information compiled elsewhere. As far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, neither we, nor the Initial Purchaser, have independently verified the accuracy of any of such information. In this Offering Circular, unless otherwise specified or the context otherwise requires, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Offering Circular. The words “believe,” “expect,” “anticipate,” “estimate,” “project,” “intend,” “plan,” “seek” and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this Offering Circular are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in demand for our products and services;
- the expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this Offering Circular regarding matters that are not historical facts,

are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- general economic, political and social conditions and developments in Taiwan, the PRC and other jurisdictions in which we operate our business;
- supply and demand for electronic components;
- market acceptance of our products and services;
- risks associated with the introduction of new products;
- changes in market prices for our products;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of our supplies and equipment;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

- legal proceedings; and
- other risks identified in the “Risk Factors” section of this Offering Circular.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In addition, any forward-looking statements are made only as at the date of this Offering Circular and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this Offering Circular. In light of the foregoing and the risks, uncertainties and assumptions in “Risk Factors” and elsewhere in this Offering Circular, the forward-looking events in this Offering Circular are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Offering Circular. As a result, you should not place undue reliance on these forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS

The Company is a company limited by shares and incorporated under the ROC Company Act. Substantially all of its directors and executive officers and certain of the experts named in this Offering Circular are residents of the ROC, and a significant portion of the Company's assets and these persons are located in the ROC. As a result, it may not be possible for you to effect service of process upon the Company or any of these persons outside of the ROC, or to enforce against any of them judgments obtained in courts outside of the ROC. The Company's ROC counsel has advised that any final and non-appealable judgment obtained against the Company or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the GDSs or the Shares will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) the Company or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on the Company or such persons with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) ("**CBC**"), for the remittance out of the ROC of any amounts exceeding US\$100,000 or its equivalent recovered in respect of the judgment denominated in a currency other than NT dollars. Notwithstanding the above, CBC may, depending on the economic and financial situation and the need to maintain the order of the foreign exchange market, require that certain conversions exceeding a certain amount per year should be subject to the foreign exchange approval from the CBC. See "Appendix B—Foreign Investment and Exchange Controls in the ROC."

SUMMARY

The following summary is qualified in its entirety by the more detailed information contained elsewhere in this Offering Circular. This summary may not contain all of the information you should consider before deciding to invest in the GDSs. We recommend that you read this Offering Circular carefully, including the consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and related notes which appear in the F-pages of this Offering Circular and “Risk Factors.”

Overview

We are a global top three electronic components distributor with end-to-end capabilities and a diversified geographic presence across Asia Pacific, the Americas and EMEA. Founded in 1993 initially as a Taiwan-based semiconductor components distributor, our position is further strengthened by our acquisition of Future Electronics Inc. and its subsidiaries (“**Future**”) (the “**Future Acquisition**”) to become a truly global player. According to Gartner®, we ranked first in the global semiconductor distribution market in terms of total revenue in 2023, achieving a market share of 12.2%, among which 2.3% was attributable to Future¹.

Our mission is to deliver compelling services to help our partners succeed and hold ourselves accountable to our shareholders. We are committed to being the most trustworthy electronic components distributor, offering superior value-added services throughout the entire product lifecycle to our business partners.

Founded in 1968, Future is a premier electronic components distributor headquartered in Montreal, Canada with global operations and a strong focus on mid-tier customers that are typically small or medium-sized enterprises, which we refer to as mass market customers, who generally have limited access to direct channels and thereby rely on the value-added services provided by distributors. Led by a group of talented management team, Future has built and grown its businesses based on its strong fundamentals over the years, including its long-term trusted relationships with many key suppliers and a large customer base across the Americas, Asia Pacific, and EMEA. We believe there are potential synergies that can be achieved between Future and us, including expanding distribution territories for suppliers and enabling cross-sell opportunities to customers, expanding business through global coverage and better utilizing market intelligence in business operation.

With the Future Acquisition, we now partner with more than 400 suppliers across major technology segments to offer over 250,000 types of electronic components, serving over 25,000 customers in around 50 countries and regions with over 160 business sites in the world. We have historically excelled at customer engagement across Asia Pacific, characterized by our expertise in serving tier-1, large-scale, well-capitalized blue-chip Original Brand Manufacturer (“**OBM**”), Original Design Manufacturer (“**ODM**”) and Original Equipment Manufacturer (“**OEM**”) customers, as well as mass market customers. The Future Acquisition has expanded our customer base, further enhancing coverage of mass market customers globally.

¹ Calculations performed by WT Microelectronics. Source: Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. Market Share for WT Microelectronics was on pro forma basis after the acquisition of Future Electronics, which accounted for 2.3% market share in global semiconductor distributor market in 2023.

SUMMARY

Our product portfolio includes Application Specific Standard Product (“ASSP”)-wireless connectivity, ASSP-wired connectivity, ASSP-others, analog, application-specific integrated circuit (“ASIC”), microcomponents, memory, discrete, optoelectronics and others, complemented by Future’s diverse offerings in interconnect, passive & electromechanical (“IP&E”) products. Our products have a wide scope of applications, including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone. The Future Acquisition has enabled us to achieve a more well-rounded industry reach leveraging Future’s strong focus on the automotive and industrial sectors. Not only do we offer a comprehensive portfolio of products, we also leverage our economies of scale to support suppliers and customers with extensive value-added services, based on which we have established our market position as the go-to partner for both upstream and downstream players.

The global electronic components industry, comprised of semiconductor and IP&E, has become more complex and highly specialized. There is strong demand for electronic components fueled by the megatrends of technology advancements such as AI, digitalization and next-generation of communication. The global semiconductor market is expected to grow from US\$533 billion in 2023 to US\$765 billion in 2027 at a CAGR of 9.4%, according to Gartner². On the other hand, IP&E market, the basic yet essential part of the electronic components market, is expected to grow from US\$187 billion in 2023 to US\$228 billion in 2027 at a CAGR of 5.2%, according to Precedence Research. Together, our addressable market will represent nearly US\$1 trillion market opportunity by 2027. In addition to having a positive long-term outlook, the electronic components supply chain has become more diversified and complex driven by a wide variety of applications across different industries, with a trend towards shortened product lifecycle and higher customization of products which make resources management and time efficiency the top priorities. To enable the electronic components supply chain to operate more efficiently, leading distributors such as us play an important role in providing comprehensive services to suppliers and customers along the whole value chain. We provide suppliers with extensive reach to a global customer base, strong demand creation services, superior market intelligence and intelligent supply chain solutions. And at the same time, we serve as a single access point to a wide range of product lines to our customers, equip them with product lifecycle management and reliable supply chain solutions, leading to shorter time-to-market. As such, the value that electronic components distributors such as us can provide is well recognized by suppliers and customers alike, making us an important strategic business partner. In line with the development of the global electronic components market, the global semiconductor distribution market grew rapidly from US\$152 billion in 2018 to US\$191 billion in 2023 at a CAGR of 4.6%³.

The Company’s operating revenue increased by 27.5% from NT\$447,896.1 million (US\$14,627.6 million) in 2021 to NT\$571,197.1 million (US\$18,654.4 million) in 2022, and further by 4.1% to NT\$594,518.8 million (US\$19,416.0 million) in 2023. Combining the Company and Future, our revenue for 2023 was NT\$761,304.0 million (US\$24,863.0 million) on a pro forma basis.

2 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023.

3 Calculations performed by WT Microelectronics. Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. (Revenue for 2018) Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2018, Masatsune Yamaji, 22 February 2019 (This research provides a historical snapshot in time).

SUMMARY

Our Competitive Strengths

- Leading global electronic components distributor
- Long-standing and trusted partner for suppliers
- Full customer coverage enabled by superior services
- Well-positioned to capture a secular, long-term growth of attractive end markets
- Successful track record and focus on sustainable development

Our Business Strategies

- Leverage global footprint to pursue high-quality and value-driven business
- Identify and invest in key strategic industries and continue to improve business mix
- Develop new business opportunities with existing and new partners to grow market share
- Continue building our core values and talent pool for sustainable business growth
- Selectively explore strategic investments or acquisitions
- Achieve healthy financial profile to maximize shareholder returns

Corporate and Other Information

We were established on December 23, 1993 under the name Serial Semiconductor Co., Ltd. under the ROC Company Law. After successive changes, our name changed to WT Microelectronics Co., Ltd. in 2007, which we are now known. Our registered office address is at 14F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan, Republic of China. Our Common Shares have been listed on the Taipei Exchange (over-the-counter market) in 2000 and on the TWSE since 2002 under the trading code “3036” (ISIN: TW0003036000). On April 9, 2024, the closing price of our Common Shares on the Taiwan Stock Exchange (“TWSE”) was NT\$135.50 per share and our market capitalization was approximately NT\$139.7 billion. Our website address is <http://www.wtmec.com>. The information on our website is not part of this Offering Circular.

SUMMARY

Recent Developments

The Future Acquisition

On April 2, 2024, we completed the Future Acquisition. Founded in 1968, Future is a premier electronic components distributor headquartered in Montreal, Canada with global operations and a strong focus on mass market customers. Pursuant to the share purchase agreement (the “**Share Purchase Agreement**”) with Future and Alonim Investments Inc. (“**Alonim**”), the sole shareholder of Future, wholly owned by the founder of Future, we acquired 100% of the share capital in Future from Alonim by cash for an enterprise value of US\$3.8 billion. Following the closing of the acquisition, Future became our wholly-owned subsidiary while largely operating its business as it had prior to the acquisition. Led by a talented management team, Future has built and grown its businesses based on its strong fundamentals over the years, including its long-term trusted relationships with many renowned suppliers and an amassed customer base across the Americas, Asia Pacific and EMEA. Future employed around 5,100 employees in around 50 countries and regions worldwide as of December 31, 2023.

We believe there are potential synergies that can be achieved between Future and us, including expanding distribution territories for suppliers and enabling cross-sell opportunities to customers, expanding business through global coverage and better utilizing market intelligence in business operation. With the Future Acquisition, we now partner with more than 400 suppliers across major technology segments, serving over 25,000 customers in around 50 countries and regions with over 160 business sites in the world.

To help facilitate the integration, we have established a balanced corporate and governance structure post-transaction, including dual-headquarters in Taipei and Montreal, invitation of Future’s CEO to our board of directors and retention of Future’s key management. We are also taking steps to build a coverage plan addressing the needs of our suppliers and customers, to encourage know-how sharing to ensure adoption of best practices across the organization, and to optimize our resources across divisions. We believe these elements can help leverage the strengths of both organizations, drive operational efficiencies, and enhance our standing in the market.

2024 First Quarter Financial Performance

As announced on the Market Observation Post System (the “MOPS”) on the TWSE, our consolidated operating revenue for January, February and March in 2024 was NT\$73,696.3 million, NT\$51,887.6 million and NT\$67,067.4 million, respectively. These preliminary monthly revenues are unaudited and are subject to, among other things, the completion of our financial closing procedures. Accordingly, the actual financial results for January, February and March 2024 could differ materially from the unaudited preliminary monthly revenues provided above. In addition, our monthly results are not necessarily indicative of our results that may be expected for the full year.

Future’s income before tax in the first quarter of 2024 is expected to be adversely impacted by certain one-off items in its operating expenses in connection with the Future Acquisition. However, such one-off items in the first quarter of 2024 are not expected to have material adverse effect on our post-acquisition consolidated financial performance, as the consolidation process commenced after the completion of Future Acquisition in April.

SUMMARY FINANCIAL INFORMATION OF THE COMPANY

The following tables present our summary financial information. The summary financial information as of and for the years ended December 31, 2021, 2022 and 2023 set forth below had been derived from our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included elsewhere in this Offering Circular and are qualified by reference to, and should be read in conjunction with, our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included elsewhere in this Offering Circular. Our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 have been prepared and presented in accordance with T-IFRSs, which differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. Our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 have been audited by the independent auditors.

Summary Consolidated Statement of Comprehensive Income

	Year Ended December 31,					
	2021		2022		2023	
	NT\$	%	NT\$	%	NT\$	US\$ %
<i>(in thousands, except percentages)</i>						
<i>(unaudited)</i>						
Operating revenue . . .	447,896,117	100.0	571,197,118	100.0	594,518,813	19,416,029 100.0
Operating costs	(430,909,478)	(96.2)	(551,364,963)	(96.5)	(576,112,549)	(18,814,910) (96.9)
Gross profit	16,986,639	3.8	19,832,155	3.5	18,406,264	601,119 3.1
Operating expenses						
Selling expenses	(4,522,266)	(1.0)	(5,533,094)	(1.0)	(6,383,289)	(208,468) (1.1)
General and administrative expenses	(1,296,000)	(0.3)	(1,860,504)	(0.3)	(3,059,840)	(99,929) (0.5)
Research and development expenses	(608,561)	(0.1)	(654,845)	(0.1)	(755,450)	(24,672) (0.1)
Impairment loss determined in accordance with IFRS 9	(2,683)	(0.0)	(1,095)	(0.0)	(7,762)	(253) (0.0)
Total operating expenses	(6,429,510)	(1.4)	(8,049,538)	(1.4)	(10,206,341)	(333,322) (1.7)
Operating profit	10,557,129	2.4	11,782,617	2.1	8,199,923	267,797 1.4
Non-operating income and expenses						
Interest income	6,268	0.0	39,036	0.0	151,614	4,951 0.0
Other income	339,273	0.1	421,482	0.1	594,130	19,403 0.1
Other gains and losses	(1,918)	(0.0)	129,302	0.0	148,295	4,843 0.0
Finance costs	(715,049)	(0.2)	(2,445,514)	(0.4)	(3,880,037)	(126,715) (0.7)
Share of loss of associates and joint ventures accounted for using the equity method	(5,878)	(0.0)	(15,781)	(0.0)	(18,560)	(606) (0.0)
Total non-operating income and expenses	(377,304)	(0.1)	(1,871,475)	(0.3)	(3,004,558)	(98,124) (0.5)

SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	Year Ended December 31,					
	2021		2022		2023	
	NT\$	%	NT\$	%	NT\$	US\$ %
	<i>(in thousands, except percentages)</i>					
	<i>(unaudited)</i>					
Profit before income tax	10,179,825	2.3	9,911,142	1.7	5,195,365	169,673 0.9
Income tax expense . . .	(2,324,657)	(0.5)	(2,310,778)	(0.4)	(1,216,531)	(39,730) (0.2)
Profit for the year . . .	7,855,168	1.8	7,600,364	1.3	3,978,834	129,943 0.7
Total other comprehensive (loss) income for the year	2,139,842	0.4	(7,069,962)	(1.2)	10,914,983	356,466 1.8
Total comprehensive income for the year	9,995,010	2.2	530,402	0.1	14,893,817	486,409 2.5
Profit attributable to:						
Owners of the parent	7,923,257	1.8	7,631,123	1.3	4,012,142	131,030 0.7
Non-controlling interest	(68,089)	(0.0)	(30,759)	(0.0)	(33,308)	(1,087) (0.0)
	7,855,168	1.8	7,600,364	1.3	3,978,834	129,943 0.7
Comprehensive income attributable to:						
Owners of the parent . .	10,062,378	2.2	551,844	0.1	14,929,690	487,580 2.5
Non-controlling interest	(67,368)	(0.0)	(21,442)	(0.0)	(35,873)	(1,171) (0.0)
	9,995,010	2.2	530,402	0.1	14,893,817	486,409 2.5

Summary Consolidated Balance Sheet Data

	As of December 31,			
	2021	2022	2023	
	NT\$	NT\$	NT\$	US\$
	<i>(in thousands)</i>			
	<i>(unaudited)</i>			
Current assets	149,136,255	183,649,584	238,746,945	7,797,092
Property, plant and equipment	1,004,215	974,071	1,262,530	41,232
Intangible assets	1,972,777	3,371,512	3,339,635	109,067
Other non-current assets ⁴	21,236,040	12,207,003	21,835,862	713,124
Total Assets	173,349,287	200,202,170	265,184,972	8,660,515
Current liabilities	110,582,313	124,816,197	177,888,805	5,809,563
Non-current liabilities	8,906,666	20,411,652	15,350,515	501,323
Total Liabilities	119,488,979	145,227,849	193,239,320	6,310,886
Equity attributable to owners of parent	53,767,865	54,105,345	71,108,783	2,322,299
Non-controlling interest	92,443	868,976	836,869	27,330
Total Equity	53,860,308	54,974,321	71,945,652	2,349,629

⁴ Including financial assets at fair value through profit or loss—non-current, financial assets at fair value through other comprehensive income—noncurrent, investments accounted for using equity method, right-of-use assets, investment property—net, deferred income tax assets and other non-current assets.

SUMMARY FINANCIAL INFORMATION OF THE COMPANY

Summary Consolidated Cash Flow Data

	Year ended December 31,			
	2021	2022	2023	
	NT\$	NT\$	NT\$	US\$
	(in thousands)			(unaudited)
Net cash flows from/(used in)				
operating activities	(12,980,036)	(6,038,909)	41,028,040	1,339,910
Net cash flows from/(used in)				
investing activities	(992,868)	(4,954,745)	(738,640)	(24,123)
Net cash flows from/(used in)				
financing activities	15,600,463	8,632,744	(22,956,625)	(749,726)
Effect of exchange rate changes on				
cash and cash equivalents	(575,095)	3,064,588	31,520	1,029
Net increase in cash and cash				
equivalents	1,052,464	703,678	17,364,295	567,090
Cash and cash equivalents at the				
beginning of the year	3,627,112	4,679,576	5,383,254	175,808
Cash and cash equivalents at the				
end of the year	4,679,576	5,383,254	22,747,549	742,898

SUMMARY FINANCIAL INFORMATION OF FUTURE

The following tables present Future's summary financial information. The summary financial information as of and for the years ended December 31, 2022 and 2023 set forth below had been derived from Future's audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included elsewhere in this Offering Circular and are qualified by reference to, and should be read in conjunction with, Future's consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included elsewhere in this Offering Circular. Future's consolidated financial statements as of and for the years ended December 31, 2022 and 2023 have been prepared and presented in accordance with IFRS. Future's consolidated financial statements as of and for the years ended December 31, 2022 and 2023 have been audited by its independent auditors.

Summary Consolidated Statement of Comprehensive Income

	Year Ended December 31,			
	2022		2023	
	US\$	%	US\$	%
	<i>(in thousands, except percentages)</i>			
Net sales	6,071,669	100.0	5,446,936	100.0
Cost of merchandise sold.	(4,846,781)	(79.8)	(4,500,901)	(82.6)
Gross profit	1,224,888	20.2	946,035	17.4
Operating expenses				
Selling expenses	(389,726)	(6.4)	(402,344)	(7.4)
General and administrative expenses	(149,248)	(2.5)	(160,387)	(2.9)
Depreciation of right-of-use assets . .	(16,699)	(0.3)	(16,692)	(0.3)
Total operating expenses	(555,673)	(9.2)	(579,423)	(10.6)
Operating profit	669,215	11.0	366,612	6.7
Non-operating income and expenses.	(29,043)	(0.5)	22,522	0.4
Income before income taxes.	640,172	10.5	389,134	7.1
Provision for income taxes	(135,807)	(2.2)	(74,110)	(1.4)
Net income and comprehensive income	504,365	8.3	315,024	5.8

SUMMARY FINANCIAL INFORMATION OF FUTURE

Summary Consolidated Balance Sheet Data

	As of December 31,	
	2022	2023
	US\$	US\$
	<i>(in thousands)</i>	
Current assets	4,002,992	3,993,833
Property, plant and equipment, net	74,737	52,950
Intangible assets, net	1,777	981
Other non-current assets ⁵	238,408	83,797
Total Assets	4,317,914	4,131,743
Current liabilities	1,075,587	728,678
Non-current liabilities	255,104	100,818
Total Liabilities	1,330,691	829,496
Common stock	158,311	158,311
Contributed surplus	1,601	1,601
Retained earnings	2,827,311	3,142,335
Total Shareholder's Equity	2,987,223	3,302,247

Summary Consolidated Cash Flow Data

	Year Ended December 31,	
	2022	2023
	US\$	US\$
	<i>(in thousands)</i>	
Cash provided by/(used in) operating activities	(105,260)	561,920
Cash provided by/(used in) investing activities	30,577	145,054
Cash provided by/(used in) financing activities	51,422	(505,159)
Net change in cash and cash equivalents	(23,261)	201,815
Cash and cash equivalents, beginning of year	221,618	198,357
Cash and cash equivalents, end of year	198,357	400,172

5 Including due from company under common control, right-of-use assets, deferred income tax assets, goodwill, and other long term assets.

THE OFFERING

The following is only a summary and is qualified in its entirety by reference to the “Description of the Global Depositary Shares.”

Issuer	WT Microelectronics Co., Ltd.
The GDS Offering	17,000,000 GDSs representing 85,000,000 new common shares, or Shares, to qualified institutional buyers, or QIBs, in the United States in reliance on Rule 144A under the Securities Act, or the Rule 144A GDSs, and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act, or the Regulation S GDSs.
Shares Outstanding Immediately Before the GDS Offering ...	1,030,799,151 Shares.
Shares Outstanding Immediately after the GDS Offering	Immediately after this offering, there will be 1,115,799,151 Shares issued and outstanding.
The GDSs	Each GDS represents five Shares. The Rule 144A GDSs will be issued pursuant to a Rule 144A deposit agreement, or the Rule 144A Deposit Agreement, and the Regulation S GDSs will be issued pursuant to a Regulation S deposit agreement, or the Regulation S Deposit Agreement, and together with the Rule 144A Deposit Agreement, the Deposit Agreements. The GDSs are fully fungible with and form a single series with any other Rule 144A GDSs or Regulation S GDSs, issued pursuant to the same Rule 144A or Regulation S Deposit Agreement, as applicable, outstanding at any given time.
Offering Price	US\$20.08 per GDS.
Closing Date	April 12, 2024
Use of Proceeds	The net proceeds to be received by us from this offering of the GDSs will be approximately US\$336.6 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US\$4.8 million. We will use the net proceeds for the procurement of raw materials in foreign currencies.
Lockup Agreements	We and our directors, executive officers and certain shareholders have agreed that, subject to certain exceptions, until 90 days after the date hereof, we will not, without the Initial Purchaser’s prior written consent, offer, sell, contract to sell or otherwise dispose of any securities of us that are substantially similar to the GDSs or the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, the GDS or the Shares or any such substantially similar securities. See “Plan of Distribution.”

THE OFFERING

Form and ROC Share Issuance
Procedure We will deliver a certificate of payment, or the Certificate of Payment, evidencing the right to receive underlying common shares to Citibank Taiwan Limited as custodian, or the Custodian, for Citibank, N.A., as the depositary, or the Depositary, which in turn will deliver the GDSs. Upon receipt by the Custodian of the Certificate of Payment, the Depositary will deliver (i) a Rule 144A master global depositary receipt, or the Rule 144A Master GDR, evidencing the Rule 144A GDSs, to be registered in the name of Cede & Co., as nominee for The Depositary Trust Company, or DTC, and (ii) a Regulation S master global depositary receipt, or the Regulation S Master GDR, evidencing the Regulation S GDSs, to be registered in the name of Citivic Nominees Ltd., as nominee for the common depositary of Euroclear and Clearstream. As a result, the Regulation S GDSs will not be eligible for settlement through DTC.

On the closing date, or the Closing Date, we will deliver to the Custodian the Certificate of Payment, registered in the name of the Depositary, or its nominee. Following the Closing Date, we will apply to the TWSE for listing of certificates of payment in scripless form, or the Individual Scripless Certificates of Payment, in respect of the underlying shares. It is expected that the TWSE will approve the listing of the Individual Scripless Certificates of Payment approximately on the fourth ROC Business Day in the ROC following the Closing Date (such approval date being the “**Share Listing Date**”), although there is no assurance that such approval will be obtained by such date (if at all). Immediately upon such listing and the credit of the number of shares as represented by the Individual Scripless Certificates of Payment into the Depositary’s account with its Custodian through the book-entry system maintained by the Taiwan Depositary & Clearing Corporation, or the TDCC, the Certificate of Payment we delivered to the Custodian on the Closing Date will be replaced by the Individual Scripless Certificates of Payment. Except where the context otherwise requires, all references in this Offering Circular to the Shares represented by the GDSs, during the period immediately prior to the Share Listing Date shall be deemed as references to the Certificate of Payment initially delivered to the Custodian and from the Share Listing Date, shall be deemed to include the Individual Scripless Certificates of Payment (assuming that we have received approval from the TWSE for the listing of the Individual Scripless Certificates of Payment).

THE OFFERING

We will issue and deliver the underlying shares (registered in the name of the Depositary or its nominee) to the Custodian in scripless form in respect of the Individual Scripless Certificates of Payment on or about 60 to 80 calendar days after the Closing Date, subject to obtaining approvals from relevant government authorities and the TWSE.

Withdrawal of Common

Shares

From the Share Listing Date, subject to the listing approval from the TWSE and the provisions of the applicable Deposit Agreement, a holder of GDSs may apply to withdraw the underlying Shares or request Citibank, N.A., as Depositary, to sell or cause to be sold on behalf of such holder the underlying Shares. Under ROC market practice, you will not be able to receive the underlying withdrawn common shares until two ROC Business Days after the Share Listing Date. Interests in the certificates of payment, without physical Individual Scripless Certificates of Payment, carry the same rights as those attaching to the common shares and are eligible for trading on the TWSE in the same manner as common shares. Delivery of the irrevocable right to receive the underlying withdrawn common shares, evidenced by the Individual Scripless Certificates of Payment will only be made by the Custodian through the book-entry system maintained by the TDCC. See “Description of the Global Depositary Shares—Withdrawal of Shares Upon Cancellation of GDSs.”

THE OFFERING

Issuance of Additional GDSs	Under current ROC law and as provided in the Deposit Agreements, after the Initial Deposit (as defined in “Description of the Global Depositary Shares”), no deposits of Shares may be made in the depositary receipt facility, and no GDSs may be issued against such deposits without specific approval of the FSC, except for the deposit of Shares and the issuance of additional GDSs in connection with (i) issuance of stock dividends on, or free distributions of, Shares, (ii) the exercise by holders of existing GDSs of their pre-emptive rights in the event of capital increases for cash, (iii) to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreements, the deposit of Common Shares owned or purchased directly by a person or through the Depositary on the TWSE for the deposit in the deposit receipt facility, but such that the total number of GDSs outstanding after an issuance described in this clause does not exceed the number of GDSs issued and previously approved by the FSC in connection with this offering plus any GDSs created under clauses (i) and (ii) described above, and (iv) upon the exchange of Rule 144A GDSs for Regulation S GDSs and vice versa, subject to any adjustment to the number of shares represented by each GDS. See “Description of the Global Depositary Shares.”
Voting Rights	Holders of GDSs will not be able to exercise voting rights on an individual basis. If holders representing at least 51% of the GDSs outstanding at the relevant record date instruct the Depositary to vote in the same manner regarding a resolution, including the election of directors, the Depositary will cause all Shares represented by the GDSs to be voted in that manner. If the Depositary does not receive timely instructions representing at least 51% of the GDSs outstanding at the relevant record date to vote in the same manner for any resolution, including the election of directors, holders of GDSs will be deemed to have instructed the Depositary or its nominee to authorize all the Shares represented by the GDSs to be voted at the discretion of the Chairman of our Board of Directors or his/her designee as the voting representative of the Depositary and holders of GDSs. See “Description of the Global Depositary Shares—Voting Rights.”

THE OFFERING

Dividends Subject to the terms of the Deposit Agreements, holders of GDSs will be entitled to receive dividends, to the same extent as the holders of the Shares, less the fees, costs and expenses payable under the Deposit Agreements and any ROC tax applicable to such dividends. See “Dividends and Dividend Policy.”

ROC Tax Dividends (whether in cash or Common Shares) distributed by us out of retained earnings and distributed to non-ROC holders in respect of Common Shares represented by GDSs are subject to ROC withholding tax. The current rate of withholding tax for non-ROC holders is 21% (unless the rate of the withholding tax is reduced by the applicable tax treaty between the ROC and the jurisdiction where the non-ROC holder is a resident) of the amount of the distribution (in the case of cash dividends) or the par value of the Common Shares (in the case of stock dividends). Distributions of Common Shares declared by us out of capital surplus are not subject to ROC tax, except under limited circumstances set out in relevant tax laws.

Under ROC law, capital gains derived from sales of Common Shares by Non-ROC Holders are exempt from ROC income tax. Capital gains derived from sales of GDSs by Non-ROC Holders are not subject to ROC income tax.

ROC securities transaction tax will apply to the sales of Common Shares at the rate of 0.3% of the gross sales proceeds. Transfers of GDSs are not subject to ROC securities transaction tax.

The Depositary is subject to a securities transaction tax on the gross amount received upon sale of statutory subscription rights evidenced by securities in a rights offering for cash. Holders of GDSs are responsible for such taxes and any fees, costs and expenses in connection therewith under the Deposit Agreements. See “Taxation—ROC Taxation.”

THE OFFERING

- Exchange Controls Under existing ROC laws and regulations relating to foreign exchange controls, the Depositary or a holder of GDSs is not required to obtain foreign exchange approval from the CBC, for the conversion into foreign currencies of (i) any net proceeds realized from the sale of any or all of the shares underlying the GDSs, (ii) the proceeds received from the sale of shares received as stock dividends in respect of such shares and deposited into the depositary receipt facility, or (iii) any cash dividend or cash distributions received. In addition, the Depositary may convert inward remittances of payments into NT dollars for purchase of shares for deposit in the depositary receipt facility against the issuance of additional GDSs, the subscription payment for rights offering or the relevant taxes payment without applying for any such approvals. A holder of GDSs, after becoming a holder of shares, may without obtaining further approval from the CBC convert NT dollars into other currencies, including US dollars, from proceeds from the sale of any underlying shares withdrawn from the depositary receipt facility or any cash dividends or distributions received. However, the Depositary or a Non-ROC Holder of GDSs must obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies in respect of the sale of subscription rights for the Shares if the proceeds are in excess of US\$100,000 (or its equivalent) per remittance.
- Listing The Shares are listed on the TWSE under the trading code “3036.” See “Summary—Corporate and Other Information.” We have applied to list the GDSs, which consist of the Rule 144A GDSs and Regulation S GDSs, offered on the Official List of the Luxembourg Stock Exchange and to trade the GDSs on the Euro MTF Market of the Luxembourg Stock Exchange.

THE OFFERING

Rule 144A GDS Settlement Procedures	The Rule 144A GDSs will be accepted into DTC's book-entry settlement system and represented by a single Master Rule 144A GDR certificate evidencing all Rule 144A GDSs. The Master Rule 144A GDR certificate will be registered in the name of Cede & Co., as nominee of DTC. As long as any Rule 144A GDSs are held in book-entry form, Cede & Co. will be the holder of record of all such Rule 144A GDSs. Accordingly, each person owning a beneficial interest in the Master Rule 144A GDR certificate must rely upon the procedures of DTC and institutions having accounts with DTC to exercise or to be entitled to any rights of a Rule 144A GDS holder. So long as any Rule 144A GDSs settle through DTC's book-entry settlement system or unless otherwise required by law, ownership of beneficial interests in the Master Rule 144A GDR certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to DTC participants' interests) or (ii) DTC participants. See "Description of Global Depositary Shares."
Regulation S GDS Settlement Procedures	Each of Euroclear and Clearstream will accept the Regulation S GDSs into its book-entry settlement system. The Regulation S GDSs will be represented by a single Master Regulation S GDR certificate evidencing all of the Regulation S GDSs. The Master Regulation S GDR certificate will be registered by the Depositary in the name of a nominee for a common depository for Euroclear and Clearstream. Accordingly, each person owning a beneficial interest in the Master Regulation S GDR certificate must rely upon the procedures of the common depository, Euroclear and Clearstream and institutions having accounts with Euroclear or Clearstream to exercise or to be entitled to any rights of a Regulation S GDS holder. So long as any Regulation S GDSs settle through the book-entry settlement systems of Euroclear or Clearstream, or unless otherwise required by law, ownership of beneficial interests in the Master Regulation S GDR certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by (i) Euroclear, Clearstream and their common depository (and its nominee) with respect to Euroclear and Clearstream participants' interests) or (ii) Euroclear and Clearstream participants. Settlement of the Regulation S GDSs will take place through Euroclear and Clearstream or the common depository in accordance with the settlement procedures applicable to equity securities in the Euromarket. See "Description of Global Depositary Shares."

THE OFFERING

Delivery of GDRs	Delivery of the GDRs, against payment in same-day funds, is expected on or about April 12, 2024.
Transfer restrictions	Neither the GDSs nor the Shares have been registered under the Securities Act, and those securities are subject to restrictions on transfer. See “Transfer Restrictions.”
Depository	Citibank, N.A. (Legal Entity Identifier Code: E57ODZWZ7FF32TWEFA76)
Custodian	Citibank Taiwan Limited
Governing Law	Each Deposit Agreement is governed by, and will be construed in accordance with, the laws of the State of New York.

RISK FACTORS

Investing in the GDSs and the Shares underlying the GDSs involves risks. You should carefully consider the risks described below before making an investment decision. You should also carefully consider all of the information contained in this Offering Circular, including our financial statements and related notes. You should note that we are governed in the ROC by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We operate in a highly competitive industry and we may not be able to sustain our current market position.

We operate in a highly competitive industry, and we compete with other large multinational and regional electronic components distributors, as well as numerous other smaller, specialized competitors who generally focus on narrower market sectors, products, or industries. The size of our competitors varies across geographies, as do the resources we have allocated to the sectors in which we do business. Therefore, some of our competitors may have a more extensive supplier and/or customer base than we do in one or more of its geographies and market sectors. There is significant competition within each geography and market sector that creates margin pressure and the need for constant attention to improve services and product offerings in order to increase market share. Other competitive factors include technical expertise, product availability, credit availability, speed of delivery, and ability to tailor solutions to meet customer needs. As we continue to expand our business into new areas in order to stay competitive in the market, we may encounter increased competition from its current and/or new competitors, making it difficult for us to retain our market share. We cannot be certain that we will be able to compete successfully against either our current or potential competitors in the future, and there is no guarantee that our response to and growth in emerging technologies will be successful. Our failure to maintain and enhance our competitive position could have a material adverse effect on our business, financial condition and results of operations.

The markets in which our customers compete are characterized by rapidly changing technology and innovation.

The markets in which our customers compete are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. Our products are applied in various fields including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone. Accordingly, our viability and success will partially depend on the success achieved by our customers in developing and marketing their products to their customers. If the technologies or standards supported by our customers become obsolete or fail to gain widespread commercial acceptance, we may experience a loss of certain key customers, a decline in sales, and a decline in profitability. In addition, there are different product release cycles in different end markets, and if we or our customers fail to meet the ideal product launch dates, our business and operations will be adversely affected.

RISK FACTORS

Our revenues originate primarily from the sales of electronic components, which is subject to changes in market conditions.

While we attempt to identify changes in market conditions as soon as possible, the dynamics of the industries in which we operate make it difficult to predict and timely react to such changes, including those relating to product capacity and lead times. The electronic components industry historically has experienced fluctuations and cyclicalities in product supply and demand, often associated with changes in technology and manufacturing capacity and subject to significant economic market upturns and downturns, and suppliers may not adequately predict or meet customer demand. Specifically, demand for electronic components was overinflated during the COVID-19 pandemic due to supply shortage, resulting in excess inventory buildup in the supply chain in recent years. Demand from our customers may also fluctuate and can be difficult to predict, depending on macroeconomic conditions as well as inventory level and sell-through of end products offered by our customers. Accordingly, our revenues and profitability tend to closely follow the strength or weakness of the electronic components market. Moreover, market conditions in the electronic components industry depend to a large degree on conditions in the markets for the end-use applications of various products, such as automotive, industrial, datacenter and server, communication, consumer, PC and peripherals, and mobile phone. Further, economic weakness could cause a decline in spending in information technology, which could have a negative impact on the demand for our products and services. A cyclical downturn in the electronic components market, the technology industry in general, or the end-use markets for our products could have a material adverse effect on our business and negatively impact our business, financial condition and results of operations.

Disruptions to key supplier and customer relationships could negatively affect our results of operations.

One of our competitive strengths is the breadth and quality of the suppliers whose products we distribute. In 2023, on a combined basis with Future, the product sales of our largest supplier represented 32% of our total pro forma revenue. No sales of any other single supplier's products accounted for more than 10% of our total sales in 2023 on a pro forma basis. Our contracts with our suppliers vary in duration and are generally terminable by either party at will upon notice. Our suppliers may terminate or significantly reduce their volume of business with us, because of product shortages, dissatisfaction with services provided, an unwillingness to do business with us, changes in strategy to sell their products directly, or otherwise. For example, one of the Company's largest suppliers switched a substantial portion of its business through distributors to a direct sales business model and terminated its relationship with the Company in 2019.

Shortages of products or loss of a supplier may negatively affect our business and relationships with our customers, as customers depend on our timely delivery of electronic components from our suppliers. To the extent that our major suppliers reduce the number of products they sell through distribution, cease to continue doing business with us, or are unable to continue to meet or significantly alter their obligations, our business could be materially adversely affected. In addition, shifts in suppliers' strategies, or performance and delivery issues, may negatively affect our financial results. These conditions make it more difficult to manage our business and predict future performance.

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The competitive landscape has also experienced a consolidation among suppliers, which could negatively impact our profitability and customer base if the surviving, consolidated suppliers decide to exclude us from their supply chain efforts, which could expose us to increased risks and dependence on a smaller number of suppliers.

Further, if key suppliers modify the terms of their contracts (including, without limitation, terms regarding price protection, rights of return, rebates, or other terms that protect or enhance our gross profit or terminate their contracts), it could negatively affect our results of operations, financial condition, or liquidity.

If we are unable to manage our growth effectively, our business could be adversely affected.

We have experienced, and are expected to continue to experience, growth in the scope and complexity of our operations through organic growth and through acquisitions. The growth of our business has placed and may continue to place a strain on our management, personnel, systems and resources. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular market sectors, we could miss market opportunities, and our business, results of operations and financial condition could be materially and adversely affected. There can be no assurance that we will be able to manage our growth effectively in the future.

We must continue to offer attractive products and services to our customers and to offset potential price and margin erosion.

The electronic components market is characterized by rapid changes in product designs and technological advances allowing for better performance, smaller size and/or lower cost. New applications are frequently found for existing technologies, and new technologies occasionally replace existing technologies for some applications or create new business opportunities in other areas of applications. We must continue to offer our customers attractive products to keep up with the changes in the electronic components market to keep us at the forefront of our customers' choice of partners to enhance their products' competitiveness. In addition, we need to continue to invest in our service capabilities to stay at the forefront of industry trends, in order to provide update-to-date value-added services to our business partners. However, we may not be able to anticipate the direction of technological change and we may not be successful in offering an attractive portfolio of products to our customers. If this occurs, we could lose customers and experience adverse effects on our financial condition and results of operations.

Inventory loss or inventory value decline may adversely affect our results of operations and financial condition.

Our inventory primarily includes electronic components. We typically store our products at our warehouses and occasionally at the factories of our customers, and we monitor and manage our inventory level closely. However, we are subject to inventory loss due to unexpected changes to customer orders, natural disasters or warehouse management failures.

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In addition, the electronic components industry is subject to rapid technological change, new and enhanced products, changes in customer needs, and changes in industry standards and regulatory requirements, which can cause our inventory to decline in value or become obsolete. While we prudently manage our inventory exposure to gauge our customer demand and supplier availability, we may not always be able to mitigate the risk of inventory overstock or obsolescence. Regardless of the general economic environment, prices may decline due to a decrease in demand or an oversupply of products, which may increase the risk of declines in inventory value. Some of our suppliers offer certain protections from the loss in value of inventory (such as price protection and limited rights of return), but such policies may not fully compensate for the loss. Also, suppliers may not honor such agreements, some of which are subject to the supplier discretion. Any of these events could have a material adverse effect on our business and results of operations.

Our business is subject to U.S. and certain foreign export and import controls, and we have to comply with U.S. and certain foreign sanctions and embargoes. In the event of noncompliance, we can face serious consequences, which can harm our business, results of operations and reputation.

We are subject to export control and import laws and regulations, including but not limited to the U.S. Export Administration Regulations (“EAR”), U.S. Customs regulations, ROC Foreign Trade Act (“FTA”) and ROC Regulations Governing the Export and Import of Strategic High-tech Commodities (“Strategic High-tech Commodities Regulation”), and we have to comply with applicable economic and trade sanctions regulations such as the ones administered by the U.S. Treasury Department’s Office of Foreign Assets Controls (“OFAC”), International Trade Administration (“ITA”) of the MOEA and the MOEA. Products we sell which are either manufactured in the United States or based on U.S. technology (“U.S. Products”) are subject to the EAR when exported and re-exported to and from all international jurisdictions, in addition to the local jurisdiction’s export regulations applicable to individual shipments. Licenses or proper license exemptions may be required by local jurisdictions’ export regulations, including EAR, for the shipment of certain U.S. Products to certain countries, including China. The Russia-Ukraine and Israel-Palestine conflicts have caused, and continue to intensify, significant geopolitical tensions in Europe, the Middle East, and across the globe. The resulting sanctions are expected to have significant impacts on the economic conditions of the targeted countries and markets. We have to maintain the export permit for strategic high-tech commodities and comply with FTA and Strategic High-tech Commodities Regulation for exporting our products. While we have third-party vendors and internal control procedures to ensure compliance with EAR and other applicable export regulations, these methods may not be completely successful in ensuring our constant compliance. Noncompliance with the EAR, OFAC regulations, FTA, Strategic High-tech Commodities Regulation or other applicable export regulations can result in a wide range of penalties including the denial/suspension of export privileges, revocation of exporter registration, fines, criminal penalties, and the seizure/destruction/return of inventories. In the event that any export regulatory body determines that any shipments made by us violate the applicable export regulations, we could be fined significant sums, our export capabilities could be restricted and/or we may be subject to claims for damages or penalties by our customers or suppliers, which could have a material adverse effect on our reputation, business and results of operations.

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We do not have long-term sales contracts with our customers, which may cause uncertainties to our business.

Most of our sales are made on an order-by-order basis, rather than through long-term sales contracts. We generally work with our customers to develop non-binding forecasts for future orders. Based on such non-binding forecasts, we make commitments regarding the level of business that we will seek and accept, the inventory that we purchase, and the levels of utilization of personnel and other resources. A variety of conditions, both specific to each customer and generally affecting each customer's industry, may cause customers to cancel, reduce, or delay orders that are either previously made or anticipated, file for bankruptcy protection, or default on their payments. Significant or numerous cancellations, reductions, delays in orders by customers, loss of customers, and/or customer defaults on payments could materially adversely affect our business, results of operations and financial condition.

Internal information systems failures could have an adverse effect on our business, internal controls, and reporting obligations.

We depend on our information systems to facilitate our day-to-day operations and to produce timely, accurate, and reliable information on financial and operational results. Our information systems are extremely complex, in part because of various processes and the scope of our business operations and interactions with our suppliers and customers. Our information systems may not always be effective and implementation or integration difficulties may adversely affect our ability to complete business transactions and ensure accurate recording and reporting of financial data. Potential integration challenges as it pertains to the acquisition of Future could also exert a negative impact on our business, internal controls, and reporting obligations. In addition, our current and future information systems may not achieve the expected efficiencies and cost savings, which could negatively impact our financial results. A failure of our information systems, or material difficulties in upgrading these information systems, could have an adverse effect on our business, internal controls, and reporting obligations as a listed company on the TWSE.

Data security and privacy threats may hurt our business, damage our reputation, increase our costs, and cause losses.

Our information technology systems could be subject to cyber-attack or data privacy breaches by employees, others with authorized access, and unauthorized persons. Such attacks could result in disruption to our operations and/or loss or disclosure of, or damage to, ours or any of our customer's or supplier's data, confidential information, or reputation. Our information technology systems security measures may also be breached due to employee error, malfeasance, or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, customers, or suppliers to disclose sensitive information in order to gain access to our data and information technology systems. Any such breach could result in significant legal and financial exposure (including paying damages and/or penalties to customers or suppliers), damage to our reputation, loss of competitive advantage, and a loss of confidence in the security of our information technology systems. Because the techniques used to obtain unauthorized access, disable or degrade, or sabotage our information technology systems change frequently and often are not recognized until launched, we may be unable to anticipate these techniques or to implement adequate preventive measures.

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We continue to make investments seeking to address risks and vulnerabilities, including ongoing monitoring, updating networks and systems, and personnel awareness training of potential cyber security threats to help ensure employees remain diligent in identifying potential risks. Although we have developed systems and processes that are designed to protect information, prevent data loss and other security breaches, and reduce the impact of a security breach such measures cannot provide absolute security. Such breaches, whether successful or unsuccessful, could result in us incurring costs related to, for example, rebuilding internal systems, defending against litigation, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps.

Also, global privacy legislation, enforcement, and policy activity are rapidly expanding and creating a complex compliance environment. In line with our geographic expansion, we may become subject to more stringent rules. Our failure to comply with international privacy related or data protection laws and regulations could result in proceedings against us by governmental entities or others. Any of these events could have a material adverse effect on our reputation, business and results of operations.

Logistics disruptions could have an adverse impact on our business, operations, financial performance, and reputation.

Our multinational logistics services are operated through specialized and centralized distribution centers across Asia Pacific, the Americas and EMEA following our acquisition of Future. We also depend on third-party freight and transportation service providers to deliver products to our customers. A major interruption or disruption in service at one or more of our distribution centers for any reason (such as information technology upgrades and operating issues, warehouse modernization and relocation efforts, natural disasters, COVID-19 or other pandemics, or significant disruptions of services from our third-party freight and transportation providers) could cause an increase in expenses or a delay in delivery. In addition, as we continue to increase capacity at our distribution centers, they may experience operational challenges, increased costs, decreased efficiency, and customer delivery delays and failures. Such operational challenges could have an adverse impact on our business, operations, financial performance, and reputation.

We may be exposed to claims alleging product defects.

Our business exposes us to claims alleging product defects or non-conformance with product specifications. We may be held liable for, or incur costs related to, such claims if any of the products we sell are found to have caused end market product application failures, product recalls, property damage or personal injury. Provisions in our customer and distributor agreements are designed to limit our exposure to potential material product defect claims, including warranty, indemnification, waiver and limitation of liability provisions, but such provisions may not be effective under the laws of some jurisdictions. If we cannot successfully defend ourselves against product defect claims, we may incur substantial liabilities. Regardless of the merits or eventual outcome, defect claims could entail substantial expense and require the time and attention of senior management personnel.

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From time to time, we may become involved in legal proceedings, which could have an adverse effect on our operations and business reputation.

From time to time, we may become involved in legal proceedings, including government investigations, that arise out of the ordinary conduct of our business, including matters involving commercial matters, product liability, intellectual property rights, merger-related matters, and other actions. Legal proceedings could result in substantial costs and diversion of management's efforts and other resources and could have an adverse effect on our operations and business reputation. We may be obligated to indemnify and defend our customers if the products or services that we sell are alleged to infringe any third party's intellectual property rights. We may not be able to obtain supplier indemnification for ourselves and our customers against such claims, or such indemnification may not fully protect us and our customers against such claims. If an infringement claim against us is successful, we may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms. We may have to stop selling certain products, which could affect our ability to compete effectively. Product defects, whether caused by a design or function failure or error, or manufacturing processes not in compliance with applicable statutory and regulatory requirements, may result in product liability claims, product recalls, fines, and penalties.

On April 2, 2024, we completed the acquisition of 100% of the equity interest of Future. Future has been named as a defendant together with Mr. Robert Miller, the founder of Future, in certain pending litigation suits in Canada relating to certain allegations of misconduct by Mr. Miller (the "**Proceedings**"). Mr. Miller stepped down as the president and chief executive officer of Future in 2023. The outcomes of the Proceedings are uncertain as of the date of this Offering Circular. Pursuant to the Share Purchase Agreement among the Company, Future and Alonim, the sole shareholder of Future, in connection with the Future Acquisition, (i) Alonim shall compensate and reimburse Future of any and all damages in relation to Proceedings, and any future actions arising out of or relating to the same or a similar context, and (ii) Alonim shall maintain sufficient reserves to satisfy all the aforementioned indemnifiable damages to Future. Based on the above, we believe that the Proceedings will not have any material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our business operations is in line with industry norms, adequate for our present operations and include adequate coverage for risks relating to fines and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

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We rely on certain key personnel and failure to attract, retain, or replace such personnel could adversely affect our business.

Our success depends to a significant extent upon, among other factors, the continued services of our skilled technical, managerial, sales, and marketing personnel. Our success also depends on our ability to continue to attract, retain, and motivate said personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations, and future prospects. We do not maintain insurance with respect to the loss of any of our key personnel.

The challenges of attracting and retaining key personnel may also manifest themselves specifically in regards to the acquisition of Future. While we have been able to secure employment contracts with most key executives of Future, Future employees may choose not to remain with the Company in the long-term. If we are unable to retain Future personnel that are critical to our operations, we could experience disrupted operations, loss of customers, key information, expertise and knowhow, or unanticipated hiring and training costs. In addition, the loss of key personnel could diminish the anticipated benefits of the acquisition of Future that are actually achieved.

Accounts receivable defaults could result in delayed payment, and our business, results of operations, financial condition, or liquidity could be adversely affected.

Accounts receivables are a significant portion of our working capital. If customers responsible for a significant amount of accounts receivables cease doing business, direct their business elsewhere, fail to pay, or delay payment, our business, results of operations, financial condition, or liquidity could be adversely affected. Historically, we have experienced certain customer defaults on their payment to us and made provisions accordingly. An economic or industry downturn could adversely affect our ability to collect receivables, which could result in longer payment cycles, increased collection costs, and defaults exceeding management's expectations.

We may need additional capital, and financing may not be available on terms satisfactory to us, or at all.

Since our inception, we have relied on the proceeds from bank borrowings, equity issuances, and cash generated from operating activities, which have historically been sufficient to meet our working capital and substantially all of our capital expenditure requirements. As of December 31, 2023, the Company had cash and cash equivalents of NT\$22,747.5 million (US\$742.9 million), and long-term and short-term borrowings of NT\$32,554.5 million (US\$1,063.2 million). Under some of our credit facilities, we are required to maintain certain specified financial ratios and pass certain financial tests. If we increase our level of debt or our operating results deteriorate, we may fail to meet these financial ratios or pass these tests, which may result in an event of default. In such an event, lenders may accelerate repayment and we may be unable to continue to utilize these facilities. If we are unable to utilize these facilities or are required to repay debt earlier than we expected, we may not have sufficient cash available to make interest payments, to repay indebtedness, or for general corporate needs.

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We may require additional cash resources due to the future growth and development of our business. Our future capital requirements may be substantial as we seek to expand our operations, diversify our product offerings, and pursue acquisitions and equity investments. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities or enter into additional factoring arrangements.

Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows and the overall condition of international capital and lending markets that is beyond our control. Any indebtedness that we may incur in the future may also contain operating and financial covenants that could further restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. A large amount of bank borrowings and other debt may result in a significant increase in interest expense while at the same time exposing us to increased interest rate risks. Equity financings could result in dilution to our shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of the GDSs or the underlying Shares. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations.

When we make acquisitions, we may take on additional liabilities or we may not be able to successfully integrate such acquisitions.

As part of our history and growth strategy, we have acquired other businesses. Acquisitions involve numerous risks, including the following:

- effectively combining the acquired operations, technologies, or products;
- additional liabilities; increase in debt or interest expenses and potential write-offs of acquired assets;
- unanticipated costs or assumed liabilities, including those associated with regulatory actions or investigations;
- not realizing the anticipated financial benefit from the acquired companies;
- diversion of management's attention;
- negative effects on existing customer and supplier relationships; and
- potential loss of key employees of the acquired companies.

Further, we have made, and may continue to make acquisitions of, or investments in new services, businesses or technologies to expand our current service offerings and product lines. Some of these may involve risks that may differ from those traditionally associated with our core distribution business. If we are not successful in mitigating or insuring against such risks, it could have a material adverse effect on our business, financial condition and results of operations.

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Our international operations subject us to various business, economic, political, regulatory, and legal risks.

Following our acquisition of Future, we have operations in around 50 countries and regions worldwide. As a result, we are subject to a variety of risks that are specific to international operations, including, but not limited to, the following:

- potential changes in our revenue and earning mix by regions;
- potential restrictions on our ability to repatriate funds from our foreign subsidiaries;
- foreign currency and interest rate fluctuations;
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation infrastructure;
- noncompliance with foreign and domestic regulations in the Americas and EMEA, in addition to Asia Pacific, the failure of which could result in severe penalties including monetary fines and criminal proceedings;
- noncompliance with foreign and domestic import and export regulations, anti-corruption laws and adoption or expansion of trade restrictions, including technology transfer restrictions, additional license, permit or authorization requirements for shipments, specific company sanctions, new and higher duties, or other import/export controls;
- more uncertainties around our financial results given we are more exposed to different regions' economic and political instabilities, terrorism, and potential military conflicts or civilian unrest;
- labor unrest and difficulties in staffing; and
- natural disasters, pandemics, and other public health crises.

If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulties in completing orders, which might lead to customer dissatisfaction and loss of future orders. In addition to the cost of compliance, the potential criminal penalties for violations of import or export regulations and anti-corruption laws, by us or our third-party agents, create heightened risks for our international operations. If a regulatory body determines that we have violated such laws, we could be fined significant sums, incur sizable legal defense costs, have our import or export capabilities restricted or denied, or have our inventories seized, which could have a material and adverse effect on our business. Additionally, allegations that we have violated any such regulations may negatively impact our reputation, which may result in customers or suppliers being unwilling to do business with us. While we have adopted measures and controls designed to ensure compliance with these laws, we cannot be assured that such measures will be adequate or that our business will not be materially and adversely impacted in the event of an alleged violation.

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We may not realize all of the anticipated benefits of our acquisition of Future or those benefits may take longer to realize than expected. We may also encounter significant unexpected difficulties in integrating the two businesses.

Our ability to realize the anticipated benefits of the acquisition of Future will depend, to a large extent, on our ability to integrate our and Future's businesses and operations. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrate Future's business and operations with ours. Moreover, Future's business has a large international presence across the Americas, Asia Pacific and EMEA. We have limited experience in international markets outside of Asia Pacific, and we expect to enter into and expand our operations in international markets to leverage Future's existing operations, which exposes us to risks associated with international expansion. The integration process may disrupt the business and, if implemented ineffectively or if impacted by unforeseen negative economic or market conditions or other factors, we may not realize the full anticipated benefits of the acquisition of Future. Our failure to meet the challenges involved in integrating the two businesses to realize the anticipated benefits of the acquisition of Future could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, and diversion of management's attention.

The major difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated business opportunities and growth prospects from combining the business of Future with our business;
- challenges in attracting and retaining key personnel, see "—We rely on certain key personnel and failure to attract, retain, or replace such personnel could adversely affect our business";
- challenges in implementing and integrating internal controls and legal and compliance framework, including EAR compliance programs;
- effectively combining the acquired technologies and products;
- difficulties in managing the expanded operations of a larger and more complex company;
- negative effects on existing supplier and customer relationships;
- unanticipated costs or assumed liabilities, including those associated with regulatory actions or investigations; and
- potential antitrust investigations or antitrust measures taken in response to the acquisition of Future.

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Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of our operations. In addition, even if the operations of our business and Future's business are integrated successfully, we may not realize the full benefits of the acquisition of Future, including the growth opportunities that we expect. These benefits may not be achieved within the anticipated timeframe, or at all. Furthermore, additional unanticipated costs may be incurred in the integration of the businesses. All of these factors could decrease or delay the expected benefits of the acquisition of Future and negatively impact us. As a result, we cannot assure you that the combination of our and Future's businesses will result in the realization of the full benefits anticipated from the acquisition of Future.

The due diligence undertaken in connection with our acquisition of Future may not have revealed all relevant considerations or liabilities of Future, which could have a material adverse effect on our financial condition or results of operations.

There can be no assurance that the due diligence undertaken by us in connection with the acquisition of Future has revealed all relevant facts that may be necessary to evaluate the acquisition. Furthermore, the information provided during due diligence may have been incomplete or inadequate. As part of the due diligence process, we have also made subjective judgments regarding the operations, financial condition and prospects of Future. If the due diligence investigation has failed to correctly identify material issues and liabilities that may be present in Future, or if we consider any identified material risks to be commercially acceptable relative to the opportunity, we may incur substantial impairment charges or other losses following the acquisition of Future. In addition, we may be subject to significant, previously undisclosed liabilities of Future that were not identified during the due diligence, which could contribute to poor operational performance and have a material adverse effect on our financial condition and results of operations.

Our and Future's actual financial positions and results of operations may differ materially from the unaudited pro forma condensed consolidated financial data included in this Offering Circular and, accordingly, you have limited financial information on which to evaluate our company in connection with the acquisition of Future and your investment decision.

The pro forma financial information contained in this Offering Circular is presented for illustrative purposes only and may not be an indication of what our financial position or results of operations would have been or for any future periods. The pro forma financial information has been derived from the audited consolidated historical financial statements of us and Future and certain adjustments and assumptions have been made regarding our Company after giving effect to the acquisition. The assets and liabilities of Future have been measured at fair value based on various preliminary estimates using assumptions that our management believes are reasonable utilizing information currently available. The process for estimating the fair value of acquired assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. These estimates may be revised as additional information becomes available and as additional analyses are performed. Differences between preliminary estimates in the pro forma financial information and the final acquisition accounting will occur and could have a material impact on the pro forma financial information and the combined company's financial

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position and future results of operations. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the closing of the acquisition. Please see “Unaudited Pro Forma Condensed Financial Information.”

Any global systemic economic and financial crisis could negatively affect our business, results of operations, and financial condition.

Global economic growth in recent years has been slow and faces more uncertainty. The global economy, markets and levels of spending by businesses and consumers are influenced by many factors beyond our control. For example, health epidemics have in the past caused significant downward pressure for the global economy. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system, and the tightening of monetary policy by the U.S. Federal Reserve impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, sanctions and export control measures may be unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures are expected to have significant impact on the targeted countries, markets and/or entities.

Any uncertainty or significant volatility in global economic conditions, including inflation, interest rates, the continuing global supply chain issue, and economic sanctions and restrictive measures in response to the Russia-Ukraine and Israel-Palestine conflicts, may negatively affect our business, results of operations, and financial condition. There have also been concerns about the economic effect of the tensions in the relationship between the PRC and the U.S. There were and could be in the future a number of domino effects from such turmoil on our business, including significant decreases in orders from our customers; supply constraints; inability of customers to obtain credit to finance purchases of our products and/or customer insolvencies; and counterparty failures negatively impacting our operations. Any systemic economic or financial crisis could cause revenues for the electronic components industry as a whole to decline dramatically and could materially and adversely affect our results of operations.

We are subject to risks related to fluctuations in the macroeconomic and market conditions.

Our business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing costs and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, restriction on capital outflows, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries. Unfavorable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors' confidence and global financial markets. For example, the United States and China have been involved in disputes over trade barriers that have escalated into a trade war between the two countries. The trade war between the United States and China has resulted in volatility in the financial markets around the world. Uncertainties over U.S. Federal Reserve's decision to reduce quantitative tightening or lower interest rate in response to underlying economic conditions, inflationary pressure, energy costs, consumer confidence,

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employment rates, geopolitical issues, etc., could result in adverse market conditions. Potential recession or a hard landing may restrict our ability to access capital or financing on favorable terms due to limited credit and liquidity availability. In addition, conflicts between Russian and Ukraine, and between Israel and Palestine, and potential escalation of hostilities between these countries or regions may further complicate the geopolitical landscape and affect global economy. Any of these developments may have a material adverse effect on our results of operations, financial condition and prospects.

Foreign exchange fluctuations may adversely affect our results of operations and financial condition.

As the Shares are listed on the TWSE, our financial statements are required to be presented in NT Dollars, the lawful currency of the ROC. However, most of our purchases and sales are denominated in US dollar, with a substantial portion of our labor cost paid in NT Dollar, Renminbi, South Korean Won, Singapore Dollar and Hong Kong Dollar. Accordingly, our operations are exposed to fluctuations mainly among US dollar, Renminbi, South Korean Won, Singapore Dollar, Hong Kong Dollar and NT Dollar exchange rate. Following the Future Acquisition, our operations are exposed to fluctuations of additional currencies mainly including Canadian dollar, Euro and GBP.

The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the US dollar. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, or PBOC, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against the US dollar. We cannot assure you that the Renminbi will not experience significant appreciation against the US dollar again. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars, of our earnings.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our results of operations, financial condition and prospects.

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We face risks related to natural disasters, health epidemics, outbreaks of contagious diseases and other calamities.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our products and services.

Our business could also be adversely affected by the effects of H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, COVID-19 or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having H1N1 flu, H7N9 flu, avian flu, SARS, COVID-19 or another contagious disease or condition, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the global economy in general.

RISKS RELATING TO THE ROC

Disruptions in the ROC's political environment could seriously harm our business.

The Company's principal executive office and a significant portion of our assets are located in Taiwan. Accordingly, our financial condition and results of operations and the market price of the GDSs and the Shares may be affected by changes in governmental policies, taxation, inflation, interest rates, social instability and other political, economic diplomatic or social developments in or affecting Taiwan which are outside of our control. In addition, Taiwan has a unique international political status. Relationships between the ROC and the PRC have at times been strained and have recently been particularly fraught. Past developments in relationships between the ROC and the PRC have occasionally affected the market prices of the securities of companies in Taiwan. Any changes in the cross-border relationship could adversely affect our business and the market value of the GDSs and the Shares.

The value of the GDSs and the Shares may be adversely affected by the volatility of the Taiwan securities market.

The Taiwan securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TWSE has experienced substantial fluctuations in the prices and trading volumes of listed securities, and there are currently limits on the range of daily price movements on the TWSE. From time to time, the ROC regulatory agencies have intervened in the Taiwan stock market during periods of extreme volatility. In addition, the TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could adversely affect the market price and liquidity of the securities of Taiwan companies, including the GDSs and the Shares, in both the domestic and the international markets.

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Foreign exchange approvals may be required.

Under existing ROC law, foreign exchange approvals must be obtained from the CBC on a payment-by-payment basis for the conversion from NT dollars into foreign currencies in connection with the proceeds from the sale of subscription rights for newly issued Shares by the Depositary or a Non-ROC Holder of GDSs if the proceeds are in excess of US\$100,000 (or its equivalent) per remittance. Although such approvals have been routinely granted in the past, there can be no assurance that in the future any such approvals will be obtained in a timely manner, or at all. In addition, foreign persons may, subject to certain required documents, but without foreign exchange approval of the CBC, remit outside and into the ROC foreign currencies of up to US\$100,000 (or its equivalent) for each remittance. Notwithstanding the above, CBC may, depending on the economic and financial situation and the need to maintain the order of the foreign exchange market, require that certain conversions exceeding a certain amount per year should be subject to the foreign exchange approval from the CBC. There can be no assurance that no requirement for approval of such remittance will continue being applicable in the future.

Financial reporting requirements and accounting standards in the ROC differ from those of other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries including the United States. In addition, our consolidated financial statements are prepared in accordance with the T-IFRS, which differs in certain material respects from IFRS and U.S. GAAP. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We publish monthly operating revenue information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes certain expenses and other information necessary to be indicative of actual financial results.

We post monthly sales information on the website of MOPS, as part of our ongoing reporting obligation as a listed company on the TWSE. Such information is preliminary, and is subject to change, upon adjustments and after the completion of our normal quarter-end closing process. Actual sales could differ materially from the preliminary information posted on MOPS. Furthermore, our preliminary operating revenue only reflects sales information up to January, February and March 2024 and may not be indicative of our net profit/loss for the months of January, February and March 2024. As a result, you should not place undue reliance on such information.

Taiwan is susceptible to natural disasters that could disrupt the normal operations of our business and adversely affect earnings.

We maintain our headquarters and some of our warehouses in Taiwan. Taiwan is susceptible to natural disasters and in particular, earthquakes and typhoons. In September and October 1999, June 2000 and April 2024, Taiwan experienced severe earthquakes that caused significant property damage and loss of life, particularly in the central part of Taiwan. These earthquakes caused damage to operating facilities and adversely affected the operations of many companies. Taiwan is also susceptible to typhoons, which may cause damage and business interruptions to operations in Taiwan. In August 2009, Taiwan

RISK FACTORS

experienced severe damage from Typhoon Morakot, which caused over 600 deaths, severe flooding and extensive damage to properties and businesses. Although we did not experience major structural damage to our Taiwan facilities from such earthquakes or typhoons, there can be no assurance that future natural disasters will not occur and result in major damages to our Taiwan facilities, which could have a materially adverse effect on our results of operations and financial condition.

You may not be able to enforce a judgment of a foreign court in the ROC.

We are a company limited by shares and incorporated under the ROC Company Act. Substantially all of our directors and executive officers, and some of the experts named herein, are residents of the ROC. As a result, it may be difficult for holders of the Shares or GDSs to enforce against us the judgments obtained outside the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States or the laws of other jurisdictions. It is also not certain that an action for civil liabilities predicated solely on the United States federal securities laws or the laws of other jurisdictions could be brought in the ROC court.

Our future tax obligations may adversely affect our profitability.

The ROC government enacted the ROC Income Basic Tax Act, also known as the “Alternative Minimum Tax Act,” or the AMT Act, which became effective on January 1, 2006 to impose an alternative minimum tax and to remedy the then excessive tax incentives for individuals and businesses. Alternative minimum tax, or AMT, is a supplemental tax which is payable if the income tax payable pursuant to the ROC Income Tax Act is below the minimum amount prescribed under the AMT Act. For the purpose of calculating the AMT, the taxable income defined under the AMT Act includes most income that is exempted from income tax under various legislations, such as those providing tax holidays and investment tax credits.

For businesses, the income that previously enjoyed tax-exemption privileges under relevant tax regulations, such as the Act for the Establishment and Administration of the Science Parks and Statute for Upgrading Industries, will be subject to the AMT system for the calculation of business taxpayers’ aggregate incomes. The AMT rate for business entities was 10% prior to 2013 and has increased to 12% since 2013. Under the AMT Act, a company will be subject to a 12% AMT if its annual taxable income under the AMT Act exceeds NT\$0.6 million. However, the AMT Act grandfathered certain tax exemptions granted prior to the enactment of the AMT. As the tax exemption periods expire or in the event of an increase in other taxable income subject to the AMT Act, it may adversely impact our net income after tax.

Additionally, starting from January 1, 2023, the earnings of a controlled foreign company (“CFC”) will be recognized by a ROC profit-seeking enterprise even if the earnings are not distributed. The recognized earnings will be included in its taxable income of the current year and be subject to income tax accordingly pursuant to Article 43-3 of the ROC Income Tax Act and the Regulations Governing Application of Recognizing Income from Controlled Foreign Company for Profit-Seeking Enterprise (“CFC Rules”). The adoption of CFC Rules intends to eliminate the deferral of taxation on overseas profits and discourage businesses from leaving earnings in foreign jurisdictions.

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CFC refers to a corporation established in a low-tax territory (i.e., a country or jurisdiction where the tax rate of profit-seeking enterprise income tax or similar tax is 14% or less or a country or jurisdiction which does not tax income derived offshore or only taxes income remitted into such territory) that is 50% or more owned (directly or indirectly) or significantly influenced by a ROC profit-seeking enterprise and its related party. The term “significant influence” means the profit-seeking enterprises and their related parties have control over such company’s personnel, finance, business operations or management policies.

Exemptions apply when (a) the CFC has substantial operating activities in such country or jurisdiction, or (b) the current-year surplus earnings of an individual CFC are NT\$7 million or less. However, if the sum of the current-year’s surplus earnings or losses of all CFCs under the control of the same ROC profit-seeking enterprise exceeds NT\$7 million, the investment income derived from each CFC will be subject to CFC Rules. The term “substantial operating activities” refers to the CFC (i) has fixed place of business at the country/jurisdiction of incorporation and hires employees operating business therein; and (ii) its passive income (e.g., investment proceeds, dividends, interests, royalties, rental income, gains from the sale of assets) is less than 10% of aggregate amount of operating revenue and non-operating revenue. The CFC Rules may impact our net income after tax.

In addition, we are within the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD) (“**Pillar Two**”). The Pillar Two legislation was enacted in South Korea, Japan and Vietnam, and took effect from January 1, 2024. For companies incorporated in Singapore, the Pillar Two legislation has yet to be enacted and is expected to take effect from January 1, 2025. We had no related current tax exposure as of December 31, 2023.

Under the Pillar Two legislation, we are liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. We are in the process of assessing its exposure to the Pillar Two legislation when it becomes effective. This assessment indicates that for companies registered in South Korea, Japan, Vietnam and Singapore, the average effective tax rates based on accounting profit are 15% for the year ended December 31, 2023. Due to the complexities in applying the legislation and calculating GloBE income as well as the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with International Accounting Standard 12 “Income Taxes”, we are currently evaluating the relevant matters in applying the legislation. As the Pillar Two legislation is expected to be enacted in more countries going forward, it could impact our net income after tax in the future.

Our future investment in the PRC or other countries may be restricted by the ROC laws and regulations.

Under Taiwan Relations Between Peoples of the Taiwan Area and the Mainland Area Act (the “Act”), Taiwanese nationals may only invest in the PRC after obtaining the prior approval of the DIR unless the aggregate investment amount is US\$1,000,000 or less. The DIR has supervisory and regulatory authority for matters relating to, among other things, inbound investment in Taiwan companies by non-ROC persons and overseas ROC nationals, and outbound investments by Taiwan companies or individuals. Under current ROC law, ROC companies are required to obtain prior approval from or, within the period of time prescribed by relevant laws and regulations, a post filing with the DIR for making

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certain investments in any other jurisdictions outside Taiwan under certain circumstances. There is no assurance that we will be able to continue to satisfy the requirements for, or otherwise obtain, permits or approvals for current and future projects. Failure to obtain, maintain or renew such permits and approvals may impede or hinder our operations, expansion and adversely affect our financial condition, results of operations and business prospects.

RISKS RELATING TO THE PRC

We are subject to the political and economic environment in the PRC.

Currently, some of our subsidiaries and customers are located in the PRC and we may make further investments in the PRC in the future. Accordingly, our results of operations, financial condition and future prospects are subject, to a significant degree, on the political and economic environment and legal developments in the PRC. There can be no assurance that our investments in the PRC and our operations in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

The PRC government has broad discretion and authority to regulate the technology industry in the PRC, and the government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past decades, growth has been uneven both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources.

Some of these measures benefit the overall economy of the PRC but may have a negative effect on us. For example, our business, results of operations, and financial condition may be adversely affected by governmental control over capital investments or changes in tax regulations.

Uncertainties in the PRC legal system could adversely affect our business and results of operations.

The PRC legal system is based on written statutes and court decisions can only be cited as reference. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of such laws and regulations involve uncertainties. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security, or social and public interest. Therefore, in the case a foreign judgment is rendered

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by a foreign court where the country and the PRC do not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court.

Our activities in the PRC will be subject to administrative review and approval by various national and local agencies of the PRC government. Due to the changes occurring in the legal and regulatory structure of the PRC, we may not be able to secure the required governmental approval for our activities. In addition, local government authorities may adopt their own policies and practices. Failure to obtain the requisite governmental approval or to comply with the local government's policies or practices for any of our activities could adversely affect our business and operating results.

We cannot predict the effects of future developments of the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations by national laws or the overturn of local governments' decisions by the central government. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management's attention.

RISKS RELATING TO THE GDSs AND THE SHARES

For a period of four ROC business days after the closing, and potentially longer, you will not be able to withdraw the underlying Shares from our GDS facility.

Following the closing date of this offering, we will apply to the TWSE for listing of the underlying Shares. It is expected that the TWSE will approve the listing of the Shares on the fourth ROC business day following the closing date of the GDS offering although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon such listing, the number of Shares will be delivered to the account of the Depositary's nominee with the Custodian for the GDS facility through the book-entry system maintained by the Taiwan Depositary & Clearing Corporation, or the TDCC. As a result, subject to the approval of the TWSE, for a period of four ROC business days after the closing date of the GDS offering, and potentially longer, holders of GDSs offered in this offering will not be able to withdraw the underlying Shares from our GDS facility.

Holders of GDSs will not have the same voting rights as our shareholders, which may affect the value of their GDSs.

The voting rights of a holder of GDSs as to Shares represented by its GDSs are governed by the applicable Deposit Agreement. Holders of GDSs will not be able to exercise voting rights on an individual basis. If holders representing at least 51% of the GDSs outstanding at the relevant record date instruct the Depositary to vote in the same manner regarding a resolution, including the election of directors, the Depositary will cause all Shares represented by the GDSs to be voted in that manner. If the Depositary does not receive timely instructions representing at least 51% of the GDSs outstanding at the relevant record date to vote in the same manner for any resolution, including the election of directors, holders of GDSs will be deemed to have instructed the Depositary or its nominee to authorize all the Shares represented by the GDSs to be voted at the discretion of our chairman or his/her designee, which may not be in the interest of holders of GDSs. Moreover, while shareholders who own 1% or more of our outstanding shares are entitled

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to submit one proposal to be considered at our annual general meetings of shareholders, only holders representing at least 51% of our GDSs outstanding at the relevant record date are entitled to submit one proposal to be considered at our annual general meetings of shareholders. Hence, only one proposal may be submitted on behalf of all GDS holders.

You will have limited voting rights as a holder of GDSs.

Holders of GDSs may exercise voting rights with respect to the underlying Shares only in accordance with the provisions of the applicable Deposit Agreement. When a shareholders' meeting is convened, you may not receive sufficient advance notice of a shareholders' meeting to permit you to timely withdraw your Shares to allow you to cast your vote with respect to any specific matter. In addition, the Depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We plan to make all reasonable efforts to cause the Depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your GDSs. Subject to the Deposit Agreements, our articles of incorporation, as amended from time to time (the "Articles of Incorporation"), and applicable laws and regulations, and insofar as practicable and permitted under applicable law, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote the Shares represented by the holder's GDSs in accordance with such voting instructions. If the Depositary receives timely voting instructions from a holder of GDSs that fail to specify the manner in which the Shares represented by the holder's GDSs are to be voted, the Depositary will deem the holder of the GDSs (unless otherwise specified in the notice distributed to the holder of the GDSs) to have instructed the Depositary to vote in favor of the items set forth in such instructions. If the Depositary received timely notice from the Company of the meeting or solicitation of consents or proxies from the Company, and the Depositary has not timely received valid voting instructions from a GDS holder, such GDSs holder will be deemed to have instructed the Depositary to authorize our chairman or his/her designee to vote the Shares represented by such holder's GDSs in any manner such person wishes at his or her discretion, which may not be in the best interests of the holders of GDSs.

The effect of this discretionary authorization and appointment is that the holders of GDSs cannot prevent the Shares underlying the GDSs from being voted, absent the situations described above, and it may make it more difficult for holders of GDSs to influence the management of the Company.

Furthermore, the Depositary, its nominees, and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your GDSs are not voted as you requested. In addition, in your capacity as a GDS holder, you will not be able to call a shareholder meeting. The Depositary shall, if we so request in writing, represent all Shares represented by GDSs (whether or not voting instructions have been received) for the purposes of establishing a quorum at a meeting of shareholders.

RISK FACTORS

The value of a GDS holder's investment may be reduced by possible future sales of GDSs or Shares by us or our shareholders.

As of March 22, 2024, the Company had 1,029,377,151 Common Shares and 135,000,000 Preferred Shares issued and outstanding. While we are not aware of any other plans by any major shareholders to dispose of significant numbers of Shares, we cannot assure you that one or more existing shareholders will not dispose of significant numbers of Shares or GDSs. We cannot predict the effect, if any, that future sales of GDSs or Shares, or the availability of GDSs or Shares for future sale, will have on the market price of GDSs or Shares prevailing from time to time. Sales of substantial amounts of GDSs or Shares in the public market, or the perception that such sales may occur, could depress the prevailing market prices of our GDSs or Shares.

Restrictions on the ability to deposit our Shares into our global depositary receipt facilities may adversely affect the liquidity and price of the GDSs.

The ability to deposit the Shares into our global depositary receipt facilities is restricted by ROC law. As a result, the prevailing market price of the GDSs may differ from the prevailing market price of our Shares on the TWSE. Under current ROC law and the Deposit Agreements, no person or entity, including the holders of GDSs and us, may deposit our Shares in our global depositary receipt facilities without specific approval of the FSC unless:

- (1) we pay stock dividends on, or make a free distribution of, our Shares; or
- (2) the GDS holder exercises preemptive rights in the event of capital increases for cash; or
- (3) investors purchase our Shares, directly or through the Depositary, on the TWSE, and deliver our Shares to the Custodian for deposit into our GDS facility, or our existing shareholders deliver our Shares to the Custodian for deposit into our GDS facility; or
- (4) upon exchange of Rule 144A GDSs for Regulation S GDSs and vice versa.

With respect to (3) above, the Depositary may deliver GDSs against the deposit of those Shares only if the total number of GDSs outstanding following the deposit will not exceed the number of GDSs previously approved by the FSC, plus any GDSs issued pursuant to the events described in items (1) and (2) above. Issuance of additional GDSs under item (3) above will be permitted to the extent that previously GDSs have been cancelled. As a result of the limitations and restrictions on the deposit of Shares into our GDS facility, the liquidity of our GDSs may be reduced if a significant number of withdrawal transactions are effected and no additional GDSs are issued against corresponding deposits of the Shares.

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A holder of GDSs or its designee requesting the withdrawal of the Shares represented by the GDSs may be required to provide certain information to us, and failure to provide such information may result in a delay of the withdrawal.

A holder of GDSs or its designee requesting the withdrawal of the Shares represented by the GDSs may be required to provide certain information to us, including the name and nationality of the person to be registered as the shareholder and the number of the Shares to be acquired by such person and the number of Shares acquired by such person in the past through the date of the withdrawal of the Shares underlying the GDSs. Under applicable ROC laws, we are required to report to the FSC if the person to be registered as a shareholder (1) is a “related party” of ours as defined in the Guidelines Governing the Preparation of Financial Reports by Securities Issuer or (2) will hold, immediately following such withdrawal, more than 10% of the Shares represented by GDSs. Failure to provide such information may cause the delay of such withdrawal of the Shares represented by the GDSs.

Changes in exchange controls that restrict a GDS holder’s ability to convert proceeds received from ownership of GDSs may have an adverse effect on the value of the holder’s investment.

The imposition of foreign exchange controls may undermine a GDS holder’s ability to convert proceeds received from the holder’s ownership of GDSs. Under current ROC law, the Depositary, without obtaining further approval from the CBC or any other governmental authority or agency of the ROC, may convert NT dollars into other currencies, including U.S. dollars, for:

- the proceeds of the sale of Shares represented by GDSs or the proceeds of the sale of Shares received as stock dividends which have been deposited into the global depositary receipt facilities; and
- any cash dividends or distributions received on the Shares.

In addition, the Depositary may also convert into NT dollars incoming payments for purchases of Shares for deposit in the global depositary receipt facilities against the issuance of additional GDSs, the subscription payment for rights offering or the relevant taxes payment without applying for any such approvals. The Depositary is required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies of the proceeds from the sale of subscription rights for new Shares, if the proceeds are in excess of US\$100,000 (or its equivalent) per remittance. Although it is expected that CBC will grant this approval as a routine matter, we cannot assure you that in the future any approval will be obtained in a timely manner, or at all.

Under current ROC law, a GDS holder, after becoming a holder of Shares upon presentation of GDSs to the Depositary for cancellation and withdrawal of the deposited securities, without obtaining further approval from CBC, may convert from NT dollars into other currencies, including U.S. dollars, for:

- the proceeds of the sale of any underlying Shares withdrawn from the global depositary receipt facilities or the proceeds of the sale of any Shares received as stock dividends; and
- any cash dividends or distributions received.

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However, such Non ROC holder may be required to obtain foreign exchange approval from CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies of the proceeds from the sale of subscription rights for new Shares if the proceeds are in excess of US\$100,000 (or its equivalent) per remittance. In addition, under the ROC Foreign Exchange Control Law, the Executive Yuan of the ROC government may impose foreign exchange controls for certain periods of time in the event of, among other things, a material change in international economic conditions. We cannot assure you that foreign exchange controls or other restrictions will not be introduced in the future.

Fluctuations in the exchange rate between the NT dollar and the US dollar may have a material adverse effect on the value of the GDSs or the Shares in US dollar terms.

The Shares are listed on the TWSE, where shares are quoted and traded in NT dollars. If there are any cash dividends on the Shares represented by GDSs, these dividends will be paid to the Depositary in NT dollars and then converted into US dollars by the Depositary, subject to certain conditions. Fluctuations in the exchange rate between the NT dollar and the US dollar will affect, among other things, the amount a holder of GDSs will receive from the Depositary for dividends paid by us, the US dollar value of the proceeds that a holder receives upon a sale in Taiwan of the Shares represented by the GDSs and the secondary market price of the GDSs.

We cannot assure that capital gains from the sale or disposition of the Shares or GDSs will continue to be exempt from ROC income tax.

As used in this section, a “Non-ROC Resident Individual” is a foreign national individual who owns the Shares or GDSs and is not physically present in the ROC for 183 days or more during any calendar year, and a “Non-ROC Resident Entity” is a corporation or a non-corporate body that owns the Shares or GDSs and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC. “Non-ROC Resident Individuals” and “Non-ROC Resident Entities” are jointly referred to as “Non-ROC Holders.”

Under Article 4-1 of the ROC Income Tax Act, capital gains from the sale or disposition of the Shares (including Shares withdrawn from the depositary receipts facility) are exempt from ROC income tax. Sales or disposal of the GDSs are not regarded as sales of ROC securities and thus any gain generated therefrom by Non-ROC Holders is not subject to ROC income tax. However, we cannot assure that Non-ROC Holders will continue to be exempted from ROC income tax in the future.

A liquid market for the GDSs may not develop and there are restrictions on the transfer of the GDSs.

Prior to this offering, there has been no market for the GDSs being offered. The Initial Purchaser has advised us that it currently intends to make a market for the GDSs. However, the Initial Purchaser is not obligated to make a market and may discontinue this market-making activity at any time without notice. Such market-making activity is limited by the anti-manipulation rules under the Securities Act and the Exchange Act. The GDSs are being offered pursuant to an exemption from registration under the Securities Act and, as a result, you will only be able to resell your GDSs in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Similarly, neither the GDSs nor the Shares underlying

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the GDSs are registered under the Exchange Act. Application has been made to list the GDSs on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF Market. However, there can be no assurance that we will obtain or be able to maintain such listings or that, if listed, a trading market will develop on such exchanges.

In connection with any withdrawal of any Shares represented by GDSs, the GDSs will be surrendered to the Depositary. Unless additional GDSs are issued, the effect of such transactions will be to reduce the number of outstanding GDSs and, if, a significant number of transactions are effected, to reduce the liquidity of the GDSs. See “Description of the Global Depositary Shares—Deposits.” The GDSs or the Shares may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. The Shares underlying the GDSs may only be publicly traded on the TWSE.

Preemptive rights and other rights offerings, may not be available to holders of GDSs in certain circumstances.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. For example, the ROC Company Act, with some exceptions, requires us to offer our shareholders the right to subscribe for new shares in proportion to our existing ownership percentage whenever new shares are issued. If registration is required in any jurisdiction with respect to the offer of rights to GDS holders or the sale by the Depositary of such rights or the securities or other relevant property to which such rights relate, the Depositary will not affect such offer or sale with respect to the relevant tranche of GDSs unless we have obtained an exemption from or effected a registration in accordance with the requirements of such jurisdiction. However, under the Deposit Agreements, we are under no obligation to register such rights, securities or other property. Accordingly, GDS holders may be unable to participate in our rights offerings and may experience dilution of their holdings as a result. If the Depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

Further issuance of our Shares, including pursuant to stock dividends and employee stock remuneration, could dilute your holdings and associated rights with respect to the Shares.

Our Articles of Incorporation provide that, after deducting prior year’s losses, paying outstanding taxes and setting aside legal reserves and special reserves (if any), the remaining portion of our income after tax, together with the retained earnings of previous years, shall be distributed to our shareholders as dividends, in the manner prescribed in our Articles of Incorporation. In addition, pursuant to our Articles of Incorporation, if we have profits (which mean profits before tax without deducting the remuneration of employees and Directors) in the fiscal year, such profits shall be distributed to our directors and our employees as their remuneration in the manner and percentages prescribed in our Articles of Incorporation. See “Description of Our Share Capital” and “Dividends and Dividend Policy.”

Such distributions to our shareholders and employees may be made in the form of cash or stock, or a combination thereof, provided that, in the case of a distribution to shareholders, no less than 10% of the total amount of such dividend shall be paid in cash and if total distribution amount exceeds 30% of paid-in capital before distribution, cash dividends

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shall be no less than 20% of total distribution for the fiscal year. Such distributions, if in the form of new Shares, or further issuances of new Shares, will effectively dilute the holdings and associated rights of holders of our Shares.

Non-ROC holders of GDSs who withdraw the Shares will be required to register with the Taiwan Stock Exchange and appoint a local custodian and agent and a tax guarantor in the ROC.

Under current ROC law, if a GDS holder is a non-ROC person (other than a PRC person) and wishes to withdraw and hold underlying Shares from a depositary receipt facility, the holder will be required to obtain a foreign investor investment identification issued by the TWSE. The holder will also be required to appoint an eligible agent in the ROC to open a securities trading account, a Taiwan Depositary & Clearing Corporation book-entry account and a bank account, to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as the holder of GDSs may designate upon such withdrawal. In addition, such holder will be required to appoint a custodian bank to hold the securities in safekeeping, make confirmation and settle trades and report all relevant information. Without meeting these requirements, the non-ROC withdrawing holder would be unable to hold or subsequently sell the underlying Shares withdrawn from the depositary receipt facility on the TWSE or otherwise. There can be no assurance that such withdrawing holder will be able to obtain a foreign investor investment identification issued by the TWSE and open such accounts in a timely manner.

Non-ROC holders of GDSs (other than a PRC person) withdrawing the Shares represented by GDSs are also required under current ROC law and regulations to appoint an agent in the ROC for filing tax returns and making tax payments. Such agent must meet certain qualifications set by the ROC Ministry of Finance and, upon appointment, becomes a guarantor of such withdrawing holder's ROC tax obligations. Generally, evidence of the appointment of such agent and the approval of such appointment by the ROC tax authorities may be required as conditions to such withdrawing holder's repatriation of the proceeds from the sale of the withdrawn Shares. There can be no assurance that such withdrawing holder will be able to appoint and obtain approval for such agent in a timely manner.

There are legal restrictions on a PRC investor's ability to withdraw and hold the underlying Shares represented by the GDSs.

Pursuant to the Regulations Governing Mainland China Investor's Securities Investment and Futures Trading in Taiwan, a PRC person is not permitted to withdraw GDSs and to register as a shareholder of the Company unless it is a qualified domestic institutional investor ("QDII"), which has been approved by the competent authority in the PRC is permitted to make securities investments or trade futures in the ROC. The total investment amount allowed to be remitted into the ROC by all QDIIs cannot exceed US\$500 million, and by each QDII cannot exceed US\$100 million. A custodian shall be appointed by each QDII to apply with the TWSE for the remittance. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment in a given company of certain other industries is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a GDS holder who is a PRC person to be unable to withdraw and hold the Shares. Under current ROC laws, "PRC person" refers to (A) an individual holding a

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passport issued by the PRC or PRC residence registration (including an individual who used to hold PRC passport or PRC residence registration but has given up his or her PRC citizenship and converted to the citizenship of another jurisdiction for less than 4 years or has not stayed outside the PRC for a period of over 4 years, but not including a resident in a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of Taiwan); (B) any agency or instrumentality of the PRC or any corporation, partnership or other entity of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong or Macau, if so excluded by applicable laws of the ROC); or (C) any corporation, partnership or other entity organized under the laws of any other jurisdiction outside of the PRC that either (i) is directly or indirectly controlled by, or (ii) having more than 30 per cent of its capital being directly or indirectly owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity referred to in (A) to (B).

We are incorporated in the ROC and because the rights of shareholders under ROC law differ from those under the laws of some other jurisdictions, you may have more difficulties protecting your shareholder rights than shareholders in some other jurisdictions.

Our corporate affairs are governed by our Articles of Incorporation and by the laws governing corporations incorporated in the ROC. The rights of shareholders and the responsibilities of management and the members of the board of directors under ROC law are different from those applicable to a corporation incorporated in some other jurisdictions. Directors of ROC companies are required to conduct business faithfully and to act with the care of a good administrator. However, such duty of care as required of ROC companies' directors may not be the same as the fiduciary duty of directors of non- ROC companies. Therefore, the holders of the GDSs and shareholders of the Company may have more difficulty in protecting their interests in connection with actions taken by management or members of the board of directors than they would as shareholders of corporations in some other jurisdictions.

Under certain attribution rules certain of our non-U.S. subsidiaries are expected to be treated as “controlled foreign corporations” for U.S. federal income tax purposes, and, as a result, there could be adverse U.S. federal income tax consequences to U.S. investors that own our GDSs or Shares (directly or indirectly) and are treated as “Ten Percent Shareholders.”

Certain “Ten Percent Shareholders” (as defined below) in a non-U.S. corporation that is a “controlled foreign corporation” (a “CFC”) for U.S. federal income tax purposes generally are required to include in income for U.S. federal income tax purposes their pro rata share of the CFC's “Subpart F income,” investment of earnings in U.S. property, and “global intangible low-taxed income,” even if the CFC has made no distributions to its shareholders. A non-U.S. corporation generally will be a CFC for U.S. federal income tax purposes if Ten Percent Shareholders own, directly, indirectly or constructively (through ownership attribution), more than 50% of either the total combined voting power of all classes of stock of such corporation entitled to vote or of the total value of the stock of such corporation. A “Ten Percent Shareholder” is a United States person (as defined by the U.S. Internal Revenue Code of 1986, as amended) that owns directly or indirectly, or is considered to own constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote of such corporation or 10% or more of the total value of

RISK FACTORS

the stock of such corporation. We are not expected to be a CFC. However, the determination of CFC status is complex and includes certain “downward attribution” rules, pursuant to which certain of our non-U.S. subsidiaries are expected to be treated as constructively controlled by our U.S. subsidiaries and therefore certain of our non-U.S. subsidiaries are expected to be treated as CFCs. We do not intend to provide information to Ten Percent Shareholders that may be required in order for those shareholders to properly report their U.S. taxable income with respect to our or our subsidiaries’ operation. Prospective investors that may become Ten Percent Shareholders and that will own, directly or indirectly, our GDSs or Shares should consult their tax advisers with respect to the potential adverse tax consequences of investing in us.

USE OF PROCEEDS

The net proceeds to be received by us from this offering of the GDSs will be approximately US\$336.6 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US\$4.8 million. We will use the net proceeds for the procurement of raw materials in foreign currencies.

DIVIDENDS AND DIVIDEND POLICY

The following table sets forth the dividends per Common Share or Preferred Share declared in respect of each of the years ended December 31, 2021 and 2022. As of the date of this Offering Circular, we had not declared dividends for the year ended December 31, 2023.

	Cash Dividend Per Share ⁽¹⁾	Total Dividend Amount	
		NT\$	US\$ ⁽⁴⁾
		(In thousands)	
2021 Cash dividends of ordinary shareholders ⁽²⁾	5.500	4,431,032	144,710
2021 Dividends on Preferred Shares ⁽³⁾	2.000	270,000	8,818
2022 Cash dividends of ordinary shareholders ⁽²⁾	4.300	3,812,065	124,496
2022 Dividends on Preferred Shares ⁽³⁾	2.000	270,000	8,818

- (1) Our stock dividend is declared in New Taiwan dollar amount per share.
- (2) A shareholder receives as a cash dividend equal to the New Taiwan dollar amount per Share of dividend declared multiplied by the number of Shares owned by the shareholder.
- (3) Preferred Shares are issued at the price of NT\$50.00 and calculated at a dividend yield of 4%.
- (4) The US dollar amount of cash dividends paid is calculated based upon the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board for December 29, 2023 of NT\$30.62 to US\$1.00.

We are generally not permitted under the ROC Company Act to distribute dividends to shareholders for any fiscal year in which we have not generated net income. Our Articles of Incorporation provide that, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' losses, and then 10% of the remaining amount must be set aside as legal reserve unless the accumulated legal reserve equals the paid-in capital. Additionally, we may set aside as special reserve as required by and in accordance with relevant regulations or the relevant regulatory authority when necessary. The remainder of the current year's earnings, if any, along with the undistributed retained earnings from previous years being the accumulated distributable earnings, will be distributed as the dividend of Preferred Shares in the first priority and the distribution of earnings will be proposed by our Board of Directors and reported to our shareholders meeting. Our Articles of Incorporation stipulate our dividend policy that as a principle, not less than 40% of our distributable earnings of the fiscal year shall be distributed as dividend; the ratio of cash dividends and stock dividends shall be decided by taking into account the future profits and capital need, and at least 10% of the distributions shall be cash dividend. If the total distribution amount exceeds 30% of our paid-in capital before distribution, cash dividend shall be no less than 20% of total distribution for the fiscal year. Pursuant to Article 240 of the ROC Company Act, we have authorized the Board of Directors to distribute a portion or all of dividends, bonuses or legal reserve and capital surplus in accordance with Article 241 of the ROC Company Act in cash by resolution adopted by a majority of the vote in a meeting attended by two-thirds or more of the directors, and the distribution shall then be reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for approval. See "Description of Our Share Capital." In addition, pursuant to our Articles of Incorporation, if we have profits (which mean profits before tax without deducting the remuneration of our employees and directors) in the fiscal year, we will distribute not less than 1% of such profits to employees (including those eligible employees of our subsidiaries) and not more than 3% to directors as their remuneration; provided, however, that when we have accumulated losses, the profits shall be reserved to

DIVIDENDS AND DIVIDEND POLICY

make up for losses. The employees' remuneration may, subject to a resolution of the Board of Directors, be distributed to employees in way of cash or shares or a combination thereof and the directors' compensation should be distributed in way of cash.

We have issued 135,000,000 Class A Preferred Shares with non-cumulative dividends in cash, and the dividend yield is set at 4% per annum which will be subject to reset every 5 years after the issuance date.

For information relating to ROC withholding taxes payable on dividends, see "Taxation—ROC Taxation."

CAPITALIZATION

The following table sets forth our actual consolidated capitalization as of December 31, 2023, and as adjusted to give effect to this offering. This table shall be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2023, including the notes thereto, included elsewhere in this Offering Circular. There has been no significant change in our financial condition, capitalization or prospects since December 31, 2023. The amounts in US dollars are provided solely for the convenience of the reader.

The as adjusted basis gives effect to the issuance of the GDSs before deducting underwriting discounts and commissions and other offering expenses.

	As of December 31, 2023			
	Actual		As adjusted for the issuance of GDSs	
	NT\$	US\$	NT\$	US\$
		(unaudited)	(unaudited)	(unaudited)
(in thousands)				
Short-term borrowings				
Short-term borrowings	19,821,848	647,350	19,821,848	647,350
Long-term liabilities, current portion	88,382	2,886	88,382	2,886
Long-term borrowings				
Long-term loans	12,644,242	412,941	12,644,242	412,941
Equity				
Share capital	15,652,953	511,200	16,502,953	538,960
Capital surplus	25,680,674	838,690	35,283,117	1,152,290
Retained earnings	20,176,117	658,920	20,176,117	658,920
Other equity interest	9,599,039	313,489	9,599,039	313,489
Equity attributable to owners of the parent	71,108,783	2,322,299	81,561,226	2,663,659
Total equity	71,945,652	2,349,629	82,398,095	2,690,989
Total capitalization⁽¹⁾	84,589,894	2,762,570	95,042,337	3,103,930

(1) Total capitalization includes total long-term loans and total equity.

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following tables present our summary financial information. The summary financial information as of and for the years ended December 31, 2021, 2022 and 2023 set forth below had been derived from our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included elsewhere in this Offering Circular and are qualified by reference to, and should be read in conjunction with, our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included elsewhere in this Offering Circular. Our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 have been prepared and presented in accordance with the T-IFRSs, which differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. Our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 have been audited by the independent auditors.

Summary Consolidated Statement of Comprehensive Income

	Year Ended December 31,						
	2021		2022		2023		
	NT\$	%	NT\$	%	NT\$	US\$	%
	(in thousands, except percentages)						
	(unaudited)						
Operating revenue	447,896,117	100.0	571,197,118	100.0	594,518,813	19,416,029	100.0
Operating costs	(430,909,478)	(96.2)	(551,364,963)	(96.5)	(576,112,549)	(18,814,910)	(96.9)
Gross profit	16,986,639	3.8	19,832,155	3.5	18,406,264	601,119	3.1
Operating expenses							
Selling expenses	(4,522,266)	(1.0)	(5,533,094)	(1.0)	(6,383,289)	(208,468)	(1.1)
General and administrative expenses .	(1,296,000)	(0.3)	(1,860,504)	(0.3)	(3,059,840)	(99,929)	(0.5)
Research and development expenses .	(608,561)	(0.1)	(654,845)	(0.1)	(755,450)	(24,672)	(0.1)
Impairment loss determined in accordance with IFRS 9	(2,683)	(0.0)	(1,095)	(0.0)	(7,762)	(253)	(0.0)
Total operating expenses	(6,429,510)	(1.4)	(8,049,538)	(1.4)	(10,206,341)	(333,322)	(1.7)
Operating profit	10,557,129	2.4	11,782,617	2.1	8,199,923	267,797	1.4
Non-operating income and expenses							
Interest income.	6,268	0.0	39,036	0.0	151,614	4,951	0.0
Other income.	339,273	0.1	421,482	0.1	594,130	19,403	0.1
Other gains and losses	(1,918)	(0.0)	129,302	0.0	148,295	4,843	0.0
Finance costs.	(715,049)	(0.2)	(2,445,514)	(0.4)	(3,880,037)	(126,715)	(0.7)
Share of loss of associates and joint ventures accounted for using the equity method	(5,878)	(0.0)	(15,781)	(0.0)	(18,560)	(606)	(0.0)
Total non-operating income and expenses	(377,304)	(0.1)	(1,871,475)	(0.3)	(3,004,558)	(98,124)	(0.5)
Profit before income tax	10,179,825	2.3	9,911,142	1.7	5,195,365	169,673	0.9
Income tax expense	(2,324,657)	(0.5)	(2,310,778)	(0.4)	(1,216,531)	(39,730)	(0.2)
Profit for the year	7,855,168	1.8	7,600,364	1.3	3,978,834	129,943	0.7
Total other comprehensive (loss) income for the year.	2,139,842	0.4	(7,069,962)	(1.2)	10,914,983	356,466	1.8
Total comprehensive income for the year.	9,995,010	2.2	530,402	0.1	14,893,817	486,409	2.5

SELECTED FINANCIAL INFORMATION OF THE COMPANY

	Year Ended December 31,					
	2021		2022		2023	
	NT\$	%	NT\$	%	NT\$	US\$
	<i>(in thousands, except percentages)</i>					
	<i>(unaudited)</i>					
Profit attributable to:						
Owners of the parent	7,923,257	1.8	7,631,123	1.3	4,012,142	131,030
Non-controlling interest	(68,089)	(0.0)	(30,759)	(0.0)	(33,308)	(1,087)
	7,855,168	1.8	7,600,364	1.3	3,978,834	129,943
Comprehensive income attributable to:						
Owners of the parent	10,062,378	2.2	551,844	0.1	14,929,690	487,580
Non-controlling interest	(67,368)	(0.0)	(21,442)	(0.0)	(35,873)	(1,171)
	9,995,010	2.2	530,402	0.1	14,893,817	486,409

Summary Consolidated Balance Sheet Data

	As of December 31,			
	2021	2022	2023	
	NT\$	NT\$	NT\$	US\$
	<i>(in thousands)</i>			
	<i>(unaudited)</i>			
Current assets	149,136,255	183,649,584	238,746,945	7,797,092
Property, plant and equipment	1,004,215	974,071	1,262,530	41,232
Intangible assets	1,972,777	3,371,512	3,339,635	109,067
Other non-current assets ⁶	21,236,040	12,207,003	21,835,862	713,124
Total Assets	173,349,287	200,202,170	265,184,972	8,660,515
Current liabilities	110,582,313	124,816,197	177,888,805	5,809,563
Non-current liabilities	8,906,666	20,411,652	15,350,515	501,323
Total Liabilities	119,488,979	145,227,849	193,239,320	6,310,886
Equity attributable to owners of parent	53,767,865	54,105,345	71,108,783	2,322,299
Non-controlling interest	92,443	868,976	836,869	27,330
Total Equity	53,860,308	54,974,321	71,945,652	2,349,629

Summary Consolidated Cash Flow Data

	Year ended December 31,			
	2021	2022	2023	
	NT\$	NT\$	NT\$	US\$
	<i>(in thousands)</i>			
	<i>(unaudited)</i>			
Net cash flows from/(used in) operating activities	(12,980,036)	(6,038,909)	41,028,040	1,339,910
Net cash flows from/(used in) investing activities	(992,868)	(4,954,745)	(738,640)	(24,123)
Net cash flows from/(used in) financing activities	15,600,463	8,632,744	(22,956,625)	(749,726)

⁶ Including financial assets at fair value through profit or loss—non-current, financial assets at fair value through other comprehensive income—noncurrent, investments accounted for using equity method, right-of-use assets, investment property—net, deferred income tax assets and other non-current assets.

SELECTED FINANCIAL INFORMATION OF THE COMPANY

	Year ended December 31,			
	2021	2022	2023	
	NT\$	NT\$	NT\$	US\$
		(in thousands)		(unaudited)
Effect of exchange rate changes on cash and cash equivalents	(575,095)	3,064,588	31,520	1,029
Net increase in cash and cash equivalents	1,052,464	703,678	17,364,295	567,090
Cash and cash equivalents at the beginning of the year	3,627,112	4,679,576	5,383,254	175,808
Cash and cash equivalents at the end of the year	4,679,576	5,383,254	22,747,549	742,898

SELECTED FINANCIAL INFORMATION OF FUTURE

The following tables present Future's summary financial information. The summary financial information as of and for the years ended December 31, 2022 and 2023 set forth below had been derived from Future's audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included elsewhere in this Offering Circular and are qualified by reference to, and should be read in conjunction with, Future's consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included elsewhere in this Offering Circular. Future's consolidated financial statements as of and for the years ended December 31, 2022 and 2023 have been prepared and presented in accordance with IFRS. Future's consolidated financial statements as of and for the years ended December 31, 2022 and 2023 have been audited by the independent auditors.

Summary Consolidated Statement of Comprehensive Income

	Year Ended December 31,			
	2022		2023	
	US\$	%	US\$	%
	<i>(in thousands, except percentages)</i>			
Net sales	6,071,669	100.0	5,446,936	100.0
Cost of merchandise sold	(4,846,781)	(79.8)	(4,500,901)	(82.6)
Gross profit	1,224,888	20.2	946,035	17.4
Operating expenses				
Selling expenses	(389,726)	(6.4)	(402,344)	(7.4)
General and administrative expenses . .	(149,248)	(2.5)	(160,387)	(2.9)
Depreciation of right-of-use assets . . .	(16,699)	(0.3)	(16,692)	(0.3)
Total operating expenses	(555,673)	(9.2)	(579,423)	(10.6)
Operating profit	669,215	11.0	366,612	6.7
Non-operating income and expenses . .	(29,043)	(0.5)	22,522	0.4
Income before income taxes	640,172	10.5	389,134	7.1
Provision for income taxes	(135,807)	(2.2)	(74,110)	(1.4)
Net income and comprehensive income	504,365	8.3	315,024	5.8

Summary Consolidated Balance Sheet Data

	As of December 31,	
	2022	2023
	US\$	US\$
	<i>(in thousands)</i>	
Current assets	4,002,992	3,993,833
Property, plant and equipment, net	74,737	52,950
Intangible assets, net	1,777	981
Other non-current assets ⁷	238,408	83,797
Total Assets	4,317,914	4,131,743

⁷ Including due from company under common control, right-of-use assets, deferred income tax assets, goodwill, and other long term assets.

SELECTED FINANCIAL INFORMATION OF FUTURE

	As of December 31,	
	2022	2023
	US\$	US\$
	<i>(in thousands)</i>	
Current liabilities	1,075,587	728,678
Non-current liabilities	255,104	100,818
Total Liabilities	1,330,691	829,496
Common stock	158,311	158,311
Contributed surplus	1,601	1,601
Retained earnings	2,827,311	3,142,335
Total Shareholder's Equity	2,987,223	3,302,247

Summary Consolidated Cash Flow Data

	Year Ended December 31,	
	2022	2023
	US\$	US\$
	<i>(in thousands)</i>	
Cash provided by/(used in) operating activities	(105,260)	561,920
Cash provided by/(used in) investing activities	30,577	145,054
Cash provided by/(used in) financing activities	51,422	(505,159)
Net change in cash and cash equivalents	(23,261)	201,815
Cash and cash equivalents, beginning of year	221,618	198,357
Cash and cash equivalents, end of year	198,357	400,172

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled “Selected Financial Information of the Company” and our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and the related notes included elsewhere in this Offering Circular. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this Offering Circular. See “Special Note Regarding Forward-Looking Statements.”

Overview

We are a global top three electronic components distributor with end-to-end capabilities and a diversified geographic presence across Asia Pacific, the Americas and EMEA. Founded in 1993 initially as a Taiwan-based semiconductor components distributor, our position is further strengthened by our acquisition of Future to become a truly global player. According to Gartner®, we ranked first in the global semiconductor distribution market in terms of total revenue in 2023, achieving a market share of 12.2%, among which 2.3% was attributable to Future⁸.

Our mission is to deliver compelling services to help our partners succeed and hold ourselves accountable to our shareholders. We are committed to being the most trustworthy electronic components distributor, offering superior value-added services throughout the entire product lifecycle to our business partners.

The Company's operating revenue increased by 27.5% from NT\$447,896.1 million (US\$14,627.6 million) in 2021 to NT\$571,197.1 million (US\$18,654.4 million) in 2022, and further by 4.1% to NT\$594,518.8 million (US\$19,416.0 million) in 2023. Combining the Company and Future, our revenue for 2023 was NT\$761,304.0 million (US\$24,863.0 million) on a pro forma basis.

Key Factors Affecting our Results of Operations

Industry demand and supply

The demand for electronic components is largely driven by demand for end-products. The products we offer have a wide scope of applications, including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone. The electronic components industry is expected to continue to grow at a healthy rate. According to Gartner®, the global semiconductor market is expected to grow from US\$533 billion in 2023 to US\$765 billion in 2027, reflecting a CAGR of 9.4%⁹. On the other hand, according to Precedence Research, the IP&E market, the basic yet essential part of the electronic components market is expected to grow from US\$187 billion in 2023 to US\$228 billion in 2027 at a CAGR of 5.2%. Technology

⁸ Calculations performed by WT Microelectronics. Source: Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. Market Share for WT Microelectronics was on pro forma basis after the acquisition of Future Electronics, which accounted for 2.3% market share in global semiconductor distributor market in 2023.

⁹ Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

advancements such as AI, digitalization and next-generation of communication will continue to drive the growth of the electronic components market, and these secular trends may create new demand for our products. However, we cannot assure you that the anticipated growth will materialize or that we will be able to capture the anticipated growth and demand. Any downturn in the demand for electronic components could affect our results of operations.

Relatedly, inventory levels in the supply chain for electronic components play an important role in shaping the dynamics of the industry. Excess inventory in the supply chain can be due to a number of factors, including a mismatch between expected demand and actual demand, unexpected drop in demand for the products or technological changes in end product categories that result in obsolescence. Excess inventory can exert negative pricing pressures, tie up working capital, lead to increased storage costs, and possibly lead to a loss on inventory due to obsolescence or write downs, all of which could affect our results of operations. The electronic components industry has seen excess supply of inventory in recent years. We expect that this excess inventory will deplete over time, but such digestion cycle is pivotal in affecting our operation results and financial performance. By closely monitoring these factors, we are positioned to navigate the complexities of market demand, technological evolution, and global supply chains.

Changes in our product mix

The electronic components industry is characterized by a general trend towards rapidly changing technologies and shorter product lifecycles. We actively monitor and manage our product mix in order to achieve volume growth and maintain healthy margins. Our product offerings currently cover over 250,000 types of electronic components, including ASSP-wireless connectivity, ASSP-wired connectivity, ASSP-others, analog, ASIC, microcomponents, memory, discrete, optoelectronics and others, as complemented by Future's diverse offerings in IP&E products. Our operating revenue and gross margin in a given period are affected primarily by our product mix as the average selling price and margins varies across our different product offerings. We have been strategically focusing on the "Star Application" segments featuring higher growth and/or higher margin products, including automotive, industrial and instrument, datacenter and server and communication sectors. We have achieved market share gain in these key growth sectors, which in aggregate contributed to over 53% of our revenue in 2023. The Future Acquisition has enhanced our standing in the automotive and industrial sectors, which are known for their extended product lifecycles. Changes in our product mix, has in the past affected, and is expected to continue to affect, our operating revenue and gross profit.

Our ability to integrate Future's business

The Future Acquisition presents us with an opportunity to enhance our market position and operational efficiency. While integrating a business of Future's size and complexity requires significant management attention and resources, we are committed to managing this process diligently. See "Risk Factors—Risks Relating to Our Industry and Business—We may not realize all of the anticipated benefits of our acquisition of Future or those benefits may take longer to realize than expected. We may also encounter

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

significant unexpected difficulties in integrating the two businesses” and “Risk Factors—Risks Relating to Our Industry and Business—Our international operations subject us to various business, economic, political, regulatory and legal risks.”

By combining the strengths of both companies, we aim to capture more business opportunities and enhance market position through the potential synergies including expanding distribution territories for suppliers and enabling cross-sell opportunities to customers, expanding business through global coverage and better utilizing market intelligence in business operation. However, there are uncertainties involved, and we cannot guarantee to achieve these anticipated benefits of the Future Acquisition.

Our ability to effectively control our costs and expenses

Our ability to manage and control our costs and expenses is critical to the success of our business and our results of operations. We have invested heavily in developing technology capabilities and infrastructure in order to effectively provide comprehensive services to our suppliers and customers. Additionally, we have been expanding into new market segments and geographic regions, as well as developing new product solutions. As a result, we expect our costs and expenses to increase as our business expands.

Our ability to manage working capital

Accounts receivables are a significant portion of our working capital. If customers responsible for a significant amount of accounts receivables cease doing business, direct their business elsewhere, fail to pay, or delay payment, our business, results of operations, financial condition, or liquidity could be adversely affected. Historically, we have experienced certain customer defaults on their payment to us and made provisions accordingly. An economic or industry downturn could adversely affect our ability to collect receivables, which could result in longer payment cycles, increased collection costs, and defaults exceeding management's expectations. In addition, our ability to manage account payable and inventory is also key for us to sustain a healthy cash flow and efficient operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Components Of Results Of Operations

Operating Revenue

We derive our operating revenue primarily from the sales of our products. During 2021 to 2023, our products cover over 60,000 types of electronic components, including ASSP-wireless connectivity, ASSP-wired connectivity, ASSP-others, analog, ASIC, microcomponents, memory, discrete, optoelectronics and others. The table below sets forth the revenue contribution of our major products for the years indicated:

Year ended December 31,								
2021			2022		2023			
NT\$	%		NT\$	%	NT\$	US\$	%	
<i>(in millions, except percentages)</i>								
<i>(unaudited)</i>								
Revenue by product:								
Application-Specific								
Standard Product (ASSP)								
Wireless Connectivity	157,487.6	35.1	187,807.3	32.9	175,261.0	5,723.7	29.6	
Wired Connectivity	55,723.6	12.4	90,130.9	15.8	94,792.5	3,095.8	15.9	
Others	25,968.3	5.8	32,258.4	5.6	27,819.6	908.5	4.7	
Analog	75,094.8	16.7	100,085.7	17.5	92,148.8	3,009.4	15.5	
Application-Specific								
Integrated Circuit (ASIC) . . .	14,168.5	3.2	28,708.9	5.0	80,952.6	2,643.8	13.6	
Microcomponents	34,752.2	7.8	40,299.2	7.1	44,100.9	1,440.3	7.4	
Memory	41,951.0	9.4	41,220.6	7.2	32,199.9	1,051.6	5.4	
Discrete	15,090.8	3.4	16,403.5	2.9	16,053.0	524.3	2.7	
Optoelectronics	16,901.7	3.8	17,154.9	3.0	12,645.0	413.0	2.1	
Other	10,408.5	2.3	16,602.3	2.9	17,877.2	583.8	3.0	
Services	349.1	0.1	525.4	0.1	668.3	21.8	0.1	
Total	447,896.1	100.0	571,197.1	100.0	594,518.8	19,416.0	100.0	

We primarily sell our products to OBMs, ODMs and OEMs, including those with more tailored order volume which we consider as mass market customers. As a result of our comprehensive product offerings, we are able to maintain a diversified customer base covering top-tier global industry players, as well as mass market customers. The table below sets forth the breakdown of revenue contribution by geographic locations of external customers' registered office for the years indicated:

Year ended December 31,								
2021			2022		2023			
NT\$	%		NT\$	%	NT\$	US\$	%	
<i>(in millions, except percentages)</i>								
<i>(unaudited)</i>								
Revenue by region:								
Taiwan	67,650.2	15.1	84,373.6	14.8	78,149.0	2,552.2	13.1	
China	307,763.3	68.7	361,370.2	63.2	321,826.3	10,510.3	54.2	
Others	72,482.6	16.2	125,453.3	22.0	194,543.5	6,353.5	32.7	
Total	447,896.1	100.0	571,197.1	100.0	594,518.8	19,416.0	100.0	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Going forward, we expect to pursue our global sales strategies and continue to address the demand in various geographical markets with growth potentials.

Operating Costs

Operating costs primarily consist of cost of inventories sold. The following table sets forth a breakdown of our operating costs by nature, expressed as an absolute amount and as a percentage of our total operating costs, for the years indicated:

	Year ended December 31,						
	2021		2022		2023		
	NT\$	%	NT\$	%	NT\$	US\$	%
	<i>(in millions, except percentages)</i>						
	<i>(unaudited)</i>						
Operating costs:							
Cost of inventories sold	430,548.5	99.9	550,307.4	99.8	575,614.1	18,798.6	99.9
Services cost	285.0	0.1	429.1	0.1	376.3	12.3	0.1
Loss on decline in market value	47.8	0.0	194.9	0.0	121.6	4.0	0.0
Loss on disposal of inventory	28.1	0.0	432.7	0.1	—	—	0.0
Loss on physical inventory	0.1	0.0	0.9	0.0	0.5	0.0	0.0
Total	<u>430,909.5</u>	<u>100.0</u>	<u>551,365.0</u>	<u>100.0</u>	<u>576,112.5</u>	<u>18,814.9</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

Gross profit margin represents gross profit divided by operating revenue. Our gross profit was NT\$16,986.6 million, NT\$19,832.2 million and NT\$18,406.3 million (US\$601.1 million) in 2021, 2022 and 2023, and our gross profit margin was 3.8%, 3.5% and 3.1% in 2021, 2022 and 2023, respectively.

Operating Expenses

Our operating expenses consist primarily of selling expenses, general and administrative expenses and research and development expenses. We expect our operating expenses to increase in the foreseeable future, as our business scale grows.

Selling Expenses. Our selling expenses consist of salaries, welfare benefits, employee bonuses and related costs for our sales, marketing, shipping and warehousing personnel, as well as logistic costs, travel and related expenses.

General and Administrative Expenses. Our general and administrative expenses consist primarily of salaries, welfare benefits, employee bonuses and related costs of executives, legal, finance, human resource and other supporting team personnel, as well as professional service fees, insurance, depreciation of IT equipment and facilities.

Research and Development Expenses. Our research and development expenses consist primarily of salaries, welfare benefits, employee bonuses and related costs of research and development team and engineering team, costs of materials and tool equipment used in our research and development and design activities, and depreciation of related equipment and facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Non-Operating Income and Expenses

Our non-operating income and expenses primarily consist of (i) finance costs, (ii) share of profit/loss of associates and joint ventures accounted for using equity method, (iii) other income, (iv) other gains and losses and (v) interest income. In particular, finance costs primarily consist of (i) interest expenses from bank loans and others, (ii) accounts receivable factoring expenses, and (iii) other finance costs. Other income primarily consists of (i) dividend income, (ii) government grant, and (iii) others. Other gains and losses primarily consist of (i) foreign exchange net gains and losses, (ii) gains and losses on financial assets and liabilities at fair value through profit or loss, (iii) loss on disposal of intangible assets, and (iv) other losses, net. Our interest income consists of (i) interests from our bank deposits and (ii) others.

Taxation

We are incorporated in Taiwan, and our principal operating subsidiaries were located in Taiwan, Hong Kong, Singapore, PRC and Korea during 2021, 2022 and 2023.

Taiwan

We and our subsidiaries in Taiwan are subject to ROC Income Tax at income tax rate of 20% and a rate of 5% for unappropriated earnings. For businesses, the income that previously enjoyed tax-exemption privileges under relevant tax regulations, such as the Act for the Establishment and Administration of the Science Parks and Statute for Upgrading Industries, will be subject to the AMT system for the calculation of business taxpayers' aggregate incomes. The AMT rate for business entities was 10% prior to 2013 and has increased to 12% since 2013. Under the AMT Act, a company will be subject to a 12% AMT if its annual taxable income under the AMT Act exceeds NT\$0.6 million.

Hong Kong

Our subsidiaries in Hong Kong were subject to income tax rates of 16.5%, 16.5% and 16.5% for 2021, 2022 and 2023, respectively.

Singapore

Our subsidiaries in Singapore were subject to income tax rates of 17%, 17% and 17% for 2021, 2022 and 2023, respectively, except that certain subsidiary we acquired in 2022 was subject to a tax rate of 10% in 2022 and 2023.

PRC

Our PRC subsidiaries conduct their businesses in PRC and are subject to taxation in PRC. Under the Enterprise Income Tax Law, which became effective on January 1, 2008, both domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%.

Korea

Our subsidiaries in Korea were subject to income tax rates of 22%, 22% and 22% for 2021, 2022 and 2023, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies, Judgments and Estimates

In the application of our accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. For more information on our critical accounting judgments and key sources of estimation uncertainty, see Note 5 to our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023, which appear in the F-pages of this Offering Circular. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Below is a summary of our significant accounting policies. For more information on our significant accounting policies, see Note 4 to our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023, which appear in the F-pages of this Offering Circular.

Revenue recognition

Sales of goods

- We sell electronic components. Sales are recognized when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or we have objective evidence that all criteria for acceptance have been satisfied.
- The goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, we do not adjust the transaction price to reflect the time value of money.
- 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. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognized.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Services

- We provide semiconductor development services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided at the end of the reporting period in a proportion to the total services to be provided. This is determined based on the contract costs incurred for services performed to the estimated total cost for the service contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
- Our estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

Inventories

- The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- 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 costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

- We assess 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 recognizing 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.
- The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Intangible assets

- Goodwill arises in a business combination accounted for by applying the acquisition method.
- Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2-5 years.
- Other tangible assets, mainly customer relationship, are recorded at cost and amortized on a straight-line basis over the estimated useful life of 5-8 years.

Business combinations

- We use the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, we measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. Other non-controlling interests should be measured at the acquisition-date fair value.
- The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following tables set forth a summary of our consolidated results of operations for the periods presented, in absolute amount and as a percentage of our operating revenue. This information should be read together with our audited consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 and related notes included elsewhere in this Offering Circular. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,						
	2021		2022		2023		
	NT\$	%	NT\$	%	NT\$	US\$	%
	<i>(in thousands, except percentages)</i>						
	<i>(unaudited)</i>						
Operating revenue	447,896,117	100.0	571,197,118	100.0	594,518,813	19,416,029	100.0
Operating costs	(430,909,478)	(96.2)	(551,364,963)	(96.5)	(576,112,549)	(18,814,910)	(96.9)
Gross profit	16,986,639	3.8	19,832,155	3.5	18,406,264	601,119	3.1
Operating expenses							
Selling expenses	(4,522,266)	(1.0)	(5,533,094)	(1.0)	(6,383,289)	(208,468)	(1.1)
General and administrative expenses	(1,296,000)	(0.3)	(1,860,504)	(0.3)	(3,059,840)	(99,929)	(0.5)
Research and development expenses	(608,561)	(0.1)	(654,845)	(0.1)	(755,450)	(24,672)	(0.1)
Impairment loss determined in accordance with IFRS 9	(2,683)	(0.0)	(1,095)	(0.0)	(7,762)	(253)	(0.0)
Total operating expenses	(6,429,510)	(1.4)	(8,049,538)	(1.4)	(10,206,341)	(333,322)	(1.7)
Operating profit	10,557,129	2.4	11,782,617	2.1	8,199,923	267,797	1.4
Non-operating income and expenses							
Interest income	6,268	0.0	39,036	0.0	151,614	4,951	0.0
Other income	339,273	0.1	421,482	0.1	594,130	19,403	0.1
Other gains and losses	(1,918)	(0.0)	129,302	0.0	148,295	4,843	(0.0)
Finance costs	(715,049)	(0.2)	(2,445,514)	(0.4)	(3,880,037)	(126,715)	(0.7)
Share of loss of associates and joint ventures accounted for using the equity method	(5,878)	(0.0)	(15,781)	(0.0)	(18,560)	(606)	(0.0)
Total non-operating income and expenses	(377,304)	(0.1)	(1,871,475)	(0.3)	(3,004,558)	(98,124)	(0.5)
Profit before income tax	10,179,825	2.3	9,911,142	1.7	5,195,365	169,673	0.9
Income tax expense	(2,324,657)	(0.5)	(2,310,778)	(0.4)	(1,216,531)	(39,730)	(0.2)
Profit for the year	7,855,168	1.8	7,600,364	1.3	3,978,834	129,943	0.7
Total other comprehensive (loss) income for the year	2,139,842	0.4	(7,069,962)	(1.2)	10,914,983	356,466	1.8
Total comprehensive income for the year	9,995,010	2.2	530,402	0.1	14,893,817	486,409	2.5
Profit attributable to:							
Owners of the parent	7,923,257	1.8	7,631,123	1.3	4,012,142	131,030	0.7
Non-controlling interest	(68,089)	(0.0)	(30,759)	(0.0)	(33,308)	(1,087)	(0.0)
	7,855,168	1.8	7,600,364	1.3	3,978,834	129,943	0.7
Comprehensive income attributable to:							
Owners of the parent	10,062,378	2.2	551,844	0.1	14,929,690	487,580	2.5
Non-controlling interest	(67,368)	(0.0)	(21,442)	(0.0)	(35,873)	(1,171)	(0.0)
	9,995,010	2.2	530,402	0.1	14,893,817	486,409	2.5

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Operating revenue. Our operating revenue increased by 4.1% from NT\$571,197.1 million in 2022 to NT\$594,518.8 million (US\$19,416.0 million) in 2023 despite the overall industry downturn. The increase was mainly driven by the growth of our ASIC products primarily used in datacenter and server applications in 2023, and the contribution from the consolidation of revenue of Excelpoint Technology Ltd. (SGX: BDF) (“**Excelpoint**”) for the entire year.

Operating costs. Our operating costs increased by 4.5% from NT\$551,365.0 million in 2022 to NT\$576,112.5 million (US\$18,814.9 million) in 2023. The increase was generally in line with our operating revenue growth.

Gross profit and gross profit margin. As a result of the foregoing, our gross profit was NT\$19,832.2 million in 2022 and NT\$18,406.3 million (US\$601.1 million) in 2023 and our gross profit margin was 3.5% in 2022 and 3.1% in 2023. The decline in gross profit margin was primarily due to the change in our product mix.

Selling expenses. Our selling expenses increased by 15.4% from NT\$5,533.1 million in 2022 to NT\$6,383.3 million (US\$208.5 million) in 2023, which was primarily due to an increase in personnel and overall salary relating to sales and marketing, mainly due to the consolidation of Excelpoint for the entire year. The expenses of insurance, rental and related business travel and marketing increased accordingly. As a result, our selling expenses as a percentage of operating revenue increased from 1.0% in 2022 to 1.1% in 2023.

General and administrative expenses. Our general and administrative expenses increased by 64.5% from NT\$1,860.5 million in 2022 to NT\$3,059.8 million (US\$99.9 million) in 2023, which was primarily due to non-recurring one-off expenses associated with the Future Acquisition and other one-off expenses of approximately NT\$1,150 million (US\$37.6 million) in 2023. As a result, our general and administrative expenses as a percentage of operating revenue increased from 0.3% in 2022 to 0.5% in 2023.

Research and development expenses. Our research and development expenses increased by 15.4% from NT\$654.8 million in 2022 to NT\$755.5 million (US\$24.7 million) in 2023, which was primarily due to an increase in personnel and overall salary relating to research and development in 2023. Our research and development expenses as a percentage of operating revenue remained at 0.1% in 2022 and 2023.

Operating profit. As a result of the foregoing, our operating profit decreased by 30.4% from NT\$11,782.6 million in 2022 to NT\$8,199.9 million (US\$267.8 million) in 2023.

Non-operating income and expenses. Our non-operating expenses increased by 60.5% from NT\$1,871.5 million in 2022 to NT\$3,004.6 million (US\$98.1 million) in 2023, which was primarily due to (i) an increase in finance costs from NT\$2,445.5 million in 2022 to NT\$3,880.0 million (US\$126.7 million) in 2023, largely stemming from an increase in interest expenses from bank loans from NT\$1,411.4 million in 2022 to NT\$2,207.4 million (US\$72.1 million) in 2023 due to a higher interest rate and (ii) an increase in financing charges on accounts receivable factoring from NT\$949.4 million in 2022 to NT\$1,563.3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

million (US\$51.1 million) in 2023. This was partially offset by an increase in other income from NT\$421.5 million in 2022 to NT\$594.1 million (US\$19.4 million) in 2023, which was primarily due to an increase in dividend income from NT\$339.7 million in 2022 to NT\$436.1 million (US\$14.2 million) in 2023.

Profit before income tax. As a result of the foregoing, our profit before income tax decreased by 47.6% from NT\$9,911.1 million in 2022 to NT\$5,195.4 million (US\$169.7 million) in 2023.

Profit for the year. Our profit for the year decreased by 47.6% from NT\$7,600.4 million in 2022 to NT\$3,978.8 million (US\$129.9 million) in 2023.

Profit for the year to owners of the parent. Our profit for the year to owners of the parent decreased by 47.4% from NT\$7,631.1 million in 2022 to NT\$4,012.1 million (US\$131.0 million) in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Operating revenue. Our operating revenue increased by 27.5% from NT\$447,896.1 million in 2021 to NT\$571,197.1 million in 2022. The increase was mainly driven by growth of our products used in datacenter and server, mobile phone and communication applications, as well as post-COVID market recovery in the overall semiconductor market.

Operating costs. Our operating costs increased by 28.0% from NT\$430,909.5 million in 2021 to NT\$551,365.0 million in 2022. The increase was generally in line with our operating revenue growth.

Gross profit and gross profit margin. As a result of the foregoing, our gross profit was NT\$16,986.6 million in 2021 and NT\$19,832.2 million in 2022, and our gross profit margin was 3.8% in 2021 and 3.5% in 2022. The decline in gross profit margin was primarily due to the change in our product mix.

Selling expenses. Our selling expenses increased by 22.4% from NT\$4,522.3 million in 2021 to NT\$5,533.1 million in 2022, which was primarily due to an increase in personnel and overall salary relating to sales and marketing. The freight costs also increased accordingly. Our selling expenses as a percentage of operating revenue remained stable at 1.0% in 2021 and 2022.

General and administrative expenses. Our general and administrative expenses increased by 43.6% from NT\$1,296.0 million in 2021 to NT\$1,860.5 million in 2022 primarily due to (i) salary increases, and (ii) expenses related to one-off transactions. Our general and administrative expenses as a percentage of operating revenue remained at 0.3% in 2021 and 2022.

Research and development expenses. Our research and development expenses increased by 7.6% from NT\$608.6 million in 2021 to NT\$654.8 million in 2022, which was primarily due to an increase in personnel and overall salary relating to research and development in 2023. Our research and development expenses as a percentage of operating revenue remained at 0.1% in 2021 and 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating profit. As a result of the foregoing, our profit from operations increased by 11.6% from NT\$10,557.1 million in 2021 to NT\$11,782.6 million in 2022.

Non-operating income and expenses. Our non-operating expenses increased by 396.0% from NT\$377.3 million in 2021 to NT\$1,871.5 million in 2022, which was primarily due to an increase in finance costs from NT\$715.0 million in 2021 to NT\$2,445.5 million in 2022, which was as a result of (i) an increase in interest expenses from bank loans from NT\$425.4 million in 2021 to NT\$1,411.4 million in 2022 due to higher interest rates in 2022 and (ii) an increase in accounts receivable factoring expenses from NT\$229.1 million in 2021 to NT\$949.4 million in 2022.

Profit before income tax. As a result of the foregoing, our profit before income tax decreased by 2.6% from NT\$10,179.8 million in 2021 to NT\$9,911.1 million in 2022.

Profit for the year. Our profit for the year decreased by 3.2% from NT\$7,855.2 million in 2021 to NT\$7,600.4 million in 2022.

Profit for the year to owners of the parent. Our profit for the year to owners of the parent decreased by 3.7% from NT\$7,923.3 million in 2021 to NT\$7,631.1 million in 2022.

Liquidity and Capital Resources

Our primary sources of liquidity have been through bank borrowings and cash generated from operating activities, which have historically been sufficient to meet our working capital and substantially all of our capital expenditure requirements. As of December 31, 2023, we had cash and cash equivalents of NT\$22,747.5 million (US\$742.9 million), as compared to cash and cash equivalents of NT\$5,383.3 million as of December 31, 2022 and NT\$4,679.6 million as of December 31, 2021. Cash and cash equivalents consist of cash on hand and revolving funds, checking accounts and demand deposits, and time deposits. Our cash and cash equivalents are primarily denominated in the U.S. dollar, NT Dollar, and Renminbi.

Based on our current level of operations and available cash, we believe our available cash, cash flows from operations, committed funding from bank and credit facilities will provide sufficient liquidity to fund our current obligations, projected working capital requirements and our operating requirements at least for the next 12 months from the date of this Offering Circular. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, sell debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth a summary of our cash flows for the years presented:

	Year ended December 31,			
	2021	2022	2023	
	NT\$	NT\$	NT\$	US\$
	<i>(in thousands)</i>			
	<i>(unaudited)</i>			
Summary Consolidated Cash Flow Data:				
Net cash flows from/(used in)				
operating activities.	(12,980,036)	(6,038,909)	41,028,040	1,339,910
Net cash flows from/(used in)				
investing activities.	(992,868)	(4,954,745)	(738,640)	(24,123)
Net cash flows from/(used in)				
financing activities.	15,600,463	8,632,744	(22,956,625)	(749,726)
Effect of exchange rate changes on				
cash and cash equivalents.	(575,095)	3,064,588	31,520	1,029
Net increase in cash and				
cash equivalents.	1,052,464	703,678	17,364,295	567,090
Cash and cash equivalents at				
the beginning of the year	3,627,112	4,679,576	5,383,254	175,808
Cash and cash equivalents at				
the end of the year	4,679,576	5,383,254	22,747,549	742,898

Operating Activities

In 2023, net cash generated from operating activities was NT\$41,028.0 million (US\$1,339.9 million). The difference between our profit before income tax of NT\$5,195.4 million (US\$169.7 million) and the net cash generated from operating activities was mainly due to cash inflow from an increase in accounts payables of NT\$70,408.9 million (US\$2,299.4 million), partially offset by cash outflow from an increase in accounts receivables of NT\$28,279.8 million (US\$923.6 million).

In 2022, net cash used in operating activities was NT\$6,038.9 million. The difference between our profit before income tax of NT\$9,911.1 million and the net cash used in operating activities was mainly due to (i) cash outflow from an increase in inventories of NT\$8,380.1 million and (ii) cash outflow from a decrease in accounts payables of NT\$9,233.3 million, partially offset by cash inflow in accounts receivables of NT\$2,953.6 million.

In 2021, net cash used in operating activities was NT\$12,980.0 million. The difference between our profit before income tax of NT\$10,179.8 million and the net cash used in operating activities was mainly due to (i) cash outflow from an increase in inventories of NT\$23,574.2 million, (ii) cash outflow from an increase in accounts receivables of NT\$16,265.8 million, partially offset by cash inflow from an increase in accounts payables of NT\$17,383.3 million which was primarily due to growth in revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investing Activities

In 2023, net cash used in investing activities was NT\$738.6 million (US\$24.1 million), which was primarily attributable to (i) increase in other financial assets of NT\$497.2 million (US\$16.2 million), (ii) acquisition of property, plant and equipment of NT\$228.3 million (US\$7.5 million), (iii) net cash payments for business combination of NT\$199.3 million (US\$6.5 million), and (iv) increase in other non-current assets of NT\$129.1 million (US\$4.2 million), and partially offset by disposal of financial assets at fair value through other comprehensive profit or loss of NT\$462.2 million (US\$15.1 million).

In 2022, net cash used in investing activities was NT\$4,954.7 million, which was primarily attributable to (i) net cash payment for business combination of NT\$3,041.1 million, and (ii) acquisition of financial assets at fair value through other comprehensive income of NT\$1,511.9 million.

In 2021, net cash used in investing activities was NT\$992.9 million, which was primarily attributable to (i) acquisition of financial assets at fair value through other comprehensive profit or loss of NT\$1,568.2 million, (ii) acquisition of property plant and equipment of NT\$170.5 million, and (iii) acquisition of financial assets at fair value through profit or loss of NT\$166.6 million, and partially offset by disposal of financial assets at fair value through other comprehensive profit or loss of NT\$940.6 million.

Financing Activities

Net cash used in financing activities in 2023 was NT\$22,956.6 million (US\$749.7 million), which was attributable to (i) decrease in short-term borrowings of NT\$839,211.4 million (US\$27,407.3 million), and (ii) repayments of long-term loans of NT\$60,349.9 million (US\$1,970.9 million), and (iii) payment of cash dividend of NT\$4,082.1 million (US\$133.3 million), partially offset by (i) increase in short-term borrowings of NT\$820,759.7 million (US\$26,804.7 million), (ii) proceeds from long-term borrowings of NT\$55,312.5 million (US\$1,806.4 million), and (iii) capital injection from new share issuance of NT\$5,423.4 million (US\$177.1 million).

Net cash generated from financing activities in 2022 was NT\$8,632.7 million, which was attributable to (i) increase in short-term borrowings of NT\$850,651.4 million, (ii) proceeds from long-term borrowings of NT\$91,962.0 million, and (iii) net proceeds from the GDR issuance of NT\$5,455.3 million, partially offset by (i) decrease in short-term borrowings of NT\$850,595.0 million, (ii) repayments of long-term loans of NT\$82,898.0 million, and (iii) payment of cash dividend of NT\$4,701.0 million.

Net cash generated from financing activities in 2021 was NT\$15,600.5 million, which was attributable to increase in (i) short-term borrowings of NT\$455,301.4 million, and (ii) long-term borrowings of NT\$7,786.8 million, partially offset by (i) decrease in short-term borrowings of NT\$445,067.9 million, and (ii) payment of cash dividend of NT\$2,589.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Capital Expenditures

We made capital expenditures of NT\$170.5 million, NT\$310.5 million and NT\$228.3 million (US\$7.5 million) in 2021, 2022 and 2023, respectively. In these years, our capital expenditures were used primarily for business expansion and maintenance. We will continue to make capital expenditures to meet the expected growth of our business.

Contractual Obligations

The table below sets forth a summary of our undiscounted contractual obligations and payments, by remaining periods from balance sheet date to the contractual maturity date, as of December 31, 2023:

	Total	Less than 1 year	1-5 years	More than 5 years
		(NT\$ in thousands)		
Lease liability	837,412	253,608	370,192	213,612
Long-term liability (Note)	14,072,282	88,587	13,983,695	–
Short-term liability (Note)	19,914,960	19,914,960	–	–

Note: Including imputed interest payable.

Except for the above, our financial liabilities are due in one year.

Significant Off-Balance Sheet Commitments and Arrangements

In 2021, 2022 and 2023, we had certain outstanding letters of credit for the purchase of inventories and guarantee for customs duties. We otherwise do not have any other significant off-balance sheet commitments or arrangements.

Significant Interruptions

There has been no interruption in our business that has a material adverse effect on our financial position and results of operations in the 36 months period prior to the date of this Offering Circular.

Quantitative and Qualitative Disclosures About Market Risk

Foreign currency risk

We use NT Dollar as our functional currency. We are exposed to some risk of changes in foreign exchange rates, particularly in operating activities that involve the use of currencies other than our functional currency or in our net investments in our foreign subsidiaries. Further, we have certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, and are hedged. Net investments in foreign subsidiaries are not subject to hedging.

Foreign currency sensitivity analysis of possible changes in foreign exchange rates on our Group's financial results is performed on significant line items denominated in foreign currencies as of the end of each reporting period. Our foreign currency risk mainly relates to the volatility in exchange rates for U.S. Dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table describes the sensitivity analysis of the Company when NT Dollars appreciate or depreciate 1% relative to the exchange rate of U.S. Dollars. One percent refers to the sensitivity ratio used internally by the Company for reporting the exchange rate risk to the key management level, and it also refers to the assessment of the management level on the reasonable and possible fluctuation range of the currency exchange rate. The sensitivity analysis only includes the U.S. Dollar monetary items circulating externally, and its translation at the end of year is adjusted based on the exchange rate change of 1%. The integers shown in the following table refer to the increased/(decreased) amount of the net income before tax when NT Dollars depreciate 1% relative to U.S. Dollars. When NT Dollars appreciate 1% relative to U.S. Dollars, the impact on the net income before tax is the same amount but in a negative value.

	Year ended December 31,		
	2021	2022	2023
	(NT\$ in thousands)		
Financial assets	790,409	747,478	1,081,758
Financial liabilities	788,683	730,562	1,086,594

RESULTS OF OPERATIONS OF FUTURE

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled “Selected Financial Information of Future” and Future’s consolidated financial statements as of and for the years ended December 31, 2022 and 2023 and the related notes included elsewhere in this Offering Circular. This discussion contains forward-looking statements that involve risks and uncertainties, including those set forth under “Risk Factors” and elsewhere in this Offering Circular. See “Special Note Regarding Forward-Looking Statements.”

Components of Results of Operations

Net Sales

Future derives revenue primarily from the sales of its products. During 2022 and 2023, Future’s diversified product offerings covered analog, connectivity, display, embedded processing, FPGA (field programmable gate arrays), power, memory, sensors controllers, lighting and IP&E.

The table below sets forth the breakdown of revenue contribution by ship-to location for the years indicated:

	Year ended December 31,			
	2022		2023	
	US\$	%	US\$	%
	(in millions, except percentages)			
Revenue by region:				
Americas	2,308.2	38.0	1,914.2	35.2
Asia Pacific	2,185.9	36.0	1,886.7	34.6
EMEA	1,577.6	26.0	1,646.0	30.2
Total	6,071.7	100.0	5,446.9	100.0

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of Merchandise Sold

Cost of merchandise sold primarily consists of cost of inventories sold.

Gross Profit and Gross Profit Margin

Gross profit margin represents gross profit divided by net sales. Future's gross profit was US\$1,224.9 million and US\$946.0 million in 2022 and 2023, and its gross profit margin was 20.2% and 17.4% in 2022 and 2023, respectively.

Operating Expenses

Future's operating expenses consist primarily of selling expenses and general and administrative expenses.

Selling Expenses. Future's selling expenses primarily consist of (i) employee related expenses, which mainly include salaries, employee benefits, employee bonuses and travel expenses, and (ii) other expenses, which mainly include shipping and handling and distribution center costs.

General and Administrative Expenses. Future's general and administrative expenses primarily consist of (i) employee related expenses, which mainly include salaries, employee benefits and employee bonuses, and (ii) other expenses, which mainly include facility costs, professional fees and other administrative expenses.

Non-Operating Income and Expenses

Future's non-operating income and expenses consist primarily of (i) interest revenue, (ii) gain on disposal of property, plant and equipment and other assets, (iii) interest expenses and (iv) foreign exchange loss.

Results of Operations

The following tables set forth a summary of Future's consolidated results of operations for the periods presented, in absolute amount and as a percentage of Future's net sales. This information should be read together with Future's consolidated financial statements and related notes included elsewhere in this Offering Circular. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,			
	2022		2023	
	US\$	%	US\$	%
(in thousands, except percentages)				
Net sales	6,071,669	100.0	5,446,936	100.0
Cost of merchandise sold.	(4,846,781)	(79.8)	(4,500,901)	(82.6)
Gross profit	1,224,888	20.2	946,035	17.4

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	Year Ended December 31,			
	2022		2023	
	US\$	%	US\$	%
	<i>(in thousands, except percentages)</i>			
Operating expenses				
Selling expenses	(389,726)	(6.4)	(402,344)	(7.4)
General and administrative expenses	(149,248)	(2.5)	(160,387)	(2.9)
Depreciation of right-of-use assets	(16,699)	(0.3)	(16,692)	(0.3)
Total operating expenses	(555,673)	(9.2)	(579,423)	(10.6)
Operating profit	669,215	11.0	366,612	6.7
Non-operating income and expenses	(29,043)	(0.5)	22,522	0.4
Profit before income taxes	640,172	10.5	389,134	7.1
Provision for income taxes	(135,807)	(2.2)	(74,110)	(1.4)
Net income and comprehensive income . . .	504,365	8.3	315,024	5.8

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Net sales. Future's net sales decreased by 10.3% from US\$6,071.7 million in 2022 to US\$5,446.9 million in 2023. The decrease was mainly the result of an overall downturn and demand corrections in the electronic components industry since the COVID-19 pandemic.

Cost of merchandise sold. Future's cost of merchandise sold decreased by 7.1% from US\$4,846.8 million in 2022 to US\$4,500.9 million in 2023. The decrease was generally in line with Future's decrease in net sales.

Gross profit and gross profit margin. As a result of the foregoing, Future's gross profit was US\$1,224.9 million in 2022 and US\$946.0 million in 2023 and Future's gross profit margin was 20.2% in 2022 and 17.4% in 2023. The decline in gross profit margin was primarily due to a change in Future's product mix.

Selling expenses. Future's selling expenses increased by 3.2% from US\$389.7 million in 2022 to US\$402.3 million in 2023, which was primarily due to an increase in one-off retention bonuses to employees to secure their employment following the Future Acquisition. As a result, Future's selling expenses as a percentage of net sales increased from 6.4% in 2022 to 7.4% in 2023.

General and administrative expenses. Future's general and administrative expenses increased by 7.5% from US\$149.2 million in 2022 to US\$160.4 million in 2023, which was primarily due to an increase in one-off expenses related to the Future Acquisition. As a result, Future's general and administrative expenses as a percentage of net sales increased from 2.5% in 2022 to 2.9% 2023.

Operating profit. As a result of the foregoing, Future's operating profit decreased by 45.2% from US\$669.2 million in 2022 to US\$366.6 million in 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Non-operating income and expenses. Future had non-operating expenses of US\$29.0 million in 2022 and non-operating income of US\$22.5 million in 2023, which was primarily due to (i) a decrease in foreign exchange losses from US\$20.5 million in 2022 to US\$2.8 million in 2023, largely due to strengthening of the Euro and a less significant weakening of the Renminbi in 2023 as compared to 2022, and (ii) an increase in one-off gains on disposal of property, plant and equipment and other assets from nil in 2022 to US\$15.6 million in 2023 due to the disposal of certain properties that are not within the ordinary course of its business prior to the closing of the Future Acquisition.

Income before income taxes. As a result of the foregoing, Future's profit before income tax decreased by 39.2% from US\$640.2 million in 2022 to US\$389.1 million in 2023.

Net income and comprehensive income. Future's net income and comprehensive income decreased by 37.5% from US\$504.4 million in 2022 to US\$315.0 million in 2023.

Cash Flows

The following table summarizes Future's primary sources and uses of cash for the periods indicated:

	Year Ended December 31,	
	2022	2023
	US\$	US\$
	(in thousands)	
Cash provided by/(used in) operating activities	(105,260)	561,920
Cash provided by/(used in) investing activities	30,577	145,054
Cash provided by/(used in) financing activities	51,422	(505,159)
Net change in cash and cash equivalents	(23,261)	201,815
Cash and cash equivalents, beginning of year	221,618	198,357
Cash and cash equivalents, end of year	198,357	400,172

Operating Activities

In 2023, cash provided by operating activities was US\$561.9 million. The difference between Future's profit before income tax for the year of US\$389.1 million and the net cash generated from operating activities was mainly due to cash inflow from a decrease in accounts receivable of US\$181.0 million, partially offset by cash outflow from income taxes paid of US\$112.3 million.

In 2022, cash used in operating activities was US\$105.3 million. The difference between Future's profit before income tax for the year of US\$640.2 million and the net cash used in operating activities was mainly due to (i) cash outflow from an increase in accounts receivable of US\$286.0 million, (ii) cash outflow from an increase in inventories of US\$272.2 million, and (iii) cash outflow from income taxes paid of US\$148.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investing Activities

In 2023, cash provided by investing activities was US\$145.1 million, which was primarily attributable to (i) an increase in repayment of due from company under common control of US\$150.0 million (ii) an increase in proceeds from the sale of property, plant and equipment of US\$36.7 million, partially offset by increases in net amounts due from related parties of US\$32.9 million.

In 2022, cash provided by investing activities was US\$30.6 million, which was primarily attributable to a decrease in net amounts due from related parties of US\$38.1 million, partially offset by increases in additions to property, plant and equipment and intangible assets of US\$7.5 million.

Financing Activities

Cash used in financing activities in 2023 was US\$505.2 million, which was primarily attributable to (i) a decrease in net amounts due to related parties of US\$337.5 million and (ii) repayment of due to company under common control of US\$150.0 million.

Cash provided by financing activities in 2022 was US\$51.4 million, which was primarily attributable to an increase in net amounts due to related parties of US\$68.6 million, partially offset by an increase in payments of principal portions of lease liabilities of US\$17.2 million.

Introduction

On April 2, 2024, we completed the Future Acquisition. Founded in 1968, Future is a premier electronic components distributor headquartered in Montreal, Canada with global operations and a strong focus on mass market customers. Pursuant to the Share Purchase Agreement with Future and Alonim, the sole shareholder of Future, wholly owned by the founder of Future, we acquired 100% of the share capital in Future from Alonim by cash for an enterprise value of US\$3.8 billion. Following the closing of the acquisition, Future became our wholly-owned subsidiary while largely operating its business as it had prior to the acquisition.

The following unaudited pro forma condensed combined financial information included in this Offering Circular, which has been prepared using the historical consolidated financial statements of the Company and Future, which includes translation into New Taiwan Dollar and includes certain presentation reclassifications, and is presented for illustrative purposes only and should not be considered to be an indication of the financial position or results of operations of the combined group following the Future Acquisition (the “Combined Group”). Please note that the hypothetical financial position or results of operations included in the unaudited pro forma condensed combined financial information may differ from the Combined Group’s actual financial position or results of operations.

The unaudited pro forma condensed combined financial information includes the unaudited pro forma condensed combined balance sheets at December 31, 2023 and the unaudited pro forma condensed combined income statement for the year ended December 31, 2023 with the related explanatory notes. The following unaudited pro forma condensed combined balance sheet of the Company as of December 31, 2023 gives effect to the (i) the Debt Financing and the Securities Disposal and (ii) the Future Acquisition, each as more fully described below in Note 1, as if they each occurred as of December 31, 2023. The following unaudited pro forma condensed combined income statement for the year ended December 31, 2023 similarly give effect to the Debt Financing and the Securities Disposal and the Future Acquisition, as if they each occurred on January 1, 2023.

The unaudited pro forma condensed combined financial information has been derived without material adjustments from, and should be read in conjunction with, the Company’s historical audited consolidated financial statements, including the notes thereto, included elsewhere in this Offering Circular, as well as Future’s historical audited consolidated financial statements, including the notes thereto. The financial statements of the Company and Future for the year ended December 31, 2023 are included in the F-pages of this Offering Circular. The adjustments for the results of the businesses acquired through the Future Acquisition have been prepared based on the available audited financial information of such businesses for the period, or management accounts where such audited information is not available, further adjusted to align to our accounting policies.

The transaction will be accounted for by the Company, as the legal and accounting acquirer, using the acquisition method pursuant to IFRS 3 “Business Combinations.” Under the acquisition method, the acquirer records all the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their respective fair values on the completion date, with limited exceptions. Adjustments to any provisional amounts are allowed during the subsequent 12 months following the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired will be recorded as goodwill in the balance sheet. The purchase price accounting is dependent upon

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

performance of detailed valuations and other analyses that have yet to progress to a stage where there is sufficient information for a definitive measurement. The Company intends to complete the valuations and other assessments upon completion of the transaction and will finalize the purchase price allocation within the required 12-month period. The various assets and liabilities of Future have been measured based on preliminary estimates and the assumptions underlying the respective adjustments are described in the accompanying notes. Differences between these preliminary estimates and the final accounting will occur, and these differences could have a material impact on the accompanying unaudited pro forma financial information and the future results of operations or financial condition of the Combined Group.

The unaudited pro forma adjustments represent management's preliminary estimates based on information available as of the date of the unaudited pro forma condensed combined financial information and is subject to change as additional information becomes available and analyses are performed. The unaudited pro forma condensed combined financial information reflects the application of the pro forma adjustments that are based upon available information and certain assumptions that the Company believes to be reasonable under the given circumstances. Management of the Company and Future believe that their assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Future Acquisition based on information available to management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial statements. Further, the unaudited pro forma condensed combined financial information may not be useful in predicting the future financial position and results of operations of the Combined Group. Certain financial information has been rounded according to established commercial standards. As a result, rounded figures in the tables below may not add up to the aggregate amounts in such tables.

Neither the assumptions underlying the preparation of the unaudited pro forma combined financial information nor the resulting unaudited pro forma condensed combined financial information have been audited in accordance with any generally accepted auditing standards. The unaudited condensed pro forma combined financial information does not constitute financial statements within the meaning of the Luxembourg law of 19 December 2002, as amended.

The unaudited pro forma condensed combined financial information has not been prepared for inclusion in the Offering Circular to comply with Commission Delegated Regulation (EU) 2019/980 and for no other purposes. The unaudited pro forma condensed combined financial information presented in the Offering Circular has not been prepared in accordance with the requirements of Regulation S-X of the US Securities Act or practices accepted in the U.S. The unaudited pro forma condensed combined financial information has been prepared in accordance with the accounting policies to be adopted by the Company and adopted by Future and described in (i) the 2022-2023 consolidated financial statements of the Company which have been audited by PwC Taiwan; (ii) the 2023 consolidated financial statements of Future which have been audited by EY Canada and (iii) the notes set out below.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2023 (In NT\$ millions)

Assets	Historical	Historical Adjusted (reclassified and translated to NT\$)		Pro Forma Adjustments				Pro Forma
	The Company and its Subsidiaries (T-IFRS)	Future (IFRS)	Note Ref.	Debt Financing and Securities Disposal	Note Ref.	Future Acquisition	Note Ref.	Condensed Combined (IFRS)
Current assets								
Cash and cash equivalents	\$ 22,748	\$ 12,253		\$97,698	A, B	(\$ 125,002)	C, F, H	\$ 7,697
Financial assets at fair value through profit or loss – current	42	–						42
Financial assets at fair value through other comprehensive income – current	1,106	–						1,106
Accounts receivable, net	111,637	60,104						171,741
Other receivables	5,551	1,006	a			(972)	D, F	5,585
Inventories	95,715	43,655						139,370
Prepayments and other current assets	1,948	4,225	b			(119)	E	6,054
Income taxes and other taxes receivable	–	1,048						1,048
Total current assets	238,747	122,291		97,698		(126,093)		332,643
Non-current assets								
Financial assets at fair value through profit or loss – non-current.	361	–						361
Financial assets at fair value through other comprehensive income – non-current	18,833	–		(7,875)	B			10,958
Investments accounted for using equity method.	45	–						45
Property, plant and equipment.	1,262	1,621				(5)	D	2,878
Right-of-use assets	1,030	1,379						2,409
Investment property, net	190	–						190
Intangible assets	3,340	300	c			32,878	C	36,518
Deferred income tax assets	829	780				(457)	G	1,152
Other non-current assets	548	143	d					691
Total non-current assets.	26,438	4,223		(7,875)		32,416		55,202
Total assets	\$265,185	\$126,514		\$89,823		(\$ 93,677)		\$387,845

See accompanying notes to the unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Liabilities and Equity	Historical	Historical Adjusted (reclassified and translated to NT\$)		Pro Forma Adjustments				Pro Forma
	The Company and its Subsidiaries (T-IFRS)	Future (IFRS)	Note Ref.	Debt Financing and Securities Disposal	Note Ref.	Future Acquisition	Note Ref.	Condensed Combined (IFRS)
Current liabilities								
Short-term borrowings . . .	\$ 19,822	\$ -				\$ 5,658 H		\$ 25,480
Short-term notes and bills payable	350	-						350
Financial liabilities at fair value through profit or loss – current	41	-						41
Contract liabilities – current	1,462	-						1,462
Accounts payable	147,955	15,389 e						163,344
Other payables	5,980	5,787 e				2,574 E, G		14,341
Current income tax liabilities	745	495 f				(83) D, E		1,157
Lease liabilities – current .	241	484						725
Long-term liabilities, current portion	89	-						89
Refund liabilities – current .	1,127	-						1,127
Other current liabilities . . .	77	156 g						233
Total current liabilities .	177,889	22,311		-		8,149		208,349
Non-current liabilities								
Long-term loans	12,644	-		89,850 A				102,494
Deferred income tax liabilities	1,032	43				1,374 C		2,449
Lease liabilities – non- current	478	942						1,420
Other non-current liabilities	1,196	2,103 h				(2,085) E, G		1,214
Total non-current liabilities	15,350	3,088		89,850		(711)		107,577
Total liabilities	193,239	25,399		89,850		7,438		315,926
Equity								
Common stock	8,873	4,847				(4,847) C		8,873
Preferred share	1,350	-						1,350
Certificates of entitlement to new shares from convertible bonds	7	-						7
Advance receipts for share capital	5,423	-						5,423
Capital surplus	25,681	49 i				(49) C		25,681
Legal reserve	4,311	-						4,311
Special reserve	1,564	-						1,564
Unappropriated retained earnings	14,301	96,219		4,536 B		(96,219) C, D, E, G, H		18,837
Other equity interest	9,599	-		(4,563) B		- C		5,036
Equity attributable to owners of the parent .	71,109	101,115		(27)		(101,115)		71,082
Non-controlling interest . .	837	-						837
Total equity	71,946	101,115		(27)		(101,115)		71,919
Total liabilities and equity	\$265,185	\$126,514		\$89,823		(\$ 93,677)		\$387,845

See accompanying notes to the unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2023 (In NT\$ millions)

Income Statement Items	Historical	Historical Adjusted (reclassified and translated to NT\$)1		Pro Forma Adjustments				Pro Forma
	The Company and its Subsidiaries (T-IFRS)	Future (IFRS)	Note Ref.	Debt Financing and Securities Disposal	Note Ref.	Future Acquisition	Note Ref.	Condensed Combined (IFRS)
Operating revenue	\$ 594,519	\$ 166,785	j					\$ 761,304
Operating costs	(576,113)	(137,818)	k					(713,931)
Net operating margin . . .	18,406	28,967						47,373
Operating expenses								
Selling expenses	(6,383)	(12,320)				116	II, III, IV	(18,587)
General and administrative expenses	(3,060)	(5,303)	l, m			1,533	III, VI, VIII, IX, X	(6,830)
Research and development expenses	(755)	-						(755)
Impairment (loss) gain determined in accordance with IFRS 9	(8)	(120)	m			-		(128)
Total operating expenses . .	(10,206)	(17,743)		-		1,649		(26,300)
Operating profit	8,200	11,224		-		1,649		21,073
Non-operating income and expenses								
Interest income	152	509	o					661
Other income	594	-						594
Other gains and losses . .	148	400	p			(528)	V, VIII	20
Finance costs	(3,880)	(220)	q	(2,493)	I	66	V	(6,527)
Share of profit of associates and joint ventures accounted for using equity method . .	(19)	-						(19)
Total non-operating income and expenses	(3,005)	689		(2,493)		(462)		(5,271)
Profit before income tax . .	5,195	11,913		(2,493)		1,187		15,802
Income tax expense	(1,217)	(2,269)	r			373	II, IV, V, VI, VII, VIII, IX, X	(3,113)
Profit for the year	\$ 3,978	\$ 9,644		(\$ 2,493)		\$1,560		\$ 12,689

See accompanying notes to the unaudited pro forma condensed combined financial information.

Notes to the Unaudited Pro Forma Condensed Combined Financial Information**1. Description of the Transactions**

- *The Future Acquisition*

On April 2, 2024, we completed the Future Acquisition. Founded in 1968, Future is a premier electronic components distributor headquartered in Montreal, Canada with global operations and a strong focus on mass market customers. Pursuant to the Share Purchase Agreement with Future and Alonim, the sole shareholder of Future, wholly owned by the founder of Future, we acquired 100% of the share capital in Future from Alonim by cash for an enterprise value of US\$3.8 billion. Following the closing of the acquisition, Future became our wholly-owned subsidiary while largely operating its business as it had prior to the acquisition.

The Cash Consideration is expected to be funded with net proceeds raised in the Debt Financing and the Company's available cash on hand. The Company also will assume Future's indebtedness.

- *The Debt Financing and the Securities Disposal*

The Company expects to fund a substantial portion of the Cash Consideration and related transactions costs with proceeds from (i) unused facilities under syndicated loans; and (ii) disposal of common shares held in ASMedia Technology Inc. as announced in January 2024.

2. Basis of Preparation and Presentation

The unaudited pro forma condensed combined financial information gives effect to the acquisition of a 100% ownership interest in Future by the Company under the acquisition method of accounting. The unaudited pro forma condensed combined balance sheet gives effect to the transaction as if it had closed on December 31, 2023. The unaudited pro forma condensed combined income statement for the year ended December 31, 2023 gives effect to the transaction as if it had closed on January 1, 2023.

The unaudited pro forma condensed combined financial information was prepared by the Company based on the audited consolidated financial statements of both WT and Future as of and for the year ended December 31, 2023, and other limited information available. The unaudited pro forma condensed combined financial information should therefore be read in conjunction with the following consolidated financial statements, including the notes thereto:

- the audited consolidated financial statements of WT Microelectronics Co., Ltd. as of and for the year ended December 31, 2023, which have been prepared in accordance with T-IFRS endorsed by the Financial Supervisory Commission, ROC and included in the F-pages to this Offering Circular; and

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

- the audited consolidated financial statements of Future Electronics Inc. as of and for the year ended December 31, 2023, which have been prepared in accordance with IFRS issued by International Accounting Standards Board (the “IASB”) and in the F-pages to this Offering Circular.

The Future’s historical consolidated financial statements were prepared in accordance with U.S. GAAP and presented in US Dollar (US\$). Due to the Future Acquisition, Future adopted IFRS on January 1, 2023 with a transition date of January 1, 2022. For purposes of the unaudited pro forma condensed combined financial information, those financial statements have been adjusted to conform to the recognition, measurement and presentation requirements of T-IFRS, presented in New Taiwan dollars (NTD), which is the presentation currency of the Company. Financial information available for Future in USD has been translated to NTD using a spot rate of NT\$30.62 = US\$1.00 as of December 31, 2023 and the prevailing average rate of NT\$30.62 = US\$1.00 for the period from January 1, 2023 to December 31, 2023. Please note that the translation is for convenience only and is not prepared in accordance with T-IFRS and IFRS.

The Company has reviewed Future’s IFRS policies and related reporting and has concluded that the accounting policy differences between T-IFRS and IFRS did not result in a material impact compared with reporting prepared under the Company’s T-IFRS accounting policies. Accordingly, these unaudited pro forma condensed combined financial information does not assume any material differences between T-IFRS and IFRS. In making an investment decision, investors must rely upon their own examination of the Combined Group the terms of the Offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between T-IFRS and IFRS and how those differences might affect the financial information herein.

3. *Presentation reclassification adjustments:*

Presentation reclassification adjustments have been applied to the Future’s consolidated balance sheet and statement of income as of and for the year ended 31 December 2023 in order to conform with the Company’s consolidated financial statement presentation. Such reclassifications have been made based on currently available information and, accordingly, further required adjustments may be identified as additional information becomes available. These adjustments may be material. The notes below refer to the historical Future’s consolidated balance sheet and statement of income line items and indicate how these have been reclassified to the respective consolidated balance sheet and statement of income line items of the Company presented herein. Amounts are presented in US\$ and have been translated from NT\$ as indicated under Note 2 above.

- a. “Due from related parties” of NT\$1,006 million (US\$32.9 million) was reclassified to “Other receivables”.
- b. “Prepaid expenses and other current assets” of NT\$4,225 million (US\$138.0 million) was reclassified to “Prepayment and other current assets.”
- c. “Intangible assets, net” of NT\$30 million (US\$1.0 million) and Goodwill of NT\$270 million (US\$8.8 million) were reclassified to “Intangible assets”.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

- d. “Other long term assets” of NT\$143 million (US\$4.7 million) was presented as “Other non-current assets”.
- e. “Accounts payable and accrued liabilities” of NT\$21,177 million (US\$691.6 million) was split between trade accounts payable of NT\$15,389 million (US\$502.6 million) (reclassified to “Accounts payable”) and accrued liabilities of NT\$5,787 million (US\$189.0 million) (presented as “Other payables”).
- f. “Income taxes and other taxes payable” of NT\$495 million (US\$16.1 million) was presented as “Current income tax liabilities”.
- g. “Other short term liabilities” of NT\$156 million (US\$5.1 million) was presented as “Other current liabilities”.
- h. “Other long term liabilities” of NT\$2,103 million (US\$68.7 million) was presented as “Other non-current liabilities”.
- i. “Contributed surplus” of NT\$49 million (US\$1.6 million) was presented as “Capital surplus”.
- j. “Net sales” of NT\$166,785 million (US\$5,446.9 million) was presented as “Operating revenues”.
- k. “Cost of merchandise sold” of NT\$137,818 million (US\$4,500.9 million) was presented as “Operating costs”.
- l. “Depreciation of right-of-use assets” of NT\$511 million (US\$16.7 million) was reclassified to “General and administrative expenses”.
- m. “General and administrative expenses” of NT\$4,912 million (US\$160.4 million) was split between “General and administrative expenses” of NT\$4,792 million (US\$156.5 million) and expected credit losses of trade receivables of NT\$120 million (US\$3.9 million) (reclassified to “Impairment (loss) gain determined in accordance with IFRS 9”).
- n. “Interest revenue” of NT\$509 million (US\$16.6 million) was presented as “Interest income”.
- o. “Foreign exchange loss” of NT\$85 million (US\$2.8 million), “Gain on change in estimate—other liabilities” of NT\$6 million (US\$0.2 million) and “Gain on disposal of property, plant and equipment and other assets” of NT\$479 million (US\$15.6 million) were reclassified to “Other gain and losses”.
- p. “Interest expenses” of NT\$220 million (US\$7.2 million) was presented as “Finance costs”.
- q. “Provision for income taxes” of NT\$2,269 million (US\$74.1 million) was presented as “Income tax expenses”.

4. *Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2023*

The Pro Forma Adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows:

- *The Debt Financing*
 - A. Reflects the cash and long-term borrowings increase to the unaudited pro forma condensed combined balance sheet in the amount of NT\$89,850 million as of December 31, 2023, net of approximately NT\$150 million of syndication coordination fees.
- *The Securities Disposal*
 - B. Reflects the disposal of 4,500,000 common shares of ASMedia Technology Inc. held by the Company in a total consideration of NT\$7,848 million, net of related disposal transaction costs of NT\$27 million.
- *Preliminary Purchase Accounting—Future Acquisition*
 - C. Represents the preliminary goodwill recognized in accordance with IFRS 3, for the excess of the preliminary consideration to be transferred to Future’s shareholder over the fair value of Future’s net assets. On the other hand, following the Cash Consideration being paid to Future’s shareholder, Future’s historical shareholders’ equity, which includes common stock, contributed capital surplus, retained earnings and accumulated other comprehensive loss, is eliminated after the Future Acquisition.

Under the acquisition method of accounting pursuant to IFRS 3 “Business Combinations”, Future’s assets and liabilities will generally be recorded at their fair values at the date of the completion of the Future Acquisition. The unaudited pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets as of December 31, 2023 and have been prepared to illustrate the estimated effect of the Future Acquisition.

For the purpose of the unaudited pro forma condensed combined financial information, a preliminary fair value exercise has been performed focusing on selected items of intangible assets including customer relationship that were deemed as potentially exposed to significant fair value adjustments.

The purchase accounting is dependent upon certain valuations and other studies that have not yet been fully completed. Accordingly, the preliminary purchase accounting is subject to further adjustments as additional information becomes available and as additional analysis and final valuations are conducted at and following the completion of the Future Acquisition. The final valuations could differ materially from the preliminary fair valuations presented below.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following table summarizes the preliminary purchase accounting and the determination of the preliminary goodwill, with the excess of the preliminary consideration to be transferred to Future shareholders over the fair value of Future's net asset reflected as goodwill:

Calculation of preliminary goodwill	USD, Million	TWD, Million
Cash Consideration	3,800	116, 356
Carrying amount of identifiable assets acquired and liabilities assumed:		
Total assets acquired	4,132	126,514
Total liabilities assumed	(829)	(25,399)
Less: Pro Forma Adjustments directly attributable to the Future Acquisition in accordance with the Share Purchase Agreement	(531)	(16,263)
Adjusted Carrying amount of net assets acquired	2,772	84,852
Less: pre-existing Future Goodwill	(9)	(271)
Add: Fair value adjustments on Intangibles	224	6,870
Less: Fair value adjustments on Deferred Tax Liabilities	(45)	(1,374)
Preliminary fair value of net assets acquired	2,942	90,077
Preliminary goodwill	858	26,279

- D. Reflects certain assets that are not related to the ordinary course of business but are required to be disposed prior to the Future Acquisition in accordance with the Share Purchase Agreement in a selling price of NT\$34 million and a gain on disposal of NT\$29 million to be recognized, and the corresponding corporate income tax effect.
- E. Reflects certain employee retention-related cash obligations granted by Future to become payable or vested immediately at the completion of the Future Acquisition to fulfill its employee retention-related cash obligations under the Share Purchase Agreement which decrease the retained earnings in the amount of NT\$444 million, and decrease the other current assets of NT\$119 million and increase the liabilities of NT\$325 million, respectively, and the corresponding corporate income tax effect.
- F. Reflects the cash settlement of the remaining balance of due from related parties of Future as of December 31, 2023 prior to the closing of the Future Acquisition in the amount of NT\$1,006 million.
- G. Reflects Future's transfer of a donation commitment that had a carrying amount of NT\$1,979 million (US\$65 million) as of December 31, 2023 (shown as "other non-current liabilities") to a third-party entity at a consideration of NT\$2,143 million (US\$70 million), to fulfill its relevant obligations under the Share Purchase Agreement. In addition, a corresponding deferred tax asset of NT\$457 million recognized in the historical financial statements is reversed due to the transfer of such donation commitment.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

- H. Reflects a cash dividend of NT\$15,310 million (US\$500 million) which is intended to be distributed by Future to its shareholder prior to the Future Acquisition to fulfill its pre-closing obligations in accordance with the Share Purchase Agreement, which lowers the retained earnings and the cash and cash equivalent. On the other hand, reflects Future's utilization of certain short-term borrowings in the amount of NT\$5,658 million to fulfill the above pre-closing obligations and maintain a minimum cash and working capital level in accordance with the Share Purchase Agreement.

5. *Adjustments to Unaudited Pro Forma Condensed Combined Income Statement for the Year Ended December 31, 2023*

- I. Reflects the cash interest expenses in the amount of NT\$2,493 million incurred due to the additional drawdown of the newly entered and existing syndicated loans for financing the Future Acquisition to be paid by the Company, as well as the interest expenses incurred due to the additional borrowings drawdown by Future.
- II. Reflects the amortization expenses of NT\$458 million with the preliminary useful lives of 15 years in relation to the intangible assets—customer relationship's fair value adjustment applied in the purchase acquisition accounting and the income tax amortization of NT\$92 million on the preliminary fair value adjustments resulting in decrease in the deferred tax liabilities.
- III. Removes the salary expenses of NT\$69 million for certain employment contracts to be terminated prior to the Future Acquisition in accordance with the Share Purchase Agreement and the tax effect related to the payroll.
- IV. Removes certain employee retention-related cash obligations in the total amount of NT\$735 million granted by Future that was supposed to become payable or vested immediately upon the Future Acquisition and the related payroll tax born by Future that were reflected in the historical financial statements and its related corporate income tax effect of NT\$147 million and hence adjusts the retained earnings.
- V. Removes the interest expenses and gains on change in estimate of the donation commitment in a total amount of NT\$59 million and the reversal of the previously recognized accumulated deferred tax assets in the amount of NT\$110 million that were all reflected in the historical financial statements as if the obligation should be transferred to another entity prior to the Future Acquisition and hence adjusts the retained earnings.
- VI. The related corporate income tax effects of NT\$26 million for the Adjustment III and V.
- VII. The related corporate income tax effects of NT\$499 million for the Adjustment I.
- VIII. Removes the depreciation and the maintenance fee related to certain assets that were required to be disposed by the Share Purchase Agreement in the total amount of NT\$521 million and its related tax effect of NT\$68 million.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

- IX. Removes WT's direct transaction costs of the Future Acquisition that were reflected in the historical financial statements in the amount of NT\$1,015 million and its related tax effect of NT\$203 million.
- X. Removes Future's direct transaction costs of the Future Acquisition that were reflected in the historical financial statements in the amount of NT\$105 million and its related tax effect of NT\$20 million.

INDUSTRY OVERVIEW

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The global electronic components industry, which consists of semiconductor and IP&E markets, is expected to experience solid growth driven by technology advancements such as AI, digitalization and next-generation of communication, underpinning the semiconductor upcycle and accelerate supply chain inventory correction.

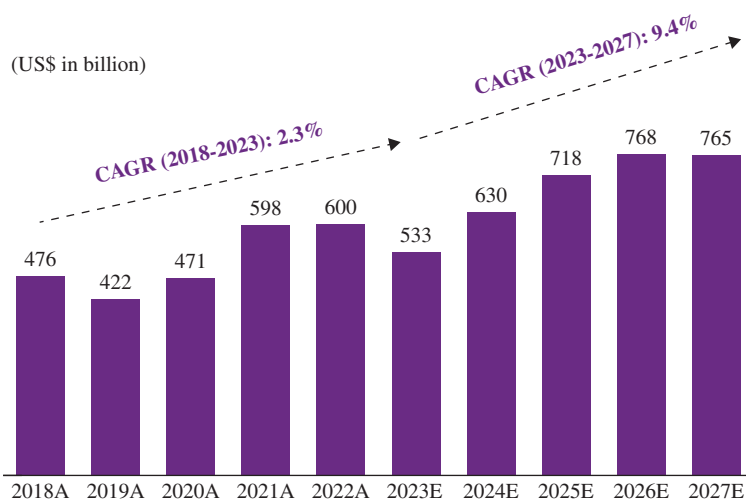
Overview of Global Semiconductor Market

The global semiconductor market has experienced fluctuations in the past five years including strong demand in 2021 and 2022 coupled with supply shortage due to impact of COVID-19 pandemic causing disruptions in supply chains and logistics, to slowdown in 2023 due to lower enterprise and consumer spending, leading to oversupply of inventory. However, 2023 marked an inflection point of the semiconductor cycle with excess inventory started to level off while growth was returning across multiple sectors. Increasing AI applications, especially Generative AI (GenAI), digitalization and next-generation of communication are boosting demand in datacenters, edge computing and Internet of Things (IoT) endpoints. Adoption of consumer electronics such as smartphones, laptops and wearables, as well as rising demand of automotive electronics and smart industrial applications, have together fueled strong demand for the semiconductor industry. According to Gartner®, the global semiconductor market has grown from US\$476 billion in 2018 to US\$533 billion in 2023, reflecting a CAGR of 2.3% from 2018 to 2023, and is expected to further grow to US\$765 billion in 2027, reflecting a CAGR of 9.4% from 2023 to 2027¹⁰.

10 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. (Revenue for 2018) Gartner®, Semiconductor Forecast Database Worldwide, 4Q20 Update, Ben Lee et al., 24 December 2020 (This research provides a historical snapshot in time).

INDUSTRY OVERVIEW

Global Semiconductor Market Forecast



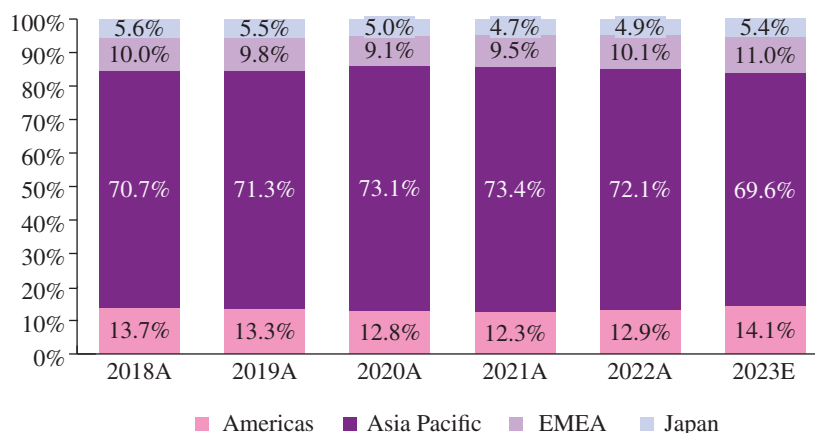
Source: Graph created by WT Microelectronics based on Gartner research. Calculations performed by WT Microelectronics. (For 2021–2027) Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. (For 2020) Gartner®, Semiconductor Forecast Database Worldwide, 4Q22 Update, Rajeev Rajput et al., 19 December 2022. (For 2019) Gartner®, Semiconductor Forecast Database Worldwide, 4Q21 Update, Ben Lee et al., 23 December 2021. (For 2018) Gartner®, Semiconductor Forecast Database Worldwide, 4Q20 Update, Ben Lee et al., 24 December 2020. From 2018 to 2020, This research provides a historical snapshot in time.

The Asia Pacific region has been driving the growth of the global semiconductor market, and has become the world’s major production base of electronic products since 2000. The Asia Pacific region has benefitted from low-cost and quality labor, advanced manufacturing capabilities, and well-developed supply chain cluster. According to Gartner®, semiconductor sales in the Asia Pacific region have grown from US\$337 billion in 2018 to US\$371 billion in 2023; the region has consistently accounted for about 70% of the global semiconductor sales each year¹¹. The Americas and EMEA have also been playing essential roles in the global semiconductor market, focusing on semiconductor design supported by favorable policies and government subsidies.

¹¹ Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. (For 2018) Gartner®, Semiconductor Forecast Database Worldwide, 4Q20 Update, Ben Lee et al., 24 December 2020 (This research provides a historical snapshot in time).

INDUSTRY OVERVIEW

Semiconductor Market Share by Region



Source: Graph created by WT Microelectronics based on Gartner research. Calculations performed by WT Microelectronics. (For 2021–2023) Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. (For 2020) Gartner®, Semiconductor Forecast Database Worldwide, 4Q22 Update, Rajeev Rajput et al., 19 December 2022. (For 2019) Gartner®, Semiconductor Forecast Database Worldwide, 4Q21 Update, Ben Lee et al., 23 December 2021. (For 2018) Gartner®, Semiconductor Forecast Database Worldwide, 4Q20 Update, Ben Lee et al., 24 December 2020. From 2018 to 2020, This research provides a historical snapshot in time.

According to Gartner®¹², the electronic equipment types of the semiconductor industry mainly include automotive, communication, consumer, datacenter and server, industrial, mobile phones and PC and peripherals. Multiple segments are expected to experience a CAGR of greater than 10% from 2023 to 2027, benefitting from the megatrends mentioned above and additional drivers discussed below:

- Automotive:** In recent years, digitalization, electrification and safety awareness have accelerated the growth of semiconductor content in a motor vehicle. Automakers globally have started to work closely with semiconductor companies to integrate electronic control technologies to launch intelligent vehicle solutions. Meanwhile, the market size of electric vehicles (EV) and hybrid EV have been increasing significantly due to growing consumer demand and regulatory support across the globe. Usage of various sensors, microprocessors and control technologies have driven the automotive semiconductor market to flourish. According to Gartner®, automotive semiconductor market exceeded US\$79 billion in 2023, and is expected to grow at a CAGR of 11.4% between 2023 and 2027¹³.

12 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Automotive = Automotive Electronics, Communication = Communication Electronics total except Smartphone, Traditional Phone, Enterprise LAN and Enterprise WAN. Consumer = Consumer Electronics. Datacenter and Server = Servers + Accelerator Cards + Storage Media Total + Storage Systems (Incl FAS) Total + Enterprise LAN + Enterprise WAN. Industrial = Industrial Electronics + Military/Civil Aerospace Electronics. Mobile = Smart Phone + Traditional Phone. PC and Peripherals = Compute Electronics except Servers and Accelerator Cards.

13 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Automotive = Automotive Electronics.

INDUSTRY OVERVIEW

- *Communication:* Internet and wireless technology have revolutionized the communication industry. Deployment of 5G infrastructure continues to support faster and greater amount of data transmission and edge computing capabilities, all of which are enabled by semiconductor components. According to Gartner®, the communication semiconductor market reached US\$35 billion in 2023, and is expected to grow at a CAGR of 6.8% between 2023 and 2027¹⁴.
- *Consumer:* Increasing adoption of consumer electronics such as laptops, wearables, and more smart home appliances with connectivity and more advanced functions are fueling the consumer semiconductor market. Capabilities such as voice assistance and health monitoring with advanced sensors are a few examples of how AI applications are being integrated into consumer devices. According to Gartner®, the consumer semiconductor market reached US\$60 billion in 2023, and is expected to grow at a CAGR of 6.2% from 2023 to 2027¹⁵.
- *Datacenter and Server:* Digitalization, cloud and AI have dramatically increased the amount of data being generated, transmitted and used. This has led to strong demand for datacenters and IT infrastructure to enable more bandwidth and faster transmission. Ongoing investments in public clouds have continued to support the growth of hyper-scale datacenters. The datacenter and server semiconductor market reached US\$91 billion in 2023, and is expected to grow at a CAGR of 12.6% from 2023 to 2027¹⁶.
- *Industrial:* Today, industrial manufacturing process and value chain are becoming more efficient, more automated and smarter. “Industry 4.0” can be defined as the integration of intelligent digital technologies into manufacturing and industrial processes. It encompasses a set of technologies such as industrial IoT networks, big data, robotics and automations. These technologies are enabled through the usage of a large number of sensors, actuators, automatic control systems and multi-network architectures. According to Gartner®, the industrial semiconductor market reached US\$74 billion in 2023, and is expected to grow at a CAGR of 10.3% from 2023 to 2027¹⁷.
- *Mobile Phone:* Despite global smartphone shipment has been relatively moderate in recent years due to improved durability and lengthened replacement cycle, increasing adoption of new technologies such as AI and more sophisticated design and functionalities will continue to support the mobile phone semiconductor market. According to Gartner®, the mobile phone semiconductor market reached US\$106 billion in 2023, and is expected to grow at a CAGR of 10.2% from 2023 to 2027¹⁸.

14 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Communication = Communication Electronics total except Smartphone, Traditional Phone, Enterprise LAN and Enterprise WAN.

15 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Consumer = Consumer Electronics.

16 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Datacenter and Server = Servers + Accelerator Cards + Storage Media Total + Storage Systems (Incl FAS) Total + Enterprise LAN + Enterprise WAN.

17 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Industrial = Industrial Electronics + Military/Civil Aerospace Electronics.

18 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Mobile Phone = Smartphone + Traditional Phone.

INDUSTRY OVERVIEW

- *PC and Peripherals*: Demand for PCs has been negatively impacted by slowdown in global economy and muted spendings of enterprises and consumers. However, for example, AI and quantum computing are driving new PC technologies in areas such as computing power and data processing capabilities. It is expected that AI function based PCs will start to launch from 2024. According to Gartner®, the PC and peripherals semiconductor market reached US\$87 billion in 2023, and is expected to grow at a CAGR of 5.5% from 2023 to 2027¹⁹.

Overview of Global IP&E Market

In addition to semiconductor market, IP&E market consists of the basic yet essential categories of the electronic components market. Interconnect parts are the basic components that electrically interconnect wires, cables and components in electronics and electrical systems. Passive devices refer to devices that require no power supply for the operation of their electronic components. In the absence of a power supply, these devices can only passively respond to electrical signals, not intercept or alter them. Electromechanical components are used extensively in the manufacturing and assembly of electronic products, which include motors, relays, transformers, filters and contactors.

Similar to semiconductor components, IP&E market is also driven by AI and digitalization, boosting the demand for end markets such as automotive and industrial. Increasing adoption of consumer electronics such as smartphones, laptops and wearables and more smart home appliances, will also be key drivers for the IP&E market. According to Precedence Research, the global IP&E components market was estimated at US\$187 billion in 2023 and is expected to reach over US\$228 billion by 2027, representing a CAGR of 5.2% from 2023 to 2027.

The Development of Electronic Components Supply Chain

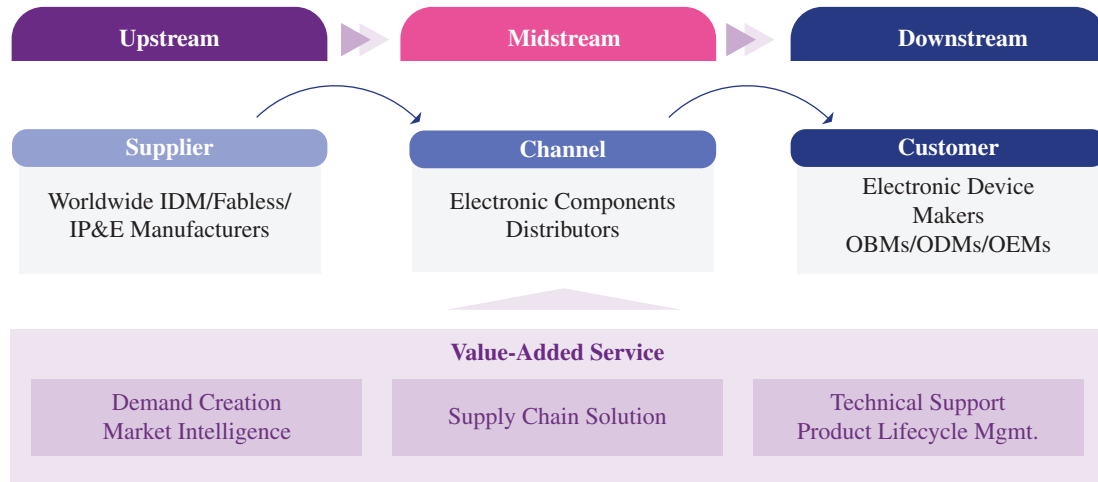
Overall, the electronic components (inclusive of semiconductor and IP&E) supply chain can be categorized by upstream, midstream and downstream players. Upstream suppliers include semiconductor integrated device manufacturers (IDM), fabless companies, as well as other electronic components manufacturers who sell components directly or indirectly to downstream customers, namely the electronics manufacturers including OBMs, ODMs and OEMs. Electronic components distributors at the midstream, via the indirect model, act as the bridge between upstream suppliers and downstream customers, providing professional and value-added services to both ends.

The global electronic components industry is becoming more complex and highly specialized. Upstream suppliers are faced with the need to shorten product lifecycle and to enhance product differentiation, and therefore are becoming more focused on new product development and process improvement. This, in turn, has facilitated upstream suppliers to leverage electronic components distributors for market penetration, technical support services, and supply chain management. Similarly, in order to seize business opportunities and shorten time-to-market, downstream electronics manufacturers have placed more emphasis on the development of new applications, while relying more on distributors to provide optimal component suggestion, timely inventory solutions and more flexible payment terms.

¹⁹ Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. PC and Peripherals = Compute Electronics except Servers and Accelerator Cards.

INDUSTRY OVERVIEW

To enable the electronic components supply chain to operate more efficiently, distributors have taken on the responsibilities beyond simple “buy and sell”, but to provide upstream suppliers with demand creation services and market intelligence and downstream customers with technical support and product lifecycle management to accelerate time-to-market. As a result, electronic components distributors’ value is constantly increasing and distributors are well recognized by suppliers and customers as strategic business partners.



Future Trends of the Electronic Components Distribution Industry

The key future trends driving the electronic components distribution industry include the below:

Operational efficiency driven by market complexity: The electronic components supply chain is becoming more diversified and complex driven by a wide variety of applications across different industries, with a trend towards shortened product lifecycle and customization of products. As such, resources management and time efficiency will remain the top priorities for players along the electronic components supply chain.

Digitalization: Suppliers, distributors and customers are collaborating more closely to facilitate real-time information sharing and thus optimize operational efficiency and supply chain management. With the market environment becoming more dynamic, each stakeholder is seeking to adopt a digital model and be able to constantly monitor changes in supply, demand and evolving end user needs.

Distributors’ growing value: Along with the market trends discussed above, leading distributors such as WT Microelectronics Co., Ltd. are shouldering more responsibilities to provide comprehensive services to suppliers and customers along the whole value chain, transforming from a simple buy-and-sell model to a value-added service model. Examples of services provided include market intelligence and demand creation services to suppliers and product lifecycle management, technical support, and logistics management to customers.

INDUSTRY OVERVIEW

Competitive Landscape

In line with the global semiconductor market development, the global semiconductor distribution market grew rapidly from US\$152 billion in 2018 to US\$191 billion in 2023 at a CAGR of 4.6%²⁰.

Currently, the top four players, namely WT Microelectronics Co., Ltd, Arrow Electronics, Inc., Avnet, Inc., and WPG Holdings Co., Ltd, are leading the global semiconductor distribution market. According to Gartner®, these four largest semiconductor distributors together accounted for 44.0% of global market share in 2023 in terms of total revenues. The top four players and their total market share have been relatively consistent over the years while retaining a significant lead ahead of the fifth onwards players, demonstrating the challenges for scale, operating experience and technical expertise in the distribution industry. The table below shows the market share of the top ten global semiconductor distributors worldwide in 2023²¹.

Global Semiconductor Distributor Market Share by Players (2023)

Rank in 2023	Company	2023 Share
1	WT Microelectronics	12.2%
2	Arrow Electronics	11.4%
3	Avnet	10.4%
4	WPG Holdings	10.1%
5	Macnica	3.5%
6	Toyota Tsusho	2.4%
7	Supreme Electronics	2.4%
8	CECport	2.4%
9	Digi-key	1.8%
10	Edom Technology	1.8%
Total		58.4%

Source: Graph created by WT Microelectronics based on Gartner research. Calculations performed by WT Microelectronics. Source: Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. Market Share for WT Microelectronics was on pro forma basis after the acquisition of Future Electronics, which accounted for 2.3% market share in global semiconductor distributor market in 2023.

Key competing factors in the global semiconductor distribution market include business scale, breadth and depth of product lines, technical capabilities, supply chain management capabilities, distribution network and overall services quality, among others. Apart from competing with each other, the top four distributors, namely WT Microelectronics Co., Ltd, Arrow Electronics, Inc., Avnet, Inc., and WPG Holdings Co., Ltd, also face competition from smaller but niche players who focus specifically on one or a few market segments, certain product lines or geographic locations. These players may also become potential M&A targets of larger market leaders to complement their products and services in the future.

20 Calculations performed by WT Microelectronics. Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. (Revenue for 2018) Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2018, Masatsune Yamaji, 22 February 2019 (This research provides a historical snapshot in time).

21 Calculations performed by WT Microelectronics. Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. Market Share for WT Microelectronics was on pro forma basis after the acquisition of Future Electronics, which accounted for 2.3% market share in global semiconductor distributor market in 2023.

Overview

We are a global top three electronic components distributor with end-to-end capabilities and a diversified geographic presence across Asia Pacific, the Americas and EMEA. Founded in 1993 initially as a Taiwan-based semiconductor components distributor, our position is further strengthened by our acquisition of Future to become a truly global player. According to Gartner®, we ranked first in the global semiconductor distribution market in terms of total revenue in 2023, achieving a market share of 12.2%, among which 2.3% was attributable to Future²².

Our mission is to deliver compelling services to help our partners succeed and hold ourselves accountable to our shareholders. We are committed to being the most trustworthy electronic components distributor, offering superior value-added services throughout the entire product lifecycle to our business partners.

Founded in 1968, Future is a premier electronic components distributor headquartered in Montreal, Canada with global operations and a strong focus on mass market customers, who generally have limited access to direct channels and thereby rely on the value-added services provided by distributors. Led by a group of talented management team, Future has built and grown its businesses based on its strong fundamentals over the years, including its long-term trusted relationships with many key suppliers and a large customer base across the Americas, Asia Pacific, and EMEA. We believe there are potential synergies that can be achieved between Future and us, including expanding distribution territories for suppliers and enabling cross-sell opportunities to customers, expanding business through global coverage and better utilizing market intelligence in business operation.

With the Future Acquisition, we now partner with more than 400 suppliers across major technology segments to offer over 250,000 types of electronic components, serving over 25,000 customers in around 50 countries and regions with over 160 business sites in the world. We have historically excelled at customer engagement across Asia Pacific, characterized by our expertise in serving tier-1, large-scale, well-capitalized blue-chip OBM, ODM and OEM customers, as well as mass market customers. The Future Acquisition has expanded our customer base, further enhancing coverage of mass market customers globally.

Our product portfolio includes ASSP-wireless connectivity, ASSP-wired connectivity, ASSP-others, analog, ASIC, microcomponents, memory, discrete, optoelectronics and others, complemented by Future's diverse offerings in IP&E products. Our products have a wide scope of applications, including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone. The Future Acquisition has enabled us to achieve a more well-rounded industry reach leveraging Future's strong focus on the automotive and industrial sectors. Not only do we offer a comprehensive portfolio of products, we also leverage our economies of scale to support suppliers and customers with extensive value-added services, based on which we have established our market position as the go-to partner for both upstream and downstream players.

The global electronic components industry, comprised of semiconductor and IP&E, has become more complex and highly specialized. There is strong demand for electronic components fueled by the megatrends of technology advancements such as AI, digitalization and next-generation of communication. The global semiconductor market is

22 Calculations performed by WT Microelectronics. Source: Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. Market Share for WT Microelectronics was on pro forma basis after the acquisition of Future Electronics, which accounted for 2.3% market share in global semiconductor distributor market in 2023.

expected to grow from US\$533 billion in 2023 to US\$765 billion in 2027 at a CAGR of 9.4%, according to Gartner^{®23}. On the other hand, IP&E market, the basic yet essential part of the electronic components market, is expected to grow from US\$187 billion in 2023 to US\$228 billion in 2027 at a CAGR of 5.2%, according to Precedence Research. Together, our addressable market will represent nearly US\$1 trillion market opportunity by 2027. In addition to having a positive long-term outlook, the electronic components supply chain has become more diversified and complex driven by a wide variety of applications across different industries, with a trend towards shortened product lifecycle and higher customization of products which make resources management and time efficiency the top priorities. To enable the electronic components supply chain to operate more efficiently, leading distributors such as us play an important role in providing comprehensive services along the whole value chain. We provide suppliers with extensive reach to a global customer base, strong demand creation services, superior market intelligence and intelligent supply chain solutions. And at the same time, we serve as a single access point to a wide range of product lines to our customers, equip them with product lifecycle management and reliable supply chain solutions, leading to shorter time-to-market. As such, the value that electronic components distributors such as us can provide is well recognized by suppliers and customers alike, making us an important strategic business partner. In line with the development of the global electronic components market, the global semiconductor distribution market grew rapidly from US\$152 billion in 2018 to US\$191 billion in 2023 at a CAGR of 4.6%²⁴.

The Company's operating revenue increased by 27.5% from NT\$447,896.1 million (US\$14,627.6 million) in 2021 to NT\$571,197.1 million (US\$18,654.4 million) in 2022, and further by 4.1% to NT\$594,518.8 million (US\$19,416.0 million) in 2023. Combining the Company and Future, our revenue for 2023 was NT\$761,304.0 million (US\$24,863.0 million) on a pro forma basis.

Our Competitive Strengths

Leading global electronic components distributor

We are a global top three electronic components distributor with end-to-end capabilities and a diversified geographic presence across Asia Pacific, the Americas and EMEA. Founded in 1993 initially as a Taiwan-based semiconductor components distributor, our position is further strengthened by our acquisition of Future to become a truly global player. This strategic move distinguishes us from regional competitors, underscoring our superior operational capabilities and market influence on a global level.

According to Gartner[®], we ranked first in the global semiconductor distribution market in terms of total revenue in 2023, achieving a market share of 12.2%, among which 2.3% was attributable to Future²⁵. We now partner with more than 400 suppliers across major technology segments to offer over 250,000 types of electronic components, serving over 25,000 customers in around 50 countries and regions with over 160 business sites in the world.

23 Calculations performed by WT Microelectronics. Gartner[®], Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, RajeevRajput et al., 19 December 2023.

24 Calculations performed by WT Microelectronics. Gartner[®], Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. (Revenue for 2018) Gartner[®], Market Share: Semiconductor Distributors, Worldwide, 2018, Masatsune Yamaji, 22 February 2019 (This research provides a historical snapshot in time).

25 Calculations performed by WT Microelectronics. Source: Gartner[®], Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024. Market Share for WT Microelectronics was on pro forma basis after the acquisition of Future Electronics, which accounted for 2.3% market share in global semiconductor distributor market in 2023.

Having a global footprint strengthens our competitive edge by equipping us with end-to-end capabilities to offer seamless cross-border services, making us more resilient to address the shift in global supply chain on a timely basis, and enabling economies of scale, which enhances our operational and financial performance. All of the above have benefitted us in being the go-to partner for both upstream and downstream players.

Long-standing and trusted partner for suppliers

We have developed deep and long-term partnership with industry-leading electronic components suppliers across major technology segments. We partner with more than 400 suppliers. Our product portfolio includes ASSP-wireless connectivity, ASSP-wired connectivity, ASSP-others, analog, ASIC, microcomponents, memory, discrete, optoelectronics and others, complemented by Future's diverse offerings in IP&E products. Our products cover a wide scope of applications, including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone. Following the acquisition of Future, we have achieved a more well-rounded industry reach leveraging Future's strong focus on the automotive and industrial sectors.

Our value-added services to suppliers are summarized as below:

- *Extensive reach to a broad and global customer base:* We provide suppliers with an extensive reach to a broad and global customer base. This entails leveraging our worldwide network and market presence to connect suppliers with a diverse and expansive pool of customers across various industries and regions, thereby enhancing suppliers' market penetration and business potential.
- *Demand creation and market intelligence:* We work seamlessly with suppliers' sales and marketing team to perform as an extension of their sales and marketing function. We offer global marketing services to further expand the sale of suppliers' products, which include identifying new customers, facilitating customers' adoption of suggested products and promoting suppliers' new products to potential customers. We are able to provide in-depth market insights on application trends and latest product development given our offering of an extensive range of electronic components and coverage of a large base of suppliers and customers globally. We believe such market intelligence is valuable to suppliers in understanding and meeting evolving customer demand, which in turn promotes the usage of suppliers' components in customers' current applications and future product roadmap.
- *Intelligent supply chain solutions:* We offer intelligent supply chain solutions that assist suppliers in navigating customer demand and managing inventory levels amidst dynamic market conditions. These solutions leverage advanced analytics, forecasting tools, and real-time data to provide suppliers with actionable insights, facilitating efficient inventory management and aligning production timelines with demand cycles.
- *Superior engineering competence:* We have a dedicated engineering team consisting of over 1,300 experienced engineers specializing in field application support, reference design and research and development, who promote suppliers' competitive components and solutions to customers to meet latest technology trends and customer demand, as well as offering on-site technical support services. As of the date of this Offering Circular, we had around 50 laboratories and six engineering centers worldwide across nine countries and regions.

Our position as a trusted, long-standing partner to suppliers is firmly established through our comprehensive suite of value-added services ensuring the suppliers' market sustainability and continuous success.

Full Customer Coverage Enabled by Superior Services

We have historically excelled at customer engagement across Asia Pacific, characterized by our expertise in serving tier-1, large-scale, well-capitalized blue-chip OBM, ODM and OEM customers, as well as mass market customers. The Future Acquisition has expanded our customer base, further enhancing coverage of mass market customers globally. As of December 31, 2023, we had more than 10,000 customers covering 13 countries and regions with 52 business sites in the world. These metrics have further reached over 25,000 customers, around 50 countries and regions and over 160 business sites following the Future Acquisition. We have achieved a comprehensive customer coverage across all segments, spanning from tier-1 to mass market customers. In general, mass market customers have limited direct channel access to suppliers and thereby rely on the enhanced value-added services provided by distributors, resulting in higher levels of demand creation, which typically brings higher margins.

Our value-added services to customers are summarized as below:

- *Access to comprehensive product lines:* We provide customers a single access point to comprehensive product lines through a wide coverage of suppliers, providing “one-stop shop” product portfolio of semiconductor and IP&E components to meet diverse customer needs.
- *Technical support:* We provide customers with end-to-end technical support. Our dedicated engineering team consisting of over 1,300 experienced engineers provide reliable and responsive on-site supports, including system level design services with insightful technology know-how, component level consulting services, board level debugging services, as well as prototype validation.
- *Product lifecycle management:* Our value-added services cover the entire product lifecycle. Apart from new design development from concept and component suggestion, we manage transition processes such as inventory planning and warranty management, as well as product re-engineering. With our facilitation based on market intelligence and industry insights from design to manufacturing and further to product iteration phases, our customers are able to shorten their design cycle, accelerate their time-to-market and enhance their products' competitiveness.
- *Intelligent supply chain solutions:* To assist our customers in meeting their end-user demand while maintaining a healthy level of production and inventory, we offer supply chain solutions covering intelligent supply chain planning and logistics management. Our competencies in information technology, inventory and order backlog management and multi-national warehousing and logistics, combined with our strong global presence and extensive partner relationships, allow us to offer optimized supply chain solutions on a local, regional and global basis. We provide customers with more visibility around the availability and lead time of suppliers' components, helping customers to navigate the complexities of supply and demand dynamics. We can also assist customers in selecting alternative components when needed. We provide warehouse facilities, inventory and warranty management services such as smart labelling to tailor-made bar code to offload customers' stock receiving, tracking and controlling, and optimal fulfillment and logistic planning based on products, locations and transportation prices.

We believe our comprehensive product offerings, superior technical capabilities, and extensive value-added services make us a preferred distributor for customers globally. We will continue to drive sustainable customer wins, sales and profitability through our know-how and global resources.

Well-positioned to capture a secular, long-term growth of attractive end markets

The electronic components supply chain is becoming more diversified and complex, driven by a wide variety of applications across different industries, with a trend towards shortened product lifecycle and customization of products. We believe we are well-positioned to capture the secular, long-term growth of attractive end markets through our ability to remain at the forefront of electronic components industry development, and be nimble in optimizing our product portfolio.

Our product offerings have a diversified and balanced scope of applications, including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone. According to Gartner®, global semiconductor revenues of the automotive, industrial, datacenter and server, communication, consumer, PC and peripherals, and mobile phone segments are expected to experience CAGRs of 11.4%, 10.3%, 12.6%, 6.8%, 6.2%, 5.5% and 10.2% respectively, from 2023 to 2027²⁶.

We have been strategically focusing on the “Star Application” segments featuring higher growth and/or higher margin products, including automotive, industrial and instrument, datacenter and server and communication sectors. We have achieved market share gains in these key growth sectors, which in aggregate contributed to approximately 43% of our revenue in 2021 and further expanded to over 53% of our revenue in 2023. The Future Acquisition has further enhanced our standing in the automotive and industrial sectors which are known for their extended product lifecycles. This further boosted the revenue contribution from “Star Application” segments to over 60% of our revenue in 2023 on a pro forma basis.

We believe our strategic focus on higher growth and/or higher margin product segments while maintaining the contribution from other segments have made us well-positioned to capture the secular, long-term growth of attractive end markets.

Successful track record and focus on sustainable development

Our management team aims to promote a corporate culture of corporate sustainability, social responsibility and diversity.

- **Environmental Sustainability:** The Company is committed to the goal of achieving net-zero greenhouse gas emissions by 2050 and target 3-5% reduction of greenhouse gas emissions per year.
- **Social Responsibilities:** We are within the Taiwan High Salary 100 Index. We established the WT Education Foundation in 2014 to support rural children. In 2023, the donations and activities expenses by the Company reached NT\$10 million. The Company also promotes green design and targets low-carbon revenue to reach 20% of its total revenue in 2030, up from 9.9% in 2022.

26 Calculations performed by WT Microelectronics. Gartner®, Semiconductors and Electronics Forecast Database, Worldwide, 4Q23 Update, Rajeev Rajput et al., 19 December 2023. Automotive = Automotive Electronics. Industrial = Industrial Electronics + Military/Civil Aerospace Electronics. Datacenter and Server = Servers + Accelerator Cards + Storage Media Total + Storage Systems (Incl FAS) Total + Enterprise LAN + Enterprise WAN. Communication = Communication Electronics total except Smartphone, Traditional Phone, Enterprise LAN and Enterprise WAN. Consumer = Consumer Electronics. Mobile Phone = Smart Phone + Traditional Phone. PC and Peripherals = Compute Electronics except Servers and Accelerator Cards.

BUSINESS

- Corporate Governance: We were awarded the top 5% in governance ranking by TWSE in the past three consecutive years. We have added one independent director on our board in 2023, and independent directors account for 50% of our total directors.
- Diversity: Women comprise around 38% of our board and approximately 40% of the Company's employees.

Our Business Strategies

Leverage global footprint to pursue high-quality and value-driven business

Over the course of 30 years since our establishment in 1993, we have evolved from a Taiwan-based, Asia Pacific-focused semiconductor distributor into a truly global distributor of electronic components. We are committed to being the most trustworthy electronic components distributor. To achieve this, we have been forging strong and sustainable partnerships with our suppliers and customers, with a firm belief that their success directly contributes to our own.

Our high quality and value-driven services are the core to our success. Going forward, we will continue to focus on broadening our customer base, adeptly enhancing our market intelligence, as well as continuously providing superior demand creation services and intelligent supply chain solutions. All these efforts, together with our end-to-end capabilities and cross-border services, will deepen our collaboration with our suppliers and help them better address and meet customer demand on a timely basis.

On the customer end, apart from providing reliable supply chain solutions, we aim to gain access to more supplier product lines, continue to offer full product lifecycle management to accelerate customers' time-to-market and enhance their products' competitiveness.

Identify and invest in key strategic industries and continue to improve business mix

We are committed to identifying and investing in key strategic industries, with a focused effort on improving our business mix to better address the evolving needs of the market. Our strategy includes increasing our emphasis on sectors that offer higher growth and/or higher margin potential, such as automotive, industrial and instrument, datacenter and server and communication segments. We will further leverage our industry knowledge and experience to stay at the forefront of the global technology development, to enable us to identify and penetrate new sectors with high potentials. In terms of product offerings, we aim to achieve a balanced mix by expanding our portfolio to include IP&E components, complementing our existing range of product categories as well as enhancing our profitability.

Develop new business opportunities with existing and new partners to grow market share

Our partners include upstream suppliers and downstream customers. Leveraging our strong relationships with our partners, we aim to enhance our leadership position and to continue growing our market share globally.

Our strategy focuses on deepening relationships with current suppliers and customers while expanding our partnership network. For our suppliers, we aim to expand our distribution territories from certain suppliers and offer their products to a wider customer base. This will strengthen our relationship with the suppliers by becoming a more integral part of their global distribution strategy. For our customers, we target to increase product penetration by providing more comprehensive product offerings including IP&E components and seamless cross-border services. On the other hand, we plan to explore and collaborate with new suppliers and customers who have demonstrated high market potential in any of the fast-growing sectors that we have strategically identified and invest our resources in.

This dual approach of going deep and wide enables us to build a more robust, dynamic, and resilient business model, poised for sustainable growth in the fast-evolving electronic components distribution landscape.

Continue building our core values and talent pool for sustainable business growth

Our dedication to nurturing our core values and talent pool remains pivotal for achieving sustainable growth. Integrity, commitment, and teamwork with respect for the individual stand at the heart of our operations, guiding our interactions and decisions daily. Our unwavering support for our business partners, employees, shareholders, and the broader society reflects our commitment to ethical and responsible business practices.

We are led by a seasoned and visionary management team with in-depth experience and complementary backgrounds spanning from information technology, electronic components industry, application engineering to marketing. Our management team, including Future's, has an average experience of over 20 years in the electronic components industry. This collective leadership, combining the entrepreneurial spirits with extensive industry insights, is deeply committed to delivering value to all our partners.

We recognize that the foundation of our long-term success is deeply rooted in creating a nurturing work environment that prioritizes individual development and demonstrates genuine care for our employees. This approach not only fosters a positive and productive workplace but also ensures that we continue to attract, develop, and retain top talent who are essential for driving our future growth and maintaining our competitive edge in the industry.

Selectively explore strategic investments or acquisitions

Strategic investments and acquisitions have been part of our growth strategy to supplement organic growth. Our acquisition strategy is to selectively focus on targets who can meet multiple criteria such as having strong relationships with suppliers and/or customers, offering products and services that are complementary with our existing offerings, demonstrating solid technical capabilities, having complementary geographical presence, possessing a strong talent pool, and sharing our vision and common values.

Our recent acquisition of Future exemplifies this strategy. We are committed to achieving a smooth integration with Future and to achieve potential synergies and greater efficiencies, supported by similar corporate culture between us and Future. To facilitate a smooth integration, we have established a balanced corporate and governance structure post-transaction, including dual-headquarters in Taipei and Montreal, invitation of Future's

CEO to our board of directors and retention of Future's key management. We are also taking active steps to build a clear global coverage plan addressing the needs of our suppliers and customers, to encourage know-how sharing to ensure adoption of best practices across the organization, and to optimize our global resources across divisions. These elements are crucial for leveraging the strengths of both organizations, driving operational efficiencies, and enhancing our competitive advantage in the market, transforming us into a truly global distributor of electronic components.

Achieve healthy financial profile to maximize shareholder returns

We are committed to actively monitoring and managing our cash conversion cycle to ensure liquidity and operational efficiency. By allocating capital efficiently, we aim to improve our return on working capital. This involves a pragmatic evaluation of business opportunities, taking into account of various factors such as complexity of business operations, the level of services required, and strategic priorities of our business. Our goal is to optimize our financial resources to support sustainable growth and enhance profitability.

In addition to ensuring effective working capital management, we aim to optimize our capital structure prudently in the current high interest rate environment. We plan to maintain a reasonable level of leverage, balancing the need for growth and financial stability. This strategy is designed to safeguard our financial health and ensure the availability of capital to fund strategic initiatives while also improving returns for our shareholders.

By focusing on these areas, we aim to strengthen our financial foundation, support our long-term strategy and ensure that we can continue to deliver values to our shareholders.

Products and Services

We are a global top three electronic components distributor with end-to-end capabilities and a diversified geographic presence across Asia Pacific, the Americas and EMEA. Founded in 1993 initially as a Taiwan-based semiconductor components distributor, our position is further strengthened by the completion of the Future Acquisition in April 2024, allowing us to become a truly global player.

We market and distribute a comprehensive product portfolio of semiconductor and IP&E components of our suppliers to meet diverse customer needs and offer our customers and suppliers end-to-end services throughout the entire product lifecycle. We work with over 400 suppliers across major technology segments to serve over 25,000 customers in around 50 countries and regions.

Our Products

After the Future Acquisition, our product portfolio includes ASSP-wireless connectivity, ASSP-wired connectivity, ASSP-others, analog, ASIC, microcomponents, memory, discrete, optoelectronics and others, complemented by Future's diverse offerings in IP&E products.

Our products have a wide scope of applications, including automotive, industrial and instrument, datacenter and server, communication, consumer and others, PC and peripherals, and mobile phone.

BUSINESS

We have achieved a more well-rounded industry reach following the Future Acquisition. The table below sets forth the pro forma revenue contribution by end market for 2023:

	Year ended December 31, 2023	
	US\$	%
<i>(unaudited, in millions, except percentages)</i>		
Revenue by end market:		
Automotive	2,268.4	9.1
Industrial and instrument	5,492.1	22.1
Datacenter and server	4,267.9	17.2
Communication	2,905.2	11.7
Consumer and others	2,417.0	9.7
PC and peripherals	2,004.7	8.1
Mobile phone	5,507.7	22.1
Total	24,863.0	100.0

Future's Products

Founded in 1968, Future has built a comprehensive and diversified range of products and solutions across various categories. Their extensive product offering covers analog, connectivity, display, embedded processing, FPGA (field programmable gate arrays), power, memory, sensors controllers, lighting and IP&E. With market leadership and expertise in both semiconductors and IP&E, Future's business is highly complementary to ours.

Future's products are versatile with a broad range of applications, with a strong focus on the automotive and industrial sectors.

Our Value-added Services

After the Future Acquisition, we provide a comprehensive range of value-added services throughout the entire product lifecycle.

Services to Suppliers:

- *Extensive reach to a broad and global customer base:* We provide suppliers with an extensive reach to a broad and global customer base. This entails leveraging our worldwide network and market presence to connect suppliers with a diverse and expansive pool of customers across various industries and regions, thereby enhancing suppliers' market penetration and business potential.
- *Demand creation and market intelligence:* We work seamlessly with suppliers' sales and marketing team to perform as an extension of their sales and marketing function. We offer global marketing services to further expand the sale of suppliers' products, which include identifying new customers, facilitating customers' adoption of suggested products and promoting suppliers' new products to potential customers. We are able to provide in-depth market insights on application trends and latest product development given our offering of an extensive range of electronic components and coverage of a large base of suppliers and customers globally. We believe such market intelligence is valuable to suppliers in understanding and meeting evolving customer demand, which in turn promotes the usage of suppliers' components in customers' current applications and future product roadmap.

- *Intelligent supply chain solutions:* We offer intelligent supply chain solutions that assist suppliers in navigating customer demand and managing inventory levels amidst dynamic market conditions. These solutions leverage advanced analytics, forecasting tools, and real-time data to provide suppliers with actionable insights, facilitating efficient inventory management and aligning production timelines with demand cycles.
- *Superior engineering competence:* We have a dedicated engineering team consisting of over 1,300 experienced engineers specializing in field application support, reference design and research and development, who promote suppliers' competitive components and solutions to meet latest technology trends and customer demand, as well as offering on-site technical support services. As of the date of this Offering Circular, we had around 50 laboratories and six engineering centers worldwide across nine countries and regions.

Services to Customers:

- *Access to comprehensive product lines:* We provide customers a single access point to comprehensive product lines through a wide coverage of suppliers, providing "one-stop shop" product portfolio of semiconductor and IP&E components to meet diverse customer needs.
- *Technical support:* We provide customers with end-to-end technical support. Our dedicated engineering team consisting of over 1,300 experienced engineers provide reliable and responsive on-site supports, including system level design services with insightful technology know-how, component level consulting services, board level debugging services, as well as prototype validation.
- *Product lifecycle management:* Our value-added services cover the entire product lifecycle. Apart from new design development from concept and component suggestion, we manage transition processes such as inventory planning and warranty management, as well as product re-engineering. With our facilitation based on market intelligence and industry insights from design to manufacturing and further to product iteration phases, our customers are able to shorten their design cycle, accelerate their time-to-market and enhance their products' competitiveness.
- *Intelligent supply chain solutions:* To assist our customers in meeting their end-user demand while maintaining a healthy level of production and inventory, we offer supply chain solutions covering intelligent supply chain planning and logistics management. Our competencies in information technology, inventory and order backlog management and multi-national warehousing and logistics, combined with our strong global presence and extensive partner relationships, allow us to offer optimized supply chain solutions on a local, regional and global basis. We provide customers with more visibility around the availability and lead time of suppliers' components, helping customers to navigate the complexities of supply and demand dynamics. We can also assist customers in selecting alternative components when needed. We provide warehouse facilities, inventory and warranty management services such as smart labelling to tailor-made bar code to offload customers' stock receiving, tracking and controlling, and optimal fulfillment and logistic planning based on products, locations and transportation prices.

Suppliers

As an electronic components distributor, we work with upstream suppliers across major technology segments. With the Future Acquisition, we now partner with more than 400 suppliers across major technology segments to offer over 250,000 types of electronic components.

We believe we do not rely on any single supplier. In 2023, on a combined basis with Future, the product sales of our largest supplier represented 32% of our total pro forma revenue. No sales of any other single supplier's products accounted for more than 10% of our total sales in 2023 on a pro forma basis. Most of our purchases are pursuant to distributor agreements, which are typically non-exclusive and terminable by either party with notice. These agreements are generally terminable upon 30 to 180 days' notice and, in certain cases, provide for or require inventory return privileges upon termination.

The pricing of our products is subject to negotiation with our customers and discussion with our suppliers through quotation process, often utilizing our market intelligence and with input from us. We mainly employ what is known as the "ship and debit" model, whereby we purchase a given product from a supplier at a pre-determined price, and we sell the product to our customers at the pre-agreed price. We then apply for a rebate from the suppliers so that our gross profit would fairly reflect the level and type of services we provide to the suppliers and customers. The purchase volume is not pre-determined by the distributor agreements but based on the rolling forecasts and/or orders of our customers.

Under the ship and debit model, we are protected against the potential write-down of inventories due to technological change or price reductions of the products. Certain contractual provisions further provide protections to us for product obsolescence in the form of return privileges or scrap allowances. That being said, we have the right to return to the supplier, for credit, a defined portion of those inventory items purchased, provided such inventory items are in saleable condition. However, such policies may not fully compensate for the loss. For more details, see "Risk Factors—Risks Relating to our Industry and Business—Inventory loss or inventory value decline may adversely affect our results of operations and financial condition."

Our Customers

We have historically excelled at customer engagement across Asia Pacific, characterized by our expertise in serving tier-1, large-scale, well-capitalized blue-chip OBM, ODM and OEM customers, as well as mass market customers. The Future Acquisition has expanded our customer base, further enhancing coverage of mass market customers globally. As of December 31, 2023, we had more than 10,000 customers covering 13 countries and regions with 52 business sites in the world. These metrics have further reached over 25,000 customers, around 50 countries and regions and over 160 business sites, following the Future Acquisition. We have achieved a comprehensive customer coverage across all segments, spanning from tier-1 to mass market customers. The latter group particularly relies on the enhanced value-added services provided by distributors due to limited direct channel access, resulting in higher levels of demand creation, which typically brings higher margins.

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The table below sets forth the breakdown of revenue and gross profits contribution by ship-to location for 2023 on a pro forma basis:

Year ended December 31, 2023		
	US\$	%
<i>(unaudited, in millions, except percentages)</i>		
Revenue by region:		
Asia Pacific	20,863.1	83.9
Americas	2,296.5	9.2
EMEA	1,703.4	6.9
Total	24,863.0	100.0

Year ended December 31, 2023		
	US\$	%
<i>(unaudited, in millions, except percentages)</i>		
Gross profits by region:		
Asia Pacific	867.8	56.1
Americas	391.9	25.3
EMEA	287.4	18.6
Total	1,547.1	100.0

We believe we do not rely on any single customer. In 2023, on a combined basis with Future, our largest customer accounted for 18% of our total pro forma revenue. No other single customer accounted for more than 10% of our total sales in 2023 on a pro forma basis.

Sales to our customers are generally governed by purchase orders, rather than through long-term sales contracts. Our sales and marketing team updates each customer's demand forecast on a weekly basis to manage or adjust purchase order backlogs and inventory.

Sales and Marketing

We primarily market and sell our products through our direct sales force located close to customers. Our sales representatives generally serve customers in a specific segment within certain geographic areas. This approach allows us to be accessible to our customers across various regions, enhancing our ability to meet customer demands with speed and efficiency. Our sales personnels work closely with marketing team and application engineers to coordinate on the introduction of new electronic components as well as providing comprehensive support to customers throughout their product lifecycle from initial product development activities, product launches to ongoing demand and supply planning. Our sales and marketing teams provide an extensive portfolio of products and services to help customers develop innovative products, reduce their time to market, support customers' material management and production needs, and therefore enhance their overall competitiveness. As of the date of this Offering Circular, our sales and marketing teams consisted over 5,000 members, comprised of our sales and customer service representatives, product managers and vendor service representatives.

Technical Capabilities

As an electronic components distributor, we focus on enhancing our technical capabilities to enable customers to shorten and smoothen the research and development design process while enhancing their products' market competitiveness.

Our engineering team is responsible for new business opportunity engagement through promoting competitive components and solutions to meet latest technology trends and customer demand. Moreover, we offer on-site technical support services, including circuit and PCB layout review, function testing, board level debug and system verification where customers adopt our solutions. Each created opportunity/project is managed and traced in our design-in tracking system.

Our technical capabilities are strengthened by leveraging Future's engineering centers. With engineers who are system design experts, possessing in-depth knowledge on a variety of design approaches and insight into new product roadmaps, reference designs, tools and design methodologies, Future's engineering centers provide in-depth engineering design services and comprehensive solutions, from new product introductions (NPI) to evaluation and development kits, reference designs, demo boards, proof of concepts and other various design consulting services.

As of the date of this Offering Circular, we had around 50 laboratories and six engineering centers worldwide across nine countries and regions, and we had a dedicated engineering team consisting of over 1,300 experienced engineers.

Competition

There is significant competition within each market sector and geography we serve that creates the need to continuously improve services. We compete with other large multinational and national electronic components and numerous other smaller, specialized competitors who generally focus on niche markets, products, or particular sectors. The size of our competitors and resources available to them vary across market sectors. Therefore, some of our competitors may have a more extensive customer and/or supplier base than we do in one or more of its market sectors. Other competitive factors include technical expertise, product availability, credit availability, speed of delivery, ability to tailor solutions to meet customer needs, quality and depth of product lines, as well as service and support provided by the distributors to the customers.

We believe we are well equipped to compete effectively with our competitors due to our geographical coverage, comprehensive product and service offerings, superior technical capabilities, extensive distribution networks, and intelligent supply chain management.

Employees

As of December 31, 2021, 2022 and 2023, the number of our full-time employees was 2,564, 3,547, and 3,463, respectively.

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Combining the Company and Future, our full-time employee headcount reached over 8,500 as of December 31, 2023, which included 5,381 in Asia Pacific, 1,889 in the Americas and 1,299 in EMEA. The table below sets forth our employees by function as of December 31, 2023 on a combined basis with Future:

Function	Number of Employees
Sales/Customer Service Representatives	3,350
Engineers	1,334
Product Managers/Vendor Service Representatives	1,727
Shipping/Warehouse	513
Others	1,645
Total	8,569

Our success is dependent in a large part on our ability to attract, retain, train and motivate skilled and qualified personnel. We have devoted significant attention and resources to recruit and train our employees in order to enhance their professional capabilities and to instill the qualities that are essential to enable us to realize our long-term goals. We select our personnel through a rigorous process. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites and human resource agents.

We believe that our compensation packages are competitive with those of our competitors. We evaluate the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotion opportunities. We may also distribute annual bonuses in the form of cash and share-based reward program to our directors, senior management and other full-time employees. See “Dividends and Dividend Policy.”

We are required to make contribution to employee pension plans in the various jurisdictions in which we operate. In particular, PRC subsidiaries are required under the PRC law to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance and medical and unemployment insurance. Our contributions are made based on specified percentages of the salaries, bonuses and certain allowances of our employees.

For our employees based in Taiwan, we participate in a defined benefit pension plan in accordance with the ROC Labor Standards Law, covering the employees who provided services to us prior to July 1, 2005 but chose to remain in the benefit pension plan after the ROC Labor Pension Act became effective on July 1, 2005. For employees who chose to remain in the original benefit pension plan in accordance with the ROC Labor Standards Law, we contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan as trustee under the name of an independent retirement fund committee.

In accordance with the ROC Labor Pension Act, we also have a defined contribution employee retirement plan covering all ROC employees who work for us since July 1, 2005 or who work for us prior to July 1, 2005 and did not choose to remain in the original benefit pension plan. We contribute no less than 6% of an employee’s monthly salary and wages to the personal pension account of such employee each month with the ROC Bureau of Labor Insurance. Employees may choose to receive pension on a monthly basis or to receive a lump-sum payment upon retirement in the amount of the balance in the personal pension account plus accumulated investment gains.

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We have not experienced any material labor dispute and we believe we have maintained a sound relationship with our employees.

Insurance

We believe our insurance policies are in line with customary industry practice in our industry. However, any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations, and we cannot assure you that our insurance coverage will be sufficient to cover our losses. See “Risk Factors—Risks Relating to our Industry and Business—Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business” in this Offering Circular.

Environmental, Social and Governance

We are principally engaged in the IC distributors industry, and our main business includes trading and application engineering of electronic components. Due to the non-manufacturing nature of the industry, there are no environmental pollution issues. We believe that our operations are in compliance in all material respects with applicable environmental laws and regulations.

Our management team aims to promote a corporate culture of corporate sustainability, social responsibilities and diversity.

- **Environmental Sustainability:** The Company is committed to the goal of achieving net-zero greenhouse gas emissions by 2050 and target 3-5% reduction of greenhouse gas emissions per year.
- **Social Responsibilities:** We are within the Taiwan High Salary 100 Index. We established the WT Education Foundation in 2014 to support rural children. In 2023, the donations and activities expenses by the Company reached NT\$10 million. The Company also promotes green design and targets low-carbon revenue to reach 20% of its total revenue in 2030, up from 9.9% in 2022.
- **Corporate Governance:** We were awarded the top 5% in governance ranking by TWSE in the past three consecutive years. We have added one independent director on our board in 2023, and independent directors account for 50% of our total directors.
- **Diversity:** Women comprise around 38% of our board and approximately 40% of the Company’s employees.

Legal Proceedings

We may from time to time be subject to various complaints, allegations, or lawsuits claiming in the ordinary course of business. Such complaints, allegations, or lawsuit claiming, whether or not they have merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. The outcome of any claims, investigations, and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming.

As of the date of this Offering Circular, we were not involved in any legal, arbitral or administrative proceedings which could have a material adverse effect on our operations or financial condition, and we were not aware of any material pending or threatened legal, arbitral, or administrative proceedings against us or any of our directors which could have a material adverse effect on our operations or financial condition.

Investment and Principal Subsidiaries

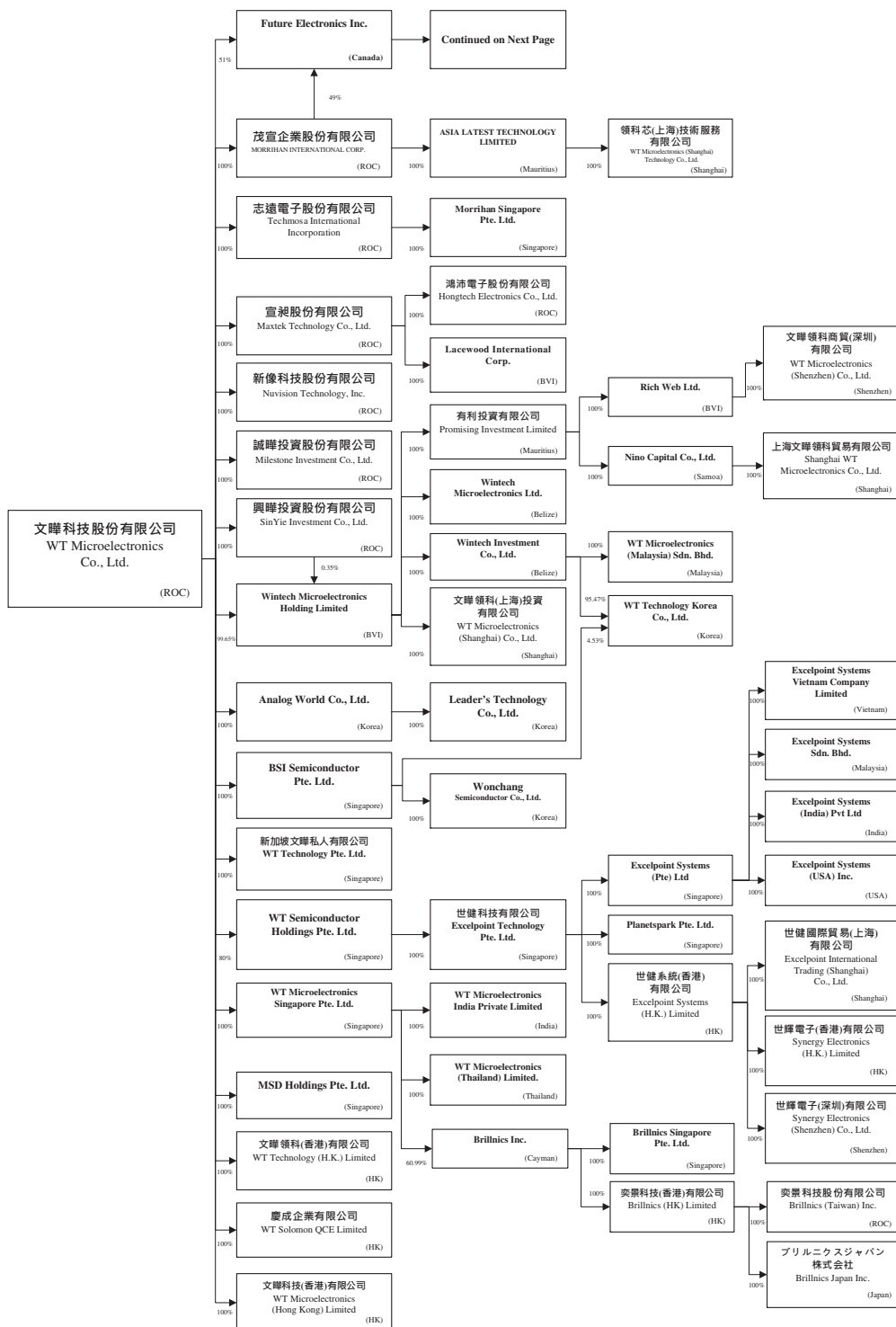
We maintain shareholdings in our subsidiaries and affiliates for long-term strategic and financial investment purposes. To the extent that we make any long-term investments during a given year, the majority of such investments would be made on a strategic basis in companies whose businesses relate in some way to our business operations.

In September 2022, we acquired 100% equity in Excelpoint by cash at over SGD232.2 million through one of our wholly-owned subsidiaries (“Acquiring Entity”) by way of a scheme of arrangement (“Scheme”). Pursuant to the Scheme, the founder and chief executive officer of Excelpoint has reinvested part of the cash consideration due to him under the Scheme in 20% equity of the Acquiring Entity, with the balance 80% stake owned by our Company. Excelpoint was listed in the Singapore stock exchange in 2004.

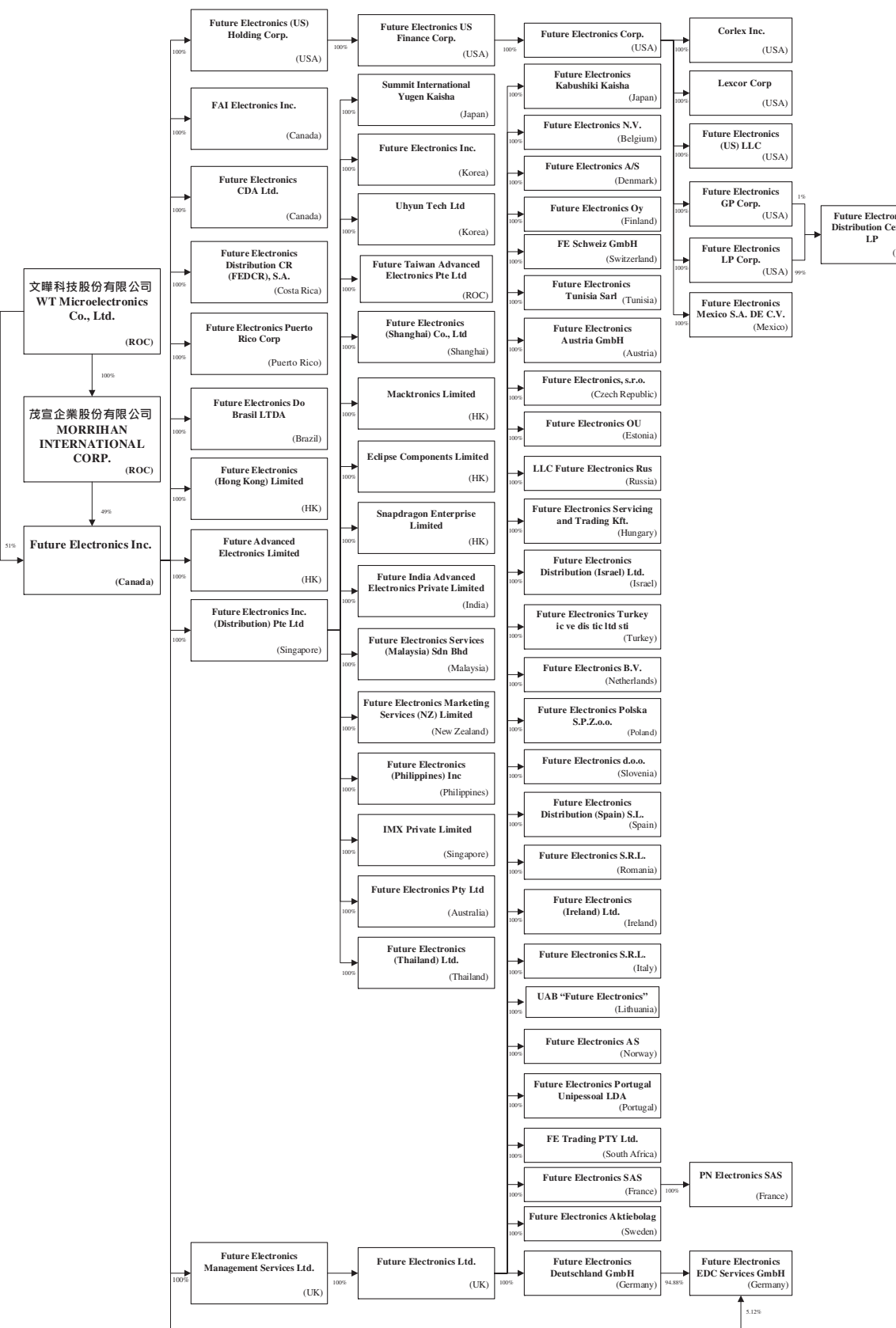
Except for the above-mentioned acquisition of Excelpoint and the Future Acquisition, for the years ended December 31, 2021, 2022 and 2023, we did not undertake, and since December 31, 2023, we have not undertaken, any material investments in joint ventures or other equity investments. As of the date of this Offering Circular, we had not identified any definite acquisition or equity investment target.

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Set forth below is an organizational chart depicting our principal subsidiaries as of the date of this Offering Circular:



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MANAGEMENT

Each of our directors and executive officers listed below can be reached at our registered and principal executive office located at 14F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C. The following table shows information regarding all of our directors and executive officers as of the date of this Offering Circular:

Name	Age	Position
Wen-Tsung Cheng	59	Chairperson, President
Wen You Investment Co., Ltd. Representative: Wen-Hung Hsu	57	Director, Senior Vice President
ASMedia Technology Inc. Representative: Che-Wei Lin.	60	Director
Hsin-Ming Sung Kao	72	Director
Tien-Chong Cheng	71	Independent Director
Ju-Chin Kung	56	Independent Director
Kung-Wha Ding.	70	Independent Director
Chia-Chi Chang	52	Independent Director
Shing-Kang Wen	57	Senior Vice President
Wen-Tsung Chang	56	Senior Vice President
Wan-Lee Sun	59	Vice President and Chief Sustainability Officer
Shing-Yu Yang.	54	Vice President and Chief Financial Officer
Chia-Chang Chang	58	Senior Vice President
Yen-Ting Wu	49	Vice President and Chief Information Security Officer
Yung-Hung Lu	51	Senior Director and Finance Supervisor

Wen-Tsung Cheng joined us in 1993 and has served as our chairperson and president since the same year. Currently, Mr. Cheng also serves as the chairperson of Nuvision Technology, Inc., Techmosa International Inc., Morrihan International Corp., Maxtek Technology Co., Ltd., Hongtech Electronics Co., Ltd., Milestone Investment Co., Ltd., a director of Excelpoint Technology Pte. Ltd. and Promising Investment Limited, the representative director of Wonchang Semiconductor Co., Ltd., Analog World Co., Ltd. and Leader's Technology Co., Ltd. and a director of BSI Semiconductor Pte. Ltd. and Morrihan Singapore Pte. Ltd. Mr. Cheng is the spouse of Ms. Wen-Hung Hsu, our director and senior vice president. Mr. Cheng received his bachelor's degree from the Department of Industrial Engineering of Tunghai University.

Wen-Hung Hsu joined us in 1993. She has served as our director and senior vice president since 2005. Currently, Ms. Hsu also serves as the representative of Juristic-Person director of Brillnics (Taiwan) Inc. and PharmaEngine, Inc., a director of Excelpoint Technology Pte. Ltd., Wonchang Semiconductor Co., Ltd., BSI Semiconductor Pte. Ltd., MSD Holdings Pte. Ltd., Analog World Co., Ltd. and Brillnics Inc. Ms. Hsu is the spouse of Mr. Wen-Tsung Cheng, our director and president. Ms. Hsu received her bachelor's degree in Land Economics from the National Chengchi University.

Che-Wei Lin joined us in 2022. He has serviced as our director since the same year. Currently, Mr. Lin also serves as the representative of Juristic-Person Director and President of ASMedia Technology Inc., a director of iCatch Technology, Inc., and a director of Applied Optoelectronics, Inc. Mr. Lin previously served as the vice president of VIA Technologies, Inc. and the vice president of ASUSTek Computer Inc. Mr. Lin received his master of science degree in electrical engineering from the University of Missouri, Columbia.

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Hsin-Ming Sung Kao joined us in 2009 and has served as our director since the same year. Currently, Ms. Sung Kao also serves as the chairperson and CEO of Marketch International Corp., the chairperson of JI-XUAN Investment Corp., the chairperson of Taiwan Radisen HealthCare Co., Ltd., a director of ProbeLeader Co., Ltd. and Macrotec Technology Corp. Ms. Sung Kao previously served as section head of electronics research at the Institute for Industrial Research. She received her EMBA degree in International Business from National Taiwan University and her bachelor's degree in Cooperative Economics from National Chung Hsing University.

Tien-Chong Cheng joined us in 2016 and has served as our independent director since the same year. Currently, Mr. Cheng also serves as a chairperson of Aurotek Corporation, Taiwan Oiles Industry Co., Ltd., and an independent director of Howteh Technology Co., Ltd., and the representative director of 3e Yamaichi Electronics Co., Ltd. Previously, Mr. Cheng served as CEO of FIH Mobile Limited, a subsidiary of Foxconn Technology Group, vice president of Foxconn Technology Group, president of Texas Instruments Asia Pacific, and president of HP China. Mr. Cheng received his MBA degree from Santa Clara University in the United States and his bachelor's degree in Electronics Engineering from National Chiao Tung University.

Ju-Chin Kung joined us in 2016 and has served as our independent director since the same year. Currently, Ms. Kung also serves as the CFO of TNL Media Group, the representative director of DaEx Intelligent Co., Inc., Polydice, Inc., and an associate professor in China Industrial & Commercial Research Institute. Previously, Ms. Kung served as an assistant manager in PricewaterhouseCoopers, president and CFO of Cite Media Holding Group, CEO and a director of Cite Cultural & Arts Foundation, chairman of Magazine Business Association of Taipei. Ms. Kung is a member of the CPA of Taiwan, the United States and China. Ms. Kung received her MBA degree from the University of California in the United States, her Master of Laws degree from the National Chengchi University and her bachelor's degree in Finance and Taxation from National Chengchi University.

Kung-Wha Ding joined us in 2020 and has served as our independent director since the same year. Currently, Mr. Ding also serves as an independent director of Energenesis Biomedical Co., Ltd. and Steminent Biotherapeutics Inc., a director of Hotung Investment Holdings Ltd., part-time chair professor of Chihlee University of Technology, part-time chair professor of National Taipei University, part-time associate professor of National Chengchi University, National Chiao Tung University and National Taiwan Normal University. Previously, Mr. Ding served as deputy commissioner in the Commissioner of the Securities and Futures Commission in the Ministry of Finance, the chairperson of the Securities and Futures Institute, and the chairperson of Taiwan Depository & Clearing Corporation. Mr. Ding received his master's degree in public finance from the National Chengchi University and his bachelor's degree in Finance from the National Chung-Hsing University.

Chia-Chi Chang joined us in 2023 and has served as our independent director since the same year. Currently, Mr. Chang also serves as a vice president & CFO of Taiwan Mobile Co., Ltd., a director of Yeong Jia Leh Cable TV Co., Ltd., momo.com Inc., Globalview CATV Co., Ltd., Phoenix Cable TV Co., Ltd. and Union Cable TV Co., Ltd. Previously, Mr. Chang served as CFO of Egis Technology Inc., a director of FocalTech Systems Co., Ltd., executive vice president of Yuanta Securities Investment Consulting Co. and a director of Citigroup Global Markets Inc. Mr. Chang received his MBA degree from University of Southern California.

MANAGEMENT

Shing-Kang Wen joined us in 1996. He has served as our senior vice president since 2016. Mr. Wen is our Chief Marketing Officer. Prior to joining us, he served as Sales Manager of Xingqiang Electronics Co., Ltd. Mr. Wen received his bachelor's degree in Electronic Engineering from Tunghan University.

Wen-Tsung Chang joined us in 1997. He has served as our senior vice president since 2018. Mr. Chang is our President of Taiwan. Prior to joining us, he served as Purchasing Manager of DFI Inc. Mr. Chang received his bachelor's degree in Electronic Engineering from China University of Science and Technology.

Wan-Lee Sun joined us in 1997. He has served as our vice president since 2007. Mr. Sun is our Chief Application Officer and Chief Sustainability Officer. Prior to joining us, he was a lecturer at Kuang Wu Institute of Technology. Mr. Sun received his Ph.D. degree in Optics and Photonics from National Central University.

Shing-Yu Yang joined us in 2004. She has served as our vice president and CFO since 2015. Currently, she is also a supervisor of Wonchang Semiconductor Co., Ltd., WT Technology Korea Co., Ltd., and Analog World Co., Ltd. Previously, she was the vice president and chief accountant of the Company. Ms. Yang received her master of accounting degree from Soochow University.

Chia-Chang Chang joined us in 2009 and has served as our senior vice president since 2023. Mr. Chang is our President of China. Prior to joining us, he served as Vice President of Value Provider International Corp. Mr. Chang received his master's degree in Business Administration from Tulane University.

Yen-Ting Wu joined us in 2014. He has served as our vice president since 2021. Mr. Wu is our Chief Business Operations Officer and has been further appointed as Chief Information Security Officer taking effect from October 1, 2022. Prior to joining us, he served as Master Principal Sales Consultant of Oracle Taiwan LLC, Taiwan Branch. Mr. Wu received his master's degree in Computer Science and Information Engineering from National Chiao Tung University.

Yung-Hung Lu joined us in 2002. He has served as our Senior Director and finance supervisor since 2021. Previously, he served as a junior manager of Jih Sun International Bank. Mr. Lu received his master of finance degree from the National Taiwan University of Science and Technology.

Committees of the Board of Directors

Audit Committee

On June 21, 2019, an audit committee was established to replace the supervisors and strengthen our corporate governance. Our audit committee currently consists of Mr. Kung-Wha Ding, Mr. Tien-Chong Cheng, Ms. Ju-Chin Kung and Mr. Chia-Chi Chang. Mr. Kung-Wha Ding is the convener of our audit committee. All members of our audit committee are independent directors. Our audit committee is responsible for (1) fair presentation of the financial reports of the Company, (2) the hiring (and dismissal), independence, and performance of certificated public accountants of the Company, (3) the effective implementation of the internal control system of the Company, (4) compliance with relevant laws and regulations by the Company, and (5) management of the existing or potential risks of the Company. In 2022 and 2023, our audit committee held meetings 9 times and 14 times, respectively.

MANAGEMENT

Remuneration Committee

Our remuneration committee currently consists of Ms. Ju-Chin Kung, Mr. Tien-Chong Cheng and Mr. Kung-Wha Ding. Ms. Ju-Chin Kung is the convener of our remuneration committee. All members of our remuneration committee are independent directors. Our remuneration committee is responsible for assessing the remuneration policy for our directors and executive officers and making recommendations around remuneration to the Board of Directors.

Nominating Committee

Our nominating committee was established on November 14, 2023, and currently consists of Mr. Wen-Tsung Cheng, Mr. Kung-Wha Ding and Mr. Chia-Chi Chang as committee members. Mr. Wen-Tsung Cheng is the convener of our nominating committee. Our nominating committee is responsible for (1) searching and reviewing the candidates of the directors, evaluating the independence of independent directors, and submitting the proposed candidates list to the Board, (2) reviewing the performance evaluation of the Board, each committee and each director, (3) evaluating the independence of independent directors every year, (4) establishing and executing the director training program, and (5) other matters to be performed by the committee pursuant to the instructions of the Board.

Sustainable Development Committee

To implement the concept of sustainable management and strengthen the Company's management system in the three major areas of environmental protection, social responsibility and corporate governance for purpose of sustainable development, the Board of Directors resolved to establish "Sustainable Development Committee" on November 15, 2023 and currently consist of Ms. Wen-Hung Hsu, Mr. Wen-Tsung Cheng, Mr. Kung-Wha Ding, Mr. Tien-Chong Cheng and Ms. Ju-Chin Kung. Ms. Wen-Hung Hsu is the convener of our Sustainable Development Committee. Two functional organizations, the "Sustainable Development Team" and the "Risk Management Team", have been set up under this committee. Chief Sustainability Officer, Mr. Wan-Lee Sun, and Chief Financial Officer, Ms. Shing-Yu Yang, serve as team leaders respectively to implement the promotion and execution of sustainable development work.

Compensation of Directors and Executive Officers

Our directors received aggregate remuneration of approximately NT\$37.0 million, NT\$37.1 million and NT\$29.1 million (US\$1.0 million) in 2021, 2022 and 2023, respectively. Our executive officers received aggregate remuneration of approximately NT\$166.1 million, NT\$187.9 million and NT\$127.8 million (US\$4.2 million) in 2021, 2022 and 2023, respectively. Aggregate remuneration includes all salaries, benefits in kind and annual profit-sharing paid in cash and stock, with stock being valued at par value.

In addition, there are no outstanding loans granted by us to any of the directors or executive officers and there are no outstanding guarantees provided by us for the benefit of any of the directors or executive officers. Our directors and executive officers do not have any interests, other than in the ordinary course of business, in our business transactions. In 2021, 2022 and 2023, we did not enter into any transactions with our directors or executive officers or any other companies or entities on which they serve which are unusual in their nature or conditions.

PRINCIPAL SHAREHOLDERS

The following table sets forth information concerning the ownership of our Common Shares and Preferred Shares by each of our directors and executive officers and each person known to us to own more than 5% of our Common Shares and Preferred Shares as of March 22, 2024:

	Shares (including Common Shares and Preferred Shares) prior to this Offering		Shares (including Common Shares and Preferred Shares) held after this Offering	
	Number	%	Number	%
Directors and Executive Officers:[†]				
Wen-Tsung Cheng ⁽¹⁾	24,967,112	2.1	25,112,112	2.0
Wen You Investment Co., Ltd. Representative:				
Wen-Hung Hsu	*	*	*	*
ASMedia Technology Inc. Representative:				
Che-Wei Lin	—	—	—	—
Hsin-Ming Sung Kao.	*	*	*	*
Tien-Chong Cheng	—	—	—	—
Ju-Chin Kung	—	—	—	—
Kung-Wha Ding	—	—	—	—
Chia-Chi Chang	—	—	—	—
Shing-Kang Wen	*	*	*	*
Wen-Tsung Chang	*	*	*	*
Wan-Lee Sun	*	*	*	*
Shing-Yu Yang	*	*	*	*
Chia-Chang Chang	*	*	*	*
Yen-Ting Wu	*	*	*	*
Yung-Hung Lu	*	*	*	*
Principal Shareholders**:				
ASMedia Technology Inc. ⁽²⁾	196,720,421	16.9	196,720,421	15.7
WPG Holdings Limited ⁽³⁾	177,371,338	15.2	177,371,338	14.2
Shao Yang Investment Co., Ltd. ⁽⁴⁾	86,262,066	7.4	86,262,066	6.9

Notes:

- * Represents beneficial ownership of less than one percent.
- ** Includes beneficial ownership of more than five percent.
- † The address of our directors and executive officers is 14F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan, ROC.
- (1) Represents 24,967,112 Common Shares. Represents 25,112,112 Common Shares after exercising the 2021 Options to obtain 145,000 Common Shares on April 8, 2024.
- (2) Represents 188,720,421 Common Shares and 8,000,000 Class A Preferred Shares held by ASMedia Technology Inc. ASMedia Technology Inc. is a leading fabless IC design house specializing in the design, development and sales of high-speed interface development headquartered in Taipei, Taiwan (stock code: 5269.TW).
- (3) Represents 153,087,471 Common Shares and 24,283,867 Class A Preferred Shares held by WPG Holdings Limited. WPG Holdings Limited is a leading electronics distributor headquartered in Taipei, Taiwan (stock code: 3702.TW).
- (4) Represents 86,262,066 Common Shares held by Shao Yang Investment Co., Ltd., which is controlled by Wen-Tsung Cheng, our Chairperson and President.

As of March 22, 2024, the total number of our Common Shares and Preferred Shares held by our directors was 221,655,727 Common Shares and 8,000,000 Preferred Shares, which represented 21.5% and 5.9% of the issued and outstanding Common Shares and Preferred Shares of our company on that date, respectively. As of March 22, 2024, the total number of our Common Shares and Preferred Shares held by our executive officers was 33,606,117 Common Shares and 84 Preferred Shares, which represented 3.3% and 0.0% of the issued and outstanding Common Shares and Preferred Shares of our company on that date, respectively.

PRINCIPAL SHAREHOLDERS

We granted 12,000 and 18,854 options to certain employees in March 2021 (the “2021 Options”) and January 2022 (the “2022 Options”), respectively, to purchase 12,000,000 and 18,854,000 Common Shares, respectively, which included 2,560 and 3,220 options, respectively, granted to the officers to purchase 2,560,000 and 3,220,000 Common Shares, respectively. As of March 22, 2024, the granted but not yet exercised Common Shares for the 2021 Options and 2022 Options are 5,916,500 and 12,414,500, respectively. The vesting period of the 2021 Options is six years, and the vesting period of the 2022 Options is five years. Qualified employees may exercise certain percentages of the options after two years from the grant date, under both the 2021 Options and the 2022 Options. The options were granted at an exercise price equal to the closing price of our Common Shares listed on the grant date. For any subsequent changes in our capital surplus, the exercise price is adjusted accordingly.

CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Incorporation, we have Common Shares and Preferred Shares with a par value of NT\$10 per share and we may also issue additional Preferred Shares within our authorized share capital. Currently, our Articles of Incorporation provide that our authorized share capital is NT\$20,000,000,000, divided into 2,000,000,000 shares consisting of Common Shares and Preferred Shares. All issued shares are in registered form.

The following table sets forth the changes in our issued share capital as of the dates indicated since January 2021:

Date	Description	Number of shares issued	Number of total issued shares after issue
January 2021	Conversion of convertible bonds to capital stock: NT\$2,056,690	205,669	923,231,659
February 2021	Issuance of restricted stock awards: NT\$29,920,000	2,992,000	926,223,659
April 2021	Conversion of convertible bonds to capital stock: NT\$531,910	53,191	926,276,850
July 2021	Conversion of convertible bonds to capital stock: NT\$3,510,590; Cancellation of restricted stock awards: NT\$240,000	327,059	926,603,909
August 2021	Issuance of restricted stock awards: NT\$27,880,000	2,788,000	929,391,909
November 2021	Conversion of convertible bonds to capital stock: NT\$58,368,450; Cancellation of restricted stock awards: NT\$280,000; Cancellation of treasury stock: NT\$24,940,000	3,314,845	932,706,754
January 2022	Conversion of convertible bonds to capital stock: NT\$51,497,820; Cancellation of restricted stock awards: NT\$620,000	5,087,782	937,794,536
April 2022	Conversion of convertible bonds to capital stock: NT\$28,876,150; Cancellation of restricted stock awards: NT\$330,000	2,854,615	940,649,151
June 2022	Capital increase for GDS offering: NT\$780,000,000	78,000,000	1,018,649,151
August 2022	Cancellation of restricted stock awards: NT\$700,000	(70,000)	1,018,579,151
October 2022	Cancellation of restricted stock awards: NT\$495,000	(49,500)	1,018,529,651
February 2023	Cancellation of restricted stock awards: NT\$285,000	(28,500)	1,018,501,151
April 2023	Cancellation of restricted stock awards: NT\$195,000	3,025,500	1,021,526,651
August 2023	Conversion of option: NT\$30,450,000 Cancellation of restricted stock awards: NT\$155,000	270,500	1,021,797,151
November 2023	Conversion of option: NT\$2,860,000 Cancellation of restricted stock awards: NT\$605,000	504,500	1,022,301,651
February 2024	Conversion of option: NT\$5,650,000 Cash capital increase: NT\$1,350,000,000 Cancellation of restricted stock awards: NT\$140,000 Conversion of option: NT\$6,540,000	135,640,000	1,157,941,651

TRANSACTIONS WITH RELATED PARTIES

We have from time to time engaged in a variety of transactions with our related parties (as defined under T-IFRSs). In considering whether a counterparty is a related party, attention shall be directed to the substance of the relationship in addition to the legal form.

Balances and transactions between us and our related parties have been disclosed in our consolidated financial statements as of and for the years ended December 31, 2021, 2022 and 2023 included in this Offering Circular.

DESCRIPTION OF OUR SHARE CAPITAL

Set forth below is certain information relating to our capital stock, including brief summaries of certain provisions of our Articles of Incorporation, the Securities and Exchange Act of the ROC (the “ROC Securities and Exchange Law”) and the regulations promulgated thereunder, and the Company Act of the ROC (the “ROC Company Act”).

General

The Company is incorporated under the ROC law and its securities are issued pursuant to its Articles of Incorporation under the ROC law. As of March 22, 2024, our authorized share capital registered with the MOEA was NT\$20,000,000,000, and our paid-in share capital was NT\$11,643,771,510, divided into 1,164,377,151 shares, out of which 1,029,377,151 are Common Shares and 135,000,000 are Class A Preferred Shares, each with a par value of NT\$10. Any change in the authorized share capital of a public company limited by shares, such as us, requires an amendment to our Articles of Incorporation (which requires approval at a shareholders’ meeting). Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the MOEA and the FSC, upon terms that our board of directors may determine.

Our Articles of Incorporation authorized the issuance of the Preferred Shares divided in Class A, Class B, Class C, Class D, Class E, Class F, Class G and Class H Preferred Shares. Class A Preferred Shares, Class E Preferred Shares, Class F Preferred Shares are nonconvertible into Common Shares, while Class B and Class C Preferred Shares are convertible into Common Shares on a one-to-one basis after the third year anniversary of the issuance date, and Class D Preferred Shares, Class G Preferred Shares and Class H Preferred Shares are convertible into Common Shares on a one-to-one basis after the first year anniversary of the issuance date in the matter as prescribed in our Articles of Incorporation. Currently, only Class A Preferred Shares have been issued.

All issued and outstanding Common Shares and Preferred Shares are fully paid and in registered form.

Preemptive Rights and Issue of New Shares

The ROC Company Act provides that when a company issues new shares for cash, 10% to 15% of such issue must be offered to the issuing company’s employees except in certain limited circumstances. In addition, the ROC Securities and Exchange Act and the relevant securities regulations require that if a public company listed on the TWSE or Taipei Exchange intends to offer new shares for cash, at least 10% of the issue must be offered to the public, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders’ meeting, which will reduce the number of new shares to which existing shareholders may have preemptive right. Unless the percentage of the shares offered to the public is increased by a resolution, our existing shareholders have a preemptive right to acquire the remaining 75% to 80% of the issue in proportion to their existing shareholdings. The shares not subscribed for by the employees or the shareholders at the expiration of the period for the exercise of their rights, may be freely offered by the company (subject to ROC law) to the general public by means of a public offering or to specified persons at the direction of our board of directors.

DESCRIPTION OF OUR SHARE CAPITAL

Transfer of Shares

Shares (in registered form) are transferred by endorsement and delivery of the related share certificates. However, settlement of trading of share of a listed company, such as our company, is generally carried out on the book-entry system maintain by the Taiwan Depository & Clearing Corporation, or TDCC. Transferees must have their names and addresses registered on our shareholder's register in order to assert shareholder's rights against us. Shareholders are required to register their respective specimen seals or chops with our share registrar.

Shareholders' Meetings

Our annual ordinary shareholders' meetings are usually held in New Taipei City, Taiwan, or an alternative location within the ROC as determined by our Board of Directors, within six months following the end of our fiscal year. Notice in writing of our annual ordinary shareholders' meetings stating the place, time and agenda thereof must be dispatched to each shareholder at least 30 days prior to the date set for the meeting. Special meetings of our shareholders may also be convened by our audit committee when the Board of Directors does not or cannot convene a shareholders' meeting and/or such a meeting is necessary.

Notice in writing of such special shareholders' meetings stating the place, time and agenda thereof must be dispatched to each shareholder at least 15 days prior to the date set for the meeting.

Notice of the shareholders' meetings shall also be published on the MOPS in accordance with the Taiwan Stock Exchange Corporation Regulations Governing Information Reporting by Listed Companies.

Voting Rights

Each Common Share, Class B Preferred Share and Class C Preferred Share is entitled to one vote at shareholders' meeting. The holders of our Class A Preferred Shares, Class D Preferred Shares, Class E Preferred Shares, Class F Preferred Shares, Class G Preferred Shares and Class H Preferred Shares are generally not entitled to any voting rights or election during meetings of the common shareholders, but for any matter that would adversely affect the holders of Preferred Shares, the holders of the Preferred Shares shall have voting rights in the meetings of the preferred shareholders and in the shareholders' meeting.

Except as otherwise provided by ROC law, a shareholders' resolution may be adopted by vote of the holders of a majority of our issued and outstanding shares represented at a shareholders' meeting at which a majority of the holders of our issued and outstanding shares are present. Notwithstanding the above, in order to approve certain major corporate actions, including (a) any amendment to our Articles of Incorporation (which is required in respect of, inter alia, any increase in authorized share capital and any changes in the rights of different classes of shares), (b) entering into, modification or termination of any contract regarding leasing all of our business, outsourcing our operations or forming joint operations with others, (c) our dissolution, amalgamation or spin-off, the transfer of all or a material part of our business or our property, (d) taking over of the whole of the business or property of any other entity which would have a significant impact on our operations,

DESCRIPTION OF OUR SHARE CAPITAL

(e) distribution of any stock dividend, (f) changing par value of the shares into no par value, (g) dismissal of any director, (h) lifting of the restriction on the investment limit for investing in other companies as a limited liability shareholder, (i) release of the directors from the prohibition on participation in competitive business, (j) distribution of legal reserve or capital reserve in the form of new shares, (k) ceasing to be a public corporation, and (l) issuing employee restricted shares, a resolution has to be approved by the holders of at least a majority of our shares represented at a meeting of shareholders with a quorum of holders of at least two-thirds of the issued and outstanding shares.

The election of directors (including independent directors) shall be by means of cumulative voting. Ballots for the election of directors are cast separately from those for the election of independent directors. Our Articles of Incorporation provide that the directors (including independent directors) shall be nominated by adopting the candidate nomination system specified in the ROC Company Act. In an election of directors, the shareholders shall elect directors from the list of nominated candidates.

Our shareholders may be represented at an ordinary or a special shareholders' meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for the ordinary or special shareholders' meeting. Voting rights attached to our shares exercised by our shareholders' proxies are subject to the proxy regulations promulgated by the FSC.

Any shareholder who has a personal interest in a matter to be discussed at our shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights on behalf of another shareholder on such matter.

Registration of Shareholders

With respect to shareholders who have opened book-entry accounts at the TDCC, our register of such shareholders is maintained by the database of the TDCC. With respect to shareholders who have not opened TDCC book-entry accounts, our share registrar, Grand Fortune Securities Co., Ltd, maintains the register of our shareholders at its offices located at 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 100, Taiwan, Republic of China, and enters transfers of shares in such register upon presentation of, among other documents, certificates representing the shares transferred.

For the purpose of determining certain rights, including right to dividends attached to the shares, the ROC Company Act provides that the register of shareholders be closed for a period of 60 days, 30 days and five days immediately before the date of each ordinary shareholders' meeting, each special shareholders' meeting and the record date for a dividend distribution, respectively.

Annual Financial Statements

At least 10 days before our annual ordinary shareholders' meeting, the statements and records of accounts prepared by the board of directors and the report made by the audit committee must be made available at our registered office in New Taipei City and our share registrar, Grand Fortune Securities Co., Ltd., for inspection by our shareholders. According to the ROC Securities and Exchange Law and relevant regulations of the FSC, we are required to publish our annual and quarterly financial statements on a consolidated basis.

DESCRIPTION OF OUR SHARE CAPITAL

Dividends and Distributions

Distribution of dividend and other distributions are generally governed by the ROC Company Act, the ROC Securities and Exchange Law as well as our Articles of Incorporation.

Except under limited circumstances as permitted by the ROC Company Act, an ROC company is not permitted to distribute dividends or make any other distributions to shareholders for any year in which the company does not have current or retained earnings (excluding reserves). In addition, before distributing a dividend or making any other distribution to shareholders, a company must pay all outstanding taxes, recover any past losses, and set aside a reserve (the “Legal Reserve”), at 10% of its earnings until such time as its accumulated Legal Reserve equals the amount of its total paid-up capital. In addition, a company may set aside a special reserve in accordance with its articles of incorporation or resolutions of the shareholders’ meeting. Subject to compliance with these requirements, a company may pay dividends from its earnings or make other distributions from its reserves as set forth below.

In addition to permitting dividends to be paid out of current or retained earnings, the ROC Company Act also permits a company, if it does not have losses, to make distributions to its shareholders in cash or in the form of additional shares of capital stock from the Legal Reserve and the capital surplus of premium from issuing stocks and earnings from gifts received. In the case of distribution from a company’s Legal Reserve, however, the portion payable out of such Legal Reserve is limited to the portion that the accumulated Legal Reserve exceeds 25% of the paid-in capital of the company.

Under the ROC Company Act, following approval at the shareholders’ meeting (or approval of the board of directors in respect of cash dividend), dividends are paid to shareholders from a company’s current or retained earnings, Legal Reserves or the abovementioned capital surplus (subject to compliance with the above requirements and relevant laws), in proportion to the number of shares owned by each shareholder as listed on the register of shareholders as of the relevant record date. Dividends declared out of earnings may also be distributed either in cash or in the form of common stock or a combination thereof. The ratio between any cash dividend and stock dividend is determined by the shareholders at a shareholders’ meeting. Our Articles of Incorporation stipulate our dividend policy that as a principle, not less than 40% of our distributable earnings of the fiscal year shall be distributed as dividend and at least 10% of the distribution shall be cash dividend; if total distribution amount exceeds 30% of our paid-in capital before such distribution, the portion of cash dividend shall be no less than 20% of the total distribution for the fiscal year.

Our Articles of Incorporation provide that, the current year’s earnings, if any, must first be used to pay all taxes and offset prior years’ losses and then 10% of the remaining amount must be set aside as legal reserve unless the accumulated legal reserve equals the paid-in capital. Additionally, we may set aside as special reserve as required by and in accordance with relevant regulations or the relevant regulatory authority when necessary. The remainder of the current year’s earnings, if any, along with the undistributed retained earnings from previous years being the accumulated distributable earnings, will be distributed as the dividend of Preferred Shares in the first priority and the distribution of earnings will be proposed by our board of directors and reported to our shareholders. Pursuant to Article 240 of the ROC Company Act, we authorized the Board of Directors

DESCRIPTION OF OUR SHARE CAPITAL

to distribute a portion or all of dividends or bonuses, or the legal reserve and capital surplus in accordance with Article 241 of the ROC Company Act in cash by resolution adopted by a majority in a meeting attended by two-thirds or more of the directors, and the distribution shall then be reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for approval. In addition, pursuant to our Articles of Incorporation, if we have profits (which mean profits before tax without deducting the remuneration of our employees and directors) in the fiscal year, we will distribute not less than 1% of such profits to employees (including those eligible employees of our subsidiaries) and not more than 3% to directors as their remuneration; provided, however, that when we have accumulated losses, the profits shall be reserved to make up for losses. The employees' remuneration may, subject to a resolution of the board of directors, be distributed to employees in way of cash or shares or a combination thereof and the directors' compensation should be distributed in way of cash.

We have issued 135,000,000 Class A Preferred Shares with non-cumulative dividends in cash, and the dividend yield is set at 4% per annum which will be subject to reset every 5 years after the issuance date.

No dividend or distribution shall bear interest against the Company. Upon the date of declaration, we typically remit dividends into a special bank account, and the bank agency will transfer dividends to each shareholder's designated account. In limited cases, we also distribute dividends with non-negotiable notes by registered mails. If a shareholder fails to provide the correct bank account or address for the wire transfer or registered mail and thus is unable to receive dividends, such dividends will remain as a debt due to the shareholder. Any dividend which remains unclaimed after five years from the date of declaration shall be forfeited and returned to us.

All classes of our Preferred Share are perpetual. Holders of our Preferred Share have no right to request redemption of such shares by us. However, we may redeem Class A to Class D Preferred Shares in whole or in part at the actual issue price after the day following the fifth anniversary of issuing, redeem Class E and Class G Preferred Shares in whole or in part at the actual issue price after the day following the fourth anniversary of issuing, Class F and Class H Preferred Shares in whole or in part at the actual issue price after the day following the third anniversary of issuing. The rights and obligations associated with Preferred Share that are not recovered will continue as provided in the terms of issuance. Holders of the outstanding Preferred Share are entitled to receive declared dividends based on the actual days in the redemption year up to the date of redemption should we decide to declare dividends for the redemption year.

For information on the dividends paid by us in recent years, see "Dividends and Dividend Policy." For information as to ROC taxes on dividends and distributions, see "Taxation—ROC Taxation."

DESCRIPTION OF OUR SHARE CAPITAL

Acquisition of Our Shares by Us

With minor exceptions, we cannot acquire our own Shares under the ROC Company Act. However, under the ROC Securities and Exchange Act, we may by a board resolution adopted by majority consent at a meeting with two-thirds of our directors present, purchase up to 10% of our issued and outstanding Shares on the TWSE or by a tender offer, in accordance with the procedures prescribed by the FSC, for any of the following purposes:

- (i) to transfer Shares to our employees;
- (ii) to convert bonds with warrants, Preferred Share with warrants, convertible bonds, convertible Preferred Share or certificates of warrants issued by us into the Shares; and
- (iii) if necessary, to maintain our credit and our shareholders' equity provided that the Shares so purchased shall be cancelled thereafter.

In addition, we may not spend more than the aggregate amount of the retained earnings, the premium from issuing Shares and the realized portion of the capital reserve to purchase our Shares.

We may not pledge or hypothecate any purchased Shares. In addition, we may not exercise any shareholders' rights attached to such Shares. In the event that we purchase our Shares on the TWSE, our affiliates, directors, and their respective spouses and minor children and/or nominees are prohibited from selling any of our Shares during the period in which we purchase our Shares.

Liquidation Rights

Pursuant to the ROC Company Act, in the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of Preferred Share, if any, will be distributed pro rata to the holders of Shares in accordance with relevant provisions of applicable laws and our Articles of Incorporation.

Substantial Shareholders and Transfer Restrictions

The Company's directors, managers and shareholders (each together with his or her spouse, minor children or nominees) holding more than 10% of the Company's shares are required to report to the Company, on a monthly basis, any changes in their shareholding in the Company. The number of shares that they may sell or transfer on the TWSE on any given day is limited by ROC laws. In addition, they may only sell or transfer such shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of shares to be sold or transferred does not exceed 10,000. A person who individually or together with other persons (as defined under the FSC regulations) acquires more than 10% of the Company's issued and outstanding shares shall report to the FSC, within ten days from the acquisition date, the acquisition purpose, funding sources and other information required by the FSC. In accordance with the current ROC Securities and Exchange Law, the said 10% threshold for reporting the share acquisition has been lowered to 5%, effective May 10, 2024.

DESCRIPTION OF OUR SHARE CAPITAL

Other Rights of Shareholders

Under the ROC Company Act and ROC Business Mergers and Acquisitions Act (“M&A Act”), dissenting shareholders are entitled to appraisal rights in the event of a spin-off, a merger or a share swap and various other major corporate actions. Dissenting shareholders may request us to redeem all their shares at a fair price to be determined by mutual agreement. If no agreement can be reached, the valuation will be determined by a court. Subject to applicable law, dissenting shareholders may, among other things, exercise their appraisal rights by notifying us before the related shareholders’ meeting and/or by raising and registering their dissent at the shareholders’ meeting.

One or more shareholders who have held 3% or more of the issued and outstanding shares for more than one year may require our board of directors to call a special shareholders’ meeting by sending a written request, setting forth therein the agenda for discussion and the reasons, to our board of directors. Further, shareholders holding over 50% of its issued shares for continuously three months may convene its special shareholders’ meeting by themselves. The ROC Company Act allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the ordinary meeting of shareholders. The ROC Company Act also provides that a company may adopt a nomination procedure for election of directors or supervisors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles of Incorporation currently offer such nomination procedure.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Citibank, N.A., or Citibank, has agreed to act as the Depositary for the Global Depositary Shares, or GDSs. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013, USA. Rule 144A and Regulation S Global Depositary Shares are referred to as "Rule 144A GDSs" and "Regulation S GDSs," respectively. In this summary, we intend to use the term "GDSs" to refer to the Rule 144A GDSs and to the Regulation S GDSs. Unless we otherwise state, you should assume that the term "GDSs" encompasses both Rule 144A GDSs and Regulation S GDSs. GDSs are evidenced by Global Depositary Receipt, or GDR, certificates. The GDSs we are selling in the United States are referred to and will be issued as Rule 144A GDSs, and the GDSs we are selling outside the United States are referred to and will be issued as Regulation S GDSs. GDSs represent ownership interests in securities that are on deposit with the Depositary.

The Depositary has appointed a Custodian to hold the securities on deposit in safekeeping. In this case, the Custodian is Citibank Taiwan Limited, having its principal office at 9F, 16, Sec. 4, Nanking E. Road, Taipei 105, Taiwan, Republic of China.

We have appointed Citibank as Depositary pursuant to two separate Deposit Agreements, both dated as of April 22, 2022, one for the Rule 144A GDSs, or the Rule 144A Deposit Agreement, and one for the Regulation S GDSs, or the Regulation S Deposit Agreement. A copy of each Deposit Agreement and any supplements or amendments thereto may be obtained from the Depositary. This is a summary description of the material terms of the GDSs and of your material rights as an owner of GDSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of GDSs will be determined by reference to the terms of the applicable Deposit Agreement and not by this summary. We urge you to review the Deposit Agreements in their entirety. Statements printed in italics in this description are provided for your information but may not be contained in the Deposit Agreements.

Each GDS represents the right to receive, and to exercise the beneficial ownership interests in, five Shares, or evidence of the right to receive, and to exercise the beneficial ownership interests in, five Shares, on deposit with the Custodian. A GDS will also represent the right to receive, and to exercise the beneficial ownership interests in, any other property received by the Depositary or the Custodian on behalf of the owner of the GDS but that has not been distributed to the owner of the GDSs because of legal restrictions or practical considerations.

*On the date that we receive proceeds from this offering, or the Closing Date, we will deliver to the Custodian a global certificate of payment ("**Certificate of Payment**") evidencing the irrevocable right to receive the underlying Shares until the individual certificates of payment in scripless form ("**Individual Scripless Certificates of Payment**") are listed on the TWSE. Following the Closing Date, we will apply to the TWSE for listing of the Individual Scripless Certificates of Payment. It is expected that the TWSE will approve the listing of the Individual Scripless Certificates of Payment on the fourth ROC Business Day following the Closing Date, such approval date being the "Share Listing Date," although there is no assurance that such approval will be obtained by such date, if at all. (For the avoidance of doubt, the first ROC Business Day after the Closing Date is April 15, 2024.) Immediately upon the listing of the Individual Scripless Certificates of Payment on the TWSE, the Certificate of Payment we deliver to the Custodian on the Closing Date will be replaced by the Individual Scripless Certificates of Payment. As used herein, "ROC Business Day" means a day (other than a Saturday or Sunday) on which the commercial banks are open for business in Taipei City, ROC.*

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

If you become an owner of GDSs, you will become a party to the applicable Deposit Agreement and therefore will be bound to its terms and to the terms of the GDR certificate that evidences your GDSs. The Deposit Agreements and the GDR certificates specify our rights and obligations as well as your rights and obligations as an owner of GDSs and those of the Depositary. As a GDS owner you appoint the Depositary to act on your behalf for the Shares represented by your GDSs, either upon (1) your specific instructions when we call a meeting of shareholders, distribute an elective dividend (if permitted by ROC laws) or make a rights offering, or (2) the specific terms of the applicable Deposit Agreement to receive any dividends we distribute or Shares. The Deposit Agreements are governed by New York law. However, our obligations to the holders of Shares will continue to be governed by ROC laws, which may be different from the laws in the United States. In addition, we note that ROC laws and regulations may restrict the deposit and withdrawal of the Shares into or from the depositary receipt facilities.

EACH OF THE PARTIES TO THE DEPOSIT AGREEMENTS (INCLUDING, WITHOUT LIMITATION EACH HOLDER AND BENEFICIAL OWNER OF GDSs) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENTS, ANY GDR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).

Under the laws and regulations of the ROC and as provided in the Deposit Agreements, as currently in effect, after the Initial Deposit (as defined below), without obtaining regulatory approval from the FSC, no shares may be accepted for deposit and no GDSs may be issued under the terms of the Deposit Agreements except in the following circumstances:

- (1) upon a stock dividend on, or a free distribution of, Shares to existing shareholders;
- (2) upon the exercise by existing shareholders of their preemptive rights in connection with capital increases for cash;
- (3) as permitted under the Deposit Agreements, to the extent previously issued GDSs have been cancelled, the purchase directly by a person or through the Depositary of Shares for deposit in the depositary receipt facility on the TWSE or the delivery by any person of Shares held by such person for deposit in the depositary receipt facility; and
- (4) upon the exchange of Rule 144A GDSs for Regulation S GDSs and vice versa,

provided that the total number of GDSs outstanding after an issuance described in clause (3) does not exceed the number of GDSs issued and previously approved by the FSC in connection with the offering plus any GDSs created under clauses (1) and (2) described above and subject to any adjustment on the number of Shares represented by each GDS.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Under the laws and regulations of the ROC, the Shares deposited under the Deposit Agreements may be withdrawn upon cancellation of the corresponding GDSs pursuant to the respective Deposit Agreement subject to the following conditions:

- the appointment of an eligible agent in the ROC to open (1) a securities trading account with an ROC brokerage firm with ROC approval and (2) a bank account to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal;
- the appointment of a tax guarantor in the ROC for filing a tax return and making a tax payment;
- the appointment of a custodian bank to hold the securities in safekeeping, make confirmations, settle trades and report relevant information; and
- obtaining a Foreign Investor Investment I.D.

In addition, you will be required to register with the TWSE for making investments in the ROC securities market prior to withdrawing Shares. Presently, you may hold your GDSs only through a brokerage or safekeeping account. As such, you must rely on the procedures of your broker or bank to assert your rights as a GDS owner. Please consult with your broker or bank to determine what those procedures are. When we refer to “you,” we assume the reader owns GDSs and will own GDSs at the relevant time. When we refer to a “holder,” we assume the person owns GDSs and such person’s agent, which may be a broker, custodian, bank, or trust company, is the holder of the applicable GDR certificate.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the Depositary, nor the Custodian, nor us nor any of their or our respective agents or affiliates shall be required to take any actions whatsoever on behalf of you to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

The registration of the Shares in the name of the Depositary or the Custodian shall, to the maximum extent permitted by applicable law, vest in the Depositary or the Custodian the record ownership in the applicable Shares with the beneficial ownership rights and interests in such Shares being at all times vested with the beneficial owners of the GDSs representing the Shares. The Depositary or the Custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the GDSs representing the deposited property.

Distinctions Between Rule 144A GDSs and Regulation S GDSs

The Rule 144A GDSs and the Regulation S GDSs are similar in many ways but are different primarily on account of the requirements of the U.S. securities laws. The Rule 144A GDSs are “restricted securities” under the securities laws and as such are subject to limitations on their issuance, transfer and cancellation.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

The differences between the Rule 144A GDSs and the Regulation S GDSs and the restrictions imposed on the Rule 144A GDSs and the Regulation S GDSs cover primarily the following:

- The persons who may own and trade the GDSs:
 - only “Qualified Institutional Buyers” (as defined in Rule 144A) and persons located outside of the United States other than “U.S. persons” (as defined in Regulation S) may own and trade Rule 144A GDSs; and
 - any person may own and trade Regulation S GDSs offered herein.
- The persons who may create additional GDSs:
 - only persons located outside of the United States other than “U.S. persons” (as defined in Regulation S) may deposit Shares to receive Regulation S GDSs; and
 - only “Qualified Institutional Buyers” (as defined in Rule 144A) and persons located outside of the United States other than “U.S. persons” may deposit Shares to receive Rule 144A GDSs.
- The persons to whom you may transfer the GDSs, upon sale or otherwise:
 - you may transfer Rule 144A GDSs only to “Qualified Institutional Buyers” (as defined in Rule 144A) or outside of the United States to non-U.S. persons in accordance with Rule 903 and 904 of Regulation S; and
 - you may transfer the Regulation S GDSs offered herein to any person.
- The restrictions on the transfers and withdrawal of the Shares represented by the GDSs:
 - Please refer to “—Legends” below.
- The eligibility for book-entry transfer:
 - Please refer to “—Clearance, Settlement and Safekeeping” below.

These distinctions and the requirements of the U.S. securities laws may require us and the Depositary to treat the Regulation S GDSs and the Rule 144A GDSs differently at any time in the future. There can be no guarantee that holders of Rule 144A GDSs will receive the same entitlements as holders of Regulation S GDSs and vice versa.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Clearance, Settlement and Safekeeping

Rule 144A GDSs

The Depositary has made arrangements with DTC to act as securities depository for the Rule 144A GDSs. All Rule 144A GDSs issued in this offering will be registered in the name of Cede & Co., DTC's nominee. One Master Rule 144A GDR certificate will represent all Rule 144A GDSs issued to and registered in the name of Cede & Co. Transfers of ownership interests in Rule 144A GDSs are to be accomplished by entries made on the books of DTC and of the participants in DTC acting on behalf of Rule 144A GDS owners. Owners of Rule 144A GDSs will not receive physical certificates evidencing their ownership interests in the Rule 144A GDSs, except in the event that DTC no longer acts as securities depository and a successor securities depository cannot be appointed.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate to such persons may be limited. Because DTC can only act on behalf of direct participants ("**Direct Participants**"), who in turn act on behalf of indirect participants ("**Indirect Participants**"), the ability of a person owning Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest.

So long as DTC, or its nominee, is the registered holder of the Master Rule 144A GDR certificate, DTC or such nominee, as the case may be, will be considered the sole holder of the Rule 144A GDSs evidenced thereby for all purposes under the Rule 144A Deposit Agreement and the Rule 144A GDSs.

DTC may discontinue providing its services as securities depository with respect to the Rule 144A GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, Rule 144A GDR certificates will be printed and delivered to the applicable Rule 144A GDS owners.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that the Direct Participants deposit and facilitates the clearance and settlement of securities transactions among Direct Participants in such securities through electronic computerized book-entry changes in accounts of Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the managers (and/or their respective affiliates). Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or the Indirect Participants. Transfers of ownership or other interests in DTC are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of beneficial owners of GDSs. In addition, beneficial owners of GDSs in DTC will receive all distributions of dividends, GDSs, shares, rights, and other distributions, if any, on the GDSs from the Depositary through Direct Participants and Indirect Participants.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Regulation S GDSs

The Regulation S GDSs are not eligible for settlement in DTC. Arrangements have been made with Euroclear and Clearstream to act as securities depositories for the Regulation S GDSs. All Regulation S GDSs issued in this offering will be registered in the name of a nominee of Citibank Europe plc as, common depository for Euroclear and Clearstream (the “**Common Depository**”). One Master Regulation S GDR certificate will represent all Regulation S GDSs issued to and registered in the name of a nominee of the Common Depository (initially “**Citivic Nominees Limited**”). Euroclear and Clearstream will hold the Regulation S GDSs on behalf of their participants through their respective depositories, and transfers will be permitted only within Euroclear and Clearstream in accordance with usual rules and operating procedures of the relevant system. Transfers of ownership interests in Regulation S GDSs are to be accomplished by entries made on the books of Clearstream and Euroclear and of participants in Clearstream and Euroclear, acting in each case on behalf of Regulation S GDS owners. Owners of Regulation S GDSs will not receive physical certificates representing their ownership interests in the Regulation S GDSs, except in the event that use of the Euroclear and Clearstream book-entry systems for the Regulation S GDSs is discontinued. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Regulation S GDSs evidenced by the Master Regulation S GDR certificate to such persons may be limited. Because Euroclear and Clearstream can only act on behalf of direct participants in their book-entry systems, who in turn act on behalf of indirect participants, the ability of a person owning Regulation S GDSs evidenced by the Master Regulation S GDR certificate to pledge such interest to persons or entities that do not participate in the Euroclear and Clearstream systems, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest.

So long as the Common Depository (as nominee for Euroclear and Clearstream) is the registered holder of the Master Regulation S GDR certificate, the Common Depository will be considered the sole holder of the Regulation S GDSs evidenced thereby for all purposes under the Regulation S Deposit Agreement.

If at any time Euroclear, or Clearstream, as the case may be, ceases to make its respective book-entry settlement systems available for the Regulation S GDSs, we and the Depository will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depository will make available Regulation S GDSs in physical certificate form.

Settlement

So long as the Rule 144A GDSs are evidenced by the Master Rule 144A GDR certificate registered in the name of DTC or its nominee, the Rule 144A GDSs will settle in DTC’s book-entry settlement system and secondary market trading activity in the Rule 144A GDSs will be required by DTC to settle in immediately available funds. So long as the Regulation S GDSs are represented by the Master Regulation S GDR certificate registered in the name of the Common Depository or its nominee, the Regulation S GDSs will settle in Euroclear and Clearstream in accordance with their respective rules and operating procedures.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Subject to compliance with the transfer restrictions applicable to the GDSs described below, in cross-market transfers from the account of a DTC participant to the account of a Euroclear, or Clearstream account-holder, the DTC participant will deliver instructions for delivery to the relevant Euroclear, or Clearstream account-holder to DTC by 3:00 p.m., New York City time, on the settlement date. On the settlement date, the Depositary will (1) decrease the amount of the Rule 144A GDSs registered in the name of DTC or its nominee and evidenced by the Master Rule 144A GDR certificate and (2) increase the amount of Regulation S GDSs registered in the name of the Common Depositary or its nominee and evidenced by the Master Regulation S GDR certificate. Book-entry interests will be delivered to Euroclear, or Clearstream, as the case may be, for credit to the relevant account-holder on the first business day following the settlement date.

Subject to compliance with the transfer restrictions applicable to the GDSs described below, when beneficial interests in the GDSs represented by the relevant Master GDR certificate are to be transferred from the account of a Euroclear, or Clearstream account-holder holding a beneficial interest in the Regulation S GDSs represented by the Master Regulation S GDR certificate to the account of a DTC participant wishing to hold a beneficial interest in the Rule 144A GDSs represented by the Master Rule 144A GDR certificate, the Euroclear, or Clearstream account-holder must send delivery instructions to Euroclear by 10:00 a.m., Brussels time, for custody exchange instructions received by telex, and by 3:00 p.m., Brussels time, for custody exchange instructions through SWIFT or Euclid, and to Clearstream by 7:45 p.m., Luxembourg time, one business day prior to the settlement date. Euroclear, or Clearstream, as the case may be, will in turn transmit an appropriate instruction to the Depositary to arrange delivery to the DTC participant on the settlement date. On the settlement date, the Depositary will (1) deliver such Rule 144A GDSs by book-entry transfer to the relevant account of the DTC participant and (2)(a) decrease the amount of Regulation S GDSs registered in the name of the Common Depositary or its nominee and evidenced by the Master Regulation S GDR certificate and (b) increase the amount of Rule 144A GDSs registered in the name of DTC or its nominee and evidenced by the Master Rule 144A GDR certificate.

DTC will take any action permitted to be taken by an owner of Rule 144A GDSs only at the direction of one or more DTC participants to whose account or accounts with DTC interests in the Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate are credited and only in respect of such portion of the number of Rule 144A GDSs as to which such DTC participant or DTC participants has or have given such direction. Owners of indirect interests in securities evidenced by the Master Rule 144A GDR certificate through DTC participants have no direct rights to enforce such interests while the securities are in global form.

The Common Depositary will take any action permitted to be taken by an owner of Regulation S GDSs only at the direction of one or more participants of Euroclear, or Clearstream to whose account or accounts are credited with interests in the Regulation S GDSs evidenced by the Master Regulation S GDR certificate held by the Common Depositary and only in respect of such portion of the number of Regulation S GDSs as to which such participant or participants has or have given such direction. Owners of indirect interests in securities evidenced by the Master Regulation S GDR certificate through the participants of Euroclear and Clearstream have no direct rights to enforce such interests while the securities are in global form.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Although DTC, Clearstream and Euroclear have procedures in order to facilitate the transfer of interests in the Master GDR certificates among participants in their respective settlement systems, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of us, the Depositary, the Custodian or any of their agents will have any responsibility for the performance by DTC, Clearstream or Euroclear or their respective participants of their respective obligations under the rules and procedures governing their operations.

Transfer Restrictions

The GDSs may be resold, pledged or otherwise transferred only in compliance with the U.S. securities laws and are subject to the following restrictions:

Rule 144A GDSs

The Rule 144A GDSs may for U.S. securities laws purposes be resold, pledged or otherwise transferred only:

- (i) outside the United States to a person other than a U.S. person (as defined in Regulation S under the Securities Act) in accordance with Regulation S;

Or

- (ii) to a “Qualified Institutional Buyer” (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A;

Or

- (iii) pursuant to Rule 144 under the Securities Act, if available;

Or

- (iv) pursuant to an effective registration statement under the Securities Act

Restrictions Upon Deposit

Shares will be accepted for deposit only if delivered by, or on behalf of, a person that is:

- (a) not us or our affiliate or a person acting on behalf of us or our affiliate, and
- (b) is (i) a “Qualified Institutional Buyer” (as defined in Rule 144A), or (ii) a person other than a “U.S. person” (as defined in Regulation S) located outside the United States

Regulation S GDSs

The Regulation S GDSs offered herein will be freely transferable for U.S. securities laws purposes.

Shares will be accepted for deposit only if delivered by, or on behalf of, a person that is:

- (a) not us or our affiliate or a person acting on behalf of us or our affiliate, and
- (b) is a person other than a “U.S. person” (as defined in Regulation S) and located outside the United States.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Rule 144A GDSs

Restrictions Upon Withdrawal

Shares may be withdrawn from the Rule 144A GDR Facility agreement only by:

a person other than a “U.S. person” (as defined in Regulation S) located outside of the United States who will be the beneficial owner of the Shares upon withdrawal;

Or

a “Qualified Institutional Buyer” (as defined in Rule 144A) who:

- (x) has sold the Rule 144A GDSs to another “Qualified Institutional Buyer” (as defined in Rule 144A), in a transaction meeting the requirements of Rule 144A, or outside the United States to a person other than a “U.S. person” (as defined in Regulation S) in accordance with Regulation S,

Or

- (y) will be the beneficial owner of the Shares and agrees to observe the transfer restrictions applicable to Rule 144A GDSs in respect of the Shares so withdrawn.

See “APPENDIX B—FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC—FOREIGN INVESTMENT” for additional restrictions that may apply to PRC persons wishing to invest in or hold GDSs or Shares.

Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the Custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under, and subject to, the terms of the Deposit Agreements in proportion to the number of GDSs held as of a specified record date.

Distributions of Cash

Subject always to the laws and regulations of the ROC, whenever we make a cash distribution for the securities on deposit with the Custodian, we will notify the Depositary and deposit the funds with the Custodian.

Upon timely receipt of such notice and of confirmation of the deposit of the requisite funds, if the funds are not denominated in US dollars, the Depositary will arrange for the funds to be converted into US dollars, if, in the judgement of the Depositary, the funds can be converted on a practicable basis to US dollars to the distributable holders, subject to the laws and regulations of the ROC.

The conversion into US dollars will take place only if necessary and practicable and if the US dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. The Depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the Custodian in respect of securities on deposit.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Distributions of Shares

Subject always to the laws and regulations of the ROC, whenever we make a free distribution of Shares for the securities on deposit with the Custodian, we will notify the Depositary and deposit the applicable number of Shares with the Custodian. Upon timely receipt of such notice and receipt of confirmation of such deposit from the Custodian, the Depositary will, to the extent permitted by applicable laws, either distribute to holders new GDSs representing the Shares deposited or modify the GDS-to-Shares ratio, in which case each GDS you hold will represent rights and interests in the additional Shares so deposited. Only whole new GDSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new GDSs or, to the extent permitted by applicable law, the modification of the GDS-to-Shares ratio upon a distribution of Shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the new Shares so distributed.

No such distribution of new GDSs will be made if it would violate U.S. law, including the U.S. securities laws, or if it is not lawful or reasonably practicable. If the Depositary does not distribute new GDSs as described above, it will use commercially reasonable efforts to sell the Shares received and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Subject always to the laws and regulations of the ROC, whenever we intend to distribute rights to purchase additional Shares, we will give prior notice to the Depositary and will indicate whether we wish the distribution of rights to be made available to you. In such case, we will assist the Depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional GDSs to holders.

The Depositary, with our assistance, will establish procedures to distribute rights to purchase additional GDSs to holders and to enable such holders to exercise such rights if the Depositary receives timely notice from us, it is lawful and reasonably practicable to make the rights available to holders of GDSs, we request such rights be provided to holders of GDSs, and if we provide all of the documentation contemplated in the applicable Deposit Agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new GDSs upon the exercise of your rights. The Depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new Shares other than in the form of GDSs.

The Depositary will not distribute the rights to you if:

- We do not timely request that the rights be distributed to you; or
- We fail to deliver satisfactory documents to the Depositary; or
- The Depositary determines that it is not reasonably practicable to distribute the rights.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

If registration of the rights or the securities to which such rights relate may be required under the Securities Act or any other applicable law in order for us to offer such rights or such securities to holders and to sell the securities represented by such rights, the Depositary will not distribute rights to holders of GDSs unless and until a registration statement under the Securities Act or other applicable law covering such offering is in effect or we deliver an opinion of counsel reasonably satisfactory to the Depositary to the effect that the offering and sale of such securities is exempt from, or does not require registration under, the Securities Act or other applicable securities laws. We and the Depositary have no obligation under the Deposit Agreements to prepare and file a registration statement for any purpose.

The Depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell the rights, it will allow the rights to lapse. Because ROC market practice presently does not contemplate the issuance of rights in negotiable form and the possibility of such issuance is unlikely, a liquid market for rights may not exist, and this may adversely affect (1) the ability of the Depositary to dispose of such rights or (2) the amount the Depositary would realize upon disposal of rights.

Elective Distributions

Subject always to the laws and regulations of the ROC, whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional Shares, we will give prior timely notice thereof to the Depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the Depositary in determining whether such distribution is lawful and reasonably practicable.

The Depositary will make the election available to you only if it has received timely prior notice thereof from the Company indicating that we wish such distribution to be made available to you, it is reasonably practicable, and if we have provided all of the documentation contemplated in the Deposit Agreements. In such case, the Depositary will establish procedures to enable you to elect to receive either cash or additional GDSs, in each case as described in the applicable Deposit Agreement. The Depositary is not required to make available to you a method to receive an elective distribution in Shares rather than GDSs.

If the election is not made available to you, you will receive either cash or additional GDSs, depending on what a shareholder would receive upon failing to make an election, as more fully described in the applicable Deposit Agreement. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the Company's shareholders.

Other Distributions

Subject always to the laws and regulations of the ROC, whenever we intend to distribute property other than cash, Shares or rights to purchase additional Shares, we will timely notify the Depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the Depositary in determining whether such distribution to holders is lawful and reasonably practicable.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

If it is lawful and reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will distribute the property to the holders in a manner it deems commercially practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. In order to pay such taxes and governmental charges, the Depositary may sell all or a portion of the property received.

The Depositary will not distribute the property to you and will sell the property if:

- We do not timely request that the property be distributed to you; or
- We do not deliver satisfactory documents to the Depositary; or
- The Depositary determines that all or a portion of the distribution to you is not lawful or reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems commercially practicable under the circumstances.

Redemption

To the extent permitted by applicable laws, whenever we decide to redeem any of the securities on deposit with the Custodian, we will notify the Depositary. If it is practicable and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will distribute notice of the redemption to the holders.

The Custodian will be instructed to surrender the Shares being redeemed against payment of the applicable redemption price. If the redemption funds so received are not denominated in US dollars, the Depositary will convert the redemption funds received into US dollars upon the terms of the Deposit Agreements and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their GDSs to the Depositary. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your GDSs. If less than all GDSs are being redeemed, the GDSs to be retired will be selected by lot or on a pro rata basis, as the Depositary may determine.

Changes Affecting Shares

The Shares held on deposit for your GDSs are subject to change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation, or reclassification of such Shares or a recapitalization, reorganization, merger, consolidation, or sale of assets.

If any such change were to occur, your GDSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the Shares held on deposit. The Depositary may in such circumstances deliver new GDR certificates to you or call for the exchange of your existing GDR certificates for new GDR certificates.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

If the Depositary may not lawfully distribute such property to you or the distribution is not reasonably practicable, the Depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Deposits

The initial deposit of the Shares offered in connection with this offering will be made by the delivery to the Custodian of a Certificate of Payment evidencing the right to receive the underlying Shares offered by us, which Shares will be registered in the name of the Custodian, the Depositary or their respective nominees, as representatives of the holders of the GDSs. Following the Closing Date, we will apply to the TWSE for listing of the Individual Scripless Certificates of Payment. It is expected that the TWSE will approve the listing of the Individual Scripless Certificates of Payment on the fourth ROC Business Day following the Closing Date. Immediately upon such listing, the Certificate of Payment we deliver to the Custodian on the Closing Date will be replaced by the Individual Scripless Certificates of Payment. The initial deposit of the Certificate of Payment and the subsequent deposit of Shares in exchange therefore by us in connection with this offering are collectively referred to herein as the “Initial Deposit.”

Under the ROC Securities and Exchange Act and applicable regulations, we are required to deliver the underlying Shares in physical certificate form or scripless form to the Custodian within 30 days after receiving approval from the relevant governmental authority of our corporate amendment registration. We are required under the ROC Company Act to file an amendment to our corporate registration within 15 days after receiving the proceeds from this offering. Prior to the issue of the underlying Shares in physical certificate form or scripless form, we will apply for and obtain approval to list the underlying Shares on the TWSE. We have agreed to issue and deliver the underlying Shares in scripless form in respect of the Individual Scripless Certificates of Payment in connection with this offering on or about 60 to 80 calendar days after the Closing Date, subject to obtaining approvals from the relevant governmental authority and the TWSE. Until the underlying Shares have been so issued and delivered, the GDSs will represent Shares evidenced by the global certificate of payment (from the Closing Date to the date immediately prior to the listing of the Individual Scripless Certificates of Payment) or the Individual Scripless Certificates of Payment on or after the date of listing of the Individual Scripless Certificates of Payment. Immediately after the listing of the Individual Scripless Certificates of Payment, a holder may apply to withdraw the Individual Scripless Certificates of Payment or underlying Shares, as the case may be. In case of a withdrawal of the Individual Scripless Certificates of Payment, such holders will be entitled to the same rights as if the Depositary were holding the underlying Shares in scripless form. The Individual Scripless Certificates of Payment, which are without physical form and are issued only in book-entry form through TDCC, the book-entry settlement system of the ROC, carry the same rights as those attaching to the Shares in respect of dividends and are eligible for trading on the TWSE in the same manner as the Shares.

Subject to limitations set forth in the Deposit Agreements and the GDR certificates, after the Initial Deposit, the Depositary may create GDSs on your behalf if you or your broker deposits Shares with the Custodian. The Depositary will deliver these GDSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Shares to the Custodian and you provide the applicable deposit certification. Your ability to deposit Shares and receive GDSs may be limited by U.S. and ROC legal considerations applicable at the time of deposit.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Under current ROC law and as provided in the applicable Deposit Agreements, after the Initial Deposit, no deposits of Shares may be made in a depositary receipt facility, and no GDSs may be issued against such deposits, without specific approval of the FSC, except in connection with the offering and the issuance of additional GDSs in connection with (i) stock dividends on, or free distributions of, Shares, (ii) the exercise by existing shareholders of their preemptive rights in the event of capital increases for cash, (iii) as permitted under the applicable Deposit Agreements, to the extent that previously issued GDSs have been canceled, the purchase directly by a person or through the Depositary of Shares on the TWSE or the delivery by any person of Shares held by such person for deposit in the depositary receipt facility or (iv) the exchange of Rule 144A GDSs for Regulation S GDSs and vice versa, provided that the total number of GDSs outstanding after an issuance described in clause (iii) does not exceed the number of GDSs issued and previously approved by the FSC in connection with the offering plus any GDSs created under clauses (i) and (ii) described above and subject to any adjustment on the number of Shares represented by each GDS.

The Depositary and the Custodian will refuse to accept Shares for deposit whenever they are notified in writing that such deposit would result in any violation of applicable laws, including ownership restrictions under the laws of the ROC. The Depositary will also refuse (i) to accept certain Shares for deposit under the Rule 144A Deposit Agreement if notified in writing that such Shares are listed on a U.S. securities exchange or quoted on a U.S. automated inter-dealer quotation system, unless accompanied by evidence satisfactory to the Depositary that any Shares presented for deposit are eligible for resale pursuant to Rule 144A, or (ii) to issue GDSs representing the new Shares that are separate and distinct from the existing Shares represented by GDSs.

The issuance of GDSs may be delayed until the Depositary or the Custodian receives confirmation that all required approvals have been given and that the Shares have been duly transferred to the Custodian. The Depositary will only issue GDSs in whole numbers.

When you make a deposit of Shares, you will be responsible for transferring good and valid title to the Depositary. As such, you will be deemed to represent and warrant that:

- Such Shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised.
- You are duly authorized to deposit such Shares.
- The Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and, in the case of Regulation S GDSs, are not, and the Regulation S GDSs issuable upon such deposit will not be, “restricted securities” (as defined in the Regulation S Deposit Agreement).
- The Shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties is incorrect in any way, we and the Depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

When you deposit Shares to receive Rule 144A GDSs, you will be required to provide the Depositary with a deposit certification stating, inter alia, that:

- you acknowledge that the Shares and the Rule 144A GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you are not an “affiliate” of ours and you are not acting on behalf of us or one of our “affiliates”; and
- you certify that you are, or are acting on behalf of, (i) a “Qualified Institutional Buyer” (as defined in Rule 144A), or (ii) a person other than a “U.S. person” (as defined in Regulation S) and located outside the United States and will acquire the Shares to be deposited outside the United States; and
- you agree, as the owner of the Rule 144A GDSs, to offer, sell, pledge or otherwise transfer the Rule 144A GDSs or the Shares represented by the Rule 144A GDSs in accordance with the applicable U.S. state securities laws and only
 - (a) to a “Qualified Institutional Buyer” (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or
 - (b) outside the United States to a person other than a “U.S. person” (as defined in Regulation S) in accordance with Regulation S, or
 - (c) in accordance with Rule 144 under the Securities Act, if available, or
 - (d) pursuant to an effective registration statement under the Securities Act.

A copy of the form of deposit certification for Rule 144A GDSs is attached to the Rule 144A Deposit Agreement and may be obtained from the Depositary upon request.

When you deposit Shares to receive Regulation S GDSs, you will be required to provide the Depositary with a deposit certificate stating, inter alia, that:

- you acknowledge that the Shares and the Regulation S GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you are not an “affiliate” of ours and you are not acting on behalf of us or one of our “affiliates”; and
- you certify that you are, or are acting on behalf of, (i) a person other than a U.S. person (as defined in Regulation S) and are located outside the United States and (ii) a person that is not in the business of buying and selling securities, or, if you or such person is in such business, you or such person did not acquire the Shares to be deposited from us or any affiliate in the initial distribution of Regulation S GDSs, Shares and Rule 144A GDSs.

A copy of the form of deposit certification for Regulation S GDSs is attached to the Regulation S Deposit Agreement and may be obtained from the Depositary upon request.

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Withdrawal of Shares Upon Cancellation of GDSs

On or after approximately the fourth ROC Business Day following the applicable closing date for distribution of the GDSs pursuant to this Offering, subject to the approval from the TWSE of the listing of the Individual Scripless Certificates of Payment and the relevant provisions of the Deposit Agreements, a holder may apply to withdraw the underlying Shares or, as the case may be, the Individual Scripless Certificates of Payment from the GDS facility. The Individual Scripless Certificates of Payment, which are without physical form and settle through the book-entry system, carry the same rights as those attaching to underlying Shares in respect of dividends and are eligible for trading on the TWSE in the same manner as the underlying Shares. Your ability to withdraw the Shares may be limited by U.S. and ROC law considerations applicable at the time of withdrawal.

Under current ROC law, if you (other than PRC persons) wish to withdraw and hold underlying Individual Scripless Certificates of Payment or Shares, as the case may be, from a depositary receipt facility, you will be required to (i) register with the TWSE for making investments in the ROC securities market; (ii) obtain a foreign investor investment identification issued pursuant to the ROC Regulations Governing Securities Investment by Overseas Chinese and Foreign Nationals; and (iii) appoint an eligible agent in the ROC to open (a) a securities trading account with a local brokerage firm (after being registered with the TWSE) and (b) a bank account, to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal. In addition, you will be required to appoint a custodian bank to hold the securities in safekeeping, make confirmation and settle trades and report all relevant information. Without registering with the TWSE, obtaining a foreign investor investment identification, and opening such accounts, the withdrawing holder would be unable to hold or subsequently sell the underlying Shares withdrawn from the depositary receipt facility on the TWSE or otherwise. These laws may change from time to time. We cannot assure you that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to withdraw the Shares from the applicable GDS facility.

Holders of GDSs withdrawing Individual Scripless Certificates of Payment or Shares represented by GDSs are also required under current ROC law and regulations to appoint an agent in the ROC for filing tax returns and making tax payments. Such agent must meet certain qualifications set by the ROC Ministry of Finance and, upon appointment, becomes a guarantor of such withdrawing holder's ROC tax obligations. Evidence of the appointment of such agent and the approval of such appointment by the ROC tax authorities may be required as conditions to such withdrawing holder's repatriation of the proceeds from the sale of the withdrawn Individual Scripless Certificates of Payment or Shares. There can be no assurance that such withdrawing holder will be able to appoint and obtain approval for such agent in a timely manner.

Pursuant to the Regulations Governing Mainland China Investor's Securities Investment and Futures Trading in Taiwan, or the PRC Regulations, a PRC person is not permitted to withdraw GDSs and to register as a shareholder of the Company unless it is a qualified institutional investor which has been approved by the competent authority in PRC, or QDII. The total investment amount allowed to be remitted into the ROC by all QDIIs cannot exceed US\$500 million, and by each QDII cannot exceed US\$100 million. A custodian shall be appointed by each QDII to apply with the TWSE for the remittance. Subject to the compliance with the foregoing applicable laws and regulations of the ROC, a QDII may request withdrawal of, and holds the Shares represented by the GDSs.

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Other than a QDII, a PRC person may, pursuant to the Regulations Governing the Approval of Investment in Taiwan by the Mainland China Investors, make an investment in the ROC with prior investment approval from the DIR, or MOEA, and other competent authority if the business of the invested company are in the positive list promulgated by the Executive Yuan. As not all of our businesses are within the list promulgated by the ROC government for PRC investment, currently PRC persons which are not QDII are not allowed to withdraw and hold our Shares. Under current ROC laws, regulations and policy, a “PRC person” refers to (A) an individual holding a passport issued by the PRC or PRC residence registration (including an individual who used to hold PRC passport or PRC residence registration but has given up his or her PRC citizenship and converted to the citizenship of another jurisdiction for less than 4 years or has not stayed outside the PRC for a period of over 4 years, but not including a resident in a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of Taiwan); (B) any agency or instrumentality of the PRC or any corporation, partnership or other entity of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong or Macau, if so excluded by applicable laws of the ROC); or (C) any corporation, partnership or other entity organized under the laws of any other jurisdiction outside of the PRC that either (i) is directly or indirectly controlled by, or (ii) having more than 30 percent of its capital being directly or indirectly owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity referred to in (A) to (B).

Subject to the withdrawal of deposited property being permitted under ROC laws and regulations, you may also request that our Shares or Individual Scripless Certificates of Payment represented by your GDSs be sold on your behalf. The Depositary may require that you deliver your request for sale in writing. Any sale of the Individual Scripless Certificate of Payment or Shares will be conducted according to applicable ROC law through a securities company in the ROC on the TWSE or in another manner as is permitted under applicable ROC law. Any sale will be at your risk and expense. You may also be required to enter into a separate agreement to cover the terms of the sale of our Shares or Individual Scripless Certificates of Payment.

Upon receipt of any proceeds from any sale, subject to any restrictions imposed by ROC law and regulations, the Depositary shall convert the proceeds into US dollars and distribute the proceeds to you, net of any fees, expenses, taxes, or governmental charges (including, without limitation, any ROC and U.S. taxes) incurred in connection with the sale. Sales of GDSs are not regarded as sales of ROC securities and thus any gains derived from transfers of our GDSs are not regarded as ROC-sourced income. Accordingly, any gains derived from transfers of our GDSs by non-ROC holders are not currently subject to ROC income tax. Sales of our Shares will be subject to a securities transaction tax in the ROC and may be subject to capital gains taxes in the ROC if any such taxes are imposed on the non-ROC holders in the future.

In order to withdraw or instruct the sale of the Shares or Individual Scripless Certificates of Payment represented by your GDSs, you will be required to pay the fees for cancellation of GDSs and any charges and taxes payable upon the transfer of the Shares or Individual Scripless Certificates of Payment being withdrawn and you will be required to provide to the Depositary the applicable withdrawal certification. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the GDSs will not have any rights under the corresponding Deposit Agreement.

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You will not be entitled to withdraw or instruct the sale of interests in Individual Scripless Certificate(s) of Payment underlying the GDSs issued in this offering until on or about the fourth ROC Business Day following the closing date for distribution of the GDSs pursuant to this Offering. In addition, under ROC market practice, you will not be able to receive the underlying Individual Scripless Certificate of Payment or the Shares for an additional two ROC Business Days.

If you hold a GDR certificate registered in your name, the Depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the Depositary may deem appropriate before it will cancel your GDSs. The withdrawal of the Shares or Individual Scripless Certificates of Payment represented by your GDSs may be delayed until the Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the Depositary will only accept GDSs for cancellation that represent a whole number of securities on deposit.

In addition, the Depositary shall not deliver interests in Individual Scripless Certificate(s) of Payment or Shares to a surrendering holder of GDSs unless such holder presents evidence of payment of any securities transaction tax which may be imposed under ROC law or we shall have advised the Depositary that no such tax is assessable in connection with the withdrawal of the Individual Scripless Certificate(s) of Payment or Shares hereunder.

We have reporting obligations under ROC law in respect of the GDS facilities. In order to enable us to gather the information necessary for our compliance with our obligations set forth under the laws and regulations of the ROC, you will be asked to provide information upon withdrawal of Shares or Individual Scripless Certificates of Payment from the applicable GDS facility, including a certification to the Depositary stating, inter alia, that:

- the holder is or is not a “Related Party,” as such term is defined in the applicable Deposit Agreement, to us;
- the holder will own a certain number of the Shares after cancellation of the GDSs surrendered thereby, as well as a certain number of GDSs representing the Shares after cancellation of the GDSs surrendered thereby;
- the holder, or the person on whose account he acts, is the beneficial owner of the GDSs surrendered to the Depositary thereby;
- the name, address and nationality of the beneficial owner of the GDSs, as included upon presentation of GDSs for cancellation, is true and correct;
- the number of GDSs surrendered and the number of Shares withdrawn, as included upon presentation of GDSs for cancellation, is true and correct;
- if the presenter is a broker-dealer, the owner of the account for which he is acting has confirmed the accuracy of the above representations; and
- the holder is or is not a PRC person meeting the qualifications required under the laws of the ROC (“**Qualified PRC Person**”), as such term is defined in the applicable Deposit Agreement; and

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- if the holder is a Qualified PRC Person, it has made all registrations and/or obtained all government approvals required under the laws of the ROC to hold the Shares or Individual Scripless Certificates of Payment underlying the GDSs submitted for cancellation and withdrawal and its ownership of Shares will not result in a violation of applicable laws of the ROC.

The Depositary will refuse to release the Shares or Individual Scripless Certificates of Payment to you until you deliver a completed and signed certification to it.

The Deposit Agreements may not be modified to impair your right to withdraw the securities represented by your GDSs unless there are:

- temporary delays because (1) the transfer books for the Shares or GDSs are closed, or (2) the register of shareholders is closed due to a shareholders' meeting or a payment of dividends;
- obligations to pay fees, taxes and similar charges; and
- restrictions imposed by law or regulation.

When you request the withdrawal of the Shares represented by your Rule 144A GDSs, you will be required to provide the Depositary with a withdrawal certification stating, inter alia, that:

- you acknowledge that the Shares represented by your Rule 144A GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and

you certify that either:

- (x) you are a "Qualified Institutional Buyer" (as defined in Rule 144A) who is the beneficial owner of the Rule 144A GDSs presented for cancellation, or you are acting on behalf of a Qualified Institutional Buyer who is the beneficial owner of the Rule 144A GDSs presented for cancellation and
 - (i) you have, or the person on whose behalf you are acting has, sold or agreed to sell the Rule 144A GDSs or Shares to a person other than a "U.S. Person" (as defined in Regulation S) in accordance with Regulation S, or
 - (ii) you have, or the person on whose behalf you are acting has, sold or agreed to sell the Rule 144A GDSs or Shares to another "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or
 - (iii) you (or the person on whose behalf you are acting) will be the beneficial owner of the Shares upon withdrawal and you (or the person on whose behalf you are acting) (x) will not deposit the Shares in any depositary receipt facility that is not a "restricted" depositary receipt facility and (y) will sell the Shares only
 - (a) to another Qualified Institutional Buyer (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

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- (b) outside the United States to a person other than “U.S. Person” (as defined in Regulation S) in accordance with Regulation S, or
- (c) in accordance with Rule 144 (if available), or
- (d) pursuant to an effective registration statement under the Securities Act; or
- (y) you are a person other than a “U.S. Person” (as defined in Regulation S) and are located outside the United States and you acquired or agreed to acquire the Rule 144A GDSs or Shares outside the United States and will be the beneficial owner of the Rule 144A GDSs or Shares upon withdrawal.

Voting Rights

Except as described below, holders of GDSs generally have no right under the applicable Deposit Agreement to instruct the Depositary to exercise the voting rights for the Shares represented by the GDSs. Instead, by accepting GDSs or any beneficial interest in GDSs, holders of GDSs are deemed to have authorized and directed the depositary to appoint our chairman or his/her designee to represent them at our shareholders’ meetings and to vote our Shares deposited with the Custodian according to the terms of the applicable Deposit Agreement.

The Depositary will distribute to holders of GDSs any notice of a shareholders’ meeting received from us together with information explaining how to instruct the Depositary to exercise the voting rights of the securities represented by GDSs.

If we fail to timely provide the Depositary with an English-language translation of our notice of meeting or other materials related to any meeting of holders of our Shares, the Depositary will endeavor to cause all the deposited securities represented by GDSs to be present at the applicable meeting, insofar as practicable and permitted under applicable law, but will not cause those securities to be voted.

If the Depositary timely receives voting instructions from holders of at least 51% of the outstanding GDSs to vote in the same direction regarding one or more resolutions to be proposed at the meeting, including election of directors, the depositary will notify our chairman or his/her designee to attend the meeting and vote all the securities represented by the holders’ GDSs in accordance with the direction received from holders of at least 51% of the outstanding GDSs.

If we have timely provided the depositary with the materials described in the applicable Deposit Agreement and the Depositary has not timely received instructions from holders of at least 51% of the outstanding GDSs to vote in the same direction regarding any resolution to be considered at the meeting and the depositary has secured a satisfactory opinion of counsel, then, holders of GDSs will be deemed to have authorized and directed the Depositary to give a discretionary authorization to our chairman or his designee to attend and vote at the meeting our Shares represented by the GDSs in any manner our chairman or his designee may wish, which may not be in the interests of holders.

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The ability of the Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure GDS holders that they will receive voting materials in time to enable them to return voting instructions to the depositary in a timely manner.

While shareholders who own 1% or more of our outstanding shares are entitled to submit one proposal to be considered at our annual general meetings, only holders representing at least 51% of our GDSs outstanding at the relevant record date are entitled to submit one proposal to be considered at our annual general meetings. Hence, only one proposal may be submitted on behalf of all GDS holders.

Fees and Charges

As a GDS holder, you will be required to pay the following fees under the terms of the Deposit Agreements:

Service	Fees
• Issuance of GDSs (e.g., issuance of GDSs upon a deposit of Shares, upon a change in the GDS(s)-to-Share(s) ratio, upon a conversion of Rule 144A GDSs for Regulation S GDSs, and vice versa, or for any other reason), excluding issuances as a result of distribution of GDSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional GDSs	Up to 5¢ per GDS issued
• Cancellation of GDSs (e.g., cancellation of GDSs for delivery of deposited property, upon a change of the GDS(s)-to Share(s) ratio, upon a conversion of Rule 144A GDSs for Regulation S GDSs, and vice versa, or for any other reason)	Up to 5¢ per GDS canceled
• Distribution of cash dividends or other cash distributions (e.g., sale of rights and other entitlements)	Up to 5¢ per GDS held
• Distribution of GDSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional GDSs	Up to 5¢ per GDS held
• Distribution of securities other than GDSs or rights to purchase additional GDSs (e.g., spin-off shares).	Up to 5¢ per GDS held
• GDS Services	Up to 5¢ per GDS held on the record date established by the Depositary
• Registration of GDS transfers (e.g., upon a registration of the transfer of registered ownership of GDSs, upon a transfer of GDSs into DTC, Euroclear, or Clearstream, and vice versa, or for any other reason).	Up to U.S. 5¢ per GDS (or fraction thereof) transferred
• Conversion of GDSs of one series for GDSs of another series (e.g., upon conversion of Partial Entitlement GDSs for Full Entitlement GDSs, upon a conversion of GDSs into freely transferrable depositary shares, and vice versa)	Up to U.S. 5¢ per GDS (or fraction thereof) converted

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As a GDS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- registration fees as may from time to time be in effect for the registration of Shares or other deposited securities on the share register and applicable to transfers of Shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing deposited securities or of the holders and beneficial owners of GDSs;
- in connection with the conversion of foreign currency, fees, expenses, spreads, taxes and other charges of the depositary and/or conversion service providers (which may be a division, branch or affiliate of the depositary). Such fees, expenses, spreads, taxes, and other charges shall be deducted from the foreign currency;
- any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the holders and beneficial owners in complying with currency exchange control or other governmental requirements;
- the fees, charges, costs, and expenses incurred by the depositary, the custodian or any nominee in connection with the GDR program; and
- the amounts payable to the Depositary by any party to the Deposit Agreement pursuant to any ancillary agreement to the Deposit Agreement in respect of the GDR program, the GDRs and GDSs.

GDS fees and charges payable upon (i) deposit of Shares against issuance of GDSs and (ii) surrender of GDSs for cancellation and withdrawal of Shares are payable by the person to whom the GDSs are delivered (in the case of GDS issuances) and by the person who delivers the GDSs for cancellation (in the case of GDS cancellations). In the case of GDSs issued by the depositary into DTC or presented to the depositary via DTC, Euroclear, or Clearstream, as the case may be, the GDS issuance and cancellation fees and charges may be deducted from distributions made through DTC, Euroclear, or Clearstream, as the case may be, and may be charged to the DTC, Euroclear, or Clearstream participant(s) receiving the GDSs or the DTC, Euroclear, or Clearstream participant(s) surrendering the GDSs for cancellation, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC, Euroclear, or Clearstream participant(s) to the account(s) of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC, Euroclear, or Clearstream participant(s) as in effect at the time. GDS fees and charges in respect of distributions and the GDS service fee are charged to the holders as of the applicable GDS record date. In the case of distributions of cash, the amount of the applicable GDS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the GDS service fee, holders as of the GDS record date will be invoiced for the amount of the GDS fees and charges and such GDS fees and charges may be deducted from distributions made to holders of GDSs. For GDSs held through DTC, Euroclear, or Clearstream, as the case may be, the GDS fees and charges for distributions other than cash and the GDS service fee may be deducted from distributions made through DTC, Euroclear, or Clearstream, as the case be, and may be charged to the DTC, Euroclear, or Clearstream participants in accordance with the procedures and practices prescribed by

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DTC, Euroclear, or Clearstream, as the case may be, and the DTC, Euroclear, or Clearstream participants in turn charge the amount of such GDS fees and charges to the beneficial owners for whom they hold GDSs. In the case of (i) registration of GDS transfers, the GDS transfer fee will be payable by the GDS holder whose GDSs are being transferred or by the person to whom the GDSs are transferred, and (ii) conversion of GDSs of one series for GDSs of another series, the GDS conversion fee will be payable by the holder whose GDSs are converted or by the person to whom the converted GDSs are delivered.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. *Certain depositary fees and charges (such as the GDS services fee) may become payable shortly after the closing of a GDS offering.* You will receive prior notice of such changes. In addition, the depositary may reimburse us for certain expenses incurred by us in respect of the GDR programs established pursuant to the Deposit Agreements, by making available a portion of the fees charged in respect of the GDR programs or otherwise, upon such terms and conditions as we and the depositary may agree from time to time. We will pay to the depositary such fees and charges and reimburse the depositary for such out-of-pocket expenses as we and the depositary may agree from time to time. Responsibility for payment of such charges and reimbursements may from time to time be changed by agreement between us and the depositary. The charges and expenses of the custodian are for the sole account of the depositary.

Amendments and Termination

We may agree with the Depositary to modify the Deposit Agreements at any time without your consent. We undertake to give GDS holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the Deposit Agreements. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that (i) are reasonably necessary for the GDSs to be settled in electronic book-entry form, and (ii) do not impose or increase the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the Deposit Agreements if you continue to hold your GDSs after the modifications to the applicable Deposit Agreements become effective. The Deposit Agreements cannot be amended to prevent you from withdrawing the Individual Scripless Certificate of Payment or Shares represented by your GDSs (except as permitted by law).

We have the right to direct the Depositary to terminate the Deposit Agreements. Similarly, the Depositary may in certain circumstances on its own initiative terminate the Deposit Agreements. In either case, the Depositary must give notice to the holders at least 30 days before termination.

After termination, the Depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your GDSs) and may sell the securities held on deposit. After the sale, the Depositary will hold the proceeds from such sale and any other funds then held for the holders of GDS in a non-interest bearing account. At that point, the Depositary will have no further obligations to holders other than to account for the funds then held for the holders of GDSs still outstanding (after deduction of applicable fees, taxes and expenses).

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Books of the Depositary

The Depositary will maintain GDS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the GDSs and the Deposit Agreements.

The Depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up, and transfer of GDSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The Deposit Agreements limit our obligations and the Depositary's obligations to you. Please note the following:

- We and the Depositary, its nominee, and its agents are obligated only to take the actions specifically stated in the Deposit Agreements without negligence or bad faith.
- The Depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the applicable Deposit Agreement.
- The Depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Shares, for the validity or worth of the Shares, for any tax consequences that result from the ownership of GDSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the Deposit Agreements or for the timeliness of any of our notices or for our failure to give notice.
- We and the Depositary will not be obligated to perform any act that is inconsistent with the terms of the Deposit Agreements.
- We and the Depositary disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our Articles of Incorporation, any provision of any securities on deposit or by reason of any act of God or war or terrorism or other circumstances beyond our control.
- We and the Depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreements or in our Articles of Incorporation or in any provisions of securities on deposit.
- We and the Depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of GDSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.

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- We and the Depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right, or other benefit which is made available to holders of Shares but is not, under the terms of the applicable Deposit Agreement, made available to you.
- We and the Depositary may rely without any liability upon any written notice, request, or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the Depositary also disclaim any liability for consequential or punitive damages (including lost profits) for any breach of the terms of the applicable Deposit Agreement.
- We and the Depositary also disclaim liability for any action or inaction of any clearing or settlement system (and any participant thereof) for the deposited property or GDSs.
- We and the Depositary disclaim any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Shares or in respect of the GDR certificates or GDSs which in the Depositary's opinion may involve the Depositary in expense or liability, unless indemnity satisfactory to us or the Depositary against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required.
- The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities or GDSs, for the validity or worth of the deposited securities for the creditworthiness of any third party, or for any tax consequences that may result from the ownership of GDSs, Shares, or other deposited securities, for allowing any rights to lapse upon the terms of the Deposit Agreement, for allowing any rights to lapse upon the terms of the Deposit Agreement, or for the failure or timeliness of any notice from us. The Depositary shall not be obligated in any way to maintain or enforce our obligations.
- The Depositary shall not be liable for any acts or omissions made by a successor or predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary (as the case may be), provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.
- Nothing in the Deposit Agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary bank, and you as GDS holder.

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- Nothing in the Deposit Agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the GDS owners have interests, and nothing in the Deposit Agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the GDS owners, or to account for any payment received as part of those transactions.
- No disclaimer of any Securities Act liability is intended by any provision of the Deposit Agreement.

Taxes

You will be responsible for the taxes and other governmental charges payable on the GDSs and the securities represented by the GDSs. We, the Depositary, and the Custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The Depositary may refuse to issue GDSs, to deliver, transfer, split, and combine GDR certificates or to release securities on deposit until all taxes and charges are paid by the applicable holder. The Depositary and the Custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the Depositary and to the Custodian proof of taxpayer status and residence and such other information as the Depositary and the Custodian may require to fulfill legal obligations. You are required to indemnify us, the Depositary, and the Custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

Subject to ROC law, the Depositary will arrange for the conversion of all foreign currency received into US dollars if such conversion is practicable and if the US dollars are transferable to the United States, and it will distribute the US dollars in accordance with the terms of the Deposit Agreements. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practicable or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the Depositary may take the following actions in its discretion:

- convert the foreign currency to the extent practicable and lawful and distribute the US dollars to the holders for whom the conversion and distribution is lawful and practicable;
- distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) to holders for whom the distribution is lawful and practicable; or
- hold, or cause the Custodian to hold, the foreign currency (without liability for interest thereon) for the applicable holders.

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Legends

The Rule 144A GDRs issued to represent the Rule 144A GDSs offered for sale herein shall contain, and all owners of Rule 144A GDSs shall be bound by the terms of, the following legend:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE, OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY, AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY, AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY, AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES, AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

THE BENEFICIAL OWNER OF RULE 144A DEPOSITED SECURITIES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SECURITIES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SECURITIES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE RULE 144A DEPOSITED SECURITIES OR THE RULE 144A GDSs.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

The Regulation S GDRs issued to represent the Regulation S GDSs offered for sale herein shall contain, and all owners of Regulation S GDSs shall be bound by the terms of, the following legend:

NEITHER THIS REGULATION S GDR, NOR THE REGULATION S GDSs EVIDENCED HEREBY, NOR THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE, OR OTHER TRANSFER OF THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR AND THE REGULATION S GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY, AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES, AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES.

TAXATION

Prospective investors should consult their own advisers concerning the tax consequences of an investment in the GDSs or Shares.

ROC Taxation

The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Shares or GDSs by a nonresident individual or nonresident entity that holds such Shares or GDSs (each a “**Non-ROC Holder**”). A “non-resident individual” (a “**Non-ROC Individual Holder**”) is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Shares or GDSs and a “non-resident entity” (a “**Non-ROC Entity Holder**”) is a corporation or a non-corporate body that owns the Shares or GDSs and is organized under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning the Shares or GDSs and the laws of any relevant taxing jurisdiction to which you are subject.

Dividends

Dividends (whether in cash or common shares) declared by the Company out of its retained earnings and distributed to a Non-ROC Holder in respect of the Shares are ROC sourced income and therefore subject to ROC withholding tax, currently at the rate of 21%, on the amount of the distribution (in the case of cash dividends) or on the par value of the common shares (in the case of stock dividends) unless a lower withholding rate is provided under an applicable tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. A 10% undistributed earnings tax was imposed on an ROC company for its after-tax earnings generated after January 1, 1998 which were not distributed in the following year. The undistributed earnings tax was reduced to 5% on January 1, 2018. The undistributed earnings tax so paid will further reduce the retained earnings available for future distribution. Distributions of the Company’s shares or cash out of its capital reserves may not be subject to withholding tax, except under limited circumstances.

Capital Gains

Sales of the GDSs by Non-ROC Holders are regarded as transactions relating to property located outside the ROC and thus any resultant gains derived from transfer of the Company’s GDSs by Non-ROC Holders are currently not subject to ROC income tax.

Non-ROC Holders are exempt from ROC income tax on capital gains from the sale or disposal of the Shares.

Securities Transaction Tax

Securities transaction tax will be borne by the seller and withheld at the rate of 0.3% of the transaction price upon a sale of the Shares. Nevertheless, transfers of the GDSs by Non-ROC Holders are not subject to ROC securities transaction tax.

Pre-emptive Rights

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Act are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Holders are exempt from ROC income tax on capital gains from such sale. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are not subject to securities transaction tax but are subject to ROC income tax at the rate of 20% of the gains realized by Non-ROC Holders. Subject to compliance with ROC laws, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

Estate Tax and Gift Tax

Subject to allowable exclusions, deductions, and exemptions, ROC estate tax is payable on any property located within the ROC of a deceased Non-ROC Individual Holder, and ROC gift tax is payable on any property located within the ROC donated by a Non-ROC Individual Holder. Estate tax and gift tax are currently imposed at the progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax law, the Shares are deemed located within the ROC regardless of the location of the owner. Nevertheless, it is unclear whether a holder of the GDSs will be considered to own the Shares for this purpose.

Tax Treaties

At present, the ROC has income tax treaties with Korea, Singapore, Indonesia, South Africa, Australia, New Zealand, Vietnam, Gambia, Eswatini, Malaysia, North Macedonia, the Netherlands, UK, Senegal, Sweden, Belgium, Denmark, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada, Czech Republic, Saudi Arabia, and Poland, which may limit the rate of withholding tax on dividends or interest paid by ROC companies to residents of these countries. Holders of the Shares or GDSs should consult their own tax advisers concerning their eligibility for benefits under an income tax treaty with respect to the Shares or GDSs.

United States Federal Income Tax Considerations

The following discussion describes certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of our GDSs or Common Shares. This discussion applies only to a U.S. Holder that holds our GDSs or Common Shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any alternative minimum or Medicare contribution tax consequences, and any tax consequences applicable to U.S. Holders subject to special rules, such as:

- banks, insurance companies and other financial institutions;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities that use a mark-to-market method of tax accounting;

TAXATION

- persons holding our GDSs or Common Shares as part of a straddle, integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes or partners or investors therein;
- tax-exempt entities, “individual retirement accounts” or “Roth IRAs”;
- persons that own or are deemed to own 10% or more of our stock by vote or value; or
- persons holding our GDSs or Common Shares in connection with a trade or business outside the United States.

If a partnership (or other entity that is classified as a partnership for U.S. federal income tax purposes) owns our GDSs or Common Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning our GDSs or Common Shares and their partners should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of our GDSs or Common Shares.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a “U.S. Holder” is a person that, for U.S. federal income tax purposes, is a beneficial owner of our GDSs or Common Shares and:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, U.S. Holders of our GDSs are expected to be treated as owning the underlying Common Shares represented by those GDSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges our GDSs for the underlying Common Shares.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of our GDSs or Common Shares in their particular circumstances.

Taxation of Distributions

The following is subject to the discussion under “—Passive Foreign Investment Company Rules” below.

Distributions paid on our GDSs or Common Shares, other than certain pro rata distributions of our Common Shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that any distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends paid to non-corporate U.S. Holders will not be eligible for taxation at a preferential tax rate.

Dividends will be included in a U.S. Holder’s income on the date of the U.S. Holder’s, or in the case of our GDSs, the depository’s, receipt. The amount of any dividend income paid in NT dollars will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. U.S. Holders should consult their tax advisers regarding the application of these rules.

Dividends generally will be income from non-U.S. sources. As described in “—ROC Taxation,” dividends paid by us will be subject to ROC withholding tax. The amount of dividend income will include any amounts withheld in respect of ROC withholding tax. Subject to applicable limitations, some of which vary depending upon the U.S. Holder’s circumstances (such as a requirement to satisfy certain minimum holding periods), R.O.C. taxes withheld from dividend distributions may be eligible for credit against the U.S. Holder’s U.S. federal income tax liability. Under certain Treasury regulations, in order for non-U.S. income taxes to be creditable, the relevant non-U.S. income tax rules must be consistent with certain U.S. federal income tax principles, and we have not determined whether the R.O.C. tax system meets these requirements. However, the U.S. Internal Revenue Service (the “IRS”) released notices that provide relief from certain of the provisions of these Treasury regulations for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. In lieu of claiming a credit, a U.S. Holder may, at its election, deduct otherwise creditable R.O.C. taxes in computing its taxable income, subject to generally applicable limitations. An election to deduct non-U.S. taxes instead of claiming foreign tax credits applies to all otherwise creditable non-U.S. taxes paid or accrued in the taxable year. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisers regarding the creditability or deductibility of any R.O.C. tax generally (including under the Treasury regulations and taking into account the IRS notices mentioned above) and in their particular circumstances.

Sale or Other Taxable Disposition

The following is subject to the discussion under “—Passive Foreign Investment Company Rules” below.

A U.S. Holder generally will recognize capital gain or loss on a sale or other taxable disposition of our GDSs or Common Shares in an amount equal to the difference between the amount realized on the sale or disposition and the U.S. Holder’s tax basis in the GDSs or Common Shares disposed of, in each case as determined in U.S. dollars. Any gain or loss will be long-term capital gain or loss if at the time of the sale or disposition the U.S. Holder has held our GDSs or Common Shares for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders may be subject to a tax rate that is lower than the rate applicable to ordinary income. The deductibility of capital losses is subject to limitations.

Any R.O.C. securities transaction tax imposed on a disposition of our Common Shares will not be creditable against a U.S. Holder’s U.S. federal income tax liability, but may reduce the amount realized on the disposition.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, dividends, rents and royalties (other than certain rents or royalties derived in the active conduct of a trade or business) and gains from certain property transactions. Cash is a passive asset for PFIC purposes. Goodwill and other intangibles are active assets to the extent attributable to activities that produce active income.

Based on the composition of our income and assets and the estimated value of our assets (including the estimated value of goodwill and other intangible assets, which are based, in part, on our market capitalization), we do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, because our PFIC status for any taxable year is an annual determination that can be made only after the end of that year and will depend on the composition of our income and assets and the value of our assets for that year, we may be a PFIC for our current or any future taxable year.

If we are a PFIC for any taxable year and any of our non-U.S. subsidiaries or other companies in which we own equity interests is also a PFIC (a “Lower-tier PFIC”), U.S. Holders will be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and will be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders will not receive the proceeds of those distributions or dispositions.

Generally, if we are a PFIC for any taxable year during which a U.S. Holder holds our GDSs or Common Shares, gain recognized upon a disposition (including, under certain circumstances, a pledge) of our GDSs or Common Shares by the U.S. Holder will be allocated ratably over the U.S. Holder's holding period for the GDSs or Common Shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the resulting tax liability for each relevant taxable year. Further, to the extent that distributions received during a taxable year by a U.S. Holder on its GDSs or Common Shares exceed 125% of the average of the annual distributions received on such securities during the preceding three taxable years or the U.S. Holder's holding period, whichever is shorter, the excess distribution will be subject to taxation in the same manner. If we are a PFIC for any taxable year during which a U.S. Holder owns our GDSs or Common Shares, we generally will continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder owns our GDSs or Common Shares, even if we cease to meet the threshold requirements for PFIC status. If we are a PFIC for any taxable year but cease to be PFIC for subsequent years, U.S. Holders should consult their tax advisers regarding the advisability of making a "deemed sale" election that will allow them to eliminate the continuing PFIC status under certain circumstances.

Alternatively, if we are a PFIC and if our GDSs or Common Shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election that would result in tax treatment different from the general tax treatment described in the preceding paragraph. A non-U.S. exchange is a "qualified exchange" if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The IRS has not identified specific non-U.S. exchanges that are "qualified" for this purpose. U.S. Holders should note that there is no provision in the Code or Treasury regulations that would permit them to make mark-to-market elections with respect to Lower-tier PFICs, if any.

If a U.S. Holder owns our GDSs or Common Shares during any taxable year in which we are a PFIC, the U.S. Holder generally will be required to file annual reports on IRS Form 8621 with respect to us, generally with the U.S. Holder's federal income tax return for that year. U.S. Holders should consult their tax advisers regarding our PFIC status for any taxable year and the potential application of the PFIC rules to us.

Information Reporting and Backup Withholding

In general, payments of dividends and proceeds from the sale or other disposition of our GDSs or Common Shares that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other "exempt recipient" (and establishes that status if required to do so) and (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding, generally on IRS Form W-9. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

TAXATION

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of our GDSs or Common Shares, or non-U.S. financial accounts through which our GDSs or Common Shares are held. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to our GDSs or Common Shares.

TRANSFER RESTRICTIONS

The GDSs and the Shares represented by such GDSs have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The GDSs are not being offered or sold in the United States except through the U.S. selling agents of certain of the Initial Purchaser only to qualified institutional buyers, as defined in Rule 144A, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The GDSs sold outside the United States and the ROC will be offered by the Initial Purchaser in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the GDSs may only be held through owning beneficial interests in the master global depositary receipts, or master GDRs. Such interests in the Rule 144A master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and such interests in the Regulation S master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the restrictions described below will not be recognized by us or the Depositary, as the case may be.

Transfer Restrictions on the Rule 144A GDSs

Each owner of an interest in Rule 144A GDSs, by its acceptance thereof, will be deemed to have acknowledged and represented to and agreed with us, the Depositary and the Initial Purchaser that (terms used herein that are defined in Rule 144A or Regulation S are used as defined therein):

1. the Rule 144A GDSs and the Shares represented thereby have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
2. such owner is purchasing the Rule 144A GDSs for:
 - its own account or an account and it is a QIB, or
 - an account with respect to which it exercises sole investment discretion or for transfer to an account as it may lawfully direct the Depositary and that such account is a QIB;
3. such owner is aware that the transferor of such securities is relying on the exemption from registration under the Securities Act provided by Rule 144A for the transfer;
4. such owner will not offer, sell, pledge or otherwise transfer any interest in the Rule 144A GDSs or Shares represented thereby except as permitted by the applicable legend set forth in paragraph (5) below;

TRANSFER RESTRICTIONS

5. the Rule 144A GDRs will bear legends to the following effect, unless we and the Depositary determine otherwise in compliance with applicable law, and that such owner will observe the restrictions contained therein:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

THE BENEFICIAL OWNER OF RULE 144A DEPOSITED SECURITIES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SECURITIES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SECURITIES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE RULE 144A DEPOSITED SECURITIES OR THE RULE 144A GDSs.

TRANSFER RESTRICTIONS

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Transfer Restrictions on the Regulation S GDSs

Each owner of an interest in Regulation S GDSs, by its acceptance thereof, will be deemed to have acknowledged and represented to and agreed with us, the Depositary and the Initial Purchaser that (terms used herein that are defined in Rule 144A or Regulation S are used as defined therein):

1. the Regulation S GDSs and the Shares represented thereby have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
2. such owner will not offer, sell, pledge or otherwise transfer any interest in the Regulation S GDSs or Shares represented thereby except as permitted by the applicable legend set forth in paragraph (3) below;
3. the Regulation S GDRs will bear legends to the following effect, unless we and the Depositary determine otherwise in compliance with applicable law, and that such owner will observe the restrictions contained therein:

NEITHER THIS REGULATION S GDR, NOR THE REGULATION S GDSs EVIDENCED HEREBY, NOR THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR AND THE REGULATION S GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT.

PLAN OF DISTRIBUTION

We and the Initial Purchaser have entered into a purchase agreement dated April 9, 2024 with respect to the GDSs, or the Purchase Agreement. Subject to certain conditions set out in the Purchase Agreement, the Initial Purchaser has agreed to purchase from us, and we have agreed to sell to the Initial Purchaser, the amount of GDSs indicated in the following table.

Initial Purchaser	Number of GDSs
Citigroup Global Markets Limited	17,000,000
Total	17,000,000

The Purchase Agreement provides that the obligations of the Initial Purchaser to purchase the GDSs included in this offering are subject to certain conditions, including receipt of certain legal opinions. The Initial Purchaser is obligated to purchase all the GDSs if it purchases any of the GDSs. We have agreed to indemnify the Initial Purchaser against certain losses, claims, damages or liabilities under the Securities Act in accordance with the Purchase Agreement.

The Initial Purchaser proposes to resell the GDSs at the offering price set forth on the cover page of this Offering Circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. The GDSs and the Shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.” The GDSs will not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

The purchase price for the GDSs will be the initial offering price set forth on the cover page of this Offering Circular, or the offering price, less an underwriting commission. The Initial Purchaser proposes to offer the GDSs at the offering price. After the GDSs are released for sale, the offering price and other selling terms may from time to time be varied by the Initial Purchaser.

We have applied to have the GDSs listed on the Luxembourg Stock Exchange. However, we cannot assure you that the prices at which the GDSs will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the GDSs will develop and continue after this offering. The Initial Purchaser has advised us that it currently intends to make a market in the GDSs. However, it is not obligated to do so and it may discontinue any market-making activities with respect to the GDSs at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the GDSs. In connection with the offering, the Initial Purchaser may purchase and sell the GDSs in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchaser of a greater number of securities than they are required to purchase in the offering.
- Covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase securities so long as the stabilizing bids do not exceed a specified maximum.

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Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchaser for its own accounts, may have the effect of preventing or retarding a decline in the market price of the GDSs. It may also cause the price of the GDSs to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchaser may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchaser commences any of these transactions, it may discontinue it at any time.

We expect to deliver the GDSs against payment for the GDSs on or about the date specified in the last paragraph of the cover page of this Offering Circular, which will be the third business day following the date of the pricing of the GDSs. Since trades in the secondary market generally settle in three business days, purchasers who wish to trade the GDSs on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the GDSs initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement. Investors will be notified by the Initial Purchaser of their allocations of the GDSs and the settlement arrangements in respect thereof. The GDSs will be issued on the closing date against payment to the Issuer by the Initial Purchaser of the purchase price.

We and our directors, executive officers and certain shareholders have agreed that until 90 days after the date hereof, we will not, without the Initial Purchaser's prior written consent, offer, sell, contract to sell or otherwise dispose of any securities of us that are substantially similar to the GDSs or the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, the GDSs or the Shares or any such substantially similar securities.

The Initial Purchaser has performed commercial banking, investment banking and advisory services for us from time to time for which it has received customary fees and reimbursement of expenses. The Initial Purchaser may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses. In addition, affiliates of the Initial Purchaser are lenders, and in some cases agents or managers for the lenders, under our credit facility.

Notice to prospective investors in the ROC and restriction on related party subscription under ROC law

The Initial Purchaser has represented, warranted and agreed that this Offering Circular is not an offer or sale, directly or indirectly, of any GDSs in the ROC or to, or for the account or benefit of, and resident of the ROC. The GDSs may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, we and the Initial Purchaser are prohibited from offering and selling the GDSs to our "related parties" as defined in the Regulations Governing Preparation of Financial Reports by Securities Issuers, or the person specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms (which include, (a) a business entity that is invested by us using equity method in our accounting reporting, (b) a business entity that invests in our company and uses equity method in its accounting reporting, (c) a company whose chairperson of the board or president is the same as that of our company or is the spouse thereof, (d) a foundation with one-third of its total paid-in funds donated by us, (e) our

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director, president, vice president, assistant vice president, and other department head under the immediate supervision by our president, (f) a spouse of our director or president, (g) a director or employee of any member of the underwriting syndicate or a spouse thereto, (h) any member of the underwriting syndicate, and (i) a person subscribing for the GDSs on behalf of or for the benefit of any person set forth in items (a) to (h) above, among others). In addition, pursuant to Subparagraph 9 under Paragraph 1 of Article 9 of the Regulations Governing the Offering and Issuance of Overseas Securities by Issuers, the subscribers or the ultimate source of subscription shall not come from our “related party.” A “related party” shall be determined in accordance with the Regulations Governing Preparation of Financial Reports by Securities Issuers which is as defined under IAS 24.

Further to the above, unless it can be established that no control or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship:

1. An affiliated enterprise within the meaning given in Chapter VI-I of the ROC Company Act, and any of its directors, supervisors, and managerial officers.
2. A company or institution governed by the same general management office as the issuer, and any of its directors, supervisors, and managerial officers.
3. A person holding the position of manager or higher in the general management office.
4. A company or institution shown as an affiliated enterprise in the issuer’s publications or public announcements.
5. Where the board chairman or president of another company or institution is the same person as the board chairman or president of the issuer, or is the spouse or a relative within the second degree or closer of the board chairman or president of the issuer.

Under Chapter VI-1 the ROC Company Act, the term “affiliated enterprises” as used in this law shall refer to enterprises that are independent in existence but are interrelated in either of the following relations:

- Companies having controlling and subordinate relation between them.
- Companies having made investment in each other.

In considering whether a counterparty is a related party, attention shall be directed to the substance of the relationship in addition to the legal form.

Investors who purchase the GDSs are deemed to have represented to us and to the Initial Purchaser that (i) they are not a “related party” to us and (ii) the source of the funds used to purchase the GDSs are not from “related party” and are in compliance with the ROC Regulations Governing the Offering and Issuance of Overseas Securities by Issuers. Further, each subscriber or purchaser of the GDSs described in this Offering Circular will be deemed to have acknowledged and represented to us and the Initial Purchaser that he, she or it is not a person as specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms.

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Notice to prospective investors in the United States

The GDSs have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the GDSs are being offered and sold by the Initial Purchaser only (1) in the United States to QIBs pursuant to Rule 144A and (2) outside the United States in reliance upon Regulation S under the Securities Act. The Initial Purchaser has agreed that it will not offer, sell or deliver any GDS as part of its distribution at any time within the United States except to persons whom it reasonably believes to be qualified institutional buyers pursuant to Rule 144A, and that it will have sent to each dealer to which it sells the GDSs a confirmation or other notice setting forth the restriction on offers and sales of GDSs within the United States.

Notice to prospective investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a “**Member State**”), no units have been offered or will be offered pursuant to this offering to the public in that Member State prior to the publication of a prospectus in relation to the units which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation), except that offers of units may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriter for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Shares shall require the Issuer or the Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any units in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any units to be offered so as to enable an investor to decide to purchase or subscribe for any units, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the Initial Purchaser with a view to the final placement of the securities as contemplated in this Offering Circular. Accordingly, no purchaser of the securities, other than the Initial Purchaser is authorized to make any further offer of the securities on behalf of the sellers or the Initial Purchaser.

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Notice to prospective investors in the United Kingdom

This Offering Circular is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(e) of the UK Prospectus Regulation that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a “relevant person”). This Offering Circular and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

For the purposes of this provision, the expression “UK Prospectus Regulation” means the UK version of Regulation (EU) No 2017/1129 as amended by The Prospectus (Amendment etc.) (EU Exit) Regulations 2019, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

Notice to prospective investors in Singapore

The Initial Purchaser has acknowledged that this Offering Circular has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Initial Purchaser has represented, warranted and agreed that it has not offered or sold any GDSs or caused the GDSs to be made the subject of an invitation for subscription or purchase and will not offer or sell any GDSs or cause the GDSs to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the GDSs, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

Any reference to the “SFA” is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to prospective investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong

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(except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to prospective investors in Japan

The securities offered in this Offering Circular have not been registered under the Securities and Exchange Law of Japan. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law, and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to prospective investors in Canada

The GDSs may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the GDSs must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the Initial Purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to prospective investors in United Arab Emirates

The GDSs have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Abu Dhabi Global Market and the Dubai International Financial Centre) other than in compliance with the laws, regulations and rules of the United Arab Emirates, the Abu Dhabi Global Market and the Dubai International Financial Centre governing the issue, offering and sale of securities. Further, this Offering Circular does not constitute a public offer of securities in the United Arab Emirates (including the Abu Dhabi Global Market and the Dubai International Financial Centre) and is not intended to be a public offer. This Offering Circular has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority, the Financial Services Regulatory Authority or the Dubai Financial Services Authority.

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Notice to prospective investors in the PRC

This Offering Circular is not intended to constitute a public offer of the GDSs, whether by way of sale or subscription, in the PRC. The GDSs are not an offer of securities within the meaning of the Securities Law of PRC or other pertinent laws and regulations of the PRC. The GDSs are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC other than to QDIIs in the PRC. Pursuant to relevant laws and regulations in the PRC, with the exception of QDIIs in the PRC, the GDSs may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Notice to prospective investors in Cayman Islands

The GDSs may not be offered or sold directly or indirectly in the Cayman Islands, and the Company is prohibited from making any invitation to the public in the Cayman Islands to subscribe for any of its securities.

LEGAL MATTERS

Certain legal matters with respect to the GDSs will be passed upon for us by Tsar & Tsai Law Firm as to ROC law, and for the Initial Purchaser by Davis Polk & Wardwell as to U.S. federal and New York law.

INDEPENDENT AUDITORS

Independent Auditors

The consolidated financial statements of WT Microelectronics Co., Ltd. and its subsidiaries as of and for the years ended December 31, 2021, 2022 and 2023, included in this Offering Circular have been audited by PricewaterhouseCoopers, Taiwan, independent auditors, as stated in their reports appearing herein.

The consolidated financial statements of Future Electronics Inc. as of and for the years ended December 31, 2022 and 2023 included in this Offering Circular have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

PricewaterhouseCoopers, Taiwan is located at 27F, No. 333 Sec. 1, Keelung Rd, Xinyi Dist, Taipei, Taiwan.

Ernst & Young LLP is located at 900, boul. De Maisonneuve Ouest, bureau 2300 Montréal H3A 0A8, Quebec, Canada.

GENERAL INFORMATION

We were incorporated on December 23, 1993 under the name Serial Semiconductor Co., Ltd. under the Company Act of the Republic of China and with a registered capital of NT\$10 million. According to our Articles of Incorporation, our authorized share capital is NT\$20,000,000,000, and as of March 22, 2024, our paid-in share capital was NT\$11,643,771,510, divided into 1,164,377,151 shares with a par value of NT\$10 per share, of which 1,029,377,151 shares are Common Shares and 135,000,000 shares are Class A Preferred Shares. Our registered and principal executive office is located at 14F., No. 738, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan, Republic of China, and our telephone number at the above address is +886-2-8226-9088. We are registered with the MOEA and our registration number is 84498860. Our Legal Entity Identifier Code is 549300B9CGCS0W06W129. Grand Fortune Securities Co., Ltd. currently acts as our registrar service agent for our Common Shares and Preferred Shares and enters transfers of Common Shares and Preferred Share in such register upon presentation of, among other documents, certificates in respect of the transferred Common Shares and Preferred Shares. The registered office of our share registrar is at 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 100, Taiwan, Republic of China. The length of life of the Company shall be considered indefinite as there is no specific length of life under the laws of the ROC or in the Company's Articles of Incorporation.

Currently, we do not have any outstanding convertible or exchangeable debt securities or debt securities with warrants attached.

The Regulation S GDSs and Rule 144A GDSs have been accepted for clearance and settlement by DTC, Euroclear and Clearstream. Relevant trading information is set forth below.

	ISIN	Common Code	CUSIP
The GDSs:			
Regulation S GDSs	US92945K2096	247337415	92945K209
Rule 144A GDSs	US92945K1007	247337342	92945K100

Application has been made to admit the GDSs on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

We will apply to the TWSE for the listing of the Shares underlying the GDSs as soon as practicable after the Closing Date. It is expected that the TWSE will approve the listing of the Shares on the fourth business day in the ROC following the Closing Date, although there is no assurance that such listing approval will be obtained by such date (if at all).

We have obtained all necessary consents, approvals and authorizations in connection with the issue of the Shares and the GDSs. The issue of the Shares and GDSs was authorized by the shareholders at a meeting held on May 30, 2023 and by the resolutions of our board of directors passed on February 29, 2024. Our shareholders waived their pre-emptive rights in respect of the Shares to be represented by the GDSs pursuant to a resolution passed at the same shareholders' meeting held on May 30, 2023.

Except as disclosed, there has been no significant change in our financial or trading position since December 31, 2023 or any material adverse change in our financial position or prospects since December 31, 2023.

GENERAL INFORMATION

Neither we nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the period recently preceding the date of this Offering Circular, a material adverse effect on our financial position, nor, so far as any of them is aware, are any such proceedings pending or threatened except as may be otherwise disclosed or referred to herein.

In 2023 and up to the date of this Offering Circular, no public takeovers relating to us have taken place.

No company in which we have a direct or indirect holding of more than 50% of capital or issued shares holds any Shares.

Copies (and certified English translations where the documents are not in English) of the following documents may be inspected, free of charge, at our website at <http://www.wtmec.com>, our principal executive office and the specified offices of the Depositary, so long as the GDSs remain outstanding:

- our Articles of Incorporation;
- the Deposit Agreements relating to the GDSs;
- the Purchase Agreement relating to the GDSs;
- this Offering Circular; and
- a copy of the audit reports of the independent auditors and our audited consolidated financial statements as of and for the year ended December 31, 2021, 2022 and 2023.

In addition, copies of this Offering Circular, the most recent annual audited consolidated financial statements of the Company will be available for collection free of charge at the specified office of the Depositary, so long as the GDSs are listed on the Luxembourg Stock Exchange. The Company publishes both its annual and interim consolidated financial statements. For as long as the GDSs are traded on the Euro MTF Market, we will publish all notices to holders of GDSs on the website of the Luxembourg Stock Exchange, which is www.luxse.com.

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser or any of our respective affiliates or advisors in connection with this Offering.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the Financial Supervisory Commission (“FSC”), and its supervisory authority has been transferred from the Ministry of Finance to the FSC.

The Taiwan Stock Exchange

In 1961, the TWSE was established to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and privately owned banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user’s fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the ROC authority actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 997 as of December 31, 2023. As of December 31, 2023, the market capitalization of companies listed on the TWSE was approximately NT\$56.8 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the ROC authority has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC’s first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE. The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of stockholders, including the diversification of such stockholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

The following table shows for the periods indicated information relating to the TWSE.

Period	No. of Listed Companies at Period End	Stock Trading Values (in NT\$ billions)	Index High	Index Low	Index at Period End
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.1	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.8	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014	854	21,898.5	9,569.17	8,264.48	9,307.26
2015	874	20,191.5	9,973.12	7,410.34	8,338.06
2016	892	16,771.1	9,392.68	7,664.01	9,253.50
2017	907	23,972.2	10,854.57	9,272.88	10,642.86
2018	928	29,608.9	11,253.11	9,478.99	9,727.41
2019	942	26,464.6	12,122.45	9,382.51	11,997.14
2020	948	45,654.3	14,732.53	8,681.34	14,732.53
2021	959	92,290.0	18,248.28	14,902.03	18,218.84
2022	971	56,080.6	18,526.35	12,666.12	14,137.69
2023	997	63,170.2	17,930.81	14,199.13	17,930.81

Source: TWSE

Price limits, commissions, transaction tax and other matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts of NT\$15 million or more, or transactions involving five or more different classes of securities and trading amounts of NT\$15 million or more must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the

transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Starting from January 15, 2016, upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE should request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

Regulation and supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the ROC SFB to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits a ROC public company to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and stockholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the company. ROC Securities and Exchange Law prohibits trading by "insiders" based on nonpublic information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and stockholders (together with their spouses, minor children and nominees) who hold more than 10% of a ROC public company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;
- any person who has learned material, non-public information due to an occupational or controlling relationship with a ROC public company;
- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and
- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of a company's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

The ROC FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchaser or any of our respective affiliates or advisors in connection with this Offering.

Foreign Investment

Foreign investments in ROC securities markets were once restricted. Since 1983, the ROC government has adopted, enacted and amended laws and regulations to enable investment in ROC securities markets by overseas Chinese, foreign nationals, and PRC nationals. Currently, the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals (the “Securities Investment Regulations for Foreign Investors”), announced on May 26, 1983 and last amended on February 11, 2014, and the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors (the “Securities Investment Regulations for PRC Nationals”), announced on April 30, 2009 and last amended on October 6, 2010, are the two major regulations governing foreign investment in ROC securities (the “**Regulations**”). Foreign investors who are not PRC nationals shall follow the Securities Investment Regulations for Foreign Investors for their respective investment in ROC securities.

Under the Securities Investment Regulations for Foreign Investors, investors are classified into “Offshore General Foreign Investors,” “Onshore General Foreign Investors,” “Offshore Foreign Institutional Investors” and “Onshore Foreign Institutional Investors,” based upon whether they are institutional investors or natural persons, and whether they reside in the ROC (“**Offshore General Foreign Investors**” and “**Offshore Foreign Institutional Investors**”, hereafter “**Offshore Investor**”; **Onshore General Foreign Investors**” and “**Onshore Foreign Institutional Investors**”, hereafter “**Onshore Investor**”). Foreign investors are required to register with the TWSE to trade securities listed on TWSE, and the TWSE may withdraw or rescind the registration if the application documents submitted by foreign investors are untrue or incomplete, or if any material violation of the relevant regulations exists. Offshore investors are required to appoint their local agent or nominee to act on their behalf in Taiwan.

An Offshore Investor may only invest in ROC securities as permitted by the FSC such as shares, certificates of bond conversion entitlement, and Taiwan Depositary Receipts publicly or privately offered by TWSE-listed, TPEX-listed or emerging market-listed companies, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds, convertible bonds, bonds with warrant, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle and warrants. The FSC may set a cap for the total investment amount of offshore investors, after consulting with the CBC; provided that the FSC lifted such cap in 2008.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in ROC securities. The Securities Investment Regulations for PRC Nationals promulgated in April 2009 (as amended in October 2010) allow PRC nationals and institutional investors to make investment in certain ROC securities, if they are qualified for any of the following categories: (i) qualified domestic institutional investors approved by the PRC government (“QDII”); (ii) PRC residents who are employees of a TWSE-listed or TPEX listed company and thereupon granted securities; (iii) companies incorporated under the laws of PRC or

PRC residents who are the stockholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or TPEX; or (iv) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below, a PRC investor may invest in TWSE-listed or TPEX-listed securities, beneficiary certificates issued by securities investment trusts or future trust funds, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, warrants and other securities as permitted by the FSC.

- PRC investors are required to appoint their agent or nominee in Taiwan for opening a securities trading account.
- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates related to securities.
- In exercising the voting rights of the shares of a TWSE-listed or TPEX-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantially control or effect the operation and management of the company.
- The amount of investment remittance for each QDII is capped at US\$100 million, and the total amount remitted into Taiwan by all QDIIs shall not exceed US\$500 million.
- QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time.
- The PRC investor may not exceed the PRC ownership limit imposed by the Taiwan competent authority.

Depositary receipts

In April 1992, the ROC Securities and Futures Commission (later reformed and known as the Securities and Futures Bureau of the FSC) enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the ROC Ministry of Finance allowed companies whose shares are traded on the TPEX or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

After depositary receipts are issued initially by a foreign depositary, a holder of depositary receipts may request the foreign depositary to cause the underlying shares (1) to be sold in the ROC, with the proceeds from that sale distributed to the depositary receipt holder after deducting tax payments and relevant costs and expenses, or (2) to be withdrawn from the depositary receipt facility and transferred to the depositary receipt holder.

Currently, a holder of depositary shares who is a PRC person may not withdraw and hold shares unless (1) it is a QDII who will hold less than 10% (or less in certain industries) of the issuer's issued shares, or (2) if all the businesses of the issuer are in the positive list promulgated by the ROC Executive Yuan, the holder withdraws shares (together with its

existing shareholding in the issuer) which accounts for 10% or more (or other threshold required by the regulators) of the issuer's issued shares and it otherwise obtains the approval of the MOEA. However, QDIIs are currently prohibited from investing in certain industries, and their investment in a given company is restricted to a certain percentage promulgated by the competent authorities and amended from time to time. Further, there is no assurance that, in the future, there will not be further restrictions or prohibitions imposed on PRC persons (including QDIIs) from investing in certain industries in the ROC, which might accordingly cause a holder of global depositary shares who is a PRC Person to be unable to withdraw and hold the underlying shares. Accordingly, the qualification criteria for a PRC person to make investment, the restrictions on investment in certain industries and the investment threshold imposed by the FSC might accordingly cause a holder of depositary shares who is a PRC person to be unable to withdraw and hold the underlying shares.

Under existing laws and regulations relating to foreign exchange control, a depositary may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT Dollars into other currencies, including US dollars, in respect of the following: proceeds of the sale of shares represented by depositary receipts, proceeds of the sale of shares received as stock dividends which have been deposited into the depositary receipt facility and any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT Dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. However, a depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies relating to the sale of subscription rights for new shares if the proceeds are in excess of US\$100,000 per remittance.

Proceeds from sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE, the TPEX, or stock of emerging market companies, subject to relevant regulations.

According to the Securities Investment Regulations for Foreign Investors, a non-resident foreign withdrawing holder of depositary shares, when withdrawing the underlying securities from depositary receipts facilities of a company listed on the TWSE or TPEX, will be required to register with the TWSE, and to appoint a local agent which is a local securities firm or financial institution (with such qualifications provided by the FSC) to open a securities trading account with a local brokerage firm and an NT dollar bank account, pay ROC taxes, remit funds, exercise rights relating to the securities and perform such other matters as may be designated by such withdrawing holder of depositary shares on behalf of and as an agent for such withdrawing holder of depositary shares.

The withdrawing holder of depositary shares is also required to appoint a local bank or securities firm to act as the custodian to hold the securities and any cash proceeds in safekeeping, to make confirmation to settle trades, and to report all relevant information. Additionally, such withdrawing holder of depositary shares is required to appoint a tax guarantor for filing tax returns and making tax payments. Without satisfying the above

requirements, the withdrawing holder of depositary shares would not be able to hold and subsequently sell or otherwise transfer the underlying shares withdrawn from the depositary receipt facility on the TWSE or otherwise.

Overseas corporate bonds

Since 1989, the ROC Securities and Futures Commission has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. Under current ROC law and subject to the FSC approval, overseas corporate bonds can be (i) exchanged or converted by bondholders, other than persons of the PRC except for QDIIs, into shares of ROC companies; or (ii) converted into or exchanged for depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. The relevant regulations also permit ROC companies attaining public company status to issue corporate bonds in offerings outside the ROC. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to limitations and restrictions set for in “Foreign Investment” section above (as applicable).

According to the Securities Investment Regulations for Foreign Investors, a non-resident foreign converting bondholder, when exercising the conversion right to convert bonds into shares of a ROC company, will be required to register with the TWSE, and to appoint a local agent (with such qualifications provided by the FSC) to open a securities trading account with a local brokerage firm, pay ROC taxes, remit funds, exercise stockholders’ rights and perform such other matters as may be designated by such converting bondholder on behalf of and as agent for such converting bondholder. The converting holder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmation to settle trades, and to report all relevant information. Additionally, such converting holder is required to appoint a tax guarantor for filing tax returns and making tax payments.

According to the Securities Investment Regulations for PRC Nationals, a PRC holder of overseas convertible bonds issued by a ROC company may not convert or exchange such convertible into shares unless (i) it is a qualified QDII, (ii) the businesses of the issuer are in the Positive List promulgated by the MOEA, (iii) the shares converted from overseas convertible bonds, in general, would not, jointly with the other PRC stockholders of the issuer, account for 10% or more of the issuer’s shares.

Unless otherwise limited by the CBC, a ROC company may, without obtaining further approval from the CBC or any other government authority of the ROC, convert NT Dollars to other non-ROC currencies, including US dollars, for making payments in respect of proceeds of the redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of certificates of bond conversion entitlement, shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such shares, as well as inward remittance of subscription payments in respect of rights offerings. However, a converting bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued Shares.

Other Foreign Investment

In addition to investments permitted under the Regulations, foreign investors (other than PRC investors) who wish to make direct investments in the shares of ROC companies or purchase 10% or more shares in a TWSE or TPEx listed company in any single or aggregate investment are required to submit an application to the DIR or other government authority. The DIR or such other government authority reviews each application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). As for the PRC persons, any PRC persons who wish to make direct or indirect investments in ROC companies that engage in certain business permissible on the positive list (the “Positive List”) promulgated by the DIR are also required to submit an application to the DIR, and are subject to strict review of the DIR after consultation with other governmental agencies.

Under current law, any non-ROC person possessing a DIR approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Stock dividends attributable to such investment, investment capital and capital gains attributable to such investment may be repatriated after approvals of the DIR or other authorities have been obtained.

In addition to the general restriction against investment by non-ROC persons in ROC securities markets, non-ROC persons (other than PRC persons), subject to certain limited exceptions, are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List for Investment by Overseas Chinese and Foreign Nationals (the “Negative List”), as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that non-ROC persons (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement. PRC persons may only invest in ROC companies if the business of the target falls with the Positive List promulgated by DIR and DIR approval is obtained.

Exchange controls

The Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the FSC and by the CBC. Current regulations favor trade-related foreign exchange transactions and Foreign Investment Approval investments.

Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designed foreign exchange banks.

Trade aside, ROC companies and resident individuals may, without foreign exchange approval, remit into or outside the ROC foreign currency of up to US\$50,000,000 (or its equivalent) and US\$5,000,000 (or its equivalent) respectively in each calendar year. Notwithstanding the above, CBC may, depending on the economic and financial situation and the need to maintain the order of the foreign exchange market, require that certain conversions exceeding a certain amount per year should be subject to the foreign exchange approval from the CBC. The above limits apply to remittances involving a conversion of NT Dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises to register medium-and long-term foreign debt with the CBC.

In addition, foreign persons may, subject to certain requirements including filing declaration and supporting documents, without foreign exchange approval of the CBC, remit outside and/or into the ROC foreign currencies of up to US\$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT Dollars to a foreign currency and vice versa.

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1. The audited consolidated financial statements set out herein have been reproduced from our audited consolidated financial statements for the years ended December 31, 2022 and 2023 and for the years ended December 31, 2021 and 2022 and page references are referred to pages set forth in the relevant audited consolidated financial statements. The audited consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

**WT MICROELECTRONICS CO., LTD. AND
SUBSIDIARIES**
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022

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.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2023 and 2022, 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 material accounting policies.

In our opinion, based on our audits and the report of other auditors (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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. We believe that the audit evidence we have obtained is sufficient and

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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 2023 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 2023 consolidated financial statements are stated as follows:

Recognition of supplier rebates

Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sales of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. Under the arrangement, the Group calculates the amount of supplier rebates based on sales breakdown, which is recognised as a deduction of accounts payable to suppliers and a deduction of operating costs. The Group pays the net purchase price, after confirming that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and change frequently, the calculation is complex. The Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and more audit effort is required to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

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How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Sampled supplier rebates and tested transaction data to confirm whether the transaction quantities were consistent with sales breakdown. Also, verified arrangements and calculation worksheets, and recalculated supplier rebates to ensure that the rebate recognition is consistent with contract;
- C. Sampled the supplier rebates which were recognised before the balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and
- D. Performed confirmation of selected material accounts payable, including supplier rebates which have been confirmed by suppliers, and examined the reconciliation for the differences between the amount stated in the suppliers' confirmation and the Group's records.

Assessment of inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of inventory valuation. As at December 31, 2023, the Group's inventories and allowance for inventory valuation losses were NT\$97,263,203 thousand and NT\$1,547,706 thousand, respectively.

The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around the balance sheet date. The net realisable values of obsolete inventories are individually identified as obsolete or damaged, if any. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are various, and the identification of obsolete and damaged inventory and its net realisable value is subject to management's judgement, we considered the assessment of inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Group's nature of business and industry in order to assess whether the provision policies and procedures were applied consistently and reasonably during the periods, including identified as obsolete with supporting documents, and agreed to information obtained from physical inventory; and
- C. Obtained the net realisable value statement of each inventory, and tested supporting documents in relation to sources of information in calculating the net realisable value.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

The total assets of these subsidiaries as at December 31, 2023 and 2022 amounted to NT\$15,668,852 thousand and NT\$18,216,536 thousand, constituting 5.91% and 9.10% of the consolidated total assets, respectively. Revenue for the years ended December 31, 2023 and 2022 amounted to NT\$39,438,389 thousand and NT\$13,347,437 thousand, constituting 6.63% and 2.34% of the consolidated net operating revenue, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. as at and for the years ended December 31, 2023 and 2022.

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:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- D. 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.
- E. 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.
- F. 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.

Hsu, Sheng-Chung

Chieh-Ju, Hsu

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 16, 2024

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.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2023		December 31, 2022			
			Notes	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$	22,747,549	9	\$	5,383,254	3
1110	Financial assets at fair value through profit or loss - current	6(2)		42,151	-		12,870	
1120	Financial assets at fair value through other comprehensive income - current	6(3)		1,106,224	-		-	-
1170	Accounts receivable, net	6(4) and 7		111,636,650	42		84,568,116	42
1200	Other receivables	6(4)(5)		5,550,957	2		2,237,030	1
130X	Inventories	6(6)		95,715,497	36		90,547,237	45
1410	Prepayments			1,397,586	1		838,630	1
1470	Other current assets	6(1) and 8		550,331	-		62,447	-
11XX	Total current assets			238,746,945	90		183,649,584	92
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)		360,778	-		291,474	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)		18,833,048	7		9,139,705	5
1550	Investments accounted for using equity method	6(7)		44,539	-		62,955	-
1600	Property, plant and equipment	6(8)		1,262,530	1		974,071	-
1755	Right-of-use assets	6(9)		1,030,253	1		830,030	-
1760	Investment property - net	6(10)		190,318	-		193,686	-
1780	Intangible assets	6(11)		3,339,635	1		3,371,512	2
1840	Deferred income tax assets	6(30)		828,845	-		1,078,254	1
1900	Other non-current assets			548,081	-		610,899	-
15XX	Total non-current assets			26,438,027	10		16,552,586	8
1XXX	Total assets		\$	265,184,972	100	\$	200,202,170	100

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 19,821,848	8	\$ 38,340,556	19
2110	Short-term notes and bills payable	6(13)	349,848	-	1,049,386	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	41,185	-	11,372	-
2130	Contract liabilities - current	6(23)	1,461,903	1	904,038	1
2170	Accounts payable	7	147,955,015	56	77,996,735	39
2200	Other payables	6(14)	5,980,439	2	3,789,378	2
2230	Current income tax liabilities		745,342	-	1,627,567	1
2280	Lease liabilities - current		240,516	-	248,213	-
2320	Long-term liabilities, current portion	6(15)	88,382	-	-	-
2365	Refund liabilities - current	6(23)	1,127,279	-	778,605	-
2399	Other current liabilities		77,048	-	70,347	-
21XX	Total current liabilities		177,888,805	67	124,816,197	63
Non-current liabilities						
2540	Long-term loans	6(15)	12,644,242	5	17,786,449	9
2570	Deferred income tax liabilities	6(30)	1,031,875	-	856,757	-
2580	Lease liabilities - non-current		478,104	-	335,919	-
2600	Other non-current liabilities		1,196,294	1	1,432,527	1
25XX	Total non-current liabilities		15,350,515	6	20,411,652	10
2XXX	Total liabilities		193,239,320	73	145,227,849	73
Equity attributable to owners of parent						
	Share capital	6(18)				
3110	Common stock		8,873,017	3	8,835,297	4
3120	Preferred stock		1,350,000	1	1,350,000	1
3130	Certificates of entitlement to new shares from convertible bonds		6,540	-	-	-
3140	Advance receipts for share capital		5,423,396	2	-	-
	Capital surplus	6(19)				
3200	Capital surplus		25,680,674	9	25,294,109	13
	Retained earnings	6(20)				
3310	Legal reserve		4,311,098	2	3,542,791	2
3320	Special reserve		1,564,387	1	-	-
3350	Unappropriated retained earnings		14,300,632	5	16,647,535	8
	Other equity interest	6(21)				
3400	Other equity interest		9,599,039	4	(1,564,387)	(1)
31XX	Equity attributable to owners of the parent		71,108,783	27	54,105,345	27
36XX	Non-controlling interest	6(22)	836,869	-	868,976	-
3XXX	Total equity		71,945,652	27	54,974,321	27
	Commitments and contingent liabilities	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 265,184,972	100	\$ 200,202,170	100

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23) and 7	\$ 594,518,813	100	\$ 571,197,118	100
5000 Operating costs	6(6) and 7	(576,112,549)	(97)	(551,364,963)	(97)
5900 Gross profit		<u>18,406,264</u>	<u>3</u>	<u>19,832,155</u>	<u>3</u>
Operating expenses	6(28)				
6100 Selling expenses		(6,383,289)	(1)	(5,533,094)	(1)
6200 General and administrative expenses		(3,059,840)	(1)	(1,860,504)	-
6300 Research and development expenses		(755,450)	-	(654,845)	-
6450 Impairment loss determined in accordance with IFRS 9	12(2)	(7,762)	-	(1,095)	-
6000 Total operating expenses		<u>(10,206,341)</u>	<u>(2)</u>	<u>(8,049,538)</u>	<u>(1)</u>
6900 Operating profit		<u>8,199,923</u>	<u>1</u>	<u>11,782,617</u>	<u>2</u>
Non-operating income and expenses					
7100 Interest income	6(24)	151,614	-	39,036	-
7010 Other income	6(25)	594,130	-	421,482	-
7020 Other gains and losses	6(26)	148,295	-	129,302	-
7050 Finance costs	6(27)	(3,880,037)	-	(2,445,514)	-
7060 Share of loss of associates and joint ventures accounted for using equity method	6(7)	(18,560)	-	(15,781)	-
7000 Total non-operating income and expenses		<u>(3,004,558)</u>	<u>-</u>	<u>(1,871,475)</u>	<u>-</u>
7900 Profit before income tax		5,195,365	1	9,911,142	2
7950 Income tax expense	6(30)	(1,216,531)	-	(2,310,778)	(1)
8200 Profit for the year		<u>\$ 3,978,834</u>	<u>1</u>	<u>\$ 7,600,364</u>	<u>1</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		Year ended December 31			
		2023		2022	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Loss on remeasurements of defined benefit plans	6(16)			
		(\$ 2,115)	-	(\$ 5,747)	-
8316	Unrealised gain (loss) on valuation of equity investment instruments measured at fair value through other comprehensive income (loss)	6(21)(22)			
		11,228,827	2	(11,414,478)	(2)
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(21)			
		-	-	(12,499)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)			
		423	-	1,150	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss				
		11,227,135	2	(11,431,574)	(2)
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(21)(22)			
		(312,036)	-	4,363,742	1
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(21)			
		(116)	-	(2,130)	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss				
		(312,152)	-	4,361,612	1
8300	Total other comprehensive income (loss) for the year				
		\$ 10,914,983	2	(\$ 7,069,962)	(1)
8500	Total comprehensive income for the year				
		\$ 14,893,817	3	\$ 530,402	-
Profit (loss) attributable to:					
8610	Owners of the parent				
		\$ 4,012,142	1	\$ 7,631,123	1
8620	Non-controlling interest				
		(33,308)	-	(30,759)	-
		\$ 3,978,834	1	\$ 7,600,364	1
Comprehensive income (loss) attributable to:					
8710	Owners of the parent				
		\$ 14,929,690	3	\$ 551,844	-
8720	Non-controlling interest				
		(35,873)	-	(21,442)	-
		\$ 14,893,817	3	\$ 530,402	-
Earnings per share (in dollars)					
9750	Basic earnings per share	6(31)			
		\$ 4.24		\$ 8.61	
9850	Diluted earnings per share				
		\$ 4.17		\$ 8.53	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Expressed in thousands of New Taiwan dollars)

Notes	Capital					Equity attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital - common stock	Preferred stock	Certificates of bond-to-stock conversion	Advance receipts for share capital	Capital surplus	Retained Earnings						
						Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Total		
2022												
Balance at January 1, 2022	\$ 7,977,068	\$ 1,350,000	\$ 51,498	\$ -	\$ 20,444,778	\$ 2,677,275	\$ -	\$ 14,531,008	\$ 6,736,238	\$ 53,767,865	\$ 92,443	\$ 53,860,308
Consolidated net income (loss)	-	-	-	-	-	-	-	7,631,123	-	7,631,123	(30,759)	7,600,364
Other comprehensive income (loss)	-	-	-	-	-	-	-	(4,597)	(7,074,682)	(7,079,279)	9,317	(7,069,962)
Total comprehensive income (loss)	-	-	-	-	-	-	-	7,626,526	(7,074,682)	551,844	(21,442)	530,402
Appropriations of 2021 earnings:												
Legal reserve	-	-	-	-	-	865,516	-	(865,516)	-	-	-	-
Cash dividends for common stock	-	-	-	-	-	-	-	(4,431,032)	-	(4,431,032)	-	(4,431,032)
Cash dividends for preferred stock	-	-	-	-	-	-	-	(270,000)	-	(270,000)	-	(270,000)
Issuance of shares - Global depositary receipts	780,000	-	-	-	4,675,260	-	-	-	-	5,455,260	-	5,455,260
Conversion of convertible bonds	80,374	-	(51,498)	-	47,760	-	-	-	-	76,636	-	76,636
Cancellation of employee restricted shares	(2,145)	-	-	-	2,145	-	-	-	-	-	-	-
Changes in restricted stocks to employees	-	-	-	-	(3,320)	-	-	-	3,320	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(716)	-	(716)	-	(716)
Compensation cost of share-based payments	-	-	-	-	127,486	-	-	102	94,983	222,571	797,975	222,571
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Redemption liability recognised as other equity	-	-	-	-	-	-	-	57,163	(57,163)	-	-	-
Balance at December 31, 2022	\$ 8,835,297	\$ 1,350,000	\$ -	\$ -	\$ 25,294,109	\$ 3,542,791	\$ -	\$ 16,647,535	(1,267,083)	\$ 54,105,345	\$ 868,976	(1,267,083)
2023												
Balance at January 1, 2023	\$ 8,835,297	\$ 1,350,000	\$ -	\$ -	\$ 25,294,109	\$ 3,542,791	\$ -	\$ 16,647,535	(1,564,387)	\$ 54,105,345	\$ 868,976	\$ 54,974,321
Consolidated net income (loss)	-	-	-	-	-	-	-	4,012,142	-	4,012,142	(33,308)	3,978,834
Other comprehensive income (loss)	-	-	-	-	-	-	-	(1,692)	10,919,240	10,917,548	(2,565)	10,914,983
Total comprehensive income (loss)	-	-	-	-	-	-	-	4,010,450	10,919,240	14,929,690	(35,873)	14,893,817
Appropriations of 2022 earnings:												
Legal reserve	-	-	-	-	-	768,307	-	(768,307)	-	-	-	-
Special reserve	-	-	-	-	-	-	1,564,387	(1,564,387)	-	-	-	-
Cash dividends for common stock	-	-	-	-	-	-	-	(3,812,065)	-	(3,812,065)	-	(3,812,065)
Cash dividends for preferred stock	-	-	-	-	-	-	-	(270,000)	-	(270,000)	-	(270,000)
Capital injection	-	-	-	-	-	-	-	-	-	-	-	-
Employee stock options exercised	38,960	-	6,540	-	138,441	-	-	-	-	5,423,396	-	5,423,396
Cancellation of employee restricted shares	(1,240)	-	-	-	1,240	-	-	-	-	183,941	-	183,941
Changes in restricted stocks to employees	-	-	-	-	(3,531)	-	-	-	3,531	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(1,707)	-	(1,707)	-	(1,707)
Compensation cost of share-based payments	-	-	-	-	250,415	-	-	-	46,695	297,110	3,766	297,110
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	59,113	(59,113)	-	-	-
Changes in redemption liability recognised as other equity	-	-	-	-	-	-	-	-	253,073	253,073	-	253,073
Balance at December 31, 2023	\$ 8,873,017	\$ 1,350,000	\$ 6,540	\$ 5,423,396	\$ 25,680,674	\$ 4,311,098	\$ 1,564,387	\$ 14,300,632	\$ 9,599,039	\$ 71,108,783	\$ 836,869	\$ 71,945,652

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 5,195,365	\$ 9,911,142
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	448,487	380,125
Amortisation	6(28)	107,214	57,888
Impairment loss determined in accordance with IFRS 9	12(2)	7,762	1,095
Net gain on financial assets and liabilities at fair value through profit or loss	6(26)	(235,377)	(598,787)
Share-based payments	6(17)	297,110	222,571
Share of profit or loss of associates and joint ventures accounted for using equity method	6(7)	18,560	15,781
Loss on disposal of property, plant and equipment, net		968	1,517
Loss on disposal of intangible assets, net	6(26)	-	15,487
Loss on disposal of investments accounted for using equity method	6(7)	-	2,009
Impairment loss	6(11)	-	7,836
Interest expense	6(27)	2,253,878	1,436,773
Interest income	6(24)	(151,614)	(39,036)
Dividend income	6(25)	(436,092)	(339,705)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(28,279,834)	2,953,585
Other receivables		(3,331,271)	(269,823)
Inventories		(4,815,087)	(8,380,057)
Prepayments		(564,798)	119,768
Other current assets (including contract assets)		2,118	15,422
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		255,639	650,239
Contract liabilities		567,790	131,703
Accounts payable		70,408,917	(9,233,288)
Other payables		2,144,551	94,661
Other current liabilities (including refund liabilities)		445,296	123,970
Net defined benefit liability		12,971	5,026
Cash inflow (outflow) generated from operations		44,352,553	(2,714,098)
Interest received		151,614	39,036
Dividends received		436,092	339,705
Interest paid		(2,323,213)	(1,327,929)
Income taxes paid		(1,589,006)	(2,375,623)
Net cash flows from (used in) operating activities		41,028,040	(6,038,909)

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(\$ 88,568)	(\$ 7,200)
Proceeds from disposal of financial assets at fair value through profit or loss		-	1,306
Acquisition of financial assets at fair value through other comprehensive income		(30,201)	(1,511,910)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	462,219	99,295
Increase in other financial assets		(497,218)	(39,157)
Acquisition of property, plant and equipment	6(33)	(228,298)	(310,452)
Proceeds from disposal of property, plant and equipment		5,418	91
Acquisition of intangible assets	6(11)	(24,930)	(10,449)
Increase in guarantee deposits		(17,572)	(195,409)
Decrease in guarantee deposits		8,900	11,248
Net cash payments for business combination	6(33)	(199,306)	(3,041,127)
Decrease in other non-current assets		(129,084)	17,673
Proceeds from disposal of investments accounted for using equity method		-	31,346
Net cash flows used in investing activities		(738,640)	(4,954,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(34)	820,759,706	850,651,375
Decrease in short-term borrowings	6(34)	(839,211,405)	(850,595,048)
Decrease in short-term notes and bills payable	6(34)	(716,769)	(1,010,053)
Proceeds from long-term loans	6(34)	55,312,534	91,962,000
Repayments of long-term loans	6(34)	(60,349,891)	(82,898,034)
Payment of lease liabilities	6(34)	(279,375)	(235,467)
Increase in other non-current liabilities		5,089	4,331
Issuance of shares - Global depository receipts	6(18)	-	5,549,184
Issuance of shares - direct costs of Global depository receipts		-	(93,924)
Cash dividends paid	6(20)	(4,082,065)	(4,701,032)
Cash dividends paid to non-controlling interest	6(22)	-	(588)
Increase in non-controlling interest	6(33)	(1,786)	-
Employee stock options exercised		183,941	-
Capital injection	6(18)	5,423,396	-
Net cash flows (used in) from financing activities		(22,956,625)	8,632,744
Effect of exchange rate changes on cash and cash equivalents		31,520	3,064,588
Net increase in cash and cash equivalents		17,364,295	703,678
Cash and cash equivalents at beginning of year		5,383,254	4,679,576
Cash and cash equivalents at end of year		\$ 22,747,549	\$ 5,383,254

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (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 development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on February 16, 2024.

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[®]") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC and became 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
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

Amendments to IAS 12, 'International tax reform - pillar two model rules'

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). An entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	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.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
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 21, 'Lack of exchangeability'	January 1, 2025

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 MATERIAL ACCOUNTING POLICIES

The principal significant 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, these 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 assets (liabilities) recognised 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 recognised 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 recognised in profit or loss.

All amounts previously recognised 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 recognised 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 (%)		Note
			December 31, 2023	December 31, 2022	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	100	99.91	(b)
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Analog World Co., Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	WT Semiconductor Holdings Pte. Ltd.	Investment Company	80	80	
WT Microelectronics Co., Ltd.	WT Solomon QCE Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	WT Microelectronics (Hong Kong) Limited	Trading Company	100	100	
WT Microelectronics Co., Ltd.	WT Technology (H.K.) Limited	Trading Company	100	100	
WT Microelectronics Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	WT Technology Pte. Ltd.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	-	100	(d)
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Brillnics Inc.	Investment Company	61.23	61.65	(a)
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	100	
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	
Asia Latest Technology Limited	WT Microelectronics (Shanghai) Technology Co., Ltd.	Selling and Technology Servicing	100	100	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	
Brillnics Inc.	Brillnics (HK) Limited	Selling and Technology Servicing	100	100	
Brillnics Inc.	Brillnics Singapore Pte. Ltd.	Trading Company	100	100	
Brillnics (HK) Limited	Brillnics Japan Inc.	Research and Development Company	100	100	
Brillnics (HK) Limited	Brillnics (Taiwan) Inc.	Research and Development Company	100	100	
WT Semiconductor Holdings Pte. Ltd.	Excelpoint Technology Pte. Ltd.	Investment Company	100	100	
Excelpoint Technology Pte. Ltd.	Excelpoint Systems (Pte) Ltd.	Trading Company	100	100	
Excelpoint Technology Pte. Ltd.	Excelpoint Systems (H.K.) Limited	Trading Company	100	100	
Excelpoint Technology Pte. Ltd.	Planetspark Pte. Ltd.	R&D and Investment Company	100	100	
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems Sdn. Bhd.	Trading Company	100	100	
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems (India) Private Limited	Selling and Technology Servicing	100	100	
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems (USA) Inc.	Selling and Technology Servicing	100	100	
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems Vietnam Company Limited	Trading Company	100	100	

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Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
Excelpoint Systems (H.K.) Limited	Excelpoint International Trading (Shanghai) Co., Ltd.	Trading Company	100	100	
Excelpoint Systems (H.K.) Limited	Synergy Electronics (H.K.) Limited	Trading Company	100	100	
Excelpoint Systems (H.K.) Limited	Synergy Electronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
Analog Word Co., Ltd.	Leader's Technology Co., Ltd.	Selling and Technology Servicing	100	-	(c)

(a) Employees of Brillnics Inc. exercised employee stock options in installments for the years ended December 31, 2023 and 2022 and accordingly, the shareholder ratio decreased to 61.23% and 61.65%, respectively.

(b) As of March 31, 2023, the Group acquired the non-controlling interest in its 99.91% owned subsidiary, Nuvision Technology Inc., for a consideration of \$1,786 in cash, thereby increasing the Group's equity interest to 100%. Consequently, retained earnings decreased by \$532 and non-controlling interest decreased by \$1,192.

(c) In May 2023, the Group used cash to acquire all the equity interest in Leader's Technology Co., Ltd., which became a wholly-owned subsidiary of the Group and has been included in the consolidated financial statements since the date of acquisition.

(d) In November 2023, Wintech Microelectronics Limited has been dissolved and liquidated.

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

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

E. Significant restrictions: None.

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

Name of Subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
WT Semiconductor Holdings Pte. Ltd.	Singapore	\$ 771,790	20%	\$ 805,586	20%

Summarised financial information of WT Semiconductor Holdings Pte. Ltd.:

Balance Sheet

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 15,165,272	\$ 17,820,321
Non-current assets	1,999,839	1,731,241
Current liabilities	(11,955,184)	(14,398,953)
Non-current liabilities	(245,968)	(241,240)
Total net assets	<u>\$ 4,963,959</u>	<u>\$ 4,911,369</u>

Statement of comprehensive income

	<u>Year ended December 31, 2023</u>	<u>September 6, 2022 (date of acquisition) to December 31, 2022</u>
Revenue	\$ 39,438,389	\$ 13,347,437
(Loss) income for the period from continuing operations	(166,786)	42,054
Other comprehensive (loss) income, net of tax	(2,799)	825
Total comprehensive (loss) income for the period	<u>(\$ 169,585)</u>	<u>\$ 42,879</u>
Comprehensive (loss) income attributable to non-controlling interest	<u>(\$ 33,800)</u>	<u>\$ 8,309</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statement of cash flows

	<u>Year ended December 31, 2023</u>	<u>September 6, 2022 (date of acquisition) to December 31, 2022</u>
Net cash flows generated from (used in) operating activities	\$ 1,336,160	(\$ 23,418)
Net cash flows used in investing activities	(55,991)	(3,907,098)
Net cash flows (used in) provided by financing activities	(505,363)	4,708,029
Effect of exchange rate changes on cash and cash equivalents	(14,733)	(11,606)
Net increase in cash and cash equivalents	<u>760,073</u>	<u>765,907</u>
Cash and cash equivalents at beginning of period	<u>765,907</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 1,525,980</u>	<u>\$ 765,907</u>

The summarised financial information of the subsidiaries stated above were based on each subgroup's consolidated balance sheets, consolidated statements of comprehensive income and consolidated statements of cash flows in their respective presentation currencies and translated into New Taiwan Dollars at the closing exchange rate at the corresponding balance sheet date and average exchange rate for the current period, respectively.

(4) Foreign currency translation

- A. 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.
- B. 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 recognised 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 recognised 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 recognised 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 recognised 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.'
- C. Translation of foreign operations
- (a) The operating results and financial position of all the group entities, associates and joint arrangements 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 recognised in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, 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, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, 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.
 - (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.
- (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 settle 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 settled 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. Time deposits that

meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets and financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised 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 recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised 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) 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 initially recognised and subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for twelve 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. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) 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.

(12) Leasing arrangements (lessor) - operating leases

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

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for using 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 recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- 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 recognises 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 using 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 recognised 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. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised 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 recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation

to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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 property, plant and equipment are as follows:

Buildings	27 ~ 56 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

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

- A. Leases are recognised 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 recognised 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 Group's incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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 comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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 recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 27 ~ 56 years.

(18) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 ~ 5 years.
- C. Other intangible assets, mainly customer relationship, are recorded at cost and amortised on a straight-line basis over the estimated useful life of 5 ~ 8 years.

(19) Impairment of non-financial assets

- A. 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 recognised 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 amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are initially recognised and subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption

value is recognised in profit or loss over the period of the borrowings using the effective interest method.

- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common stock by exchanging a fixed amount of cash for a fixed number of common stock). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. 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.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—stock options' at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. 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.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common stock issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – stock options.

(23) 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised 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. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

- A. 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 recognised 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 recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.
- C. Restricted stocks:
 - (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the

vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the employees resign during the vesting period, the restricted stocks will be redeemed and retired by the Group without further consideration and recognised as deduction of share capital and additional paid-in capital, in accordance with the terms of restricted stocks.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 Company and its subsidiaries operate and generate 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 shareholders resolve to retain the earnings.
- C. Deferred tax is recognised, 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 profit nor taxable profit (tax 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 realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by

the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

- A. Common stock is classified as equity. The classification of preferred stocks is determined according to the special rights attached to the preferred stocks based on the substance of the contract and the definition of financial liabilities and equity instruments. Preferred stocks are classified as liabilities when they have the basic characteristics of financial liabilities; otherwise, they 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 Company repurchases the Company'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 Company'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 Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders or Board of Directors. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. Sales of goods

- (a) The Group sells electronic components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The goods are often sold with discounts based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected discounts payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service 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.
- (c) A receivable is recognised 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. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

B. Services

- (a) The Group provides semiconductor development services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided at the end of the reporting period in a proportion to the total services to be provided. This is determined based on the contract costs incurred for services performed to the estimated total cost for the service contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(29) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation

at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who 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

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services.
B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Refer to Note 6(11) for the information on goodwill impairment as of December 31, 2023.

B. Evaluation 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 an evaluation of inventories is principally based on the estimated selling price in the ordinary course of business within the specified period before the balance sheet date. Therefore, there might be material changes to the evaluation. Refer to Note 6(6) for the carrying amount of inventory as of December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 2,614	\$ 2,532
Checking accounts and demand deposits	21,985,282	5,291,663
Time deposits	759,653	89,059
	<u>\$ 22,747,549</u>	<u>\$ 5,383,254</u>

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

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets.' Refer to Note 8 for details. As of December 31, 2023 and 2022, the time deposits with maturity date over 3 months of \$546,080 and \$56,108, respectively, are recorded as 'other current assets.'

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

Assets	December 31, 2023	December 31, 2022
Current items:		
Beneficiary certificates	\$ 11,630	\$ 8,369
Equity instruments	5,778	4,501
Derivatives	179	-
Hybrid instrument	24,564	-
	<u>\$ 42,151</u>	<u>\$ 12,870</u>
Non-current items:		
Beneficiary certificates	\$ 296,852	\$ 218,573
Debt instruments	48,573	72,901
Hybrid instrument	15,353	-
	<u>\$ 360,778</u>	<u>\$ 291,474</u>
Liabilities	December 31, 2023	December 31, 2022
Current items:		
Derivatives	<u>\$ 41,185</u>	<u>\$ 11,372</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities measured at fair value through profit or loss are as follows:

	Years ended December 31,	
	2023	2022
Derivatives	\$ 225,595	\$ 653,231
Beneficiary certificates	33,180	(50,367)
Equity instruments	1,276	(3,999)
Debt instruments	(24,674)	(78)
	<u>\$ 235,377</u>	<u>\$ 598,787</u>

B. The non-hedging derivative financial assets and liabilities and contract information are as follows:

	December 31, 2023		
	Contract amount (Notional principal)		
Derivative financial assets	(In thousands)	Contract period	
Current items:			
Forward foreign exchange contracts	USD (BUY) 5,000	2023.12.27~2024.2.29	
Derivative financial liabilities			
Current items:			
Forward foreign exchange contracts	USD (BUY) 235,000	2023.11.28~2024.2.29	

	December 31, 2022	
	Contract amount (Notional principal)	
Derivative financial liabilities	(In thousands)	Contract period

Current items:

Forward foreign exchange contracts USD (BUY) 245,000 2022.12.28~2023.2.24

The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

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

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

Items	December 31, 2023	December 31, 2022
Current items:		
Equity instruments	\$ 1,106,224	\$ -
Non-current items:		
Equity instruments	\$ 18,833,048	\$ 9,139,705

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. The Group sold \$462,219 and \$99,295 of listed shares at fair value to satisfy its operating capital needs which resulted in a cumulative gain on disposal of \$59,113 and \$57,163 (accounted under unappropriated retained earnings) during the years ended December 31, 2023 and 2022, respectively.

C. Refer to Note 6(21) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2023 and 2022.

D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2023 and 2022.

(4) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 3,730,509	\$ 4,864,044
Accounts receivable	108,078,551	79,870,916
Less: Allowance for uncollectible accounts	(172,410)	(166,844)
Notes and accounts receivable, net	111,636,650	84,568,116
Overdue receivables	564,514	558,035
Less: Allowance for uncollectible accounts	(564,514)	(558,035)
	\$ 111,636,650	\$ 84,568,116

A. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of accounts receivable and notes receivable amounted to \$76,162,982.

B. Transferred financial assets that are derecognised in their entirety

(a) As of December 31, 2023 and 2022, the Group had outstanding discounted notes receivable amounting to \$2,392,015 and \$3,469,692, respectively. However, as the notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

(b) The Group entered into factoring agreements with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable transferred		
(Amount derecognised)	<u>\$ 12,529,507</u>	<u>\$ 45,250,313</u>
Amount advanced	<u>\$ 9,818,349</u>	<u>\$ 44,041,088</u>
Amount retained (shown as 'other receivables')	<u>\$ 2,711,158</u>	<u>\$ 1,209,225</u>

(c) 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.

C. Transferred financial assets that are not derecognised in their entirety

(a) The Group entered into factoring agreements with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institutions, and the banks have the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the banks have the right of recourse, and related advance payments were listed in 'short-term borrowings.'

(b) On December 31, 2023 and 2022, the Group has no accounts receivable for sales and advance payments.

D. As of December 31, 2023 and 2022, the interest rates for amounts advanced ranged between 1.60%~6.66% and 0.98%~6.184%, respectively.

E. As of December 31, 2023 and 2022, the total limits of the accounts receivable factoring were \$115,340,462 and \$109,611,520, respectively.

F. As of December 31, 2023 and 2022, the Group has issued a promissory note of \$185,399,231 and \$196,404,956, respectively, as performance guarantee against any business dispute.

G. Refer to Note 6(27) for information on financing charges on accounts receivable factoring for the years ended December 31, 2023 and 2022.

H. As of December 31, 2023 and 2022, the Group's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$67,187,035 and \$29,602,714, respectively, and recorded as 'accounts receivable.'

I. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2023 and 2022, 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 notes and accounts receivable was the carrying amount of the notes and accounts receivable.

J. The Group has no accounts receivable pledged to others.

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

(5) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amounts retained for accounts receivable factoring	\$ 2,711,158	\$ 1,209,225
VAT refund receivable	2,653,616	356,761
Input tax	27,054	331,571
Others	159,129	339,473
	<u>\$ 5,550,957</u>	<u>\$ 2,237,030</u>

(6) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Merchandise inventory	\$ 97,263,203	\$ 91,966,231
Less: Allowance for inventory obsolescence and market value decline	(1,547,706)	(1,418,994)
	<u>\$ 95,715,497</u>	<u>\$ 90,547,237</u>

The cost recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 575,614,106	\$ 550,307,436
Services cost	376,343	429,098
Loss on decline in market value	121,642	194,947
Loss on disposal of inventory	-	432,670
Loss on physical inventory	458	812
	<u>\$ 576,112,549</u>	<u>\$ 551,364,963</u>

(7) Investments accounted for using equity method

	<u>2023</u>	<u>2022</u>
At January 1	\$ 62,955	\$ 118,457
Disposal of investments accounted for using equity method	-	(33,355)
Share of loss of investments accounted for using equity method	(18,560)	(15,781)
Changes in other equity items	<u>144</u>	<u>(6,366)</u>
At December 31	<u>\$ 44,539</u>	<u>\$ 62,955</u>

A. In August 2022, the Company sold its equity interest in Qwave Technology Co., Ltd. for a consideration of \$31,346 resulting to a disposal loss of \$2,009.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Loss for the year from continuing operations	(\$ 18,560)	(\$ 15,781)
Other comprehensive loss, net of tax	<u>(116)</u>	<u>(14,629)</u>
Total comprehensive loss	<u>(\$ 18,676)</u>	<u>(\$ 30,410)</u>

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2023</u>					
Cost	\$ 163,048	\$ 588,709	\$ 685,819	\$ 743,025	\$ 2,180,601
Accumulated depreciation and impairment	<u>-</u>	<u>(119,154)</u>	<u>(561,409)</u>	<u>(525,967)</u>	<u>(1,206,530)</u>
	<u>\$ 163,048</u>	<u>\$ 469,555</u>	<u>\$ 124,410</u>	<u>\$ 217,058</u>	<u>\$ 974,071</u>
<u>2023</u>					
Opening net book amount	\$ 163,048	\$ 469,555	\$ 124,410	\$ 217,058	\$ 974,071
Acquired from business combinations	-	-	1,431	5,160	6,591
Additions	-	286,057	118,845	47,815	452,717
Disposals	-	-	(5,604)	(782)	(6,386)
Reclassifications	-	-	17,595	(17,595)	-
Depreciation charge	-	(16,101)	(62,280)	(74,965)	(153,346)
Net exchange differences	<u>-</u>	<u>(33,264)</u>	<u>15,550</u>	<u>6,597</u>	<u>(11,117)</u>
Closing net book amount	<u>\$ 163,048</u>	<u>\$ 706,247</u>	<u>\$ 209,947</u>	<u>\$ 183,288</u>	<u>\$ 1,262,530</u>
<u>At December 31, 2023</u>					
Cost	\$ 163,048	\$ 840,435	\$ 777,534	\$ 764,443	\$ 2,545,460
Accumulated depreciation and impairment	<u>-</u>	<u>(134,188)</u>	<u>(567,587)</u>	<u>(581,155)</u>	<u>(1,282,930)</u>
	<u>\$ 163,048</u>	<u>\$ 706,247</u>	<u>\$ 209,947</u>	<u>\$ 183,288</u>	<u>\$ 1,262,530</u>

	Land	Buildings	Office equipment	Others	Total
<u>At January 1, 2022</u>					
Cost	\$ 225,459	\$ 650,916	\$ 453,117	\$ 526,007	\$ 1,855,499
Accumulated depreciation and impairment	<u>-</u>	<u>(142,715)</u>	<u>(342,981)</u>	<u>(365,588)</u>	<u>(851,284)</u>
	<u>\$ 225,459</u>	<u>\$ 508,201</u>	<u>\$ 110,136</u>	<u>\$ 160,419</u>	<u>\$ 1,004,215</u>
<u>2022</u>					
Opening net book amount	\$ 225,459	\$ 508,201	\$ 110,136	\$ 160,419	\$ 1,004,215
Acquired from business combinations	-	-	23,089	68,472	91,561
Additions	-	-	45,467	53,923	99,390
Disposals	-	-	(1,493)	(115)	(1,608)
Reclassifications	(62,411)	(31,079)	2,541	(2,541)	(93,490)
Depreciation charge	-	(13,822)	(56,676)	(63,648)	(134,146)
Net exchange differences	<u>-</u>	<u>6,255</u>	<u>1,346</u>	<u>548</u>	<u>8,149</u>
Closing net book amount	<u>\$ 163,048</u>	<u>\$ 469,555</u>	<u>\$ 124,410</u>	<u>\$ 217,058</u>	<u>\$ 974,071</u>
<u>At December 31, 2022</u>					
Cost	\$ 163,048	\$ 588,709	\$ 685,819	\$ 743,025	\$ 2,180,601
Accumulated depreciation and impairment	<u>-</u>	<u>(119,154)</u>	<u>(561,409)</u>	<u>(525,967)</u>	<u>(1,206,530)</u>
	<u>\$ 163,048</u>	<u>\$ 469,555</u>	<u>\$ 124,410</u>	<u>\$ 217,058</u>	<u>\$ 974,071</u>

A. Office and other equipment at December 31, 2023 and 2022 were for the Group's own use and not for lease.

B. Refer to Note 6(32) for the details of acquisition of the property, plant and equipment due to business combinations for the years ended December 31, 2023 and 2022.

(9) Leasing arrangements - lessee

A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 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, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of twelve months or less comprise certain offices, business vehicles, parking space and printers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 352,269	\$ 280,462
Buildings and structures	677,984	549,568
	<u>\$ 1,030,253</u>	<u>\$ 830,030</u>
	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 7,104	\$ 6,106
Buildings and structures	284,669	237,569
	<u>\$ 291,773</u>	<u>\$ 243,675</u>

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets (including the amounts acquired through business combinations) were \$447,656 and \$356,912, respectively. Refer to Note 6(32) for the details of the acquisition of right-of-use assets due to business combination for the year ended December 31, 2022.

E. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 29,291	\$ 15,393
Expense on short-term lease contracts	171,718	111,760

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$480,384 and \$362,620, respectively.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2023</u>			
Cost	\$ 147,148	\$ 106,068	\$ 253,216
Accumulated depreciation and impairment	(1,897)	(57,633)	(59,530)
	<u>\$ 145,251</u>	<u>\$ 48,435</u>	<u>\$ 193,686</u>
<u>2023</u>			
Opening net book amount	\$ 145,251	\$ 48,435	\$ 193,686
Depreciation charge	-	(3,368)	(3,368)
Closing net book amount	<u>\$ 145,251</u>	<u>\$ 45,067</u>	<u>\$ 190,318</u>
<u>At December 31, 2023</u>			
Cost	\$ 147,148	\$ 106,068	\$ 253,216
Accumulated depreciation and impairment	(1,897)	(61,001)	(62,898)
	<u>\$ 145,251</u>	<u>\$ 45,067</u>	<u>\$ 190,318</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(17,438)	(19,335)
	<u>\$ 82,839</u>	<u>\$ 19,661</u>	<u>\$ 102,500</u>
<u>2022</u>			
Opening net book amount	\$ 82,839	\$ 19,661	\$ 102,500
Reclassifications	62,411	31,079	93,490
Depreciation charge	-	(2,304)	(2,304)
Closing net book amount	<u>\$ 145,250</u>	<u>\$ 48,436</u>	<u>\$ 193,686</u>
<u>At December 31, 2022</u>			
Cost	\$ 147,148	\$ 106,068	\$ 253,216
Accumulated depreciation and impairment	(1,897)	(57,633)	(59,530)
	<u>\$ 145,251</u>	<u>\$ 48,435</u>	<u>\$ 193,686</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2023	2022
Rental income from the lease of the investment property	\$ 26,728	\$ 13,635
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 3,368	\$ 2,304

B. The fair values of the investment property held by the Group as at December 31, 2023 and 2022 were \$732,243 and \$722,953, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 3 in the fair value hierarchy.

(11) Intangible assets

	Goodwill	Software	Customer relationship	Total
<u>At January 1, 2023</u>				
Cost	\$ 3,008,857	\$ 151,583	\$ 640,149	\$ 3,800,589
Accumulated amortisation and impairment	(227,968)	(130,443)	(70,666)	(429,077)
	<u>\$ 2,780,889</u>	<u>\$ 21,140</u>	<u>\$ 569,483</u>	<u>\$ 3,371,512</u>
<u>2023</u>				
Opening net book amount	\$ 2,780,889	\$ 21,140	\$ 569,483	\$ 3,371,512
Additions	-	24,930	-	24,930
Acquired from business combinations	-	-	50,868	50,868
Amortisation charge (shown as 'general and administrative expenses')	-	(15,122)	(92,092)	(107,214)
Net exchange differences	(298)	(3)	(160)	(461)
Closing net book amount	<u>\$ 2,780,591</u>	<u>\$ 30,945</u>	<u>\$ 528,099</u>	<u>\$ 3,339,635</u>
<u>At December 31, 2023</u>				
Cost	\$ 3,008,793	\$ 173,941	\$ 692,869	\$ 3,875,603
Accumulated amortisation and impairment	(228,202)	(142,996)	(164,770)	(535,968)
	<u>\$ 2,780,591</u>	<u>\$ 30,945</u>	<u>\$ 528,099</u>	<u>\$ 3,339,635</u>

	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationship</u>	<u>Total</u>
<u>At January 1, 2022</u>				
Cost	\$ 2,033,017	\$ 111,896	\$ 167,485	\$ 2,312,398
Accumulated amortisation and impairment	(220,132)	(96,311)	(23,178)	(339,621)
	<u>\$ 1,812,885</u>	<u>\$ 15,585</u>	<u>\$ 144,307</u>	<u>\$ 1,972,777</u>
<u>2022</u>				
Opening net book amount	\$ 1,812,885	\$ 15,585	\$ 144,307	\$ 1,972,777
Additions	-	10,449	-	10,449
Disposal	-	(15,487)	-	(15,487)
Acquired from business combinations	875,175	20,182	468,846	1,364,203
Amortisation charge (shown as 'general and administrative expenses')	-	(10,057)	(47,831)	(57,888)
Impairment loss	(7,836)	-	-	(7,836)
Net exchange differences	<u>100,665</u>	<u>468</u>	<u>4,161</u>	<u>105,294</u>
Closing net book amount	<u>\$ 2,780,889</u>	<u>\$ 21,140</u>	<u>\$ 569,483</u>	<u>\$ 3,371,512</u>
<u>At December 31, 2022</u>				
Cost	\$ 3,008,857	\$ 151,583	\$ 640,149	\$ 3,800,589
Accumulated amortisation and impairment	(227,968)	(130,443)	(70,666)	(429,077)
	<u>\$ 2,780,889</u>	<u>\$ 21,140</u>	<u>\$ 569,483</u>	<u>\$ 3,371,512</u>

A. Refer to Note 6(32) for the details of the acquisition of intangible assets due to business combinations for the years ended December 31, 2023 and 2022.

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Greater China Region	\$ 1,187,384	\$ 1,187,421
All other segments	<u>1,593,207</u>	<u>1,593,468</u>
	<u>\$ 2,780,591</u>	<u>\$ 2,780,889</u>

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. Management determined budgeted gross profit based on past performance and their expectations of market development. The Group's accrued average annual revenue growth rate for the years ended December 31, 2023 and 2022 was both 0%~5%; the

assumption used for discount rate is the weighted average capital cost of the Group. As of December 31, 2023 and 2022, the key valuations used for pre-tax discount rate to reflect risk of related cash-generating units were 5.71%~9.18% and 7.02%~10.02%, respectively. Based on the aforementioned assessment, impairment loss on goodwill of \$0 and \$7,836 was recognised for the years ended December 31, 2023 and 2022, respectively.

D. There were no intangible assets that were pledged to others.

(12) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit loans	\$ 19,821,848	\$ 38,340,556
Interest rates per annum	<u>1.70%~6.424%</u>	<u>1.4917%~5.97%</u>

(13) Short-term notes and bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper	\$ 350,000	\$ 1,050,000
Amortisation of discount	(152)	(614)
	<u>\$ 349,848</u>	<u>\$ 1,049,386</u>
Coupon rate	<u>1.35%~1.40%</u>	<u>1.3%~1.84%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued VAT payable	\$ 2,430,469	\$ 433,968
Salaries and bonuses payable	1,441,687	1,806,626
Services payable	858,100	97,051
Finance costs payable	150,998	297,358
Freight payable	141,041	179,947
Insurance expense payable	117,707	88,595
Technical service fees payable	86,263	93,583
Others	754,174	792,250
	<u>\$ 5,980,439</u>	<u>\$ 3,789,378</u>

(15) Long-term loans

Type of loans	Period	December 31, 2023		
		Credit line	Interest rate	Amount
Mid-term syndicated loans (note A)	2021.7.29 ~2026.7.29	\$ 12,000,000	2.093% ~6.7865%	\$ 7,655,750
Mid-term syndicated loans (note A)	2022.6.27 ~2027.6.27	24,000,000	2.0930%	4,500,000
Mid-term borrowings (Export-Import Bank of the Republic of China)	2023.4.24 ~2028.4.24	400,000	2.023%	400,000
Mid-term borrowings (United Overseas Bank)	2020.4.28 ~2025.4.27	93,160	2%	31,943
Mid-term borrowings (United Overseas Bank)	2020.5.27 ~2025.5.26	116,450	2%	66,777
Mid-term borrowings (DBS Bank Ltd.)	2020.6.24 ~2025.6.23	23,290	2%	8,969
Mid-term borrowings (United Overseas Bank)	2021.4.5 ~2026.4.4	116,450	2%	69,185
				12,732,624
Less: Long-term borrowings, current portion				(88,382)
				<u>\$ 12,644,242</u>

Type of loans	Period	December 31, 2022		
		Credit line	Interest rate	Amount
Mid-term syndicated loans (note A)	2021.7.29 ~2026.7.29	\$ 12,000,000	1.8317% ~1.9543%	\$ 6,400,000
Mid-term syndicated loans (note A)	2022.6.27 ~2027.6.27	24,000,000	1.8541% ~5.3594%	11,213,000
Mid-term borrowings (United Overseas Bank)	2020.4.28 ~2025.4.27	91,520	2%	31,525
Mid-term borrowings (United Overseas Bank)	2020.5.27 ~2025.5.26	114,400	2%	65,580
Mid-term borrowings (DBS Bank Ltd.)	2020.6.24 ~2025.6.23	22,880	2%	8,841
Mid-term borrowings (United Overseas Bank)	2021.4.5 ~2026.4.4	114,400	2%	67,503
				<u>\$ 17,786,449</u>

A. As stipulated in the syndicated loan agreement:

(a) Credit period: 5 years after the date of first drawdown of any credit line.

(b) Drawdown period: The day before 5 years after the date of first drawdown. However,

maturity date of each borrowing shall not exceed the credit period. The borrower may apply for re-utilisation within the credit period 5 years after the date of first drawdown according to the capital situation. However, each drawdown must be fully repaid before the expiry of the credit period.

- (c) Financial commitment: The borrower's consolidated financial statements shall maintain the following financial ratios and regulations:
- i. Liquidity ratio: Shall be at least 100%.
 - ii. Net debt ratio: Shall be no more than 250%.
 - iii. Interest coverage ratio shall be at least 200%.

The abovementioned financial ratios are reviewed semi-annually.

- B. On August 2, 2023, the Company's Board of Directors resolved to sign a syndicated loan agreement with a financial institution amounting to \$20 billion. As of December 31, 2023, the Company has not yet drawdown the loan. As stipulated in the syndicated loan agreement, the Company's liquidity ratio shall be at least 100%, net debt ratio shall be no more than 280% and interest coverage ratio shall be at least 200%.
- C. The Group's financial ratios in the consolidated financial statements for the years ended December 31, 2023 and 2022 have met the required covenants under the abovementioned borrowing contract.
- D. The Group's liquidity risk is provided in Note 12.

(16) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have 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 Act. 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. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 223,995	\$ 219,430
Fair value of plan assets	(165,099)	(160,589)
Net defined benefit liability	<u>\$ 58,896</u>	<u>\$ 58,841</u>
Shown as 'other non-current assets'	<u>\$ 7,806</u>	<u>\$ 7,395</u>
Shown as 'other non-current liabilities'	<u>\$ 66,702</u>	<u>\$ 66,236</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2023			
Balance at January 1	\$ 219,430	\$ 160,589	\$ 58,841
Current service cost	1,624	-	1,624
Interest (expense) income	<u>2,892</u>	<u>2,122</u>	<u>770</u>
	<u>223,946</u>	<u>162,711</u>	<u>61,235</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	594	(594)
Change in financial assumptions	1,918	-	1,918
Experience adjustments	<u>791</u>	<u>-</u>	<u>791</u>
	<u>2,709</u>	<u>594</u>	<u>2,115</u>
Pension fund contribution	-	4,454	(4,454)
Paid pension	(2,660)	(2,660)	-
Balance at December 31	<u>\$ 223,995</u>	<u>\$ 165,099</u>	<u>\$ 58,896</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2022			
Balance at January 1	\$ 205,472	\$ 149,497	\$ 55,975
Current service cost	1,237	-	1,237
Interest (expense) income	<u>1,437</u>	<u>1,046</u>	<u>391</u>
	<u>208,146</u>	<u>150,543</u>	<u>57,603</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	11,092	(11,092)
Change in financial assumptions	(12,035)	-	(12,035)
Experience adjustments	<u>28,874</u>	<u>-</u>	<u>28,874</u>
	<u>16,839</u>	<u>11,092</u>	<u>5,747</u>
Pension fund contribution	-	4,509	(4,509)
Paid pension	(5,555)	(5,555)	-
Balance at December 31	<u>\$ 219,430</u>	<u>\$ 160,589</u>	<u>\$ 58,841</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 securitization 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 approved by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund, 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, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2023	2022
Discount rate	<u>1.2%~1.3%</u>	<u>1.3%~1.4%</u>
Future salary increases	<u>3%</u>	<u>3%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 4,286)	\$ 4,410	\$ 3,769	(\$ 3,688)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 4,573)	\$ 4,714	\$ 4,083	(\$ 3,987)

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 plan of the Group for the year ending December 31, 2024 amount to \$4,337.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 8 ~ 12 years.

B. Defined contribution pension plan

- (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 Company’s subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 14%~16% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees’ monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the

monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were \$463,340 and \$317,922, respectively.

(17) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Group's share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Restricted stocks to employees	2021.1.13	2,992 thousand shares	(a) and (b)
Employee stock options	2021.3.18	12,000 thousand shares	(c)
Restricted stocks to employees	2021.7.28	2,788 thousand shares	(a) and (b)
Employee stock options	2022.1.6	18,854 thousand shares	(c)

(a) The vesting percentage for the employee who has rendered service to the Company since the grant date and achieves the performance condition is 25% each year.

(b) The issued employee restricted shares before meeting the vesting conditions are subject to certain restrictions as follows:

- i. Employee restricted shares cannot be sold, pledged, transferred, donated to others, set purposes or disposed in any other ways, except for inheritance.
- ii. The rights to attend, propose, speak and vote at the shareholders meeting are the same as the issued common stock of the Company and are implemented in accordance with the trust custody contract.
- iii. Other rights including but not limited to dividends, distribution rights of legal reserve and capital surplus and share options of cash capital increase, etc. are the same as the Company's issued common stock, do not need to be kept in trust and are not restricted by the vesting period. Employees are required to return the unvested stocks but not required to return the dividends received if they resign during the vesting period.

(c) Employees can exercise 50%, 25% and 25% of their option after 2 years, 3 years and 4 years from the grant date of employee stock options, respectively.

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (years)	Expected dividends	Risk-free interest rate (%)	Fair value per unit (in dollars)
Restricted stocks to employees	2021.1.13	\$ 42.05	\$ -	-	4	-	-	\$ 42.05
Employee stock options	2021.3.18	\$ 46.80	\$ 46.80	18.44~ 18.46	4~5	-	0.31~ 0.34	\$ 7.0985~ \$ 8.1307
Restricted stocks to employees	2021.7.28	\$ 61.20	\$ -	-	4	-	-	\$ 58.0011
Employee stock options	2022.1.6	\$ 75.40	\$ 75.40	21.06~ 22.66	3.5~4.5	-	0.55~ 0.62	\$ 13.2673~ \$ 14.2005

C. Details of the stock options for the years ended December 31, 2023 and 2022 are disclosed as follows:

2023			
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	Weighted-average remaining contractual period
Options outstanding at January 1	30,148	\$ 58.58	
Options exercised	(4,550)	40.43	
Options forfeited	(671)	62.00	
Options outstanding at December 31	<u>24,927</u>	57.77	3.07 years
Options exercisable at December 31	<u><u>1,295</u></u>		
2022			
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	Weighted-average remaining contractual period
Options outstanding at January 1	11,940	\$ 46.80	
Options granted	18,854	75.40	
Options forfeited	(646)	62.22	
Options outstanding at December 31	<u>30,148</u>	58.58	4.09 years

- D. The weighted-average stock price of stock options was \$76.06 (in dollars) for the year ended December 31, 2023. As of December 31, 2022, the Group had no exercisable stock options.
- E. Details of the employee restricted shares for the years ended December 31, 2023 and 2022 are disclosed as follows:

	2023	2022
	No. of shares (in thousands)	No. of shares (in thousands)
Shares outstanding at January 1	4,090	5,666
Shares redeemed at beginning of year but not yet retired	29	62
Shares vested	(1,342)	(1,395)
Shares forfeited	(125)	(214)
Shares redeemed, not yet forfeited	(14)	(29)
Shares outstanding at December 31	<u>2,638</u>	<u>4,090</u>

- F. Compensation cost of share-based payment of \$297,110 and \$222,571 was recognised for the years ended December 31, 2023 and 2022, respectively.

(18) Share capital

As of December 31, 2023, the Company's authorised capital was \$20,000,000, including partial preferred stocks, consisting of 2 billion shares (including 300 million shares reserved for employee stock options), and the paid-in capital was \$10,223,017 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Common stock

- A. Movements in the number of the Company's common stock (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2023	2022
	Shares (in thousands)	Shares (in thousands)
At January 1	883,530	802,857
Employee stock options exercised	4,550	-
Cancellation of employee restricted shares	(125)	(214)
Issuance of shares - Global depositary receipts	-	78,000
Shares converted from bonds	-	2,887
At December 31	<u>887,955</u>	<u>883,530</u>

- B. For the year ended December 31, 2022, all convertible bonds of the Company have been converted into 41,174 thousand common stocks. Convertible bonds amounting to \$77,100 in total par value have been requested for conversion into 2,887 thousand common stock.

- C. For the year ended December 31, 2023, employees of the Company exercised employee stock options, which have been converted into 4,550 thousand common stocks. There are still 654 thousand common stocks which were recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed as of December 31, 2023.
- D. For the years ended December 31, 2023 and 2022, the Company has retrieved 125 thousand and 214 thousand of employee restricted shares, respectively, for not satisfying vesting conditions, and the Company cancelled and retired the shares in accordance with the regulations.
- E. On September 28, 2023, the Board of Directors resolved to increase the Company's capital by issuing 135 million new shares with a par value of \$10 (in dollars) per share. The effective date of capital injection was January 9, 2024. As of February 16, 2024, the capital injection had been registered but not yet approved by the regulatory authority. As of December 31, 2023, the Company has received \$5,423,396 which was recorded as 'advance receipts for share capital'.

Global depositary receipts

On February 24, 2022, the Company's Board of Directors resolved to increase capital by issuing common stock to participate in the issuance of the global depositary receipts for the repayment of the principal of bank borrowing in foreign currency and overseas procurement. The capital increase was approved by the Financial Supervisory Committee on March 25, 2022 and 15,600 thousand units of global depositary receipts were issued at the Luxembourg Stock Exchange on April 22, 2022 at a price of USD12.18 (in dollars) per unit. The global depositary receipts represented 78,000 thousand shares of the Company's common stock. The amount after deducting issuance cost was USD186,792 thousand (NT\$5,455,260 thousand). Each unit of the global depositary receipts represents 5 shares of the Company's common stocks. As of December 31, 2023, there were no global depositary receipts in circulation.

Preferred stock

On July 2, 2020, the Board of Directors resolved to increase the Company's capital in the amount of \$6,750,000 by issuing 135 million shares of Class A preferred stocks with a par value of \$10 (in dollars) per share issued at \$50 (in dollars) per share. The capital injection was approved by the Financial Supervisory Commission on July 29, 2020, and the effective date was set on October 15, 2020. The rights and obligations of these outstanding preferred stocks are as follows:

- A. Expiration date: The Company's Class A preferred stocks are perpetual. The shareholders of Class A preferred stocks cannot request the Company to retire the preferred stocks they hold but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preferred stocks sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends.

- B. Dividends: Dividends are calculated at 4% per annum, consisting of five-year IRS rate of 0.6125% on pricing effective date (August 17, 2020) and specific markup of 3.3875%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two business days in Taipei financial industry prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Refinitiv pages “PYTWDFIX” and “COSMOS3” at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- C. Dividend distribution: Dividends of Class A preferred stocks are distributed once per year in the form of cash. The effective date for distributing previous year’s distributable dividends will be set by the Board of Directors or the chairman who is authorised by the Board of Directors. Dividend distributions in the years of issuance and redemption are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating deficit and then set aside as legal reserve. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any in the current year, can be distributed as dividends of preferred stocks in first priority.
- The Company has discretion in dividend distribution of Class A preferred stocks. The Company could choose not to distribute dividends of preferred stocks when resolved by the Board of Directors, which would not lead to default if the Company has no or has insufficient current year’s earnings for distribution or has other considerations. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not be deferred to future years when the Company has earnings.
- D. Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preferred stocks could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
- E. Residual property distribution: The shareholders of Class A preferred stocks have priority over shareholders of common stocks in distributing the Company’s residual properties and have the same priority with other preferred stockholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preferred stocks issued and the issue price when distributing.
- F. Right to vote and be elected: The shareholders of Class A preferred stocks have no right to vote and be elected as directors in the common stock holders’ meeting of the Company but have the right to vote in the shareholders’ meeting only when there are unfavourable matters to rights and obligations of shareholders of Class A preferred stocks.
- G. Conversion to common shares: Class A preferred stocks could not be converted to common shares.

H. The preemptive rights for shareholders of Class A preferred stocks are the same as of common shareholders when the Company increases its capital by issuing new shares.

I. Capital surplus arising from premium issuance of Class A preferred stocks can be used to offset against accumulated deficit but cannot be capitalised during the issuance period.

(19) 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 to the above considerations, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Changes in capital surplus are as follows:

	2023				
	Share premium	Employee stock options	Restricted stocks to employees	Net change in equity of associates and subsidiaries	Total
At January 1	\$ 24,968,223	\$ 154,122	\$ 160,354	\$ 11,410	\$ 25,294,109
Vesting of employee restricted shares	53,188	-	(53,188)	-	-
Cancellation of employee restricted shares	-	-	1,240	-	1,240
Changes in restricted stocks to employees	-	-	(3,531)	-	(3,531)
Employee stock options exercised	170,738	(32,297)	-	-	138,441
Compensation cost of share-based payments	-	250,415	-	-	250,415
At December 31	<u>\$ 25,192,149</u>	<u>\$ 372,240</u>	<u>\$ 104,875</u>	<u>\$ 11,410</u>	<u>\$ 25,680,674</u>

	2022					
	Share premium	Employee stock options	Stock options	Restricted stocks to employees	Net change in equity of associates	Total
At January 1	\$ 20,187,420	\$ 26,636	\$ 2,426	\$ 216,886	\$ 11,410	\$ 20,444,778
Issuance of shares - Global depositary receipts	4,675,260	-	-	-	-	4,675,260
Conversion of convertible bonds	50,186	-	(2,426)	-	-	47,760
Vesting of employee restricted shares	55,357	-	-	(55,357)	-	-
Cancellation of employee restricted shares	-	-	-	2,145	-	2,145
Changes in restricted stocks to employees	-	-	-	(3,320)	-	(3,320)
Compensation cost of share-based payments	-	127,486	-	-	-	127,486
At December 31	<u>\$ 24,968,223</u>	<u>\$ 154,122</u>	<u>\$ -</u>	<u>\$ 160,354</u>	<u>\$ 11,410</u>	<u>\$ 25,294,109</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset accumulated losses; and set aside a legal reserve at 10% of such remaining earnings, until the accumulated legal reserve has equaled the total paid-in capital of the Company; then, set aside a special reserve in accordance with applicable laws or regulations of the competent authority. Residual earnings (distributable earnings in the current year) plus undistributed earnings at the beginning of the period is the accumulated retained earnings, which shall first be distributed as dividends to holders of Preferred Stocks, and distribution of such earnings shall submitted by the Board of Directors to the shareholders' meeting for approval.
- B. In accordance with Article 240 of the Company Act, the Board of Directors is authorised, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, to distribute dividends and bonus of all or part of the legal reserve and capital surplus in the form of cash based on the regulations specified in Article 241 of the Company Act which shall be reported to the shareholders during their meeting. Said distribution is not subject to the regulation which requires that the distribution shall be resolved by the shareholders during their meeting.
- C. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- D. 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 balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. 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.
- F. According to the resolutions adopted by the shareholders during their meetings in May 2023 and May 2022, the distribution information of the Company's 2022 and 2021 earnings, respectively, is as follows:

	Years ended December 31,			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 768,307		\$ 865,516	
Special reserve	1,564,387		-	
Dividends on preferred stock	270,000	\$ 2.000	270,000	\$ 2.000
Cash dividends of common stockholders	<u>3,812,065</u>	4.300	<u>4,431,032</u>	5.500
	<u>\$ 6,414,759</u>		<u>\$ 5,566,548</u>	

Information on the appropriation of the Company's earnings as approved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Other equity items

	Unrealised (losses) gains on valuation	Currency translation	Others	Total
At January 1, 2023	(\$ 891,781)	\$ 673,456	(\$ 1,346,062)	(\$ 1,564,387)
Valuation adjustment on equity instruments:				
– Group	11,229,333	-	-	11,229,333
Disposals reclassified as retained earnings	(59,113)	-	-	(59,113)
Currency translation differences:				
– Group	-	(309,977)	-	(309,977)
– Associates	-	(116)	-	(116)
Changes in employee restricted shares	-	-	3,531	3,531
Increase in redemption liability recognised as other equity	-	-	253,073	253,073
Compensation cost of share-based payments	-	-	46,695	46,695
At December 31, 2023	<u>\$ 10,278,439</u>	<u>\$ 363,363</u>	<u>(\$ 1,042,763)</u>	<u>\$ 9,599,039</u>

	Unrealised gains (losses) on valuation	Currency translation	Others	Total
At January 1, 2022	\$ 10,591,772	(\$ 3,678,252)	(\$ 177,282)	\$ 6,736,238
Valuation adjustment on equity instruments:				
– Group	(11,413,891)	-	-	(11,413,891)
– Associates	(12,499)	-	-	(12,499)
Disposals reclassified as retained earnings	(57,163)	-	-	(57,163)
Currency translation differences:				
– Group	-	4,353,838	-	4,353,838
– Associates	-	(2,130)	-	(2,130)
Issuance of employee restricted shares	-	-	3,320	3,320
Redemption liability recognised as other equity	-	-	(1,267,083)	(1,267,083)
Compensation cost of share-based payments	-	-	94,983	94,983
At December 31, 2022	<u>(\$ 891,781)</u>	<u>\$ 673,456</u>	<u>(\$ 1,346,062)</u>	<u>(\$ 1,564,387)</u>

(22) Non-controlling interests

	2023	2022
At January 1	\$ 868,976	\$ 92,443
Share attributable to non-controlling interest:		
Loss for the year	(33,308)	(30,759)
Increase in non-controlling interests	3,766	798,563
Cash dividends paid	-	(588)
Comprehensive income (loss) for the year:		
Exchange differences on translation of foreign financial statements	(2,059)	9,904
Unrealised loss from financial assets at fair value through other comprehensive income	(506)	(587)
At December 31	<u>\$ 836,869</u>	<u>\$ 868,976</u>

- A. The Company's subsidiary, Brillnics Inc., increased its capital and employees of Brillnics Inc. exercised employee stock options, which resulted to an increase in the non-controlling interest. Refer to Note 4(3) for details.
- B. Refer to Note 4(3) for the details of transactions with non-controlling interest resulting from the capital increase of the Company's subsidiary, Nuvision Technology Inc., at March 31, 2023.
- C. The Company's subsidiary, WT Semiconductor Holdings Pte. Ltd., increased its non-controlling interest resulting from the capital increase in September 2022.

(23) Operating revenue

	Years ended December 31,	
	2023	2022
Contract revenue		
Sales of electronic components	\$ 593,682,568	\$ 570,475,062
Services revenue	668,302	525,422
Other operating revenue	167,943	196,634
	<u>\$ 594,518,813</u>	<u>\$ 571,197,118</u>

A. The Group derives revenue from the transfer of goods at a point in time and services over time in the following major products:

	Year ended December 31, 2023		
	Greater China Region	Others	Total
Timing of revenue recognition			
At a point in time			
Application-Specific Standard			
Product-Wireless Connectivity	\$ 172,725,927	\$ 2,535,033	\$ 175,260,960
Application-Specific Standard			
Product-Wired Connectivity	88,829,114	5,963,357	94,792,471
Analog	81,594,005	10,554,942	92,148,947
Application-Specific Integrated			
Circuit	79,548,998	1,403,620	80,952,618
Microcomponents	33,779,138	10,321,728	44,100,866
Memory	20,875,653	11,324,204	32,199,857
Application-Specific Standard			
Product-Others	22,850,671	4,968,908	27,819,579
Discrete	13,729,237	2,323,766	16,053,003
Optoelectronics	11,823,642	821,353	12,644,995
Others	12,564,068	5,313,147	17,877,215
Over time			
Services	668,302	-	668,302
	<u>\$ 538,988,755</u>	<u>\$ 55,530,058</u>	<u>\$ 594,518,813</u>

Year ended December 31, 2022			
	Greater China Region	Others	Total
Timing of revenue recognition			
At a point in time			
Application-Specific Standard			
Product-Wireless Connectivity	\$ 186,141,595	\$ 1,665,676	\$ 187,807,271
Analog	92,295,124	7,790,603	100,085,727
Application-Specific Standard			
Product-Wired Connectivity	74,015,004	16,115,924	90,130,928
Memory	37,545,081	3,675,538	41,220,619
Microcomponents	33,535,654	6,763,559	40,299,213
Application-Specific Standard			
Product-Others	29,307,485	2,950,916	32,258,401
Application-Specific Integrated			
Circuit	8,388,556	20,320,337	28,708,893
Optoelectronics	16,312,138	842,715	17,154,853
Discrete	14,421,078	1,982,387	16,403,465
Others	13,196,564	3,405,762	16,602,326
Over time			
Services	525,422	-	525,422
	<u>\$ 505,683,701</u>	<u>\$ 65,513,417</u>	<u>\$ 571,197,118</u>

In order to comply with the semiconductor industry, the Group disclosed revenue amount of major products by reference to semiconductor component classification of Gartner Inc. for the years ended December 31, 2023 and 2022.

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	December 31, 2023	December 31, 2022	January 1, 2022
Refund liabilities			
-sales discounts and returns	<u>\$ 1,127,279</u>	<u>\$ 778,605</u>	<u>\$ 658,325</u>
Contract liabilities			
-advance sales receipts	<u>\$ 1,461,903</u>	<u>\$ 904,038</u>	<u>\$ 373,803</u>

C. Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Years ended December 31,	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 377,193	\$ 207,554
(24) <u>Interest income</u>		
	Years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 150,773	\$ 38,772
Other interest income	841	264
	<u>\$ 151,614</u>	<u>\$ 39,036</u>
(25) <u>Other income</u>		
	Years ended December 31,	
	2023	2022
Dividend income	\$ 436,092	\$ 339,705
Grant revenue	89,355	52,488
Other income	68,683	29,289
	<u>\$ 594,130</u>	<u>\$ 421,482</u>
(26) <u>Other gains and losses</u>		
	Years ended December 31,	
	2023	2022
Loss on disposal of intangible assets	\$ -	(\$ 15,487)
Foreign exchange loss, net	(45,839)	(413,746)
Gain on financial assets and liabilities at fair value through profit or loss	235,377	598,787
Other losses	(41,243)	(40,252)
	<u>\$ 148,295</u>	<u>\$ 129,302</u>
(27) <u>Finance costs</u>		
	Years ended December 31,	
	2023	2022
Interest expense:		
Bank borrowings	\$ 2,207,355	\$ 1,411,394
Others	46,523	25,379
Financing charges on accounts receivable factoring	1,563,328	949,356
Other finance costs	62,831	59,385
	<u>\$ 3,880,037</u>	<u>\$ 2,445,514</u>

(28) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	\$ 5,899,371	\$ 5,023,129
Depreciation	\$ 448,487	\$ 380,125
Amortisation	\$ 107,214	\$ 57,888

(29) Employee benefit expense

	Years ended December 31,	
	2023	2022
Employee benefit expense		
Wages and salaries	\$ 4,946,823	\$ 4,249,899
Labour and health insurance fees	149,165	146,734
Pension costs	465,734	319,550
Other personnel expenses	337,649	306,946
Total (shown as 'Operating expenses')	\$ 5,899,371	\$ 5,023,129

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 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$43,600 and \$87,500, respectively; while directors' remuneration was accrued at \$26,571 and \$35,000, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' remuneration for 2023 and 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in profit or loss for 2023 and 2022, respectively.

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

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profit for the year	\$ 727,319	\$ 2,313,558
Tax on undistributed surplus earnings	63,616	154,694
Prior year income tax under (over) estimation	121	(602)
Total current tax	791,056	2,467,650
Deferred tax:		
Origination and reversal of temporary differences	425,475	(156,872)
Total deferred tax	425,475	(156,872)
Income tax expense	\$ 1,216,531	\$ 2,310,778

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2023	2022
Remeasurement of defined benefit obligations	\$ 423	\$ 1,150

B. Reconciliation between income tax expense and accounting profit

	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 1,928,473	\$ 3,065,295
Expenses disallowed by tax regulation	(775,679)	(908,609)
Tax on undistributed earnings	63,616	154,694
Prior year income tax under (over) estimation	121	(602)
Income tax expense	\$ 1,216,531	\$ 2,310,778

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

Year ended December 31, 2023						
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate		December 31
— Deferred tax assets:						
Allowance for sales returns and discounts	\$ 506,453	(\$ 66,237)	\$ -	(\$ 14)		\$ 440,202
Allowance for doubtful accounts	31,406	1,523	-	(209)		32,720
Reserve for inventory obsolescence and market price decline	267,045	15,398	-	365		282,808
Others	<u>273,350</u>	<u>(201,080)</u>	<u>462</u>	<u>383</u>		<u>73,115</u>
	<u>\$ 1,078,254</u>	<u>(\$ 250,396)</u>	<u>\$ 462</u>	<u>\$ 525</u>		<u>\$ 828,845</u>
— Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 836,238)	(\$ 129,996)	\$ -	\$ -		(\$ 966,234)
Others	<u>(20,519)</u>	<u>(45,083)</u>	<u>(39)</u>	<u>-</u>		<u>(65,641)</u>
	<u>(\$ 856,757)</u>	<u>(\$ 175,079)</u>	<u>(\$ 39)</u>	<u>\$ -</u>		<u>(\$1,031,875)</u>

Year ended December 31, 2022						
	January 1	Acquisition from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
— Deferred tax assets:						
Allowance for sales returns and discounts	\$ 485,508	\$ -	\$ 20,930	\$ -	\$ 15	\$ 506,453
Allowance for doubtful accounts	27,666	-	3,641	-	99	31,406
Reserve for inventory obsolescence and market price decline	225,169	-	41,824	-	52	267,045
Others	<u>63,568</u>	<u>2,787</u>	<u>203,889</u>	<u>2,496</u>	<u>610</u>	<u>273,350</u>
	<u>\$ 801,911</u>	<u>\$ 2,787</u>	<u>\$ 270,284</u>	<u>\$ 2,496</u>	<u>\$ 776</u>	<u>\$1,078,254</u>
— Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 660,794)	\$ -	(\$ 175,444)	\$ -	\$ -	(\$ 836,238)
Others	<u>(81,205)</u>	<u>-</u>	<u>62,032</u>	<u>(1,346)</u>	<u>-</u>	<u>(20,519)</u>
	<u>(\$ 741,999)</u>	<u>\$ -</u>	<u>(\$ 113,412)</u>	<u>(\$ 1,346)</u>	<u>\$ -</u>	<u>(\$ 856,757)</u>

The information on deferred tax assets acquired through business combinations for the year ended December 31, 2022 is provided in Note 6(32).

- D. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2023 and 2022, the temporary differences that were not recognised as deferred tax liabilities were \$4,052,497 and \$3,856,689, respectively.
- E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.
- F. The Group has applied the exception to the requirements to recognise and disclose information on deferred tax assets and liabilities related to Pillar Two income taxes.
- G. The Group's exposure to Pillar Two income taxes arising from the Pillar Two legislation is as follows:

The Group is within the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). The Pillar Two legislation was enacted in South Korea, Japan and Vietnam, and will take effect from January 1, 2024. For companies incorporated in Singapore, the Pillar Two legislation has yet to be enacted and is expected to take effect from January 1, 2025. The Group has no related current tax exposure as of December 31, 2023.

Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Group is in the process of assessing its exposure to the Pillar Two legislation when it becomes effective. This assessment indicates that for companies registered in South Korea, Japan, Vietnam and Singapore, the average effective tax rate based on accounting profit is 15% for the year ended December 31, 2023. Due to the complexities in applying the legislation and calculating GloBE income as well as the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with IAS 12, the Group is currently evaluating the relevant matters in applying the legislation.

The Group has applied the amendments to IAS 12, 'Income tax' issued on May 23, 2023 and applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

(31) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of common stock outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 4,012,142		
Less: Dividends of preferred stock	(270,000)		
Profit used to calculate basic earnings per share	<u>\$ 3,742,142</u>	<u>883,169</u>	<u>\$ 4.24</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 4,012,142		
Less: Dividends of preferred stock	(270,000)		
Profit used to calculate diluted earnings per share	3,742,142	883,169	
Assumed conversion of all dilutive potential common stock:			
Restricted stocks to employees	-	2,567	
Employee stock options	-	11,592	
Employees' compensation	<u>-</u>	<u>581</u>	
Profit used to calculate diluted earnings per share attributable to shareholders of the parent plus assumed conversion of all dilutive potential common stock	<u>\$ 3,742,142</u>	<u>897,909</u>	<u>\$ 4.17</u>

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of common stock outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,631,123		
Less: Dividends of preferred stock	(270,000)		
Profit used to calculate basic earnings per share	<u>\$ 7,361,123</u>	<u>855,236</u>	<u>\$ 8.61</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,631,123		
Less: Dividends of preferred stock	(270,000)		
Profit used to calculate diluted earnings per share	7,361,123	855,236	
Assumed conversion of all dilutive potential common stock:			
Conversion of convertible bonds	1	41	
Restricted stocks to employees	-	3,255	
Employee stock options	-	2,426	
Employees' compensation	-	1,589	
Profit used to calculate diluted earnings per share attributable to shareholders of the parent plus assumed conversion of all dilutive potential common stock	<u>\$ 7,361,124</u>	<u>862,547</u>	<u>\$ 8.53</u>

(32) Business combination

As of December 31, 2023 and 2022, the Group's mergers are as follows:

- A. On September 14, 2023, the Company's audit committee and Board of Directors resolved to enter into a definitive agreement for the acquisition of all the shares of Future Electronics Inc. The trading counterparty is Alonim Investments Inc. The transfer price of all the shares of Future Electronics Inc. is estimated to be US\$3.8 billion (approximately NT\$121,524,000 thousand) and will be adjusted in accordance with the contract. As of December 31, 2023, the Company has not yet received all the approvals from the respective countries. The transaction is expected to be completed after receiving all the necessary approvals.
- B. The Group acquired all the equity interest of Leader's Technology Co., Ltd. ("LEADER Company"):
 - (a) The Company's subsidiary, Analogworld Co., Ltd., acquired all the equity interest of LEADER Company in May 2023, and the effective date for the share conversion was set on May 3, 2023. LEADER Company is primarily engaged in the distribution and sales of electronic components with the Korea region as its primary market.

- (b) The following table summarises the consideration paid for LEADER Company and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>May 3, 2023</u>
Purchase consideration	
Cash	\$ 204,289
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	4,983
Accounts receivable	189,005
Other receivables	17,787
Inventories	298,853
Other current assets	21,411
Property, plant and equipment	6,591
Other non-current assets	2,444
Short-term borrowings	(183,102)
Accounts payable	(126,813)
Other payables	(20,535)
Current income tax liabilities	(12,090)
Other current liabilities	(8,246)
Long-term loans	(1,485)
Other non-current liabilities	(35,382)
Total identifiable net assets	153,421
Fair value of the identifiable net assets-customer relationship	50,868
Goodwill	\$ -

- (c) The operating revenue and loss before income tax included in the consolidated statement of comprehensive income since May 3, 2023 contributed by LEADER Company was \$635,892 and \$17,830, respectively. Had LEADER Company been consolidated from January 1, 2023, the consolidated statement of comprehensive income for the years ended December 31, 2023 would show operating revenue of \$594,835,555 and profit before income tax of \$5,227,184.
- (d) As of December 31, 2023, the allocation of the purchase price of the combination is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.
- C. The Group acquired all the equity interest of Excelpoint Technology Ltd. (“EXCELPOINT Company”):
- (a) The Company’s subsidiary, WT Semiconductor Holdings Pte. Ltd. (“WT SEMICONDUCTOR”) acquired all the equity interest of EXCELPOINT Company in cash in the amount of \$4,039,385 thousand (US\$132,591 thousand) in April 2022. Further, the CEO of EXCELPOINT Company, Mr. Albert Pthuy, sold his shares held in EXCELPOINT Company and acquired 20% equity interest in WT SEMICONDUCTOR. After the acquisition, the Company and Mr. Albert Pthuy held 80% and 20% equity interest in WT SEMICONDUCTOR, respectively, and the effective date for the share conversion was set on September 6, 2022.

- (b) EXCELPOINT Company is primarily engaged in the distribution and sales of various electronic components. The purpose of the combination is to strengthen the expansion of the business through the complementary product lines of the two parties, provide customers with a wider range of product solutions and technical support services and enhance the Group's distribution capabilities in the Asia-Pacific region.
- (c) The following table summarises the consideration paid for EXCELPOINT Company and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>September 6, 2022</u>
Purchase consideration	
Cash	\$ 4,039,385
Fair values of non-controlling interests	791,053
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	1,006,354
Accounts receivable	6,353,669
Other receivables	92,040
Inventories	8,732,481
Other current assets	13,806
Financial assets at fair value through other comprehensive income	147,435
Property, plant and equipment	91,561
Right-of-use assets	151,445
Intangible assets	20,182
Deferred income tax assets	2,787
Other non-current assets	22,907
Short-term borrowings	(4,760,586)
Contract liabilities	(369,522)
Accounts payable	(6,674,542)
Other payables	(762,407)
Current income tax liabilities	(159,537)
Lease liabilities - current	(82,481)
Refund liabilities	(90,309)
Long-term loans	(171,128)
Lease liabilities -non-current	(77,738)
Total identifiable net assets	3,486,417
Fair value of the identifiable net assets-customer relationship	468,846
Goodwill	<u>\$ 875,175</u>

- (d) The operating revenue and loss before income tax included in the consolidated statement of comprehensive income since September 6, 2022 contributed by EXCELPOINT Company was \$13,347,437 and \$110,730, respectively. Had EXCELPOINT Company been consolidated from January 1, 2022, the consolidated statement of comprehensive income would show operating revenue of \$604,229,581 and profit before income tax of \$10,376,556.

(33) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	Years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 452,717	\$ 99,390
Add: Opening balance of payable on equipment	770	24,780
Ending balance of prepayments for business facilities	1,091	223,501
Less: Ending balance of payable on equipment	(2,772)	(770)
Opening balance of prepayments for business facilities	(223,501)	(36,457)
Effect of foreign exchange	(7)	8
Cash paid during the year	<u>\$ 228,298</u>	<u>\$ 310,452</u>

B. Cash paid for business combinations:

	Years ended December 31,	
	2023	2022
Current assets	\$ 532,039	\$ 16,198,350
Property, plant and equipment	6,591	91,561
Goodwill	-	875,175
Acquired identifiable intangible assets	50,868	489,028
Other non-current assets	2,444	324,574
Current liabilities	(350,786)	(12,899,384)
Non-current liabilities	(36,867)	(248,866)
Fair value of assets acquired and liabilities assumed	204,289	4,830,438
Adjustment of contingent consideration	-	1,996
Add: Opening balance of payable for investment	-	6,100
Acquired cash from business combinations	(4,983)	(1,006,354)
Non-controlling interests	-	(791,053)
Cash paid during the year	<u>\$ 199,306</u>	<u>\$ 3,041,127</u>

C. Financing activities with no cash flow effects

Convertible bonds payable

	Years ended December 31,	
	2023	2022
Conversion of bonds payable	\$ -	\$ 28,876
Capital surplus of bonds payable conversion	-	47,760
Conversion of convertible bonds payable	-	(76,636)
Cash paid during the year	<u>\$ -</u>	<u>\$ -</u>

D. Transactions with non-controlling interest

	Years ended December 31,				
	2023		2022		
Acquisition of equity of subsidiary	\$	1,786	\$	-	
(34) <u>Changes in liabilities from financing activities</u>					
	Long-term and short-term borrowings (Note)	Short-term notes and bills payable	Lease liability	Liabilities from financing activities-gross	
At January 1, 2023	\$ 56,127,005	\$ 1,049,386	\$ 584,132	\$ 57,760,523	
Changes in cash flow from financing activities	(23,489,056)	(716,769)	(279,375)	(24,485,200)	
Impact of changes in foreign exchange rate	(268,064)	-	(33,793)	(301,857)	
Interest expense from amortisation	-	17,231	-	17,231	
Increase in lease liability	-	-	447,656	447,656	
Acquired from business combinations	184,587	-	-	184,587	
At December 31, 2023	<u>\$ 32,554,472</u>	<u>\$ 349,848</u>	<u>\$ 718,620</u>	<u>\$ 33,622,940</u>	
	Long-term and short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable (Note)	Lease liability	Liabilities from financing activities-gross
At January 1, 2022	\$ 41,248,108	\$ 2,049,454	\$ 76,635	\$ 440,119	\$ 43,814,316
Changes in cash flow from financing activities	9,120,293	(1,010,053)	-	(235,467)	7,874,773
Impact of changes in foreign exchange rate	826,890	-	-	13,794	840,684
Interest expense from amortisation	-	9,985	1	-	9,986
Conversion of convertible bonds	-	-	(76,636)	-	(76,636)
Acquired from business combinations	4,931,714	-	-	160,219	5,091,933
Increase in lease liability	-	-	-	205,467	205,467
At December 31, 2022	<u>\$ 56,127,005</u>	<u>\$ 1,049,386</u>	<u>\$ -</u>	<u>\$ 584,132</u>	<u>\$ 57,760,523</u>

Note: Including current portions of long-term loans and bonds payable.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
JCD Optical Corporation Limited	Associate
Qwave Technology Co., Ltd.	Associate
WPG Holdings Limited and Subsidiaries	Entity with significant influence over the Group
ASUSTeK Computer Inc. and Subsidiaries	Entity with significant influence over the Group

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
- Entity with significant influence over the Group	\$ 6,724,364	\$ 4,938,756
- Associates	2,035	1,841
	<u>\$ 6,726,399</u>	<u>\$ 4,940,597</u>

The collection terms with related parties were 30 to 120 days after the end of next month and the products were categorised and priced taking into consideration the inventory cost, market and other conditions.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
- Entity with significant influence over the Group	\$ 1,070,315	\$ 1,675,354
- Associates	-	6,585
	<u>\$ 1,070,315</u>	<u>\$ 1,681,939</u>

The credit term to related parties is 30 to 45 days after the end of next month and the purchase prices were categorised and priced taking into consideration the market prices and other conditions.

C. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
- Entity with significant influence over the Group	\$ 641,771	\$ 533,247
- Associates	954	871
	<u>\$ 642,725</u>	<u>\$ 534,118</u>

D. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
- Entity with significant influence over the Group	<u>\$ 113,901</u>	<u>\$ 164,955</u>

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 130,217	\$ 185,380
Post-employment benefits	773	1,044
Share-based payment	<u>21,367</u>	<u>33,132</u>
	<u>\$ 152,357</u>	<u>\$ 219,556</u>

8. PLEGDED ASSETS

The details of the Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Purpose</u>	<u>Book value</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current assets:			
Bank deposits	Bid bond	<u>\$ 2,978</u>	<u>\$ 2,979</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENT

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

The outstanding letters of credit for the purchase of inventories by the Group are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Outstanding letters of credit	<u>\$ 9,432,143</u>	<u>\$ 7,542,994</u>

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Customs duties guarantee	<u>\$ 51,000</u>	<u>\$ 45,000</u>

C. Regarding the commitments arising from the business combination, refer to Note 6(32) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) On January 19, 2024, the Company's Board of Directors resolved the disposal of 4,500,000 common shares of Asmedia Technology Inc. with a share price of \$1,750 (in dollars) for a total consideration of \$7.875 billion.

(2) Refer to Note 6(18)E for details.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

For the years ended December 31, 2023 and 2022, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 397,151	\$ 299,843
Financial assets designated as at fair value through profit or loss on initial recognition	<u>5,778</u>	<u>4,501</u>
	<u>\$ 402,929</u>	<u>\$ 304,344</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	\$ 19,939,272	\$ 9,139,705
Qualifying debt instruments	<u>67,187,035</u>	<u>29,602,714</u>
	<u>\$ 87,126,307</u>	<u>\$ 38,742,419</u>

	December 31, 2023	December 31, 2022
Financial assets at amortised cost		
Cash and cash equivalents	\$ 22,747,549	\$ 5,383,254
Accounts receivable	44,449,615	54,965,402
Other receivables	5,550,957	2,237,030
Other financial assets (shown as 'other current assets')	549,058	59,087
Guarantee deposits paid (shown as 'other non-current assets')	333,160	318,260
	<u>\$ 73,630,339</u>	<u>\$ 62,963,033</u>

Financial liabilities

Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 41,185	\$ 11,372
Financial liabilities at amortised cost		
Short-term borrowings	\$ 19,821,848	\$ 38,340,556
Short-term notes and bills payable	349,848	1,049,386
Accounts payable	147,955,015	77,996,735
Other accounts payable	5,980,439	3,789,378
Long-term loans (including current portion)	12,732,624	17,786,449
Guarantee deposits received (shown as 'other non-current liabilities')	7,559	7,586
	<u>\$ 186,847,333</u>	<u>\$ 138,970,090</u>
Lease liability	<u>\$ 718,620</u>	<u>\$ 584,132</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts, are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.
- (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 hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023					
(Foreign currency: functional currency	Foreign	Exchange rate	Book value (NTD)	Sensitivity analysis	
	currency			Degree	Effect
	amount (in			of	on profit
	thousands)			variation	or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$3,523,067	30.705	\$108,175,772	1%	\$1,081,758
USD:KRW	20,922	1,289.4	642,410	1%	6,424
USD:RMB	9,089	7.100	279,078	1%	2,791
RMB:USD	38,124	0.141	164,879	1%	1,649
<u>Foreign operations</u>					
USD:NTD	643,057	30.705	19,744,639		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	3,538,818	30.705	108,659,407	1%	1,086,594
USD:RMB	237,381	7.100	7,288,784	1%	72,888
USD:KRW	34,913	1,289.4	1,072,004	1%	10,720

December 31, 2022					
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
	<u>Financial assets</u>				
	<u>Monetary items</u>				
	USD:NTD	\$ 2,433,988	30.710	\$74,747,771	1%
USD:KRW	15,021	1,267.30	461,295	1%	4,613
USD:RMB	10,124	6.959	310,908	1%	3,109
RMB:USD	34,948	0.144	154,233	1%	1,542
<u>Foreign operations</u>					
USD:NTD	598,522	30.71	18,392,052		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,378,905	30.710	73,056,173	1%	730,562
USD:RMB	238,103	6.959	7,312,143	1%	73,121
USD:KRW	27,018	1,267.30	829,723	1%	8,297

- v. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to \$45,839 and \$413,746, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held 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. Diversification of the portfolio is performed in accordance with the limits set by the Group.
- ii. The Group's investments comprise shares and beneficiary certificates issued by the domestic and foreign companies. 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 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$2,514 and \$2,435, 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 \$199,393 and \$91,397, 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 main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow

interest rate risk. During the years ended December 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in US Dollars.

- ii. The Group's borrowings are measured at amortised cost. According to the contract, the borrowings are periodically reset. Therefore, the Group is exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$66,897 and \$118,615, respectively. The main factor is that changes in interest expense result from 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk from the group's perspective. For banks and financial institutions, only approved by FSC are accepted to be transaction parties. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors through internal risk control. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over 90 days based on the terms, the Group considers that there has been a significant increase in credit risk on that instrument since initial recognition. The Group considers that the default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	Notes and accounts receivable	
	December 31, 2023	December 31, 2022
Not past due	\$ 105,301,863	\$ 79,260,707
Up to 90 days	6,269,239	5,342,232
91 to 180 days	123,828	94,466
Over 180 days	678,644	595,590
	<u>\$ 112,373,574</u>	<u>\$ 85,292,995</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.

After the recourse procedure, the Group will write off the amount of financial assets that cannot reasonably be expected to be recovered, however the Group will continue to carry out recourse legal procedures to preserve the creditor's rights.

- v. The Group assesses the expected credit losses of its accounts receivable as follows:
- (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
 - (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
 - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
 - (iv) As of December 31, 2023 and 2022, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

December 31, 2023	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	85.71%	0.05%	0.08%~61.54%	0.05%~38.90%	
Total book value	<u>\$ 622,047</u>	<u>\$ 74,284,224</u>	<u>\$ 33,017,482</u>	<u>\$ 4,449,821</u>	<u>\$ 112,373,574</u>
Loss allowance	<u>\$ 533,176</u>	<u>\$ 36,845</u>	<u>\$ 92,611</u>	<u>\$ 74,292</u>	<u>\$ 736,924</u>
December 31, 2022	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	91.40%	0.05%	0.10%~77.97%	0.05%~89.18%	
Total book value	<u>\$ 563,060</u>	<u>\$ 50,346,863</u>	<u>\$ 30,043,142</u>	<u>\$ 4,339,930</u>	<u>\$ 85,292,995</u>
Loss allowance	<u>\$ 514,641</u>	<u>\$ 26,432</u>	<u>\$ 95,927</u>	<u>\$ 87,879</u>	<u>\$ 724,879</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	2023	2022
At January 1	\$ 724,879	\$ 700,899
Provision for impairment	7,762	1,095
Effect of exchange rate changes	4,283	22,885
At December 31	<u>\$ 736,924</u>	<u>\$ 724,879</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining

sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing demand deposits, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the due date at the balance sheet date. Non-derivative financial liabilities are analysed by remaining periods from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2023

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Short-term borrowings (Note)	\$ 19,914,960	\$ -	\$ -	\$ 19,914,960
Lease liability	253,608	370,192	213,612	837,412
Long-term loans (Note)	88,587	13,983,695	-	14,072,282
	<u>\$ 20,257,155</u>	<u>\$ 14,353,887</u>	<u>\$ 213,612</u>	<u>\$ 34,824,654</u>

December 31, 2022

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Short-term borrowings (Note)	\$ 38,725,148	\$ -	\$ -	\$ 38,725,148
Lease liability	256,493	350,381	7,182	614,056
Long-term loans (Note)	620,781	23,444,478	-	24,065,259
	<u>\$ 39,602,422</u>	<u>\$ 23,794,859</u>	<u>\$ 7,182</u>	<u>\$ 63,404,463</u>

Note: Including imputed interest payable.

Except for the above, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2023 and 2022, all derivative financial liabilities of the Group are due in one year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(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 listed stocks, open-end funds and overseas bonds 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 derivative instruments 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, debt instrument and private equity fund is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(10).

- C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables and long-term loans (including current portion), are approximate to their fair values.

D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2023

	<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				
Beneficiary certificates	\$ 44,630	\$ -	\$ 263,852	\$ 308,482
Equity instruments	5,778	-	-	5,778
Debt instruments	284	-	48,289	48,573
Derivative instruments	-	179	-	179
Hybrid instruments	-	-	39,917	39,917
Financial assets at fair value through other comprehensive income				
Equity instruments	19,736,078	-	203,194	19,939,272
Accounts receivable that are expected to be factored	-	-	67,187,035	67,187,035
	<u>\$19,786,770</u>	<u>\$ 179</u>	<u>\$ 67,742,287</u>	<u>\$ 87,529,236</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 41,185</u>	<u>\$ -</u>	<u>\$ 41,185</u>

December 31, 2022

	<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				
Beneficiary certificates	\$ 30,689	\$ -	\$ 196,253	\$ 226,942
Equity instruments	4,501	-	-	4,501
Debt instruments	276	-	72,625	72,901
Financial assets at fair value through other comprehensive income				
Equity instruments	8,972,484	-	167,221	9,139,705
Accounts receivable that are expected to be factored	-	-	29,602,714	29,602,714
	<u>\$ 9,007,950</u>	<u>\$ -</u>	<u>\$ 30,038,813</u>	<u>\$ 39,046,763</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 11,372	\$ -	\$ 11,372

(b) The methods and assumptions the Group used to measure fair value are as follows:

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

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bonds</u>
Market quoted price	Closing price	Net assets value	Weighted average quoted price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, 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.

- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - vi. 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, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	Financial instruments	
	2023	2022
At January 1	\$ 30,038,813	\$ 17,120,013
Acquired during the year	118,771	25,002
Disposed during the year	(6,982)	-
Acquired from business combinations	-	106,147
Losses recognised in profit or loss	(5,444)	(31,452)
Gains (losses) recognised in other comprehensive income	12,830	(9,766)
Increase in accounts receivable that are expected to be factored	44,562,219	19,727,162
Decrease in accounts receivable that are expected to be factored	(6,977,898)	(6,909,365)
Effect of exchange rate changes	(22)	11,072
At December 31	<u>\$ 67,742,287</u>	<u>\$ 30,038,813</u>

- (a) For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.
- (b) Refer to Note 6(32) for the details of the acquisition of financial instruments due to business combination for the year ended December 31, 2022.

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

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 5,730	Market comparable companies	Price to earnings ratio multiple	1.15~1.96 (1.54)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
	48,416	Most recent non-active market price	Not applicable	-	Not applicable
Unlisted preferred stocks	26,556	Discounted cash flow method	Weighted average cost of capital	11.51%	The higher the weighted average cost of capital and discount for lack of marketability, the lower the fair value
			Discount for lack of marketability	30%	
	21,733	Market comparable companies	Price to earnings ratio multiple	4.94~11.37 (8.29)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
	100,454	Most recent non-active market price	Not applicable	-	Not applicable
Convertible bonds	39,917	Most recent non-active market price	Not applicable	-	Not applicable
Venture capital shares	48,594	Net asset value	Not applicable	-	Not applicable
Private equity fund	263,852	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 6,056	Market comparable companies	Price to earnings ratio multiple	1.18~1.43 (1.3)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
	18,426	Most recent non- active market price	Not applicable	-	Not applicable
Unlisted preferred stocks	26,560	Discounted cash flow method	Weighted average cost of capital	11.51%	The higher the weighted average cost of capital and discount for lack of marketability, the lower the fair value
			Discount for lack of marketability	30%	
	46,065	Most recent non- active market price	Not applicable	-	Not applicable
	107,300	Most recent non- active market price	Not applicable	-	Not applicable
Venture capital shares	35,439	Net asset value	Not applicable	-	Not applicable
Private equity fund	196,253	Net asset value	Not applicable	-	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Refer to table 4.
- 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: Refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to Note 13(1).

(4) Major shareholders information

Major shareholders information: Refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2023	2022
Revenue from external customers	\$ 538,988,755	\$ 505,683,701
Segment income	\$ 4,447,040	\$ 9,024,316
Segment assets (Note)	\$ -	\$ -
Depreciation and amortisation	\$ 446,606	\$ 320,578
Finance costs	\$ 3,517,134	\$ 2,281,585

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

Operating revenue	Years ended December 31,	
	2023	2022
Total reported segment revenue	\$ 538,988,755	\$ 505,683,701
Other operating segment revenue	<u>55,530,058</u>	<u>65,513,417</u>
Total operating revenue	<u>\$ 594,518,813</u>	<u>\$ 571,197,118</u>
Profit and loss	Years ended December 31,	
	2023	2022
Income of reported segment	\$ 4,447,040	\$ 9,024,316
Income of other operating segments	<u>748,325</u>	<u>886,826</u>
Income before income tax from continuing operations	<u>\$ 5,195,365</u>	<u>\$ 9,911,142</u>

(4) Information on products and services

Refer to Note 6(23) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 78,149,044	\$ 3,522,227	\$ 84,373,636	\$ 3,583,399
China	321,826,282	1,616,027	361,370,198	1,265,512
Others	<u>194,543,487</u>	<u>882,341</u>	<u>125,453,284</u>	<u>806,452</u>
	<u>\$ 594,518,813</u>	<u>\$ 6,020,595</u>	<u>\$ 571,197,118</u>	<u>\$ 5,655,363</u>

The above revenue by geographic area is calculated based on sales to external customers at the location of its registered office.

(6) Major customer information

	Years ended December 31,	
	2023	2022
Customer A	\$ 72,336,013	\$ 20,931,705
Customer B	<u>66,948,037</u>	<u>86,666,027</u>
	<u>\$ 139,284,050</u>	<u>\$ 107,597,732</u>

WT Microelectronics Co., Ltd. and subsidiaries
Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
												Item	Value			
1	WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Other receivables - related parties	Y	\$ 8,712,900	\$ 6,755,100	\$ 6,325,230	5.65%	Short-term financing	\$ -	- Business Operation	-	\$ -	10,285,560	\$ 10,285,560	Note 2
1	WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLINICS (HK) LIMITED	Other receivables - related parties	Y	61,420	-	-	1.00%	Short-term financing	-	- Business Operation	-	-	10,285,560	10,285,560	Note 2
2	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	321,107	303,980	303,980	6.61%-6.84%	Short-term financing	-	- Business Operation	-	-	595,399	595,399	Note 2
3	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	90,818	85,974	85,974	6.35%	Short-term financing	-	- Business Operation	-	-	101,360	101,360	Note 2
4	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (PTE) LTD.	Other receivables - related parties	Y	270,248	92,115	92,115	5.05%	Short-term financing	-	- Business Operation	-	-	1,255,397	1,255,397	Note 2
4	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (H.K.) LIMITED	Other receivables - related parties	Y	46,110	-	-	4.93%	Short-term financing	-	- Business Operation	-	-	1,255,397	1,255,397	Note 2
5	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	SHANGHAI UQ IOT TECH., INC.	Temporary payment	N	6,691	-	-	3.50%	Short-term financing	-	- Business Operation	-	-	512,325	683,100	Note 3
5	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	620,228	605,472	605,472	3.65%	Short-term financing	-	- Business Operation	-	-	1,707,751	1,707,751	Note 2
6	WINTECH INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS LTD.	Other receivables - related parties	Y	256,209	128,961	128,961	5.65%	Short-term financing	-	- Business Operation	-	-	1,075,451	1,075,451	Note 2
7	EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS VIETNAM COMPANY LIMITED	Other receivables - related parties	Y	27,635	27,635	27,635	5.05%-5.97%	Short-term financing	-	- Business Operation	-	-	849,399	849,399	Note 2
8	WT TECHNOLOGY KOREA CO., LTD.	LEADER'S TECHNOLOGY CO., LTD.	Other receivables - related parties	Y	197,200	190,480	166,670	4.60%	Short-term financing	-	- Business Operation	-	-	703,597	703,597	Note 2
9	PLANETSPARK PTE. LTD.	EXCELPOINT SYSTEMS (PTE) LTD	Other receivables - related parties	Y	124,280	110,538	110,538	5.55%	Short-term financing	-	- Business Operation	-	-	232,109	232,109	Note 2
9	PLANETSPARK PTE. LTD.	SPACEAGE LABS LITE LTD.	Other receivables - non related parties	N	8,785	8,626	8,626	7.50%	Short-term financing	-	- Business Operation	-	-	92,844	92,844	Note 4

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries and company's with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries single party is 30% of the company's net assets, based on the most recent financial statements of the company, ceiling on total loans granted by a company is 40% of the company's net assets.

Note 4: The policy for loans between the Company and subsidiaries and company's with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries single party is 40% of the company's net assets, based on the most recent financial statements of the company, ceiling on total loans granted by a company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

Table 1, Page 1

WT Microelectronics Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2023	Outstanding endorsement / guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name													
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.		2	\$ 284,435,132	\$ 800,000	\$ 800,000	\$ 800,000	\$ -	-	1.13%	\$ 284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.		2	284,435,132	155,350	-	-	-	-	0.00%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.		2	284,435,132	389,220	368,460	308,626	-	-	0.52%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED		2	284,435,132	1,297,400	1,228,200	-	-	-	1.73%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED		2	284,435,132	2,432,625	2,302,575	-	-	-	3.26%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.		2	284,435,132	68,114	64,481	4,751	-	-	0.09%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.		2	284,435,132	1,622	1,535	164	-	-	0.00%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	LEADER'S TECHNOLOGY CO., LTD.		2	284,435,132	2,270	2,149	344	-	-	0.00%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.		2	284,435,132	324,350	307,050	-	-	-	0.43%	284,435,132	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.		2	284,435,132	6,296,995	6,001,707	864,960	-	-	8.44%	284,435,132	Y	N	Y
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.		2	284,435,132	2,092,390	2,018,747	172,992	-	-	2.84%	284,435,132	Y	N	Y
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.		2	284,435,132	1,820,950	1,726,835	1,334,445	-	-	2.43%	284,435,132	Y	N	N
1	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (H.K.) LIMITED		2	18,830,955	5,085,670	-	-	-	-	0.00%	18,830,955	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.		2	18,830,955	61,420	-	-	-	-	0.00%	18,830,955	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	SYNERGY ELECTRONICS (SHENZHEN) CO., LTD.		2	18,830,955	30,710	-	-	-	-	0.00%	18,830,955	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (PTE) LTD		2	18,830,955	5,130,317	614,100	76,127	-	-	48.92%	18,830,955	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	PLANETSPARK PTE. LTD.		2	18,830,955	111,430	-	-	-	-	0.00%	18,830,955	N	N	Note 4
2	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.		2	38,230,710	61,420	-	-	-	-	0.00%	38,230,710	N	N	Note 4
2	EXCELPOINT SYSTEMS (H.K.) LIMITED	SYNERGY ELECTRONICS (SHENZHEN) CO., LTD.		2	38,230,710	30,710	-	-	-	-	0.00%	38,230,710	N	N	Note 4
3	ANALOG WORLD CO., LTD.	LEADER'S TECHNOLOGY CO., LTD.		2	1,621,604	37,222	35,953	-	-	-	8.87%	1,621,604	N	N	Note 5

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: For a single party who owns directly and indirectly more than 50% voting shares of the Company should not be in excess of 400% of the Company's net assets, which are based on the latest financial statements audited or reviewed by the Company's CPA.

Note 4: The limit of endorsement guarantees by Excelpoint Technology Pte. Ltd. and Excelpoint Systems (H.K.) Limited for a single enterprise and the total limit of endorsement guarantees should not be in excess of 15 times the Company's net assets.

Note 5: Analog World Co., Ltd. for a single enterprise and the total limit of endorsement guarantees should not be in excess of 400% the Company's net assets.

Table 2. Page 1

WT Microelectronics Co., Ltd. and subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2023

					As of December 31, 2023				Expressed in thousands of NTD (Except as otherwise indicated)	
Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note)	Number of shares	Book value	Ownership (%)	Fair value	Footnote	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,730	2.19	\$ 5,730		
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTK INTERNATIONAL INC.	None	2	48,778	-	0.18	-		
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-		
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.70	-		
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	48,594	6.73	48,594		
WT MICROELECTRONICS CO., LTD.	Common stock	ASMEDIA TECHNOLOGY INC.	None	2	9,000,000	16,335,000	12.98	16,335,000		
WT MICROELECTRONICS CO., LTD.	Funds	YUANTA GLOBAL 5G & NEXGEN TELECOMMUNICATION COMPONENTS ETF	None	3	350,000	11,630	-	11,630		
WT MICROELECTRONICS CO., LTD.	Private equity funds	FUH HWA ENERGY - EFFICIENT FUND	None	4	9,443,802	95,477	-	95,477		
WT MICROELECTRONICS CO., LTD.	Funds	FUH HWA TAIWAN GOOD INCOME FUND TWD	None	4	3,000,000	33,000	-	33,000		
WT MICROELECTRONICS CO., LTD.	Common stock	SINO-AMERICAN SILICON PRODUCTS INC.	None	1	5,644,000	1,106,224	0.96	1,106,224		
WT MICROELECTRONICS CO., LTD.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	473,000	39,779	0.39	39,779		
WT MICROELECTRONICS CO., LTD.	Private equity funds	FUH HWA GLOBAL IOT AND TECH FUND	None	4	10,010,010	107,808	-	107,808		
WT MICROELECTRONICS CO., LTD.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	260,000	118,300	0.47	118,300		
WT MICROELECTRONICS CO., LTD.	Common stock	NICHIDENBO CORPORATION	None	2	1,000,000	58,100	0.47	58,100		
WT MICROELECTRONICS CO., LTD.	Ordinary shares raised through the private placement	NICHIDENBO CORPORATION	None	2	30,000,000	1,580,700	14.11	1,580,700		
WT MICROELECTRONICS CO., LTD.	Common stock	DAYPOWER ENERGY CO., LTD.	None	2	1,000,000	12,500	10.00	12,500		
NUVISION TECHNOLOGY INC.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	196,000	16,484	0.16	16,484		
NUVISION TECHNOLOGY INC.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	307,000	139,685	0.56	139,685		
MORRIHAN INTERNATIONAL CORP.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	688,000	57,861	0.56	57,861		
MORRIHAN INTERNATIONAL CORP.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	329,000	149,695	0.60	149,695		
WINTech MICROELECTRONICS HOLDING LTD.	Preferred stock	AMMAX BIO, INC.	None	4	301,100	26,556	0.81	26,556		
WINTech MICROELECTRONICS HOLDING LTD.	Bonds	EXXON MOBIL CORPORATION	None	4	100	284	-	284		
WINTech MICROELECTRONICS HOLDING LTD.	Private equity funds	CATHAY PRIVATE EQUITY ECOLOGY LIMITED PARTNERSHIP	None	4	-	12,339	-	12,339		

Table 3. Page 1

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note)	As of December 31, 2023			
					Number of shares	Book value	Ownership (%)	Fair value
						\$		\$
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred stock	AVIVA TECHNOLOGY HOLDING	None	4	659,034	21,733	1.77	21,733
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	DRAGON YI INVESTMENT LTD.	None	2	600,000	18,423	19.35	18,423
WINTECH MICROELECTRONICS HOLDING LTD.	Private equity funds	IMPACT SCIENCE VENTURES FUND I, L.P.	None	4	-	48,228	-	48,228
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	SHANGHAI UQ IOT TECH., INC.	None	2	-	17,493	13.33	17,493
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	3	447,871	5,778	0.11	5,778
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	7,140,443	92,112	1.80	92,112
EXCELPOINT TECHNOLOGY PTE. LTD.	Common stock	ANSWER TECHNOLOGY CO., LTD.	None	2	498,169	26,739	0.75	26,739
EXCELPOINT TECHNOLOGY PTE. LTD.	Common stock	IWOV TECHNOLOGY LTD.	None	2	3,000,000	15,399	1.14	15,399
PLANETSPARK PTE. LTD.	Convertible bonds	MERIDIAN INNOVATION PTE LTD.	None	3	-	24,564	-	24,564
PLANETSPARK PTE. LTD.	Preferred stock	MERIDIAN INNOVATION PTE LTD.	None	2	1,307,790	100,454	-	100,454
PLANETSPARK PTE. LTD.	Convertible bonds	VIVO SURGICAL PRIVATE LIMITED	None	4	-	15,353	-	15,353

Note : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current

2- Financial assets at fair value through other comprehensive income - non-current

3- Financial assets at fair value through profit or loss - current

4- Financial assets at fair value through profit or loss - non-current

WT Microelectronics Co., Ltd. and subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2023

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the counterparty	Balance as at January 1, 2023			Addition			Disposal			Balance as at December 31, 2023		
					No. of shares	Amount	No. of shares	No. of shares	Amount	No. of shares	Selling price	Book value	Gain (loss) on disposal	No. of shares	Amount	Expressed in thousands of NTD (Except as otherwise indicated)
WT MICROELECTRONICS CO., LTD.	SINO-AMERICAN SILICON PRODUCTS INC.	Note 1	Non-related parties	-	7,889,000	\$ 1,100,516	-	-	\$ -	2,245,000	\$ 402,557	\$375,994	\$ 26,563	5,644,000	\$ 1,106,224	
WT MICROELECTRONICS CO., LTD.	MORRISAN INTERNATIONAL CORP.	Note 2	Capital injection	Note 3	283,760,000	5,790,209	240,000,000	12,000,000	-	-	-	-	-	523,760,000	17,062,050	

Note 1 : General ledger account 'Financial assets at fair value through other comprehensive income', gains (losses) on disposal are directly transferred from other comprehensive income to retained earnings; the balance as at December 31, 2023 includes gains (losses) on valuation.

Note 2 : General ledger account 'Investments accounted for using equity method', the balance as at December 31, 2023 includes investment profit and adjustments.

Note 3 : The counterparty is a subsidiary of the Company.

WT Microelectronics Co., Ltd. and subsidiaries
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, 2023

Purchase/seller	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
		Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$115,851,902	31	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	-
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	179,429	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	48,748,316	13	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	12,488,389	24	24
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	2,990,730	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	633,536	1	1
WT MICROELECTRONICS CO., LTD.	WINTTECH MICROELECTRONICS LTD.	Affiliates	13,375,460	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	542,443	1	1
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	6,352,264	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,460,863	3	3
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	532,800	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	10,102,462	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,001,231	4	4
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	4,257,501	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	577,952	1	1
WT MICROELECTRONICS CO., LTD.	LEADER'S TECHNOLOGY CO., LTD.	Affiliates	318,778	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	75,832	-	-
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	3,359,781	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(2,818,352)	4	4
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	5,049,535	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(388,518)	-	-
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	765,542	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(242,235)	-	-
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	541,025	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(12,134)	-	-
WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	388,868	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(124,325)	-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	2,792,999	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	497,915	16	16
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	2,961,549	15	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	758,801	24	24
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	1,059,650	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	406,837	13	13
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	349,531	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	137,419	4	4
NUVISION TECHNOLOGY INC.	WINTTECH MICROELECTRONICS LTD.	Affiliates	567,606	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	177,162	6	6
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	2,278,229	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	768,215	2	2
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	386,854	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	150,383	-	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	96,286,445	37	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	17,826,766	42	42
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	1,568,562	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	160,000	-	-
MORRIHAN INTERNATIONAL CORP.	WINTTECH MICROELECTRONICS LTD.	Affiliates	794,212	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	112,797	-	-

Table 5, Page 1

Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Notes/accounts receivable (payable)		
			Purchases (sales)	Percentage of total purchases (sales)	Credit term	Unit price	Footnote
			Amount			Balance	
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	\$ 628,481	17	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	22
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	328,157	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	4
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	2,359,847	38	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	3,005,106	20	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	15
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	11,976,608	80	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	85
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	196,710	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	-
EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	171,845	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	11

WT Microelectronics Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2023

Table 6

Creditor			Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
						Turnover rate	Amount			Action taken
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	\$ 12,488,389	5.21	\$ -	\$ 5,570,158	\$ -	-		
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	633,536	2.17	-	455,405	-	-		
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	1,460,863	4.59	-	63,713	-	-		
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	2,001,231	5.88	-	957,399	-	-		
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	577,952	8.98	13,655	Collection after the period	-	-		
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	542,443	23.22	-	355,854	-	-		
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	388,518	8.36	-	214,935	-	-		
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	497,915	4.81	-	411,577	-	-		
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	758,801	4.66	-	122,822	-	-		
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	406,837	2.66	-	-	-	-		
NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	177,162	5.00	-	153,557	-	-		
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	137,419	4.28	-	-	-	-		
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS CO., LTD.	Affiliates	2,818,352	2.38	-	2,481,013	-	-		
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	768,215	4.18	-	457,601	-	-		
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	150,383	3.94	-	122,822	-	-		
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	17,826,766	9.47	-	17,309,523	-	-		
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	160,000	8.61	-	100,148	-	-		
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	112,797	5.83	-	76,763	-	-		
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	242,235	4.79	-	240,928	-	-		
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	209,512	2.31	-	-	-	-		

Table 6, Page 1

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Amount	Action taken		
				Turnover rate			
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	\$ 6,036,819	2.21	Collection after the period	\$ 432,373	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	1,071,712	1.73	Collection after the period	-	-
HONGTECH ELECTRONICS CO., LTD.	WT MICROELECTRONICS CO., LTD.	Affiliates	124,325	3.94	-	-	-
EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	700,807	0.17	Collection after the period	-	-

Note: For information on loans between the Company and subsidiaries, refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2023

Table 7					Expressed in thousands of'NTD (Except as otherwise indicated)		
Transaction (Note 4)							
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets (Note 5)
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 115,851,902	(Note 3)	19
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	48,748,316	(Note 3)	8
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	12,488,389	(Note 3)	5
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	2,990,730	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	633,536	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	13,375,460	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	542,443	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	6,352,264	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	1,460,863	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	10,102,462	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	2,001,231	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	4,257,501	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Accounts receivable	577,952	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	179,429	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	532,800	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LEADER'S TECHNOLOGY CO., LTD.	Affiliates	Sales	318,778	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	3,359,781	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Accounts payable	2,818,352	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	5,049,535	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Accounts payable	388,518	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	765,542	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Accounts payable	242,235	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	388,868	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Accounts payable	124,325	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	541,025	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	2,961,549	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	758,801	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	2,792,999	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	497,915	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,059,650	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	406,837	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	349,531	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	137,419	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	567,606	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	177,162	(Note 3)	-

Table 7, Page 1

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	\$ 96,286,445	(Note 3)	16
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	17,826,766	(Note 3)	7
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	2,278,229	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	768,215	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	1,368,562	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Accounts receivable	160,000	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	794,212	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	112,797	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	386,854	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	150,383	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	628,481	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	209,512	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	328,157	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	2,359,847	(Note 3)	-
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	11,976,608	(Note 3)	2
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	6,036,819	(Note 3)	2
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	3,005,106	(Note 3)	1
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	1,071,712	(Note 3)	-
7	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	Sales	171,845	(Note 3)	-
7	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	700,807	(Note 3)	-
8	WT MICROELECTRONICS (SHENZHEN) CO.,	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	196,710	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and accounts receivable, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries
Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance at December 31, 2023	Balance at December 31, 2022	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 2,520,875	\$ 2,520,875	78,752,905	99.65	\$ 10,242,629	\$ 119,111	\$ 119,111	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sales of electronic components	1,781,829	1,781,829	73,949,070	100.00	2,830,797	835,384	835,384	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sales of electronic components	15,106,620	3,106,620	523,760,000	100.00	17,062,050	1,141,146	1,141,146	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Holding company	486,289	486,289	7,544,002	100.00	829,776	29,530	29,530	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sales of electronic components	323,751	323,030	28,227,197	100.00	1,281,461	425,856	425,781	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	110,589	1,434	1,434	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	35,304	(18)	(18)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sales of electronic components	215,559	215,559	200,001	100.00	232,889	1,897	1,897	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sales of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,852,960	263,222	263,222	Subsidiary
WT MICROELECTRONICS CO., LTD.	ANALOG WORLD CO., LTD.	South Korea	Sales of electronic components	397,230	397,230	120,000	100.00	498,079	38,709	34,154	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT SEMICONDUCTOR HOLDINGS PTE. LTD.	Singapore	Holding company	4,057,274	4,057,274	96,318,912	80.00	3,971,167	(166,786)	(133,429)	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sales of electronic components	4,808	4,808	1,000,000	100.00	4,855	(36)	(36)	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sales of electronic components	402,761	402,761	12,527,632	100.00	614,186	119,594	119,594	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Hong Kong	Sales of electronic components	451,386	451,386	110,000,000	100.00	514,278	42,691	42,691	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sales of electronic components	128,849	128,849	1,500,000	100.00	353,045	201,091	201,091	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Singapore	Sales of electronic components	156,727	156,727	5,000,000	100.00	156,696	489	489	Subsidiary
WINTech MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	940,571	940,571	30,632,506	100.00	833,906	(137,155)	Note 1	Subsidiary

Table 8, Page 1

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance at December 31, 2023	Balance at December 31, 2022	Number of shares	Ownership (%)	Book value			
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belize	General investment	\$ 645,448	\$ 645,448	21,020,957	100.00	\$ 1,075,451	\$ 97,986	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belize	Sales of electronic components	92,118	92,118	3,000,100	100.00	(322,735)	(327,547)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	-	154	-	-	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	72,891	72,891	5,869,093	19.80	15,978	(62,754)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,846	36,846	1,200,000	17.65	11,456	(3,178)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,705	30,705	18,924	24.65	17,105	(21,967)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLNICS INC.	Cayman Islands	Holding company	1,196,390	1,196,390	49,336,630	61.24	102,778	238	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,549	9,549	311,000	100.00	33,679	1,810	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	705,430	705,430	22,974,430	100.00	714,541	(138,967)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sales of electronic components	3,340	3,340	500,000	100.00	2,357	52	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sales of electronic components	559,043	559,043	3,800,000	95.47	942,434	90,854	Note 1	Subsidiary
ANALOG WORLD CO., LTD.	LEADERS TECHNOLOGY CO.,LTD	South Korea	Sales of electronic components	212,037	-	10,000	100.00	223,009	15,404	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sales of electronic components	2,691	2,691	300,000	100.00	1,886	39	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sales of electronic components	2,651	2,651	700,000	100.00	1,662	1,076	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	65,073	65,073	278,255	0.35	42,914	119,111	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	43,718	(157)	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sales of electronic components	53,259	53,259	180,472	4.53	28,632	90,854	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sales of electronic components	24,082	24,082	53,505	100.00	233,269	16,447	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sales of electronic components	210,451	210,451	9,500,000	100.00	2,144,779	1,023,556	Note 1	Subsidiary

Table 8, Page 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance at December 31, 2023	Balance at December 31, 2022	Number of shares	Ownership (%)	Book value			
				\$	\$				\$		
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sales of electronic components	115,000	115,000	11,500,000	100.00	\$ 409,036	\$ 179,036	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sales of electronic components	194,366	194,366	29,500	100.00	95,628	3,842	Note 1	Subsidiary
BRILLNICS INC.	BRILLNICS (HK) LIMITED	Hong Kong	Manufacture of electronic components	1,965,519	1,965,519	64,013,000	100.00	188,402	153,986	Note 1	Subsidiary
BRILLNICS INC.	BRILLNICS SINGAPORE PTE. LTD.	Singapore	Manufacture of electronic components	23,029	23,029	750,002	100.00	(9,124)	(3,961)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS JAPAN INC.	Japan	Manufacture of electronic components	21,720	21,720	100,000	100.00	25,687	1,488	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS (TAIWAN) INC.	Taiwan	Manufacture of electronic components	16,694	16,694	1,669,410	100.00	38,788	6,439	Note 1	Subsidiary
WT SEMICONDUCTOR HOLDINGS PTE. LTD.	EXCELPOINT TECHNOLOGY PTE. LTD.	Singapore	Holding company	5,089,016	5,089,016	120,398,640	100.00	4,964,229	(166,786)	Note 1	Subsidiary
EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (H.K.) LIMITED	Hong Kong	Sales of electronic components	489,783	489,783	27,793,961	100.00	2,548,714	7,318	Note 1	Subsidiary
EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (PTE) LTD	Singapore	Sales of electronic components	274,119	274,119	11,000,000	100.00	849,399	(48,567)	Note 1	Subsidiary
EXCELPOINT TECHNOLOGY PTE. LTD.	PLANETSPARK PTE. LTD.	Singapore	R&D and investment of company	337,755	92,115	11,000,001	100.00	232,109	(24,950)	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS SDN. BHD.	Malaysia	Sales of electronic components	1	1	100	100.00	3,644	820	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS (INDIA) PVT LTD	India	Sales and services of technology	355	355	50,000	100.00	(65,538)	7,394	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS (USA) INC.	USA	Sales and services of technology	31	31	1,000	100.00	1,425	363	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS VIETNAM COMPANY LIMITED	Vietnam	Sales of electronic components	9,212	9,212	-	100.00	(13,691)	(23,479)	Note 1	Subsidiary
EXCELPOINT SYSTEMS (H.K.) LIMITED	SYNERGY ELECTRONICS (H.K.) LIMITED	Hong Kong	Sales of electronic components	3,071	3,071	100,000	100.00	3,046	(249)	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Table 8. Page 3

WT Microelectronics Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investment in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote	
					Mainland China	Taiwan	Remitted back to Taiwan								
															\$
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 9,212	2	\$ 9,212	\$ -	\$ -	\$ -	9,212	\$ 1,811	100.00	\$ 1,811	\$ 33,603	\$ -	Note 5	
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	699,362	2	645,532	-	-	-	645,532	(138,964)	100.00	(138,964)	714,433	-	Note 6	
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade	1,079,281	2	588,001	-	-	-	588,001	201,607	100.00	201,607	1,707,751	-	Note 7	
WT MICROELECTRONICS (SHANGHAI) TECHNOLOGY CO., LTD.	Technical service, international trade, entrepot trade and etc.	40,838	3	30,705	-	-	-	30,705	(157)	100.00	(157)	43,709	-	Note 4	
JCD OPTICAL CORPORATION	Production and sales of optoelectronic materials and components	156,596	2	20,389	-	-	-	20,389	(54,729)	19.80	(10,836)	6,776	-	Note 8	
SYNERGY ELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	7,858	2	-	-	-	-	-	(2,809)	80.00	2,247	(293,901)	-	Note 9	
EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	46,058	2	-	-	-	-	-	27,654	80.00	(22,123)	(235,516)	-	Note 9	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)													
WT MICROELECTRONICS CO., LTD.	\$ 1,293,839	\$ 2,109,726	\$											43,167,391	TD

Note 1: The investment methods are classified into the following six categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

Note 9: This is a China company which was reinvested through the company, EXCELPOINT SYSTEMS (H.K.) LIMITED, in the third area.

Table 9, Page 1

WT Microelectronics Co., Ltd. and subsidiaries
Major shareholders information
December 31, 2023

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
ASMEDIA TECHNOLOGY INC.	179,000,000	17.49%
WPG HOLDINGS LIMITED	161,393,867	15.77%
SHAO YANG INVESTMENT CO., LTD.	74,950,426	7.32%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preferred stock in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: As of December 31, 2023, the number of shares held by the chairman under his own name and under the names of others was 116,773,613 shares, and the shareholding ratio was 11.42%.

The abovementioned information is provided in the "Market Observation Post System".

**WT MICROELECTRONICS CO., LTD. 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.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. 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 (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. We believe that the audit evidence we have obtained is sufficient and

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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:

Recognition of supplier rebates

Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sales of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. Under the arrangement, the Group calculates the amount of supplier rebates based on sales breakdown, and recognises it as a deduction of accounts payable to suppliers and a deduction of operating costs. The Group pays the net purchase price, after confirming that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and change frequently, the calculation is complex. The Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and more audit effort is required to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

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How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Sampled supplier rebates and tested transaction data to confirm whether the transaction quantities were consistent with sales breakdown. Also, verified arrangements and calculation worksheets, and recalculated supplier rebates to ensure that the rebate recognition is consistent with contract;
- C. Sampled the supplier rebates which were recognised before the balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and
- D. Performed confirmation of selected material accounts payable, including supplier rebates which have been confirmed by suppliers, and examined the reconciliation for the differences between the amount stated in the suppliers' confirmation and the Group's records.

Assessment of inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of inventory valuation. As at December 31, 2022, the Group's inventories and allowance for inventory valuation losses were NT\$91,973,960 thousand and NT\$1,426,723 thousand, respectively.

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The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around the balance sheet date. The net realisable values of obsolete inventories are individually identified as obsolete or damaged, if any. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are various, and the identification of obsolete and damaged inventory and its net realisable value is subject to management's judgement, we considered the assessment of inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Group's nature of business and industry in order to assess whether the provision policies and procedures were applied consistently and reasonably during the periods, including identified as obsolete with supporting documents, and agreed to information obtained from physical inventory; and
- C. Obtained the net realisable value statement of each inventory, and tested supporting documents in relation to sources of information in calculating the net realisable value.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Total assets of these subsidiaries amounted to NT\$18,216,536 thousand, constituting 9.10% of the consolidated total assets as at December 31, 2022, and the operating revenue amounted to NT\$13,347,437 thousand, constituting 2.34% of the consolidated total operating revenue for the year then ended.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. 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:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- D. 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.
- E. 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.
- F. 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.

Chieh-Ju, Hsu

Hsu, Yung-Chien

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 23, 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.

WT MICROELECTRONICS CO., LTD. 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	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,383,254	3	\$ 4,679,576	3
1110	Financial assets at fair value through profit or loss - current	6(2)	12,870	-	22,004	-
1170	Accounts receivable, net	6(4) and 8	84,568,116	42	75,462,083	44
1200	Other receivables	6(4)(5)	2,237,030	1	1,531,897	1
130X	Inventories	6(6)	90,547,237	45	66,524,304	38
1410	Prepayments		838,630	1	880,827	-
1470	Other current assets	6(1) and 8	62,447	-	35,564	-
11XX	Total current assets		183,649,584	92	149,136,255	86
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	291,474	-	321,726	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	9,139,705	5	18,989,224	11
1550	Investments accounted for using equity method	6(7)	62,955	-	118,457	-
1600	Property, plant and equipment	6(8)	974,071	-	1,004,215	1
1755	Right-of-use assets	6(9)	830,030	-	699,563	-
1760	Investment property - net	6(10)	193,686	-	102,500	-
1780	Intangible assets	6(11)	3,371,512	2	1,972,777	1
1840	Deferred income tax assets	6(31)	1,078,254	1	801,911	1
1900	Other non-current assets		610,899	-	202,659	-
15XX	Total non-current assets		16,552,586	8	24,213,032	14
1XXX	Total assets		\$ 200,202,170	100	\$ 173,349,287	100

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WT MICROELECTRONICS CO., LTD. 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	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 38,340,556	19	\$ 33,497,708	20
2110	Short-term notes and bills payable	6(13)	1,049,386	1	2,049,454	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	11,372	-	14,838	-
2130	Contract liabilities - current	6(24)	904,038	1	373,803	-
2170	Accounts payable		77,996,735	39	69,808,936	40
2200	Other payables	6(14)	3,789,378	2	2,184,132	1
2230	Current income tax liabilities		1,627,567	1	1,674,704	1
2280	Lease liabilities - current		248,213	-	181,312	-
2320	Long-term liabilities, current portion	6(15)	-	-	76,635	-
2365	Refund liabilities - current	6(24)	778,605	-	658,325	1
2399	Other current liabilities		70,347	-	62,466	-
21XX	Total current liabilities		124,816,197	63	110,582,313	64
Non-current liabilities						
2540	Long-term loans	6(16)	17,786,449	9	7,750,400	5
2570	Deferred income tax liabilities	6(31)	856,757	-	741,999	-
2580	Lease liabilities - non-current		335,919	-	258,807	-
2600	Other non-current liabilities		1,432,527	1	155,460	-
25XX	Total non-current liabilities		20,411,652	10	8,906,666	5
2XXX	Total liabilities		145,227,849	73	119,488,979	69
Equity attributable to owners of parent						
	Share capital	6(19)				
3110	Common stock		8,835,297	4	7,977,068	5
3120	Preferred share		1,350,000	1	1,350,000	1
3130	Certificates of entitlement to new shares from convertible bonds		-	-	51,498	-
	Capital surplus	6(20)				
3200	Capital surplus		25,294,109	13	20,444,778	12
	Retained earnings	6(21)				
3310	Legal reserve		3,542,791	2	2,677,275	1
3350	Unappropriated retained earnings		16,647,535	8	14,531,008	8
	Other equity interest	6(22)				
3400	Other equity interest		(1,564,387)	(1)	6,736,238	4
31XX	Equity attributable to owners of the parent		54,105,345	27	53,767,865	31
36XX	Non-controlling interest	6(23)	868,976	-	92,443	-
3XXX	Total equity		54,974,321	27	53,860,308	31
	Commitments and contingent liabilities	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 200,202,170	100	\$ 173,349,287	100

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(24)	\$ 571,197,118	100	\$ 447,896,117	100
5000 Operating costs	6(6)	(551,364,963)	(97)	(430,909,478)	(96)
5900 Gross profit		<u>19,832,155</u>	<u>3</u>	<u>16,986,639</u>	<u>4</u>
Operating expenses	6(29)				
6100 Selling expenses		(5,533,094)	(1)	(4,522,266)	(1)
6200 General and administrative expenses		(1,860,504)	-	(1,296,000)	(1)
6300 Research and development expenses		(654,845)	-	(608,561)	-
6450 Impairment loss determined in accordance with IFRS 9	12(2)	(1,095)	-	(2,683)	-
6000 Total operating expenses		<u>(8,049,538)</u>	<u>(1)</u>	<u>(6,429,510)</u>	<u>(2)</u>
6900 Operating profit		<u>11,782,617</u>	<u>2</u>	<u>10,557,129</u>	<u>2</u>
Non-operating income and expenses					
7100 Interest income	6(25)	39,036	-	6,268	-
7010 Other income	6(26)	421,482	-	339,273	-
7020 Other gains and losses	6(27)	129,302	-	(1,918)	-
7050 Finance costs	6(28)	(2,445,514)	-	(715,049)	-
7060 Share of loss of associates and joint ventures accounted for using equity method	6(7)	(15,781)	-	(5,878)	-
7000 Total non-operating income and expenses		<u>(1,871,475)</u>	<u>-</u>	<u>(377,304)</u>	<u>-</u>
7900 Profit before income tax		9,911,142	2	10,179,825	2
7950 Income tax expense	6(31)	(2,310,778)	(1)	(2,324,657)	-
8200 Profit for the year		<u>\$ 7,600,364</u>	<u>1</u>	<u>\$ 7,855,168</u>	<u>2</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

				Year ended December 31			
				2022		2021	
Items		Notes	AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss)							
Components of other comprehensive income (loss) that will not be reclassified to profit or loss							
8311	(Loss) gain on remeasurements of defined benefit plans	6(17)	(\$ 5,747)	-	\$ 4,735	-	
8316	Unrealised (loss) gain on valuation of equity investment instruments measured at fair value through other comprehensive income (loss)	6(22)(23)	(11,414,478)	(2)	3,213,493	-	
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(22)	(12,499)	-	-	-	
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(31)	1,150	-	(947)	-	
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(11,431,574)	(2)	3,217,281	-	
Components of other comprehensive income (loss) that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations	6(22)(23)	4,363,742	1	(1,078,128)	-	
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(22)	(2,130)	-	689	-	
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		4,361,612	1	(1,077,439)	-	
8300	Total other comprehensive (loss) income for the year		(\$ 7,069,962)	(1)	\$ 2,139,842	-	
8500	Total comprehensive income for the year		\$ 530,402	-	\$ 9,995,010	2	
Profit attributable to:							
8610	Owners of the parent		\$ 7,631,123	1	\$ 7,923,257	2	
8620	Non-controlling interest		(30,759)	-	(68,089)	-	
			\$ 7,600,364	1	\$ 7,855,168	2	
Comprehensive income (loss) attributable to:							
8710	Owners of the parent		\$ 551,844	-	\$ 10,062,378	2	
8720	Non-controlling interest		(21,442)	-	(67,368)	-	
			\$ 530,402	-	\$ 9,995,010	2	
Earnings per share (in dollars)							
9750	Basic earnings per share	6(32)	\$ 8.61		\$ 9.96		
9850	Diluted earnings per share		\$ 8.53		\$ 9.75		

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
	Notes	Capital		Retained Earnings			Other Equity Interest			Total	Non-controlling interest	Total equity
		Share capital - common stock	Preferred share	Certificates of bond-to-stock conversion	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest			
2021												
Balance at January 1, 2021		\$ 7,880,260	\$ 1,350,000	\$ 2,057	\$ 20,094,981	\$ 2,280,822	\$ 791,142	\$ 8,070,791	\$ 5,607,964	\$ -	\$ 46,078,017	\$ 46,116,381
Consolidated net income (loss)	6(22)(23)	-	-	-	-	-	-	7,923,257	-	-	7,923,257	7,855,168
Other comprehensive income		-	-	-	-	-	-	3,788	2,135,333	-	2,139,121	2,139,842
Total comprehensive income (loss)		-	-	-	-	-	-	7,927,045	2,135,333	-	10,062,378	9,995,010
Appropriations of 2020 earnings:	6(21)											
Legal reserve		-	-	-	-	396,453	-	(396,453)	-	-	-	-
Reversal of special reserve		-	-	-	-	-	(791,142)	791,142	-	-	-	-
Cash dividends for common stock		-	-	-	-	-	-	(2,532,086)	-	-	(2,532,086)	(2,532,086)
Cash dividends for preferred share		-	-	-	-	-	-	(57,541)	-	-	(57,541)	(57,541)
Conversion of convertible bonds	6(19)(20)	64,468	-	49,441	190,166	-	-	-	-	-	304,075	304,075
Issuance of employee restricted shares	6(19)(20)	57,800	-	-	216,366	-	-	-	-	-	-	-
Cancellation of employee restricted shares	6(19)(20)	(520)	-	-	520	-	-	-	-	-	-	-
Purchase of treasury shares	6(19)	-	-	-	-	-	-	-	(274,166)	-	-	-
Retirement of treasury shares		-	-	-	-	-	-	-	(135,121)	-	(135,121)	(135,121)
Changes in equity of associates accounted for using equity method	6(20)	(24,940)	-	-	(87,064)	-	-	(23,117)	-	135,121	-	-
Changes in ownership interests in subsidiaries	4(3)	-	-	-	3,173	-	-	-	-	-	3,173	3,173
Compensation cost of share-based payments	6(18)	-	-	-	-	-	-	(78,550)	-	-	(78,550)	(78,550)
Changes in non-controlling interest	6(23)	-	-	-	26,636	-	-	-	96,884	-	123,520	123,520
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	-	-	-	-	-	121,447
Balance at December 31, 2021		<u>\$ 7,977,068</u>	<u>\$ 1,350,000</u>	<u>\$ 51,498</u>	<u>\$ 20,444,778</u>	<u>\$ 2,677,275</u>	<u>\$ -</u>	<u>\$ 829,777</u>	<u>\$ 6,736,238</u>	<u>\$ -</u>	<u>\$ 53,767,865</u>	<u>\$ 53,860,308</u>
2022												
Balance at January 1, 2022		\$ 7,977,068	\$ 1,350,000	\$ 51,498	\$ 20,444,778	\$ 2,677,275	\$ -	\$ 14,531,008	\$ 6,736,238	\$ -	\$ 53,767,865	\$ 53,860,308
Consolidated net income (loss)		-	-	-	-	-	-	-	-	-	7,631,123	7,600,364
Other comprehensive income (loss)	6(22)(23)	-	-	-	-	-	-	(4,597)	(7,074,682)	-	(7,079,279)	(7,069,962)
Total comprehensive income (loss)		-	-	-	-	-	-	7,626,526	(7,074,682)	-	551,844	530,402
Appropriations of 2021 earnings:	6(21)											
Legal reserve		-	-	-	-	865,516	-	(865,516)	-	-	-	-
Cash dividends for common stock		-	-	-	-	-	-	(4,431,032)	-	-	(4,431,032)	(4,431,032)
Cash dividends for preferred share		-	-	-	-	-	-	(270,000)	-	-	(270,000)	(270,000)
Issuance of shares - Global depositary receipts	6(19)(20)	780,000	-	-	4,675,260	-	-	-	-	-	5,455,260	5,455,260
Conversion of convertible bonds	6(19)(20)	80,374	-	(51,498)	47,760	-	-	-	-	-	76,636	76,636
Cancellation of employee restricted shares	6(19)(20)	(2,145)	-	-	2,145	-	-	-	-	-	-	-
Changes in restricted stocks to employees	6(20)(22)	-	-	-	(3,320)	-	-	-	3,320	-	-	-
Changes in ownership interests in subsidiaries	4(3)	-	-	-	-	-	-	(716)	-	-	(716)	(716)
Compensation cost of share-based payments	6(18)	-	-	-	127,486	-	-	102	94,983	-	222,571	222,571
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	797,975
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	-	-	-	-	-	-
Redemption liability recognised as other equity	6(22)	-	-	-	-	-	-	57,163	(57,163)	-	(1,267,083)	(1,267,083)
Balance at December 31, 2022		<u>\$ 8,835,297</u>	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ 25,294,109</u>	<u>\$ 3,542,791</u>	<u>\$ -</u>	<u>\$ 16,647,535</u>	<u>\$ 1,564,387</u>	<u>\$ -</u>	<u>\$ 54,051,345</u>	<u>\$ 54,974,321</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 9,911,142	\$ 10,179,825
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(29)	380,125	348,451
Amortisation	6(29)	57,888	28,212
Impairment loss determined in accordance with IFRS 9	12(2)	1,095	2,683
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(27)	(598,787)	189,235
Share-based payments	6(18)	222,571	123,520
Share of loss of associates and joint ventures accounted for using equity method	6(7)	15,781	5,878
Loss on disposal of property, plant and equipment, net		1,517	485
Loss on disposal of intangible assets, net	6(27)	15,487	-
Loss on disposal of investments accounted for using equity method	6(7)	2,009	-
Impairment loss		7,836	-
Interest expense	6(28)	1,436,773	452,638
Interest income	6(25)	(39,036)	(6,268)
Dividend income	6(26)	(339,705)	(276,153)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		2,953,585	(16,265,797)
Other receivables		(269,823)	(498,588)
Inventories		(8,380,057)	(23,574,228)
Prepayments		119,768	(71,547)
Other current assets		15,422	(2,074)
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		650,239	(196,431)
Contract liabilities		131,703	(124,964)
Accounts payable		(9,233,288)	17,383,261
Other payables		94,661	412,197
Other current liabilities (including refund liabilities)		123,970	200,380
Net defined benefit liability		<u>5,026</u>	<u>(2,715)</u>
Cash outflow generated from operations		(2,714,098)	(11,692,000)
Interest received		39,036	6,268
Dividends received		339,705	276,153
Interest paid		(1,327,929)	(437,421)
Income taxes paid		<u>(2,375,623)</u>	<u>(1,133,036)</u>
Net cash flows used in operating activities		(6,038,909)	(12,980,036)

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(\$ 7,200)	(\$ 166,558)
Proceeds from disposal of financial assets at fair value through profit or loss		1,306	9,734
Acquisition of financial assets at fair value through other comprehensive income		(1,511,910)	(1,568,225)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	99,295	940,603
Increase in other financial assets		(39,157)	(14,673)
Acquisition of property, plant and equipment	6(34)	(310,452)	(170,544)
Proceeds from disposal of property, plant and equipment		91	99
Acquisition of intangible assets	6(11)	(10,449)	(4,436)
Increase in guarantee deposits		(195,409)	(15,970)
Decrease in guarantee deposits		11,248	7,279
Net cash payments for business combination	6(34)	(3,041,127)	(55,885)
Decrease in other non-current assets		17,673	45,708
Proceeds from disposal of investments accounted for using equity method		31,346	-
Net cash flows used in investing activities		(4,954,745)	(992,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(35)	850,651,375	455,301,446
Decrease in short-term borrowings	6(35)	(850,595,048)	(445,067,941)
(Decrease) increase in short-term notes and bills payable	6(35)	(1,010,053)	1,293,979
Proceeds from long-term borrowings	6(35)	91,962,000	7,786,800
Repayments of long-term loans	6(35)	(82,898,034)	(836,400)
Payment of lease liabilities	6(35)	(235,467)	(193,030)
Increase (decrease) in other non-current liabilities		4,331	(4,900)
Issuance of shares - Global depository receipts	6(19)	5,549,184	-
Issuance of shares - direct costs of Global depository receipts		(93,924)	-
Acquisition of treasury shares		-	(135,121)
Cash dividends paid	6(21)	(4,701,032)	(2,589,627)
Cash dividends paid to non-controlling interest	6(23)	(588)	(366)
Increase in non-controlling interest		-	45,623
Net cash flows from financing activities		8,632,744	15,600,463
Effect of exchange rate changes on cash and cash equivalents		3,064,588	(575,095)
Net increase in cash and cash equivalents		703,678	1,052,464
Cash and cash equivalents at beginning of year		4,679,576	3,627,112
Cash and cash equivalents at end of year		\$ 5,383,254	\$ 4,679,576

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (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 development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on February 23, 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 significant 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 effects as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, these 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 assets (liabilities) recognised 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 recognised 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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 (%)		Note
			December 31, 2022	December 31, 2021	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Analog World Co., Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	WT Semiconductor Holdings Pte. Ltd.	Investment Company	80	-	(a) (h)
WT Microelectronics Co., Ltd.	WT Solomon QCE Ltd.	Trading Company	100	-	(g)
WT Microelectronics Co., Ltd.	WT Microelectronics (Hong Kong) Limited	Trading Company	100	-	(g)
WT Microelectronics Co., Ltd.	WT Technology (H.K.) Limited	Trading Company	100	-	(g)
WT Microelectronics Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	-	(g)
WT Microelectronics Co., Ltd.	WT Technology Pte. Ltd.	Trading Company	100	-	(g)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	-	100	(g)
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	-	100	(d)
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	-	100	(e)
Wintech Microelectronics Holding Limited	Brillnics Inc.	Investment Company	61.65	62.03	(f)
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	-	100	(g)
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	-	100	(g)
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	-	100	(g)
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	-	100	(g)
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	100	
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	
Asia Latest Technology Limited	WT Microelectronics (Shanghai) Technology Co., Ltd.	Selling and Technology Servicing	100	100	(j)
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	-	100	(b)
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	-	100	(c)
Brillnics Inc.	Brillnics (HK) Limited	Selling and Technology Servicing	100	100	
Brillnics Inc.	Brillnics Singapore Pte. Ltd.	Trading Company	100	100	
Brillnics (HK) Limited	Brillnics Japan Inc.	Research and Development Company	100	100	
Brillnics (HK) Limited	Brillnics (Taiwan) Inc.	Research and Development Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
WT Semiconductor Holdings Pte. Ltd.	Excelpoint Technology Pte. Ltd.	Trading Company	100	-	(h)
Excelpoint Technology Pte. Ltd.	Excelpoint Systems (Pte) Ltd.	Trading Company	100	-	(h)
Excelpoint Technology Pte. Ltd.	Excelpoint Systems (H.K.) Limited	Trading Company	100	-	(h)
Excelpoint Technology Pte. Ltd.	Planetspark Pte. Ltd.	R&D and Investment Company	100	-	(h)
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems Sdn. Bhd.	Trading Company	100	-	(h)
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems (India) Private Limited	Selling and Technology Servicing	100	-	(h)
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems (USA) Inc.	Selling and Technology Servicing	100	-	(h)
Excelpoint Systems (Pte) Ltd.	Excelpoint Systems Vietnam Company Limited	Trading Company	100	-	(i)
Excelpoint Systems (H.K.) Limited	Excelpoint International Trading (Shanghai) Co., Ltd.	Trading Company	100	-	(h)
Excelpoint Systems (H.K.) Limited	Synergy Electronics (H.K.) Limited	Trading Company	100	-	(h)
Excelpoint Systems (H.K.) Limited	Synergy Electronics (Shenzhen) Co., Ltd.	Trading Company	100	-	(h)

(a) The Company established a wholly-owned subsidiary, WT Semiconductor Holdings Pte. Ltd., on February 23, 2022. The Company increased its investment by USD7,200 thousand and USD125,391 thousand in March and September 2022, respectively.

(b) In April 2022, Best Winner International Development Ltd. has been dissolved and liquidated.

(c) In May 2022, Maxtek International (HK) Limited has been dissolved and liquidated.

(d) In May 2022, Anius Enterprise Co., Ltd. has been dissolved and liquidated.

(e) In May 2022, Mega Source Co., Ltd. has been dissolved and liquidated.

(f) The Group increased its investment in the newly issued preferred shares of Brillnics Inc. at USD 10,352 thousand on April 8, 2021 and accordingly, the shareholder ratio increased to 62.16%, retained earnings decreased by \$78,247 and non-controlling interest increased by \$122,199. Further, employees of Brillnics Inc. exercised employee stock options in installments for the years ended December 31, 2022 and 2021 and accordingly, the shareholder ratio decreased to 61.65% and 62.03%, respectively.

(g) In 2022, the Company directly held all the equity interest in WT Technology (H.K.) Limited,

WT Solomon QCE Ltd., WT Technology Pte. Ltd., WT Microelectronics Singapore Pte. Ltd. and WT Microelectronics (Hong Kong) Limited in response to the adjustment of the Group's organisational structure.

- (h) In September 2022, the Group used cash to acquire all the equity interest in Excelpoint Technology Ltd., which became a wholly-owned subsidiary of the Group and has been included in the consolidated financial statements since the date of acquisition. Further, the CEO of Excelpoint Technology Ltd., Mr. Albert Pthuay, sold his shares held in Excelpoint Technology Ltd. and acquired a 20% equity interest in WT Semiconductor Holding Pte. Ltd., which resulted in a change of the Group's shareholder ratio in WT Semiconductor Holding Pte. Ltd. to 80% and an increase in the non-controlling interest by \$791,053. Further, Excelpoint Technology Ltd. was renamed as Excelpoint Technology Pte. Ltd. in October 2022.
- (i) The Company's subsidiary, Excelpoint Systems (PTE) Ltd., established Excelpoint Systems Vietnam Company Limited in November 2022.
- (j) In December 2022, Morrihan International Trading (Shanghai) Co., Ltd. was renamed as WT Microelectronics (Shanghai) Technology Co., Ltd.

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

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

E. Significant restrictions: None.

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

		Non-controlling interest		
		December 31, 2022		
Name of Subsidiary	Main business activities	Amount	Ownership (%)	Note
WT Semiconductor Holdings Pte. Ltd.	Singapore	\$ 805,586	80%	

Summarised financial information of WT Semiconductor Holdings Pte. Ltd.:

Balance Sheet

	December 31, 2022
Current assets	\$ 17,820,321
Non-current assets	1,731,241
Current liabilities	(14,398,953)
Non-current liabilities	(241,240)
Total net assets	\$ 4,911,369

Statement of comprehensive income

	Year ended December 31, 2022
Revenue	\$ 13,347,437
Income for the year from continuing operations	42,054
Other comprehensive income, net of tax	825
Total comprehensive income for the year	\$ 42,879
Comprehensive income attributable to non-controlling interest	\$ 8,309
Dividends paid to non-controlling interest	\$ -

Statement of cash flows

	Year ended December 31, 2022
Net cash flows used in operating activities	(\$ 23,418)
Net cash flows used in investing activities	(3,907,098)
Net cash flows provided by financing activities	4,708,029
Effect of exchange rate changes on cash and cash equivalents	(11,606)
Net increase in cash and cash equivalents	765,907
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ 765,907

The summarised financial information of the subsidiaries stated above were based on each subgroup's consolidated balance sheets, consolidated statements of comprehensive income and consolidated statements of cash flows in their respective presentation currencies and translated into New Taiwan Dollars at the closing exchange rate at the corresponding balance sheet date and average exchange rate for the current period, respectively.

(4) Foreign currency translation

- A. 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.
- B. 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 recognised 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 recognised 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 recognised 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 recognised 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.’

C. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements 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 recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, 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, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, 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.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(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 settle 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 settled 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets and financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive

income are recognised and derecognised 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 recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised 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) 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 initially recognised and subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for twelve 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. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) 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.

(12) Leasing arrangements (lessor) - operating leases

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

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be

deducted from the cost.

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

(14) Investments accounted for using 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 recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- 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 recognises 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 using 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 recognised 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. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate,

the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised 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 recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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 property, plant and equipment are as follows:

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

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

- A. Leases are recognised 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 recognised 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 Group's incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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 comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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 recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 26 ~ 55 years.

(18) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 ~ 5 years.
- C. Other intangible assets, mainly customer relationship, are recorded at cost and amortised on a straight-line basis over the estimated useful life of 5 ~ 8 years.

(19) Impairment of non-financial assets

- A. 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 recognised 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 amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the

following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are initially recognised and subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. 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.
- B. 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 bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. 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.

- D. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(23) 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees’ compensation and directors’ and supervisors’ remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognised 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. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

- A. 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 recognised 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 recognised is based on the number of equity instruments that eventually vest.

B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

C. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if the employees resign during the vesting period, the restricted stocks will be redeemed and retired by the Group without further consideration and recognised as deduction of share capital and additional paid-in capital, in accordance with the terms of restricted stocks.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 Company and its subsidiaries operate and generate 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 shareholders resolve to retain the earnings.

C. Deferred tax is recognised, 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 profit nor taxable profit

(tax 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 realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

- A. Ordinary shares are classified as equity. The classification of preferred shares is determined according to the special rights attached to the preferred shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preferred shares are classified as liabilities when they have the basic characteristic of financial liabilities; otherwise, they 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 Company repurchases the Company'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 Company'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 Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders or Board of Directors. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. Sales of goods

- (a) The Group sells electronic components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) The goods are often sold with discounts based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected discounts payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service 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.
- (c) A receivable is recognised 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. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

B. Services

- (a) The Group provides semiconductor development services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided at the end of the reporting period in a proportion to the total services to be provided. This is determined based on the contract costs incurred for services performed to the estimated total cost for the service contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(29) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who 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

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the

good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Refer to Note 6(11) for the information on goodwill impairment as of December 31, 2022.

B. Evaluation 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 an evaluation of inventories is principally based on the estimated selling price in the ordinary course of business within the specified period before the balance sheet date. Therefore, there might be material changes to the evaluation. Refer to Note 6(6) for the carrying amount of inventory as of December 31, 2022.

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	\$ 2,532	\$ 1,725
Checking accounts and demand deposits	5,291,663	4,677,851
Time deposits	89,059	-
	<u>\$ 5,383,254</u>	<u>\$ 4,679,576</u>

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

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets.' Refer to Note 8 for details. As of December 31, 2022 and 2021, the time deposits with maturity date over 3 months of \$56,108 and \$14,673, respectively, are recorded as 'other current assets.'

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

<u>Assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Beneficiary certificates	\$ 8,369	\$ 11,743
Equity instruments	4,501	9,806
Derivatives	-	455
	<u>\$ 12,870</u>	<u>\$ 22,004</u>
Non-current items:		
Beneficiary certificates	\$ 218,573	\$ 255,946
Debt instruments	72,901	65,780
	<u>\$ 291,474</u>	<u>\$ 321,726</u>
<u>Liabilities</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Derivatives	<u>\$ 11,372</u>	<u>\$ 14,838</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities measured at fair value through profit or loss are as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Derivatives	\$ 653,231	(\$ 208,532)
Beneficiary certificates	(50,367)	14,986
Equity instruments	(3,999)	4,329
Debt instruments	(78)	(18)
	<u>\$ 598,787</u>	<u>(\$ 189,235)</u>

B. The non-hedging derivative financial assets and liabilities and contract information are as follows:

	December 31, 2022		
	Contract amount (Notional principal)		
Derivative financial liabilities	(In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	245,000	2022.12.28~2023.2.24
	December 31, 2021		
	Contract amount (Notional principal)		
Derivative financial assets	(In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	25,000	2021.12.30~2022.2.9
Derivative financial liabilities			
Current items:			
Forward foreign exchange contracts	USD (BUY)	190,000	2021.11.30~2022.1.4

The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

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

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments	\$ 9,139,705	\$ 18,989,224

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. Aiming to satisfy its operating capital needs, the Group sold \$99,295 and \$940,603 of listed and unlisted shares at fair value which resulted in a cumulative gain on disposal of \$57,163 and \$829,802 during the years ended December 31, 2022 and 2021, respectively.

C. Refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2022 and 2021.

D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2022 and 2021.

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 4,864,044	\$ 3,522,996
Accounts receivable	79,870,916	72,147,379
Less: Allowance for uncollectible accounts	(166,844)	(208,292)
Notes and accounts receivable, net	<u>84,568,116</u>	<u>75,462,083</u>
Overdue receivables	558,035	492,607
Less: Allowance for uncollectible accounts	(558,035)	(492,607)
Overdue receivables, net (shown as ‘other non-current assets’)	<u>-</u>	<u>-</u>
	<u>\$ 84,568,116</u>	<u>\$ 75,462,083</u>

A. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of accounts receivable and notes receivable amounted to \$61,555,637.

B. Transferred financial assets that are derecognised in their entirety

(a) As of December 31, 2022 and 2021, the Group had outstanding discounted notes receivable amounting to \$3,469,692 and \$2,953,255, respectively. However, as the notes receivable are bank’s acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

(b) The Group entered into factoring agreements with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable transferred		
(Amount derecognised)	<u>\$ 45,250,313</u>	<u>\$ 34,289,747</u>
Amount advanced	<u>\$ 44,041,088</u>	<u>\$ 33,360,580</u>
Amount retained (shown as ‘other receivables’)	<u>\$ 1,209,225</u>	<u>\$ 929,167</u>

(c) 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.

C. Transferred financial assets that are not derecognised in their entirety

(a) The Group entered into factoring agreements with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institutions, and the banks have the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did

not derecognise the accounts receivable where the banks have the right of recourse, and related advance payments were listed in ‘short-term borrowings.’

- (b) The information on transferred accounts receivable continued to be recognised by the Group as of December 31, 2022 and 2021 is as follows. In addition, total carrying amount of the original assets before the transfer (same as carrying amount of the assets that the entity continues to recognise) of transferred accounts receivable continued to be recognised by the Group to the extent of its continuing involvement is in line with the carrying amount of the associated liabilities, fair value of transferred accounts receivable and fair value of advance payments.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of transferred accounts receivable (that is, fair value)	\$ -	\$ 338,931
Carrying amount of advance payments (that is, fair value)	-	(305,038)
Net amount	<u>\$ -</u>	<u>\$ 33,893</u>

- D. As of December 31, 2022 and 2021, the interest rates for amounts advanced ranged between 0.98%~6.184% and 0.31%~1.29%, respectively.
- E. As of December 31, 2022 and 2021, the total limits of the accounts receivable factoring were \$109,611,520 and \$91,334,573, respectively.
- F. As of December 31, 2022 and 2021, the Group has issued a promissory note of \$196,404,956 and \$174,886,486, respectively, as performance guarantee against any business dispute.
- G. Refer to Note 6(28) for information on financing charges on accounts receivable factoring for the years ended December 31, 2022 and 2021.
- H. As of December 31, 2022 and 2021, the Group’s accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$29,602,714 and \$16,784,917, respectively, and recorded as ‘accounts receivable.’
- I. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. 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 notes and accounts receivable was the carrying amount of the notes and accounts receivable.
- J. Refer to Note 8 for details of accounts receivable pledged as security.
- K. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amounts retained for accounts receivable factoring	\$ 1,209,225	\$ 929,167
VAT refund receivable	356,761	412,466
Input tax	331,571	126,302
Others	339,473	63,962
	<u>\$ 2,237,030</u>	<u>\$ 1,531,897</u>

(6) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Merchandise inventory	\$ 91,966,231	\$ 67,586,646
Less: Allowance for inventory obsolescence and market value decline	(1,418,994)	(1,062,342)
	<u>\$ 90,547,237</u>	<u>\$ 66,524,304</u>

The cost recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 550,307,436	\$ 430,548,497
Services cost	429,098	285,002
Loss on decline in market value	194,947	47,797
Loss on disposal of inventory	432,670	28,069
Loss on physical inventory	812	113
	<u>\$ 551,364,963</u>	<u>\$ 430,909,478</u>

(7) Investments accounted for using equity method

	<u>2022</u>	<u>2021</u>
At January 1	\$ 118,457	\$ 122,906
Disposal of investments accounted for using equity method	(33,355)	-
Share of loss of investments accounted for using equity method	(15,781)	(5,878)
Changes in capital surplus	-	3,173
Changes in other equity items	(6,366)	(1,744)
At December 31	<u>\$ 62,955</u>	<u>\$ 118,457</u>

A. JCD Optical (Cayman) Co., Ltd. increased its capital by \$41,925 in July 2021. The Company did not acquire shares proportionally to its interest. As a result, the shareholder ratio changed to 19.8% and capital surplus increased by \$3,173.

B. In August 2022, the Company sold its equity interest in Qwave Technology Co., Ltd. for a consideration of \$31,346 resulting to a disposal loss of \$2,009.

C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	Years ended December 31,	
	2022	2021
Loss for the year from continuing operations	(\$ 15,781)	(\$ 5,878)
Other comprehensive (loss) income, net of tax	(14,629)	689
Total comprehensive loss	(\$ 30,410)	(\$ 5,189)

(8) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Total
<u>At January 1, 2022</u>					
Cost	\$ 225,459	\$ 650,916	\$ 453,117	\$ 526,007	\$ 1,855,499
Accumulated depreciation and impairment	-	(142,715)	(342,981)	(365,588)	(851,284)
	<u>\$ 225,459</u>	<u>\$ 508,201</u>	<u>\$ 110,136</u>	<u>\$ 160,419</u>	<u>\$ 1,004,215</u>
<u>2022</u>					
Opening net book amount	\$ 225,459	\$ 508,201	\$ 110,136	\$ 160,419	\$ 1,004,215
Acquired from business combinations	-	-	23,089	68,472	91,561
Additions	-	-	45,467	53,923	99,390
Disposals	-	-	(1,493)	(115)	(1,608)
Reclassifications	(62,411)	(31,079)	2,541	(2,541)	(93,490)
Depreciation charge	-	(13,822)	(56,676)	(63,648)	(134,146)
Net exchange differences	-	6,255	1,346	548	8,149
Closing net book amount	<u>\$ 163,048</u>	<u>\$ 469,555</u>	<u>\$ 124,410</u>	<u>\$ 217,058</u>	<u>\$ 974,071</u>
<u>At December 31, 2022</u>					
Cost	\$ 163,048	\$ 588,709	\$ 685,819	\$ 743,025	\$ 2,180,601
Accumulated depreciation and impairment	-	(119,154)	(561,409)	(525,967)	(1,206,530)
	<u>\$ 163,048</u>	<u>\$ 469,555</u>	<u>\$ 124,410</u>	<u>\$ 217,058</u>	<u>\$ 974,071</u>

	Land	Buildings	Office equipment	Others	Total
<u>At January 1, 2021</u>					
Cost	\$ 225,459	\$ 652,172	\$ 438,688	\$ 432,193	\$ 1,748,512
Accumulated depreciation and impairment	-	(127,635)	(308,044)	(309,640)	(745,319)
	<u>\$ 225,459</u>	<u>\$ 524,537</u>	<u>\$ 130,644</u>	<u>\$ 122,553</u>	<u>\$ 1,003,193</u>
<u>2021</u>					
Opening net book amount	\$ 225,459	\$ 524,537	\$ 130,644	\$ 122,553	\$ 1,003,193
Additions	-	5,170	45,409	104,832	155,411
Disposals	-	-	(479)	(105)	(584)
Depreciation charge	-	(15,148)	(58,188)	(63,353)	(136,689)
Net exchange differences	-	(6,358)	(7,250)	(3,508)	(17,116)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 508,201</u>	<u>\$ 110,136</u>	<u>\$ 160,419</u>	<u>\$ 1,004,215</u>
<u>At December 31, 2021</u>					
Cost	\$ 225,459	\$ 650,916	\$ 453,117	\$ 526,007	\$ 1,855,499
Accumulated depreciation and impairment	-	(142,715)	(342,981)	(365,588)	(851,284)
	<u>\$ 225,459</u>	<u>\$ 508,201</u>	<u>\$ 110,136</u>	<u>\$ 160,419</u>	<u>\$ 1,004,215</u>

Refer to Note 6(33) for the details of the Group's property, plant and equipment arising from business combinations for the year ended December 31, 2022.

(9) Leasing arrangements - lessee

- A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 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, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of twelve months or less comprise certain offices, business vehicles, parking space and printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 280,462	\$ 282,147
Buildings and structures	549,568	417,416
	<u>\$ 830,030</u>	<u>\$ 699,563</u>

	Years ended December 31,	
	2022	2021
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 6,106	\$ 5,940
Buildings and structures	237,569	205,008
	<u>\$ 243,675</u>	<u>\$ 210,948</u>

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets (including the amounts acquired through business combinations) were \$356,912 and \$145,810, respectively. Refer to Note 6(33) for the details of additions to the Group's right-of-use assets arising from business combinations for the year ended December 31, 2022.

E. The information on income or expense accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 15,393	\$ 15,907
Expense on short-term lease contracts	111,760	80,226

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$362,620 and \$289,163, respectively.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(17,438)	(19,335)
	<u>\$ 82,839</u>	<u>\$ 19,661</u>	<u>\$ 102,500</u>
<u>2022</u>			
Opening net book amount	\$ 82,839	\$ 19,661	\$ 102,500
Reclassifications	62,411	31,079	93,490
Depreciation charge	-	(2,304)	(2,304)
Closing net book amount	<u>\$ 145,250</u>	<u>\$ 48,436</u>	<u>\$ 193,686</u>
<u>At December 31, 2022</u>			
Cost	\$ 147,148	\$ 106,068	\$ 253,216
Accumulated depreciation and impairment	(1,897)	(57,633)	(59,530)
	<u>\$ 145,251</u>	<u>\$ 48,435</u>	<u>\$ 193,686</u>

	Land	Buildings	Total
<u>At January 1, 2021</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(16,624)	(18,521)
	<u>\$ 82,839</u>	<u>\$ 20,475</u>	<u>\$ 103,314</u>
<u>2021</u>			
Opening net book amount	\$ 82,839	\$ 20,475	\$ 103,314
Depreciation charge	-	(814)	(814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 19,661</u>	<u>\$ 102,500</u>
<u>At December 31, 2021</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(17,438)	(19,335)
	<u>\$ 82,839</u>	<u>\$ 19,661</u>	<u>\$ 102,500</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2022	2021
Rental income from the lease of the investment property	<u>\$ 13,635</u>	<u>\$ 2,627</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 2,304</u>	<u>\$ 814</u>

B. The fair values of the investment property held by the Group as at December 31, 2022 and 2021 were \$722,953 and \$179,635, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 3 in the fair value hierarchy.

(11) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationship</u>	<u>Total</u>
<u>At January 1, 2022</u>				
Cost	\$ 2,033,017	\$ 111,896	\$ 167,485	\$ 2,312,398
Accumulated amortisation and impairment	(220,132)	(96,311)	(23,178)	(339,621)
	<u>\$ 1,812,885</u>	<u>\$ 15,585</u>	<u>\$ 144,307</u>	<u>\$ 1,972,777</u>
<u>2022</u>				
Opening net book amount	\$ 1,812,885	\$ 15,585	\$ 144,307	\$ 1,972,777
Additions	-	10,449	-	10,449
Disposal	-	(15,487)	-	(15,487)
Acquired from business combinations	875,175	20,182	468,846	1,364,203
Amortisation charge (shown as 'general and administrative expenses')	-	(10,057)	(47,831)	(57,888)
Impairment loss	(7,836)	-	-	(7,836)
Net exchange differences	100,665	468	4,161	105,294
Closing net book amount	<u>\$ 2,780,889</u>	<u>\$ 21,140</u>	<u>\$ 569,483</u>	<u>\$ 3,371,512</u>
<u>At December 31, 2022</u>				
Cost	\$ 3,008,857	\$ 151,583	\$ 640,149	\$ 3,800,589
Accumulated amortisation and impairment	(227,968)	(130,443)	(70,666)	(429,077)
	<u>\$ 2,780,889</u>	<u>\$ 21,140</u>	<u>\$ 569,483</u>	<u>\$ 3,371,512</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Customer relationship</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 2,046,410	\$ 107,496	\$ 69,152	\$ 2,223,058
Accumulated amortisation and impairment	(220,132)	(88,076)	(3,237)	(311,445)
	<u>\$ 1,826,278</u>	<u>\$ 19,420</u>	<u>\$ 65,915</u>	<u>\$ 1,911,613</u>
<u>2021</u>				
Opening net book amount	\$ 1,826,278	\$ 19,420	\$ 65,915	\$ 1,911,613
Additions	13,686	4,436	96,906	115,028
Amortisation charge (shown as 'general and administrative expenses')	-	(8,271)	(19,941)	(28,212)
Net exchange differences	(27,079)	-	1,427	(25,652)
Closing net book amount	<u>\$ 1,812,885</u>	<u>\$ 15,585</u>	<u>\$ 144,307</u>	<u>\$ 1,972,777</u>
<u>At December 31, 2021</u>				
Cost	\$ 2,033,017	\$ 111,896	\$ 167,485	\$ 2,312,398
Accumulated amortisation and impairment	(220,132)	(96,311)	(23,178)	(339,621)
	<u>\$ 1,812,885</u>	<u>\$ 15,585</u>	<u>\$ 144,307</u>	<u>\$ 1,972,777</u>

A. Refer to Note 6(33) for the details of additions to the Group's intangible assets arising from business combinations for the years ended December 31, 2022 and 2021.

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	December 31, 2022	December 31, 2021
Greater China Region	\$ 1,187,421	\$ 1,165,339
All other segments	1,593,468	647,546
	<u>\$ 2,780,889</u>	<u>\$ 1,812,885</u>

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. Management determined budgeted gross profit based on past performance and their expectations of market development. The Group's accrued average annual revenue growth rate for the years ended December 31, 2022 and 2021 was both 0%~5%; the assumption used for discount rate is the weighted average capital cost of the Group. As of December 31, 2022 and 2021, the key valuations used for pre-tax discount rate to reflect risk of related cash-generating units were 7.02%~10.02% and 5.32%~9.80%, respectively. Based on the aforementioned assessment, impairment loss on goodwill of \$7,836 and \$0 was recognised for the years ended December 31, 2022 and 2021, respectively.

D. There were no intangible assets that were pledged to others.

(12) Short-term borrowings

	December 31, 2022	December 31, 2021
Credit loans	\$ 38,340,556	\$ 33,192,670
Secured borrowings (note)	-	305,038
	<u>\$ 38,340,556</u>	<u>\$ 33,497,708</u>
Interest rates per annum	<u>1.4917%~5.97%</u>	<u>0.5195%~3.55%</u>

Note: The above borrowings were secured by accounts receivable.

As of December 31, 2022 and 2021, information on the collateral provided by the Group is provided in Note 8.

(13) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper	\$ 1,050,000	\$ 2,050,000
Amortisation of discount	(614)	(546)
	<u>\$ 1,049,386</u>	<u>\$ 2,049,454</u>
Coupon rate	<u>1.3%~1.84%</u>	<u>0.44%~0.742%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonuses payable	\$ 1,806,626	\$ 1,329,638
Accrued VAT payable	433,968	167,454
Finance costs payable	297,358	51,201
Freight payable	179,947	165,500
Services payable	97,051	31,368
Technical service fees payable	93,583	143,614
Insurance expense payable	88,595	80,654
Others	792,250	214,703
	<u>\$ 3,789,378</u>	<u>\$ 2,184,132</u>

(15) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonds payable	\$ -	\$ 77,100
Less: Discount on bonds payable	-	(465)
	-	76,635
Less: Bonds payable, current portion (Shown as 'Long-term liabilities, current portion')	-	(76,635)
	<u>\$ -</u>	<u>\$ -</u>

A. Sixth unsecured convertible bonds of 2019

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

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- 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 conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40 per share) and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On March 31, 2022, the conversion price was NT\$26.7 per share.

- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.
- (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component in accordance with IAS 32.
- (c) As of December 31, 2022, the convertible bonds converted into 41,174 thousand common shares totaled \$1,200,000 at par value.
- B. For the years ended December 31, 2022 and 2021, the amortised discount of bonds payable was \$1 and \$3,516, respectively.

(16) Long-term loans

		December 31, 2022		
Type of loans	Period	Credit line	Interest rate	Amount
Mid-term syndicated loans (note A)	2021.7.29 ~2026.7.29	\$ 12,000,000	1.8317% ~1.9543%	\$ 6,400,000
Mid-term syndicated loans (note A)	2022.6.27 ~2027.6.27	24,000,000	1.8541% ~5.3594%	11,213,000
Mid-term borrowings (United Overseas Bank)	2020.4.28 ~2025.4.27	91,520	2%	31,525
Mid-term borrowings (United Overseas Bank)	2020.5.27 ~2025.5.26	114,400	2%	65,580
Mid-term borrowings (DBS Bank Ltd.)	2020.6.24 ~2025.6.23	22,880	2%	8,841
Mid-term borrowings (United Overseas Bank)	2021.4.5 ~2026.4.4	114,400	2%	67,503
				<u>\$ 17,786,449</u>
		December 31, 2021		
Type of loans	Period	Credit line	Interest rate	Amount
Mid-term syndicated loans (note A)	2021.7.29 ~2026.7.29	\$ 12,000,000	0.95%	<u>\$ 7,750,400</u>

A. As stipulated in the syndicated loan agreement:

- (a) Credit period: 5 years after the date of first drawdown of any credit line.
- (b) Drawdown period: The day before 5 years after the date of first drawdown. However, maturity date of each borrowing shall not exceed the credit period. The borrower may apply for re-utilisation within the credit period 5 years after the date of first drawdown according to the capital situation. However, each drawdown must be fully repaid before the expiry of the credit period.
- (c) Financial commitment: The borrower's consolidated financial statements shall maintain the following financial ratios and regulations:
- i. Liquidity ratio: Shall be at least 100%.

- ii. Net debt ratio: Shall be no more than 250%.
- iii. Interest coverage ratio shall be at least 200%.

The abovementioned financial ratios are reviewed semi-annually.

- B. The Group's financial ratios in the consolidated financial statements for the years ended December 31, 2022 and 2021 have met the required covenants under the abovementioned borrowing contract.
- C. The Group's liquidity risk is provided in Note 12.

(17) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have 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 Act. 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. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 219,430	\$ 205,472
Fair value of plan assets	(160,589)	(149,497)
Net defined benefit liability	<u>\$ 58,841</u>	<u>\$ 55,975</u>
Shown as 'other non-current assets'	<u>\$ 7,395</u>	<u>\$ 5,592</u>
Shown as 'other non-current liabilities'	<u>\$ 66,236</u>	<u>\$ 61,567</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2022			
Balance at January 1	\$ 205,472	\$ 149,497	\$ 55,975
Current service cost	1,237	-	1,237
Interest (expense) income	<u>1,437</u>	<u>1,046</u>	<u>391</u>
	<u>208,146</u>	<u>150,543</u>	<u>57,603</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	11,092	(11,092)
Change in financial assumptions	(12,035)	-	(12,035)
Experience adjustments	<u>28,874</u>	<u>-</u>	<u>28,874</u>
	<u>16,839</u>	<u>11,092</u>	<u>5,747</u>
Pension fund contribution	-	4,509	(4,509)
Paid pension	(5,555)	(5,555)	-
Balance at December 31	<u>\$ 219,430</u>	<u>\$ 160,589</u>	<u>\$ 58,841</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	\$ 206,193	\$ 142,768	\$ 63,425
Current service cost	1,243	-	1,243
Interest (expense) income	<u>671</u>	<u>462</u>	<u>209</u>
	<u>208,107</u>	<u>143,230</u>	<u>64,877</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,100	(2,100)
Change in demographic assumptions	204	-	204
Change in financial assumptions	(8,041)	-	(8,041)
Experience adjustments	<u>5,202</u>	<u>-</u>	<u>5,202</u>
	<u>(2,635)</u>	<u>2,100</u>	<u>(4,735)</u>
Pension fund contribution	-	4,167	(4,167)
Balance at December 31	<u>\$ 205,472</u>	<u>\$ 149,497</u>	<u>\$ 55,975</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 securitization 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 approved by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund, 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:

	Years ended December 31,	
	2022	2021
Discount rate	1.3%~1.4%	0.7%
Future salary increases	3%	3%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 4,573)	\$ 4,714	\$ 4,083	(\$ 3,987)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 5,075)	\$ 5,248	\$ 4,607	(\$ 4,487)

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 plan of the Group for the year ending December 31, 2023 amount to \$4,570.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 ~ 12 years.

B. Defined contribution pension plan

- (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 Company’s subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 15%~16% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees’ monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$317,922 and \$238,995, respectively.

(18) Share-based payment

- A. For the years ended December 31, 2022 and 2021, the Group’s share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Restricted stocks to employees	2021.1.13	2,992 thousand shares	(a) and (b)
Employee stock options	2021.3.18	12,000 thousand shares	(c)
Restricted stocks to employees	2021.7.28	2,788 thousand shares	(a) and (b)
Employee stock options	2022.1.6	18,854 thousand shares	(c)

- (a) The vesting percentage for the employee who has rendered service to the Company since the grant date and achieves the performance condition is 25% each year.

(b) The issued employee restricted shares before meeting the vesting conditions are subject to certain restrictions as follows:

- i. Employee restricted shares cannot be sold, pledged, transferred, donated to others, set purposes or disposed in any other ways, except for inheritance.
- ii. The rights to attend, propose, speak and vote at the shareholders meeting are the same as the issued ordinary shares of the Company and are implemented in accordance with the trust custody contract.
- iii. Other rights including but not limited to dividends, distribution rights of legal reserve and capital surplus and share options of cash capital increase, etc. are the same as the Company's issued ordinary shares, do not need to be kept in trust and are not restricted by the vesting period. Employees are required to return the unvested stocks but not required to return the dividends received if they resign during the vesting period.

(c) Employees can exercise 50%, 25% and 25% of their option after 2 years, 3 years and 4 years from the grant date of employee stock options, respectively.

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (years)	Expected dividends	Risk-free interest rate (%)	Fair value per unit (in dollars)
Restricted stocks to employees	2021.1.13	\$ 42.05	\$ -	-	4	-	-	\$ 42.05
Employee stock options	2021.3.18	\$ 46.80	\$ 46.80	18.44~ 18.46	4~5	-	0.31~ 0.34	\$7.0985~ \$8.1307
Restricted stocks to employees	2021.7.28	\$ 61.20	\$ -	-	4	-	-	\$ 58.0011
Employee stock options	2022.1.6	\$ 75.40	\$ 75.40	21.06~ 22.66	3.5~4.5	-	0.55~ 0.62	\$13.2673~ \$14.2005

C. Details of the stock options for the years ended December 31, 2022 and 2021 are disclosed as follows:

	2022		
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	Weighted-average remaining contractual period
Options outstanding at January 1	11,940	\$ 46.80	
Options granted	18,854	75.40	
Options forfeited	(646)	62.22	
Options outstanding at December 31	<u>30,148</u>	58.58	4.09 years
	2021		
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	Weighted-average remaining contractual period
Options outstanding at January 1	-	\$ -	
Options granted	12,000	46.80	
Options forfeited	(60)	45.55	
Options outstanding at December 31	<u>11,940</u>	44.30	5.46 years

D. As of December 31, 2022, the Group had no exercisable stock options at the end of the year.

E. Details of the employee restricted shares for the years ended December 31, 2022 and 2021 are disclosed as follows:

	2022	2021
	No. of shares (in thousands)	No. of shares (in thousands)
Shares outstanding at January 1	5,666	-
Shares redeemed at beginning of year but not yet retired	62	-
Shares granted	-	5,780
Shares vested	(1,395)	-
Shares forfeited	(214)	(52)
Shares redeemed, not yet forfeited	(29)	(62)
Shares outstanding at December 31	<u>4,090</u>	<u>5,666</u>

F. Compensation cost of share-based payment of \$222,571 and \$123,520 was recognised for the years ended December 31, 2022 and 2021, respectively.

(19) Share capital

As of December 31, 2022, the Company's authorised capital was \$20,000,000, including partial preferred shares, consisting of 2 billion shares (including 300 million shares reserved for employee stock options), and the paid-in capital was \$10,185,297 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Common stock

A. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2022	2021
	Shares (in thousands)	Shares (in thousands)
At January 1	802,857	788,232
Issuance of shares - Global depositary receipts	78,000	-
Issuance of employee restricted shares	-	5,780
Cancellation of employee restricted shares	(214)	(52)
Shares converted from bonds	2,887	11,391
Retirement of treasury shares	-	(2,494)
At December 31	883,530	802,857

B. For year ended December 31, 2022, all convertible bonds of the Company have been converted into 41,174 thousand ordinary shares. Convertible bonds amounting to \$77,100 in total par value have been requested for conversion into 2,887 thousand ordinary shares. For the year ended December 31, 2021, convertible bonds of the the Company have been converted into 11,391 thousand ordinary shares. Convertible bonds amounting to \$137,500 in total par value had been requested for conversion into 5,150 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed.

C. On March 27, 2020, the shareholders resolved the issuance of 3,000 thousand employee restricted shares with a par value of \$10 (in dollars) per share. The issuance can be granted several times within a year. A total of 2,992 thousand shares were issued for the first time and the effective date was set on January 18, 2021.

D. On July 12, 2021, the shareholders resolved the issuance of 3,000 thousand employee restricted shares with a par value of \$10 (in dollars) per share. The issuance can be granted several times within a year. A total of 2,788 thousand shares were issued for the first time and the effective date was set on July 28, 2021.

E. For the years ended December 31, 2022 and 2021, the Company has retrieved 214 thousand and 52 thousand of employee restricted shares, respectively, for not satisfying vesting conditions, and the Company cancelled and retired the shares in accordance with the regulations.

F. Treasury shares

On May 17, 2021, the Company's Board of Directors resolved to buy back 2,494 thousand shares

to enhance the Company's credit rating and the shareholders' equity. On November 5, 2021, the Company's Board of Directors resolved to retire shares and the registration for the change was completed on November 19, 2021.

Global depositary receipts

On February 24, 2022, the Company's Board of Directors resolved to increase capital by issuing common shares to participate in the issuance of the global depositary receipts for the repayment of the principal of bank borrowing in foreign currency and overseas procurement. The capital increase was approved by the Financial Supervisory Committee on March 25, 2022 and 15,600 thousand units of global depositary receipts were issued at the Luxembourg Stock Exchange on April 22, 2022 at a price of USD12.18 (in dollars) per unit. The global depositary receipts represented 78,000 thousand shares of the Company's common stock. The amount after deducting issuance cost was USD186,792 thousand (NT\$5,455,260 thousand). Each unit of the global depositary receipts represents 5 shares of the Company's common stocks. As of December 31, 2022, there were 248 thousand units of global depositary receipts outstanding which represented 1,240 thousand shares of the Company's common stock.

Preferred shares

On July 2, 2020, the Board of Directors resolved to increase the Company's capital in the amount of \$6,750,000 by issuing 135 million shares of Class A preferred shares with a par value of \$10 (in dollars) per share issued at \$50 (in dollars) per share. The capital injection was approved by the Financial Supervisory Commission on July 29, 2020, and the effective date was set on October 15, 2020. The rights and obligations of these outstanding preferred shares are as follows:

- A. Expiration date: The Company's Class A preferred shares are perpetual. The shareholders of Class A preferred shares cannot request the Company to retire the preferred shares they hold but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preferred shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends.
- B. Dividends: Dividends are calculated at 4% per annum, consisting of five-year IRS rate of 0.6125% on pricing effective date (August 17, 2020) and specific markup of 3.3875%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two business days in Taipei financial industry prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Refinitiv pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.

C. Dividend distribution: Dividends of Class A preferred shares are distributed once per year in the form of cash. The effective date for distributing previous year's distributable dividends will be set by the Board of Directors or the chairman who is authorised by the Board of Directors. Dividend distributions in the years of issuance and redemption are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating deficit and then set aside as legal reserve. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any in the current year, can be distributed as dividends of preferred shares in first priority.

The Company has discretion in dividend distribution of Class A preferred shares. The Company could choose not to distribute dividends of preferred shares when resolved by the Board of Directors, which would not lead to default if the Company has no or has insufficient current year's earnings for distribution or has other considerations. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not be deferred to future years when the Company has earnings.

D. Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preferred shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.

E. Residual property distribution: The shareholders of Class A preferred shares have priority over shareholders of common stocks in distributing the Company's residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preferred shares issued and the issue price when distributing.

F. Right to vote and be elected: The shareholders of Class A preferred shares have no right to vote and be elected as directors in the ordinary shareholders' meeting of the Company but have the right to vote in the shareholders' meeting only when there are unfavourable matters to rights and obligations of shareholders of Class A preferred shares.

G. Conversion to common shares: Class A preferred shares could not be converted to common shares.

H. The preemptive rights for shareholders of Class A preferred shares are the same as of common shareholders when the Company increases its capital by issuing new shares.

I. Capital surplus arising from premium issuance of Class A preferred shares can be used to offset against accumulated deficit but cannot be capitalised during the issuance period.

(20) Capital surplus

A. 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 to the above considerations, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Changes in capital surplus are as follows:

	2022					
	Share premium	Employee stock options	Stock options	Restricted stocks to employees	Net change in equity of associates	Total
At January 1	\$ 20,187,420	\$ 26,636	\$ 2,426	\$ 216,886	\$ 11,410	\$ 20,444,778
Issuance of shares - Global depositary receipts	4,675,260	-	-	-	-	4,675,260
Conversion of convertible bonds	50,186	-	(2,426)	-	-	47,760
Vesting of employee restricted shares	55,357	-	-	(55,357)	-	-
Cancellation of employee restricted shares	-	-	-	2,145	-	2,145
Changes in restricted stocks to employees	-	-	-	(3,320)	-	(3,320)
Compensation cost of share-based payments	-	127,486	-	-	-	127,486
At December 31	<u>\$ 24,968,223</u>	<u>\$ 154,122</u>	<u>\$ -</u>	<u>\$ 160,354</u>	<u>\$ 11,410</u>	<u>\$ 25,294,109</u>

	2021						
	Share premium	Treasury share transactions	Employee stock options	Stock options	Restricted stocks to employees	Net change in equity of associates	Total
At January 1	\$20,033,915	\$40,742	\$ -	\$12,087	\$ -	\$ 8,237	\$20,094,981
Conversion of convertible bonds	199,827	-	-	(9,661)	-	-	190,166
Issuance of employee restricted shares	-	-	-	-	216,366	-	216,366
Cancellation of employee restricted shares	-	-	-	-	520	-	520
Retirement of treasury shares	(46,322)	(40,742)	-	-	-	-	(87,064)
Compensation cost of share -based payments	-	-	26,636	-	-	-	26,636
Changes in equity of associates accounted for using the equity method	-	-	-	-	-	3,173	3,173
At December 31	<u>\$20,187,420</u>	<u>\$ -</u>	<u>\$26,636</u>	<u>\$ 2,426</u>	<u>\$216,886</u>	<u>\$ 11,410</u>	<u>\$20,444,778</u>

B. For the information relating to capital surplus-share options, refer to Note 6(15).

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first pay taxes and offset accumulated losses; and set aside a legal reserve at 10% of such remaining earnings, until the accumulated legal reserve has equaled the total paid-in capital of the Company; then, set aside a special reserve in accordance with applicable laws or regulations of the competent authority. Residual earnings (distributable earnings in the current year) plus undistributed earnings at the beginning of the period is the accumulated retained earnings, which shall first be distributed as dividends to holders of Preferred Shares, and distribution of such earnings shall submitted by the Board of Directors to the shareholders' meeting for approval.
- B. In accordance with Article 240 of the Company Act, the Board of Directors is authorised, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, to distribute dividends and bonus of all or part of the legal reserve and capital surplus in the form of cash based on the regulations specified in Article 241 of the Company Act which shall be reported to the shareholders during their meeting. Said distribution is not subject to the regulation which requires that the distribution shall be resolved by the shareholders during their meeting.
- C. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to

support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- D. 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 balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. 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.
- F. According to the resolutions adopted by the shareholders during their meetings in May 2022 and July 2021, the distribution information of the Company's 2021 and 2020 earnings, respectively, is as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 865,516		\$ 396,453	
Special reserve	-		(791,142)	
Dividends on preferred share	270,000	\$ 2.000	57,541	\$ 0.426
Cash dividends of ordinary shareholders	<u>4,431,032</u>	5.500	<u>2,532,086</u>	3.200
	<u>\$ 5,566,548</u>		<u>\$ 2,194,938</u>	

Information on the appropriation of the Company's earnings as approved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Others	Total
At January 1, 2022	\$ 10,591,772	(\$ 3,678,252)	(\$ 177,282)	\$ 6,736,238
Valuation adjustment on equity instruments:				
– Group	(11,413,891)	-	-	(11,413,891)
– Associates	(12,499)	-	-	(12,499)
Disposals reclassified as retained earnings	(57,163)	-	-	(57,163)
Currency translation differences:				
– Group	-	4,353,838	-	4,353,838
– Associates	-	(2,130)	-	(2,130)
Issuance of employee restricted shares	-	-	3,320	3,320
Redemption liability recognised as other equity	-	-	(1,267,083)	(1,267,083)
Compensation cost of share-based payments	-	-	94,983	94,983
At December 31, 2022	<u>(\$ 891,781)</u>	<u>\$ 673,456</u>	<u>(\$ 1,346,062)</u>	<u>(\$ 1,564,387)</u>
	Unrealised gains (losses) on valuation	Currency translation	Others	Total
At January 1, 2021	\$ 8,208,070	(\$ 2,600,106)	\$ -	\$ 5,607,964
Valuation adjustment on equity instruments	3,213,479	-	-	3,213,479
Disposals reclassified as retained earnings	(829,777)	-	-	(829,777)
Currency translation differences:				
– Group	-	(1,078,835)	-	(1,078,835)
– Associates	-	689	-	689
Issuance of employee restricted shares	-	-	(274,166)	(274,166)
Compensation cost of share-based payments	-	-	96,884	96,884
At December 31, 2021	<u>\$ 10,591,772</u>	<u>(\$ 3,678,252)</u>	<u>(\$ 177,282)</u>	<u>\$ 6,736,238</u>

(23) Non-controlling interests

	2022	2021
At January 1	\$ 92,443	\$ 38,364
Share attributable to non-controlling interest:		
Loss for the year	(30,759)	(68,089)
Increase in non-controlling interests	798,563	121,813
Cash dividends paid	(588)	(366)
Comprehensive income for the year:		
Exchange differences on translation of foreign financial statements	9,904	707
Unrealised loss from financial assets at fair value through other comprehensive income	(587)	(11)
Disposal of financial assets at fair value through other comprehensive income reclassified as retained earnings	-	25
At December 31	<u>\$ 868,976</u>	<u>\$ 92,443</u>

A. The Company's subsidiary, Brillnics Inc., increased its capital and employees of Brillnics Inc. exercised employee stock options for the years ended December 31, 2022 and 2021, which resulted to an increase in the non-controlling interest. Refer to Note 4(3) for details.

B. Refer to Note 4(3) for the details of the increase in non-controlling interest resulting from the capital increase of the Company's subsidiary, WT Semiconductor Holdings Pte. Ltd., in September 2022.

(24) Operating revenue

	Years ended December 31,	
	2022	2021
Contract revenue		
Sales of electronic components	\$ 570,475,062	\$ 447,344,160
Services revenue	525,422	349,138
Other operating revenue	196,634	202,819
	<u>\$ 571,197,118</u>	<u>\$ 447,896,117</u>

A. The Group derives revenue from the transfer of goods at a point in time and services over time in the following major product lines:

Year ended December 31, 2022			
	Greater China Region	Others	Total
Timing of revenue			
At a point in time			
Analog IC	\$ 208,122,244	\$ 6,764,172	\$ 214,886,416
Microcontroller	48,874,127	27,342,734	76,216,861
Memory IC	38,955,561	3,757,199	42,712,760
Microprocessor	25,534,416	15,763,250	41,297,666
Application Specific IC	29,420,351	1,368,967	30,789,318
Discrete Component	25,156,213	2,548,383	27,704,596
Mixed Signal IC	23,619,943	583,408	24,203,351
Others	105,475,424	7,385,304	112,860,728
Over time			
Services	525,422	-	525,422
	<u>\$ 505,683,701</u>	<u>\$ 65,513,417</u>	<u>\$ 571,197,118</u>
Year ended December 31, 2021			
	Greater China Region	Others	Total
Timing of revenue			
At a point in time			
Analog IC	\$ 160,035,399	\$ 3,880,022	\$ 163,915,421
Microcontroller	32,680,528	15,246,539	47,927,067
Memory IC	42,043,007	1,074,546	43,117,553
Discrete Component	29,657,596	2,437,694	32,095,290
Microprocessor	17,203,501	11,778,008	28,981,509
Mixed Signal IC	22,100,935	448,233	22,549,168
Application Specific IC	14,664,465	811,823	15,476,288
Others	88,019,841	5,464,842	93,484,683
Over time			
Services	349,138	-	349,138
	<u>\$ 406,754,410</u>	<u>\$ 41,141,707</u>	<u>\$ 447,896,117</u>

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Refund liabilities			
-sales discounts and returns	<u>\$ 778,605</u>	<u>\$ 658,325</u>	<u>\$ 459,101</u>
Contract liabilities			
-advance sales receipts	<u>\$ 904,038</u>	<u>\$ 373,803</u>	<u>\$ 506,379</u>

C. Revenue recognised that was included in the contract liability balance at the beginning of the year:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>\$ 207,554</u>	<u>\$ 325,427</u>

(25) Interest income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 38,772	\$ 5,967
Other interest income	264	301
	<u>\$ 39,036</u>	<u>\$ 6,268</u>

(26) Other income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 339,705	\$ 276,153
Grant revenue	52,488	29,558
Other income	29,289	33,562
	<u>\$ 421,482</u>	<u>\$ 339,273</u>

(27) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Loss on disposal of intangible assets	(\$ 15,487)	\$ -
Foreign exchange (loss) gain, net	(413,746)	196,658
Gain (loss) on financial assets and liabilities at fair value through profit or loss	598,787	(189,235)
Other losses	(40,252)	(9,341)
	<u>\$ 129,302</u>	<u>(\$ 1,918)</u>

(28) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 1,411,394	\$ 425,383
Others	25,379	27,255
Financing charges on accounts receivable factoring	949,356	229,061
Other finance costs	59,385	33,350
	<u>\$ 2,445,514</u>	<u>\$ 715,049</u>

(29) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	<u>\$ 5,023,129</u>	<u>\$ 4,040,421</u>
Depreciation	<u>\$ 380,125</u>	<u>\$ 348,451</u>
Amortisation	<u>\$ 57,888</u>	<u>\$ 28,212</u>

(30) Employee benefit expense

	Years ended December 31,	
	2022	2021
Employee benefit expense		
Wages and salaries	\$ 4,249,899	\$ 3,426,770
Labour and health insurance fees	146,734	128,580
Pension costs	319,550	240,447
Other personnel expenses	306,946	244,624
Total (shown as ‘Operating expenses’)	<u>\$ 5,023,129</u>	<u>\$ 4,040,421</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 1% for employees’ compensation and shall not be higher than 3% for directors’ remuneration.

B. For the years ended December 31, 2022 and 2021, employees’ compensation was accrued at \$87,500 and \$92,900, respectively; while directors’ remuneration was accrued at \$35,000 and \$35,000, respectively. The aforementioned amounts were recognised in salary expenses.

Employees’ compensation and directors’ remuneration for 2022 and 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in profit or loss for 2022 and 2021, respectively.

Information about employees’ compensation and directors’ remuneration of the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profit for the year	\$ 2,313,558	\$ 2,087,264
Tax on undistributed surplus earnings	154,694	88,480
Prior year income tax (over) under estimation	(602)	15,902
Total current tax	<u>2,467,650</u>	<u>2,191,646</u>
Deferred tax:		
Origination and reversal of temporary differences	(156,872)	133,011
Total deferred tax	(156,872)	133,011
Income tax expense	<u>\$ 2,310,778</u>	<u>\$ 2,324,657</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2022	2021
Remeasurement of defined benefit obligations	<u>\$ 1,150</u>	<u>(\$ 947)</u>

B. Reconciliation between income tax expense and accounting profit

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 3,065,295	\$ 2,933,096
Expenses disallowed by tax regulation	(908,609)	(712,821)
Tax on undistributed earnings	154,694	88,480
Prior year income tax (over) under estimation	(602)	15,902
Income tax expense	<u>\$ 2,310,778</u>	<u>\$ 2,324,657</u>

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

	Year ended December 31, 2022					
	January 1	Acquisition from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
— Deferred tax assets:						
Allowance for sales returns and discounts	\$ 485,508	\$ -	\$ 20,930	\$ -	\$ 15	\$ 506,453
Allowance for doubtful accounts	27,666	-	3,641	-	99	31,406
Reserve for inventory obsolescence and market price decline	225,169	-	41,824	-	52	267,045
Others	<u>63,568</u>	<u>2,787</u>	<u>203,889</u>	<u>2,496</u>	<u>610</u>	<u>273,350</u>
	<u>\$ 801,911</u>	<u>\$ 2,787</u>	<u>\$ 270,284</u>	<u>\$ 2,496</u>	<u>\$ 776</u>	<u>\$1,078,254</u>
— Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 660,794)	\$ -	(\$ 175,444)	\$ -	\$ -	(\$ 836,238)
Others	<u>(81,205)</u>	<u>-</u>	<u>62,032</u>	<u>(1,346)</u>	<u>-</u>	<u>(20,519)</u>
	<u>(\$ 741,999)</u>	<u>\$ -</u>	<u>(\$ 113,412)</u>	<u>(\$ 1,346)</u>	<u>\$ -</u>	<u>(\$ 856,757)</u>
	Year ended December 31, 2021					
	January 1	Acquisition from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
— Deferred tax assets:						
Allowance for sales returns and discounts	\$ 422,601	\$ -	\$ 62,907	\$ -	\$ -	\$ 485,508
Allowance for doubtful accounts	52,511	-	(24,068)	-	(777)	27,666
Reserve for inventory obsolescence and market price decline	214,269	-	11,128	-	(228)	225,169
Others	<u>130,169</u>	<u>-</u>	<u>(65,522)</u>	<u>(502)</u>	<u>(577)</u>	<u>63,568</u>
	<u>\$ 819,550</u>	<u>\$ -</u>	<u>(\$ 15,555)</u>	<u>(\$ 502)</u>	<u>(\$ 1,582)</u>	<u>\$ 801,911</u>
— Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 599,649)	\$ -	(\$ 61,145)	\$ -	\$ -	(\$ 660,794)
Others	<u>(5,329)</u>	<u>(19,122)</u>	<u>(56,311)</u>	<u>(445)</u>	<u>2</u>	<u>(81,205)</u>
	<u>(\$ 604,978)</u>	<u>(\$ 19,122)</u>	<u>(\$ 117,456)</u>	<u>(\$ 445)</u>	<u>\$ 2</u>	<u>(\$ 741,999)</u>

The information on deferred tax assets acquired through business combinations for the year ended December 31, 2022 is provided in Note 6(33).

D. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2022 and 2021, the temporary differences of unrecognised deferred tax liabilities were \$3,856,689 and \$3,646,012, respectively.

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(32) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,631,123		
Less: Dividends of preferred share	(270,000)		
Profit used to calculate basic earnings per share	<u>\$ 7,361,123</u>	<u>855,236</u>	<u>\$ 8.61</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,631,123		
Less: Dividends of preferred share	(270,000)		
Profit used to calculate diluted earnings per share	7,361,123	855,236	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	1	41	
Restricted stocks to employees	-	3,255	
Employee stock options	-	2,426	
Employees' compensation	<u>-</u>	<u>1,589</u>	
Profit used to calculate diluted earnings per share attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 7,361,124</u>	<u>862,547</u>	<u>\$ 8.53</u>

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,923,257		
Less: Dividends of preferred share	(57,541)		
Profit used to calculate basic earnings per share	<u>\$ 7,865,716</u>	<u>789,748</u>	<u>\$ 9.96</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	7,923,257		
Less: Dividends of preferred share	(57,541)		
Profit used to calculate diluted earnings per share	7,865,716	789,748	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	3,516	11,413	
Restricted stocks to employees	-	1,943	
Employees stock options	-	2,473	
Employees' compensation	-	1,407	
Profit used to calculate diluted earnings per share attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 7,869,232</u>	<u>806,984</u>	<u>\$ 9.75</u>

(33) Business combination

As of December 31, 2022 and 2021, the Group's mergers are as follows:

A. The Group acquired all the equity interest of Excelpoint Technology Ltd. ("EXCELPOINT Company"):

- (a) The Company's subsidiary, WT Semiconductor Holdings Pte. Ltd. ("WT SEMICONDUCTOR") acquired all the equity interest of EXCELPOINT Company in cash in the amount of \$4,039,385 thousand (US\$132,591 thousand) in April 2022. Further, the CEO of EXCELPOINT Company, Mr. Albert Pthuy, sold his shares held in EXCELPOINT Company and acquired 20% equity interest in WT SEMICONDUCTOR. After the acquisition, the Company and Mr. Albert Pthuy held 80% and 20% equity interest in WT SEMICONDUCTOR, respectively, and the effective date for the share conversion was set on September 6, 2022.
- (b) EXCELPOINT Company is primarily engaged in the distribution and sales of various electronic components. The purpose of the combination is to strengthen the expansion of the business through the complementary product lines of the two parties, provide customers with a wider range of product solutions and technical support services and enhance the Group's distribution capabilities in the Asia-Pacific region.

- (c) The following table summarises the consideration paid for EXCELPOINT Company and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>September 6, 2022</u>
Purchase consideration	
Cash	4,039,385
Fair values of non-controlling interests	791,053
Fair value of the identifiable assets and liabilities	
Cash	1,006,354
Accounts receivable	6,353,669
Other receivables	92,040
Inventories	8,732,481
Other current assets	13,806
Financial assets at fair value through other comprehensive income	147,435
Property, plant and equipment	91,561
Right-of-use assets	151,445
Intangible assets	20,182
Deferred income tax assets	2,787
Other non-current assets	22,907
Short-term borrowings	(4,760,586)
Contract liabilities	(369,522)
Accounts payable	(6,674,542)
Other payables	(762,407)
Current income tax liabilities	(159,537)
Lease liabilities - current	(82,481)
Refund liabilities	(90,309)
Long-term loans	(171,128)
Lease liabilities -non-current	(77,738)
Total identifiable net assets	3,486,417
Fair value of the identifiable net assets-customer relationship	468,846
Goodwill	<u>\$ 875,175</u>

- (d) The operating revenue and loss before income tax included in the consolidated statement of comprehensive income since September 6, 2022 contributed by EXCELPOINT Company was \$13,347,437 and \$110,730, respectively. Had EXCELPOINT Company been consolidated from January 1, 2022, the consolidated statement of comprehensive income would show operating revenue of \$604,229,581 and profit before income tax of \$10,376,556.
- (e) As of December 31, 2022, the allocation of the purchase price of the combination is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.
- B. The Company acquired part of the electronic component distribution business of Shenzhen Anfuhua Technology Co., Ltd. and LIONEX TECHNOLOGY (HK) LIMITED:
- (a) In August 2020, the Group signed a business transfer agreement with Shenzhen Anfuhua Technology Co., Ltd. and LIONEX TECHNOLOGY (HK) LIMITED, acquiring part of the

company's electronic component distribution business amounting to \$42,673 and \$42,697 (\$14,743 and \$14,742 of the aforementioned amounts have been paid in August 2020 and shown as 'other non-current assets'), respectively. The record date of the transfer was May 31, 2021.

(b) Shenzhen Anfuhua Technology Co., Ltd. and LIONEX TECHNOLOGY (HK) LIMITED are distributors of electronic components with the China region as its primary market.

(c) Information on the acquisition of the distribution business is as follows:

	May 31, 2021
Purchase consideration - cash	\$ 85,370
Less: Fair value of the identifiable net assets-customer relationship	(85,370)
Goodwill	\$ -

(34) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 99,390	\$ 155,411
Add: Opening balance of payable on equipment	24,780	3,456
Ending balance of prepayments for business facilities	223,501	36,457
Less: Ending balance of payable on equipment	(770)	(24,780)
Opening balance of prepayments for business facilities	(36,457)	-
Effect of foreign exchange	8	-
Cash paid during the year	\$ 310,452	\$ 170,544

B. Cash paid for business combinations:

	Years ended December 31,	
	2022	2021
Current assets	\$ 16,198,350	\$ -
Property, plant and equipment	91,561	-
Goodwill	875,175	13,686
Acquired identifiable intangible assets	489,028	96,906
Other non-current assets	324,574	-
Current liabilities	(12,899,384)	-
Non-current liabilities	(248,866)	(19,122)
Fair value of assets acquired and liabilities assumed	4,830,438	91,470
Adjustment of contingent consideration	1,996	-
Add: Opening balance of payable for investment	6,100	-
Less: Ending balance of payable for investment	-	(6,100)
Opening balance of prepayment for investment	-	(29,485)
Acquired cash from business combinations	(1,006,354)	-
Non-controlling interests	(791,053)	-
Cash paid during the year	<u>\$ 3,041,127</u>	<u>\$ 55,885</u>

C. Financing activities with no cash flow effects

(a) Convertible bonds payable

	Years ended December 31,	
	2022	2021
Conversion of bonds payable	\$ 28,876	\$ 113,909
Capital surplus of bonds payable conversion	47,760	190,166
Conversion of convertible bonds payable	(76,636)	(304,075)
Cash paid during the year	<u>\$ -</u>	<u>\$ -</u>

(35) Changes in liabilities from financing activities

	Long-term and short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable (Note)	Lease liability	Liabilities from financing activities-gross
At January 1, 2022	\$ 41,248,108	\$ 2,049,454	\$ 76,635	\$ 440,119	\$ 43,814,316
Changes in cash flow from financing activities	9,120,293	(1,010,053)	-	(235,467)	7,874,773
Impact of changes in foreign exchange rate	826,890	-	-	13,794	840,684
Interest expense from amortisation	-	9,985	1	-	9,986
Conversion of convertible bonds	-	-	(76,636)	-	(76,636)
Acquired from business combinations	4,931,714	-	-	160,219	5,091,933
Increase in lease liability	-	-	-	205,467	205,467
At December 31, 2022	<u>\$ 56,127,005</u>	<u>\$ 1,049,386</u>	<u>\$ -</u>	<u>\$ 584,132</u>	<u>\$ 57,760,523</u>
	Long-term and short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2021	\$ 24,114,455	\$ 747,643	\$ 377,194	\$ 499,922	\$ 25,739,214
Changes in cash flow from financing activities	17,183,905	1,293,979	-	(193,030)	18,284,854
Impact of changes in foreign exchange rate	(50,252)	-	-	(12,583)	(62,835)
Interest expense from amortisation	-	7,832	3,516	-	11,348
Conversion of convertible bonds	-	-	(304,075)	-	(304,075)
Increase in lease liability	-	-	-	145,810	145,810
At December 31, 2021	<u>\$ 41,248,108</u>	<u>\$ 2,049,454</u>	<u>\$ 76,635</u>	<u>\$ 440,119</u>	<u>\$ 43,814,316</u>

Note: Including current portion of long-term loans and bonds payable.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
JCD Optical Corporation Limited	Associate
Qwave Technology Co., Ltd.	Associate
Shao Yang Investment Co., Ltd.	Other related party
Wen-You Investment Co., Ltd.	Other related party
Tang Ye Investment Co., Ltd.	Other related party
WPG Holdings Limited and Subsidiaries	Entity with significant influence over the Group
ASUSTeK Computer Inc. and Subsidiaries	Entity with significant influence over the Group

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
- Entity with significant influence over the Group	\$ 4,938,756	\$ 4,413,939
- Associates	1,841	1,578
	<u>\$ 4,940,597</u>	<u>\$ 4,415,517</u>

The collection terms with related parties were 30 to 120 days and the products were categorised and priced taking into consideration the inventory cost, market and other conditions.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
- Entity with significant influence over the Group	\$ 1,675,354	\$ 1,260,294
- Associates	6,585	21,130
	<u>\$ 1,681,939</u>	<u>\$ 1,281,424</u>

The credit term to related parties is 30 to 45 days and the purchase prices were categorised and priced taking into consideration the market prices and other conditions.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
- Entity with significant influence over the Group	\$ 533,247	\$ 579,475
- Associates	871	713
	<u>\$ 534,118</u>	<u>\$ 580,188</u>

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
- Entity with significant influence over the Group	\$ 164,955	\$ 93,045
- Associates	-	1,105
	<u>\$ 164,955</u>	<u>\$ 94,150</u>

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 185,380	\$ 191,193
Post-employment benefits	1,044	574
Share-based payment	33,132	11,523
	<u>\$ 219,556</u>	<u>\$ 203,290</u>

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Purpose</u>	<u>Book value</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable, net:			
Pledged accounts receivable	Bank loan	\$ -	\$ 338,931
Other current assets:			
Bank deposits	Bid bond	2,979	2,685
		<u>\$ 2,979</u>	<u>\$ 341,616</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

The outstanding letters of credit for the purchase of inventories by the Group are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Outstanding letters of credit	<u>\$ 7,542,994</u>	<u>\$ 10,069,926</u>

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Customs duties guarantee	<u>\$ 45,000</u>	<u>\$ 32,000</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 23, 2023, the Company's board of directors resolved to acquire the non-controlling interest in its subsidiary, Nuvision Technology Inc., for a cash consideration thereby increasing the Company's equity interest to 100%.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2022 and 2021, the Group's strategy was to maintain the financial debt ratio below 250%.

(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 mandatorily measured at fair value through profit or loss	\$ 299,843	\$ 333,924
Financial assets designated as at fair value through profit or loss on initial recognition	<u>4,501</u>	<u>9,806</u>
	<u>\$ 304,344</u>	<u>\$ 343,730</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	\$ 9,139,705	\$ 18,989,224
Qualifying debt instruments	<u>29,602,714</u>	<u>16,784,917</u>
	<u>\$ 38,742,419</u>	<u>\$ 35,774,141</u>

	December 31, 2022	December 31, 2021
Financial assets at amortised cost		
Cash and cash equivalents	\$ 5,383,254	\$ 4,679,576
Accounts receivable	54,965,402	58,677,166
Other receivables	2,237,030	1,531,897
Other financial assets (shown as ‘other current assets’)	59,087	17,358
Guarantee deposits paid (shown as ‘other non-current assets’)	318,260	123,041
	<u>\$ 62,963,033</u>	<u>\$ 65,029,038</u>
	December 31, 2022	December 31, 2021
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 11,372	\$ 14,838
Financial liabilities at amortised cost		
Short-term borrowings	\$ 38,340,556	\$ 33,497,708
Short-term notes and bills payable	1,049,386	2,049,454
Accounts payable	77,996,735	69,808,936
Other accounts payable	3,789,378	2,184,132
Corporate bonds payable (including current portion)	-	76,635
Long-term borrowings	17,786,449	7,750,400
Guarantee deposits received (shown as ‘other non-current liabilities’)	7,586	1,143
	<u>\$ 138,970,090</u>	<u>\$ 115,368,408</u>
Lease liability	<u>\$ 584,132</u>	<u>\$ 440,119</u>

B. Financial risk management policies

- (a) The Group’s activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts, are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.

- (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 hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 2,433,988	30.710	\$74,747,771	1%	\$ 747,478
USD:KRW	15,021	1,267.3	461,295	1%	4,613
USD:RMB	10,124	6.9590	310,908	1%	3,109
RMB:USD	34,948	0.144	154,233	1%	1,542
<u>Foreign operations</u>					
USD:NTD	598,522	30.710	18,392,052		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,378,905	30.710	73,056,173	1%	730,562
USD:RMB	238,103	6.9590	7,312,143	1%	73,121
USD:KRW	27,018	1,267.3	829,723	1%	8,297
December 31, 2021					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 2,855,524	27.680	\$79,040,904	1%	\$ 790,409
USD:RMB	1,179	6.3700	32,635	1%	326
USD:KRW	14,305	1,186.5	395,962	1%	3,960
<u>Non-monetary items</u>					
USD:NTD	3,215	27.680	88,991		
<u>Foreign operations</u>					
USD:NTD	433,994	27.680	12,017,873		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,849,288	27.680	78,868,292	1%	788,683
USD:RMB	171,134	6.3700	4,736,989	1%	47,370
USD:KRW	19,018	1,186.5	526,418	1%	5,264

- v. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 amounted to (\$413,746) and \$196,658, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held 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. Diversification of the portfolio is performed in accordance with the limits set by the Group.
- ii. The Group's investments comprise shares and beneficiary certificates issued by the domestic and foreign companies. 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 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,435 and \$2,746, 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 \$91,397 and \$189,892, 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 main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Group's borrowings are measured at amortised cost. According to the contract, the borrowings are periodically reset. Therefore, the Group is exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$118,615 and \$86,576, respectively. The main factor is that changes in interest expense result from 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

- ii. The Group manages its credit risk from the group's perspective. For banks and financial institutions, only approved by FSC are accepted to be transaction parties. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors through internal risk control. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over 90 days based on the terms, the Group considers that there has been a significant increase in credit risk on that instrument since initial recognition. The Group considers that the default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	Notes and accounts receivable	
	December 31, 2022	December 31, 2021
Not past due	\$ 79,260,707	\$ 70,985,709
Up to 90 days	5,342,232	4,544,103
91 to 180 days	94,466	31,687
Over 180 days	595,590	601,483
	<u>\$ 85,292,995</u>	<u>\$ 76,162,982</u>

(i) The above ageing analysis was based on days past due.

(ii) Abovementioned notes receivable are not past due.

After the recourse procedure, the Group will write off the amount of financial assets that cannot reasonably be expected to be recovered, however the Group will continue to carry out recourse legal procedures to preserve the creditor's rights.

- v. The Group assesses the expected credit losses of its accounts receivable as follows:
 - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
 - (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
 - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.

(iv) As of December 31, 2022 and 2021, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

<u>December 31, 2022</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	91.40%	0.05%	0.10%~77.97%	0.05%~89.18%	
Total book value	<u>\$ 563,060</u>	<u>\$ 50,346,863</u>	<u>\$ 30,043,142</u>	<u>\$ 4,339,930</u>	<u>\$85,292,995</u>
Loss allowance	<u>\$ 514,641</u>	<u>\$ 26,432</u>	<u>\$ 95,927</u>	<u>\$ 87,879</u>	<u>\$ 724,879</u>
<u>December 31, 2021</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	99.71%	0.03%	0.03%~30.69%	2.40%~9.26%	
Total book value	<u>\$ 572,029</u>	<u>\$ 48,257,984</u>	<u>\$ 24,048,695</u>	<u>\$ 3,284,274</u>	<u>\$76,162,982</u>
Loss allowance	<u>\$ 570,373</u>	<u>\$ 14,477</u>	<u>\$ 37,118</u>	<u>\$ 78,931</u>	<u>\$ 700,899</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
At January 1	\$ 700,899	\$ 705,345
Provision for impairment	1,095	2,683
Effect of exchange rate changes	22,885	(7,129)
At December 31	<u>\$ 724,879</u>	<u>\$ 700,899</u>

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(16)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing demand deposits, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the due date at the balance sheet date. Non-derivative financial liabilities are analysed by remaining periods from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Short-term borrowings (Note)	\$ 38,725,148	\$ -	\$ -	\$38,725,148
Lease liability	256,493	350,381	7,182	614,056
Long-term loans (Note)	<u>620,781</u>	<u>23,444,478</u>	<u>-</u>	<u>24,065,259</u>
	<u>\$ 39,602,422</u>	<u>\$ 23,794,859</u>	<u>\$ 7,182</u>	<u>\$63,404,463</u>

December 31, 2021

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Short-term borrowings (Note)	\$ 33,260,543	\$ -	\$ -	\$33,260,543
Lease liability	186,302	249,154	33,716	469,172
Long-term loans (Note)	73,629	8,020,372	-	8,094,001
Bonds payable	<u>77,100</u>	<u>-</u>	<u>-</u>	<u>77,100</u>
	<u>\$ 33,597,574</u>	<u>\$ 8,269,526</u>	<u>\$ 33,716</u>	<u>\$41,900,816</u>

Note: Including imputed interest payable.

Except for the above, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2022 and 2021, all derivative financial liabilities of the Group are due in one year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(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 listed stocks, open-end funds and overseas bonds 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 derivative instruments 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, debt instrument and private equity fund is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term loans, are approximate to their fair values.

D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2022

	<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				
Beneficiary certificates	\$ 30,689	\$ -	\$ 196,253	\$ 226,942
Equity securities	4,501	-	-	4,501
Debt instruments	276	-	72,625	72,901
Financial assets at fair value through other comprehensive income				
Equity securities	8,972,484	-	167,221	9,139,705
Accounts receivable that are expected to be factored	-	-	29,602,714	29,602,714
	<u>\$ 9,007,950</u>	<u>\$ -</u>	<u>\$ 30,038,813</u>	<u>\$39,046,763</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 11,372</u>	<u>\$ -</u>	<u>\$ 11,372</u>

December 31, 2021

	<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				
Beneficiary certificates	\$ 49,603	\$ -	\$ 218,086	\$ 267,689
Equity securities	9,806	-	-	9,806
Debt instruments	321	-	65,459	65,780
Derivative instrument	-	455	-	455
Financial assets at fair value through other comprehensive income				
Equity securities	18,937,673	-	51,551	18,989,224
Accounts receivable that are expected to be factored	<u>-</u>	<u>-</u>	<u>16,784,917</u>	<u>16,784,917</u>
	<u>\$18,997,403</u>	<u>\$ 455</u>	<u>\$ 17,120,013</u>	<u>\$36,117,871</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 14,838</u>	<u>\$ -</u>	<u>\$ 14,838</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

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

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bonds</u>
Market quoted price	Closing price	Net assets value	Weighted average quoted price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, 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.
 - iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - vi. 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. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	Equity securities, debt instruments and beneficiary certificates	
	2022	2021
At January 1	\$ 17,120,013	\$ 14,486,546
Acquired during the year	25,002	128,011
Acquired from business combinations	106,147	-
(Losses) gains recognised in profit or loss	(31,452)	4,135
(Losses) gains recognised in other comprehensive income	(9,766)	6,803
Increase in accounts receivable that are expected to be factored	19,727,162	7,903,166
Decrease in accounts receivable that are expected to be factored	(6,909,365)	(5,406,415)
Effect of exchange rate changes	11,072	(2,233)
At December 31	<u>\$ 30,038,813</u>	<u>\$ 17,120,013</u>

(a) Refer to Note 6(33) for the details of increase in the Group's financial instruments arising from business combinations for the year ended December 31, 2022.

(b) For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 6,056	Market comparable companies	Price to earnings ratio multiple	1.18~1.43 (1.3)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
	18,426	Most recent non-active market price	Not applicable	-	Not applicable
Unlisted preferred shares	26,560	Discounted cash flow method	Weighted average cost of capital	11.51%	The higher the weighted average cost of capital and discount for lack of marketability, the lower the fair value
			Discount for lack of marketability	30%	
	46,065	Most recent non-active market price	Not applicable	-	Not applicable
	107,300	Most recent non-active market price	Not applicable	-	Not applicable
Venture capital shares	35,439	Net asset value	Not applicable	-	Not applicable
Private equity fund	196,253	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 16,543	Market comparable companies	Price to earnings ratio multiple	2.93~3.34 (3.19)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted preferred shares	23,939	Discounted cash flow method	Weighted average cost of capital	11.51%	The higher the weighted average cost of capital and discount for lack of marketability, the lower the fair value
	41,520	Most recent non- active market price	Not applicable	-	Not applicable
Venture capital shares	35,008	Net asset value	Not applicable	-	Not applicable
Private equity fund	218,086	Net asset value	Not applicable	-	Not applicable

(4) Other matter

The Group has adopted relevant prevention measures in response to the Covid-19 pandemic and the government's multiple pandemic prevention programs. The pandemic had no significant impact on the Group's operations and business as of and for the years ended December 31, 2022 and 2021.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Refer to table 4.
- 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: Refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to Note 13(1).

(4) Major shareholders information

Major shareholders information: Refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2022	2021
Revenue from external customers	\$ 505,683,701	\$ 406,754,410
Segment income	\$ 9,024,316	\$ 9,338,808
Segment assets (Note)	\$ -	\$ -
Depreciation and amortisation	\$ 320,578	\$ 337,990
Finance costs	\$ 2,281,585	\$ 675,886

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

	Years ended December 31,	
	2022	2021
Operating revenue		
Total reported segment revenue	\$ 505,683,701	\$ 406,754,410
Other operating segment revenue	65,513,417	41,141,707
Total operating revenue	<u>\$ 571,197,118</u>	<u>\$ 447,896,117</u>
	Years ended December 31,	
	2022	2021
Profit and loss		
Income of reported segment	\$ 9,024,316	\$ 9,338,808
Income of other operating segments	886,826	841,017
Income before income tax from continuing operations	<u>\$ 9,911,142</u>	<u>\$ 10,179,825</u>

(4) Information on products and services

Refer to Note 6(24) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 84,373,636	\$ 3,583,399	\$ 67,650,167	\$ 2,339,649
China	361,370,198	1,265,512	307,763,305	957,029
Others	125,453,284	806,452	72,482,645	561,988
	<u>\$ 571,197,118</u>	<u>\$ 5,655,363</u>	<u>\$ 447,896,117</u>	<u>\$ 3,858,666</u>

The above revenue by geographic area is calculated based on sales to external customers at the location of its registered office.

(6) Major customer information

	Years ended December 31,	
	2022	2021
Customer B	<u>\$ 86,666,027</u>	<u>\$ 74,249,625</u>

WT Microelectronics Co., Ltd. and subsidiaries
Loans to others

Year ended December 31, 2022

Table 1
(Table 1)
Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	\$ 84,075	\$ -	\$ -	0.75%	Short-term financing	\$ -	- Business Operation	\$ -	-	\$ -	4,891	\$ 4,891	Note 2
2	WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	64,300	61,420	-	1.00%	Short-term financing	-	- Business Operation	-	-	-	1,022,477	4,089,910	Note 2
2	WINTECH MICROELECTRONICS	WINTECH	Other receivables - related parties	Y	7,425,600	7,370,400	6,142,000	3.65%-5.55%	Short-term financing	-	- Business Operation	-	-	-	10,224,773	10,224,773	Note 2
3	HOLDING LIMITED	MICROELECTRONICS LTD.	Other receivables - related parties	Y	318,285	304,029	304,029	2.70%-6.25%	Short-term financing	-	- Business Operation	-	-	-	569,991	569,991	Note 2
4	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS	Other receivables - related parties	Y	90,020	85,988	85,988	2.40%	Short-term financing	-	- Business Operation	-	-	-	97,705	97,705	Note 2
5	EXCELPOINT TECHNOLOGY PTE. LTD.	SINGAPORE PTE. LTD.	Other receivables - related parties	Y	289,350	270,248	270,248	1.90%	Short-term financing	-	- Business Operation	-	-	-	499,174	499,174	Note 3
5	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (H.K.) LIMITED	Other receivables - related parties	Y	48,225	46,065	46,065	3.03%	Short-term financing	-	- Business Operation	-	-	-	499,174	499,174	Note 3
6	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	SHANGHAI UQ IOT TECH, INC.	Other receivables - related parties	N	6,652	-	-	3.50%	Short-term financing	-	- Providing short-term financing to strategic partners	-	-	-	154,040	616,159	Note 1
7	PROMISING INVESTMENT LIMITED	WINTECH MICROELECTRONICS	Other receivables - related parties	Y	861,620	-	-	4.82%	Short-term financing	-	- Business Operation	-	-	-	986,867	986,867	Note 2
8	WINTECH INVESTMENT CO., LTD.	HOLDING LIMITED WINTECH MICROELECTRONICS LTD.	Other receivables - related parties	Y	122,840	122,840	122,840	5.73%	Short-term financing	-	- Business Operation	-	-	-	988,728	988,728	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2022		Outstanding endorsement / guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser / guarantor (Note 2)		December 31, 2022	December 31, 2022									
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$	43,284,276	800,000	\$	800,000	-	1.44%	\$	43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2		43,284,276	160,750	153,550	109,793	-	0.28%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2		43,284,276	1,286,000	1,228,400	921,300	-	2.22%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2		43,284,276	2,411,250	2,303,250	1,842,600	-	4.16%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2		43,284,276	67,515	64,491	4,422	-	0.12%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2		43,284,276	1,608	1,536	190	-	0.00%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2		43,284,276	321,500	307,100	-	-	0.55%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2		43,284,276	6,069,340	5,941,606	1,235,696	-	10.73%		43,284,276	Y	N	Y
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2		43,284,276	1,956,243	1,956,243	264,792	-	3.53%		43,284,276	Y	N	Y
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2		43,284,276	1,805,948	1,729,134	1,415,599	-	3.12%		43,284,276	Y	N	N
0	WT MICROELECTRONICS CO., LTD.	WT SEMICONDUCTOR HOLDINGS PTE. LTD.	2		43,284,276	4,569,750	-	-	-	0.00%		43,284,276	Y	N	N
1	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (H.K.) LIMITED	2		18,719,010	5,256,525	5,021,085	2,161,137	-	402.35%		18,719,010	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	2		18,719,010	64,300	61,420	-	-	4.92%		18,719,010	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	SYNERGY ELECTRONICS (SHENZHEN) CO., LTD.	2		18,719,010	32,150	30,710	-	-	2.46%		18,719,010	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (PTE) LTD	2		18,719,010	5,853,129	5,130,317	2,375,914	-	411.10%		18,719,010	N	N	Note 4
1	EXCELPOINT TECHNOLOGY PTE. LTD.	PLANETSPARK PTE. LTD.	2		18,719,010	116,655	111,430	95,484	-	8.93%		18,719,010	N	N	Note 4
2	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	2		38,128,740	64,300	61,420	-	-	2.42%		38,128,740	N	N	Note 4
2	EXCELPOINT SYSTEMS (H.K.) LIMITED	SYNERGY ELECTRONICS (SHENZHEN) CO., LTD.	2		38,128,740	32,150	30,710	-	-	1.21%		38,128,740	N	N	Note 4
2	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT SYSTEMS (PTE) LTD	2		38,128,740	482,250	-	-	-	0.00%		38,128,740	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The limit of endorsement guarantees by Excelpoint Technology Pte. Ltd. and Excelpoint Systems (H.K.) Limited for a single enterprise and the total limit of endorsement guarantees should not be in excess of 15 times the Company's net assets.

Table 2. Page 1

WT Microelectronics Co., Ltd. and subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2022

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note)	As of December 31, 2022				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 6,056	2.19	\$ 6,056	
WT MICROELECTRONICS CO., LTD.	Common stock	API TEK INTERNATIONAL INC.	None	2	48,778	-	0.18	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.70	-	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	35,439	6.73	35,439	
WT MICROELECTRONICS CO., LTD.	Common stock	ASMEDIA TECHNOLOGY INC.	None	2	9,000,000	6,030,000	12.97	6,030,000	
WT MICROELECTRONICS CO., LTD.	Funds	YUANTA GLOBAL NEXGEN COMMUNICATION INNOVATIVE TECHNOLOGY ETF	None	3	350,000	8,369	-	8,369	
WT MICROELECTRONICS CO., LTD.	Private equity funds	FUH HWA ENERGY - EFFICIENT FUND	None	4	9,443,802	96,988	-	9,698	
WT MICROELECTRONICS CO., LTD.	Funds	FUH HWA TAIWAN GOOD INCOME FUND TWD	None	4	3,000,000	22,320	-	22,320	
WT MICROELECTRONICS CO., LTD.	Common stock	SINO-AMERICAN SILICON PRODUCTS INC.	None	2	7,889,000	1,100,516	1.35	1,100,516	
WT MICROELECTRONICS CO., LTD.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	1,043,000	41,720	0.85	41,720	
WT MICROELECTRONICS CO., LTD.	Private equity funds	FUH HWA GLOBAL IOT AND TECH FUND	None	4	10,010,010	77,577	-	77,577	
WT MICROELECTRONICS CO., LTD.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	260,000	60,840	0.47	60,840	
WT MICROELECTRONICS CO., LTD.	Common stock	NICHIDENBO CORPORATION	None	2	1,000,000	52,600	0.47	52,600	
WT MICROELECTRONICS CO., LTD.	Ordinary shares raised through the private placement	NICHIDENBO CORPORATION	None	2	30,000,000	1,388,640	14.11	1,388,640	
NUVISION TECHNOLOGY INC.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	196,000	7,840	0.16	7,840	
NUVISION TECHNOLOGY INC.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	307,000	71,838	0.56	71,838	
MORRIHAN INTERNATIONAL CORP.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	688,000	27,520	0.56	27,520	
MORRIHAN INTERNATIONAL CORP.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	329,000	76,986	0.60	76,986	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	4	2,702,703	26,560	0.79	26,560	
WINTECH MICROELECTRONICS HOLDING LTD.	Bonds	EXXON MOBIL CORPORATION	None	4	100	276	-	276	
WINTECH MICROELECTRONICS HOLDING LTD.	Private equity funds	CATHAY PRIVATE EQUITY ECOLOGY LIMITED PARTNERSHIP	None	4	-	21,688	-	21,688	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	AVIVA TECHNOLOGY HOLDING	None	4	659,034	46,065	1.65	46,065	

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note)	As of December 31, 2022			
					Number of shares	Book value	Ownership (%)	Fair value
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	DRAGON YI INVESTMENT LTD.	None	2	600,000	\$ 18,426	19.35	\$ 18,426
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	3	447,871	4,501	0.12	4,501
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	7,140,443	71,761	1.98	71,761
EXCELPOINT TECHNOLOGY PTE. LTD.	Common stock	ANSWER TECHNOLOGY CO., LTD.	None	2	498,169	25,149	0.80	25,149
EXCELPOINT TECHNOLOGY PTE. LTD.	Common stock	IWOW TECHNOLOGY LTD.	None	2	3,000,000	17,074	1.30	17,074
PLANETSPARK PTE. LTD.	Preferred shares	MERIDIAN INNOVATION PTE LTD.	None	2	1,307,790	100,470	-	100,470
PLANETSPARK PTE. LTD.	Preferred shares	SPACEAGE LABS PTE LTD.	None	2	336,700	6,830	-	6,830

Note : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current
2- Financial assets at fair value through other comprehensive income - non-current
3- Financial assets at fair value through profit or loss - current
4- Financial assets at fair value through profit or loss - non-current

Table 4												Expressed in thousands of NTD (Except as otherwise indicated)		
Investor	Marketable securities	General ledger account	Balance as at January 1, 2021 (Note 1)						Balance as at December 31, 2022 (Note 2)					
			Counterparty		Relationship with the counterparty		Addition		Disposal		Gain (loss)			
			No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount		
WT MICROELECTRONICS CORPORATION	NICHENBO CORPORATION	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	31,000,000	\$ 1,373,511	-	\$ -	-	\$ -	31,000,000	\$ 1,441,240

Note 1 : The balance as at January 1, 2022 and addition amount are presented in initial investment amount.

Note 2 : The balance as at December 31, 2022 includes the unrealised gain (loss) from financial assets measured at fair value.

WT Microelectronics Co., Ltd. and subsidiaries
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 5

Expressed in thousands ofNTD
(Except as otherwise indicated)

Relationship with the counterparty			Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
WT MICROELECTRONICS CO., LTD.	Counterparty	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	\$ 120,584,047	29	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 8,931,307	20
WT MICROELECTRONICS CO., LTD.		WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	42,469,991	10	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	6,232,757	14
WT MICROELECTRONICS CO., LTD.		WT SOLOMON QCE LIMITED	Affiliates	Sales	15,077,816	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,126,174	5
WT MICROELECTRONICS CO., LTD.		WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	17,275,404	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	609,686	1
WT MICROELECTRONICS CO., LTD.		WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	7,796,382	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,304,568	3
WT MICROELECTRONICS CO., LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	7,512,083	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,433,444	3
WT MICROELECTRONICS CO., LTD.		WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	3,220,119	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	369,791	-
WT MICROELECTRONICS CO., LTD.		MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	391,878	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	27,240	-
WT MICROELECTRONICS CO., LTD.		TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	143,482	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
WT MICROELECTRONICS CO., LTD.		WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	599,864	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	18,175	-
WT MICROELECTRONICS CO., LTD.		MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	4,390,698	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
WT MICROELECTRONICS CO., LTD.		NUVISION TECHNOLOGY INC.	Affiliates	Purchases	5,508,957	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(819,287)	(2)
WT MICROELECTRONICS CO., LTD.		TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,221,171	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(77,378)	-
WT MICROELECTRONICS CO., LTD.		HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	201,148	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(72,827)	-
WT MICROELECTRONICS CO., LTD.		MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	336,387	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-

Table 5. Page 1

Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)					
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Credit term	Unit price	Percentage of total purchases (sales)	Balance	Footnote
			Purchases (sales)	Amount					
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	\$ 3,355,798	14 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 512,769	13
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	3,247,542	14 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	663,488	17
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,045,128	4 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	390,303	10
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	361,848	2 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	26,024	1
NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	792,884	3 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	49,834	1
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	43,870,758	20 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,517,475	11
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	887,173	- Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	323,068	1
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	1,364,185	1 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	157,903	1
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	897,150	- Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	159,786	1
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	276,144	- Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	101,996	-
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	310,089	- Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	45,980	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	713,795	1 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	335,781	27
TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	105,004	- Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	17,798	1
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	3,019,201	39 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(67,513)	(8)
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	13,045,069	68 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	4,789,014	67
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	6,265,076	32 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,398,015	33
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	141,871	2 Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	36,020	3

Table 5, Page 2

			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)		
Transaction			Transaction				Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance
			(sales)	\$	(sales)				Percentage of total notes/accounts receivable (payable)
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	180,132	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 117,902
EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	Sales	290,602	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,344,988
									4
									23

Table 5. Page 3

WT Microelectronics Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Table 6

Expressed in thousands of NTD (Except as otherwise indicated)								
Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Overdue receivables		Amount collected subsequent to the balance sheet date		Allowance for doubtful accounts
				Turnover rate	Amount	Action taken	\$	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 8,931,307	11.30	\$ -	-	\$ 1,097,158	\$ -
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	6,232,757	7.45	-	-	374,948	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	2,126,174	6.19	-	-	-	-
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	609,686	9.01	-	-	-	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	1,304,568	7.43	-	-	275,502	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	1,433,444	7.00	-	-	339,138	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	369,791	11.76	-	-	-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	819,287	7.58	-	-	476,564	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	512,769	8.59	-	-	76,777	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	663,488	3.60	-	-	370,072	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	390,303	4.53	-	-	-	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	2,517,475	18.82	-	-	1,044,364	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	323,068	2.92	-	-	123,735	-
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	157,903	11.60	-	-	-	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	101,996	4.94	-	-	-	-
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	159,786	4.37	-	-	-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	335,781	3.17	-	-	-	-
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	117,902	2.42	-	-	-	-

Table 6, Page 1

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Amount	Action taken		
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	\$ 4,789,014	3.16 \$	-	\$ 363,287	\$ -
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	2,398,015	3.50	-	136,573	-
EXCELPPOINT SYSTEMS (H.K.) LIMITED	EXCELPPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	1,344,988	0.43	-	-	-

Note: For information on loans between the Company and subsidiaries, refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 120,584,047	(Note 3)	21
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Accounts receivable	8,931,307	(Note 3)	4
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	42,469,991	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	6,232,757	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	15,077,816	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	2,126,174	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	17,275,404	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	609,686	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	7,796,382	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	1,304,568	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	7,512,083	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	1,433,444	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	3,220,119	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Accounts receivable	369,791	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	391,878	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	599,864	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	143,482	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	4,390,698	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	5,508,957	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Accounts payable	819,287	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,221,171	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	201,148	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	336,387	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	3,355,798	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	512,769	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	3,247,542	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	663,488	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,045,128	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	390,303	(Note 3)	-

Table 7, Page 1

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	\$ 361,848	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	792,884	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	43,870,758	(Note 3)	8
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	2,517,475	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	887,173	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	323,068	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	276,144	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	101,996	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	1,364,185	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Accounts receivable	157,903	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	897,150	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	159,786	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	310,089	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	713,795	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	335,781	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	105,004	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	3,019,201	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	13,045,069	(Note 3)	2
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	4,789,014	(Note 3)	2
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	6,265,076	(Note 3)	1
5	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	2,398,015	(Note 3)	1
6	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	141,871	(Note 3)	-
7	WT MICROELECTRONICS (SHENZHEN) CO.,	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	117,902	(Note 3)	-
7	WT MICROELECTRONICS (SHENZHEN) CO.,	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	180,132	(Note 3)	-
8	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	Sales	290,602	(Note 3)	-
8	EXCELPOINT SYSTEMS (H.K.) LIMITED	EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	1,344,988	(Note 3)	1

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and accounts receivable, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2022

Table 8

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 at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 2,520,875	\$ 3,644,147	78,752,905	99.65	\$ 10,181,859	\$ 511,759	\$ 511,759	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sales of electronic components	1,781,829	1,781,829	73,949,070	100.00	2,661,565	726,032	726,032	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sales of electronic components	3,106,620	3,106,620	283,760,000	100.00	5,790,209	2,170,941	2,170,941	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sales of electronic components	486,289	486,289	7,544,002	100.00	804,407	13,703	13,703	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sales of electronic components	323,030	323,030	28,216,904	99.91	1,250,701	463,229	462,812	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	92,442	4,057	3,799	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	35,323	(46)	(46)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sales of electronic components	215,559	215,559	200,001	100.00	229,256	713	713	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sales of electronic components	1,895,949	1,895,949	70,220,331	100.00	2,072,091	451,318	451,318	Subsidiary
WT MICROELECTRONICS CO., LTD.	ANALOG WORLD CO., LTD.	South Korea	Sales of electronic components	397,230	397,230	120,000	100.00	470,521	35,831	32,845	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT SEMICONDUCTOR HOLDINGS PTE. LTD.	Singapore	Holding company	4,057,274	-	96,318,912	80.00	4,105,540	39,994	33,735	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sales of electronic components	4,808	-	1,000,000	100.00	4,891	19	(39)	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sales of electronic components	402,761	-	12,527,632	100.00	496,404	257,285	105,353	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Hong Kong	Sales of electronic components	451,386	-	110,000,000	100.00	472,282	240,590	36,538	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sales of electronic components	128,849	-	1,500,000	100.00	154,886	120,445	28,295	Subsidiary
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Singapore	Sales of electronic components	156,727	-	5,000,000	100.00	156,240	1,162	744	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	940,724	1,914,234	30,632,506	100.00	986,867	365,073	Note 1	Subsidiary

Table 8. Page 1

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 at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Book value	31, 2022		
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belize	General investment	\$ 645,554	\$ 645,554	21,020,957	100.00	\$ 988,728	\$ 149,210	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belize	Sales of electronic components	92,133	92,133	3,000,100	100.00	71	(56,358)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	British Virgin Islands	Holding company	154	154	5,000	100.00	6	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	72,903	72,903	5,869,093	19.80	28,316	(48,713)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,852	36,852	1,200,000	17.65	12,194	(4,055)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,710	30,710	18,924	24.65	22,445	(27,728)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLNICS INC.	Cayman Islands	Holding company	1,196,584	1,096,584	49,336,630	61.65	98,126	(103,574)	Note 1	Subsidiary
HOLDING LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,551	9,551	311,000	100.00	32,551	(1)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	705,545	705,545	22,974,430	100.00	868,618	1,199	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD. CO., LTD.	Malaysia	Sales of electronic components	3,481	3,481	500,000	100.00	2,403	449	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sales of electronic components	559,134	559,134	3,800,000	95.47	862,684	56,373	Note 1	Subsidiary
WIN MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sales of electronic components	2,668	2,668	300,000	100.00	1,835	36	Note 1	Subsidiary
WIN MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sales of electronic components	2,660	2,660	700,000	100.00	611	613	Note 1	Subsidiary
SINGAPORE PTE. LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	65,073	65,073	278,255	0.35	42,914	511,759	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP. LTD.	HOLDING LIMITED ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	44,770	655	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sales of electronic components	53,267	53,267	180,472	4.53	28,637	56,373	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sales of electronic components	24,086	24,086	53,505	100.00	222,082	9,457	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	SEMICONDUCTOR CO., LTD. MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sales of electronic components	210,451	210,451	9,500,000	100.00	1,136,225	456,564	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sales of electronic components	115,000	115,000	11,500,000	100.00	492,739	284,383	Note 1	Subsidiary

Table 8. Page 2

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 at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Book value	31, 2022		
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sales of electronic components	\$ 194,366	\$ 194,366	29,500	100.00	\$ 91,857	\$ 732	Note 1	Subsidiary
BRILLNICS INC.	BRILLNICS (HK) LIMITED	Hong Kong	Manufacture of electronic components	1,965,839	1,965,839	64,013,000	100.00	169,423	(87,323)	Note 1	Subsidiary
BRILLNICS INC.	BRILLNICS SINGAPORE PTE. LTD.	Singapore	Manufacture of electronic components	23,033	10,745	750,002	100.00	2,713	(15,390)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS JAPAN INC.	Japan	Manufacture of electronic components	23,240	23,240	100,000	100.00	19,504	1,849	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS (TAIWAN) INC.	Taiwan	Manufacture of electronic components	16,694	16,694	1,669,410	100.00	31,261	4,450	Note 1	Subsidiary
WT SEMICONDUCTOR HOLDINGS PTE. LTD.	EXCELPOINT TECHNOLOGY PTE. LTD.	Singapore	Sales of electronic components	5,089,844	-	120,398,640	100.00	5,132,040	449,923	Note 1	Subsidiary
EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (H.K.) LIMITED	Hong Kong	Sales of electronic components	489,862	-	27,793,961	100.00	2,541,916	415,082	Note 1	Subsidiary
EXCELPOINT TECHNOLOGY PTE. LTD.	EXCELPOINT SYSTEMS (PTE) LTD	Singapore	Sales of electronic components	274,163	-	11,000,000	100.00	897,409	56,103	Note 1	Subsidiary
EXCELPOINT TECHNOLOGY PTE. LTD.	PLANETSPARK PTE. LTD.	Singapore	R&D and investment of company	92,130	-	3,000,001	100.00	12,984	(34,902)	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS SDN. BHD.	Malaysia	Sales of electronic components	1	-	100	100.00	2,836	639	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS (INDIA) PVT LTD	India	Sales and services of technology	355	-	50,000	100.00	(73,054)	2,542	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS (USA) INC.	USA	Sales and services of technology	31	-	1,000	100.00	1,067	302	Note 1	Subsidiary
EXCELPOINT SYSTEMS (PTE) LTD	EXCELPOINT SYSTEMS VIETNAM COMPANY LIMITED	Vietnam	Sales of electronic components	9,213	-	-	100.00	-	-	Note 1	Subsidiary
EXCELPOINT SYSTEMS (H.K.) LIMITED	SYNERGY ELECTRONICS (H.K.) LIMITED	Hong Kong	Sales of electronic components	3,071	-	100,000	100.00	3,291	341	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

Table 8. Page 3

WT Microelectronics Co., Ltd. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
		\$	2	\$	\$	9,213	9,213	\$	100.00	\$	\$	\$	Note 5
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$	9,213	\$	-	9,213	-	\$	-	-	32,474	-	Note 6
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	700,964	2	645,704	-	645,704	1,199	1,199	100.00	1,199	868,511	-	Note 7
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, investment holding and etc.	1,079,457	2	588,097	-	588,097	64,933	64,933	100.00	64,933	1,540,397	-	Note 4
WT MICROELECTRONICS (SHANGHAI) TECHNOLOGY CO., LTD.	Technical service, international trade, entrepot trade and etc.	40,844	3	30,710	-	30,710	655	655	100.00	655	44,761	-	Note 8
JCD OPTICAL CORPORATION	Production and sales of optoelectronic materials and components	156,621	2	20,392	-	20,392	46,624	(	19.80	(	17,736	-	Note 9
SYNERGY ELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	7,876	2	-	-	-	2,627	-	80.00	5,750	(	302,259	-
EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	46,065	2	-	-	-	(	253,108	80.00	(	208,296	-	Note 9
Company name													
WT MICROELECTRONICS CO., LTD.		\$	1,294,116	\$	2,110,261	\$	32,984,593						

Note 1: The investment methods are classified into the following six categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTech MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

Note 9: This is a China company which was reinvested through the company, EXCELPOINT SYSTEMS (H.K.) LIMITED, in the third area.

WT Microelectronics Co., Ltd. and subsidiaries
Major shareholders information
December 31, 2022

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
WPG HOLDINGS LIMITED	201,393,867	19.77%
ASMEDIA TECHNOLOGY INC.	179,000,000	17.57%
SHAO YANG INVESTMENT CO., LTD.	74,797,429	7.34%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: As of December 31, 2022, the number of shares held by the chairman under his own name and under the names of others was 116,180,613 shares, and the shareholding ratio was 11.41%.
The abovementioned information is provided in the "Market Observation Post System".

Future Electronics Inc.

Consolidated financial statements

[Expressed in U.S. dollars]

December 31, 2023

Independent auditor's report

To the Shareholder of
Future Electronics Inc.

Opinion

We have audited the consolidated financial statements of **Future Electronics Inc.** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2023, December 31, 2022 and January 1, 2022, and the consolidated statements of income and comprehensive income, consolidated statements of shareholder's equity and consolidated statements of cash flows for the years ended December 31, 2023 and December 31, 2022, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, December 31, 2022 and January 1, 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and December 31, 2022 in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Restated comparative information

We draw attention to Note 2.4 to the consolidated financial statements which explains that certain comparative information presented as at December 31, 2022 and January 1, 2022 and for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

Emphasis of matter – Comparative information

We draw attention to Note 25 to the consolidated financial statements which explains that the Group adopted IFRS on January 1, 2023 with a transition date of January 1, 2022. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated balance sheets as at December 31, 2022 and January 1, 2022, and the consolidated statement of income and comprehensive income, the consolidated statement of shareholder's equity and the consolidated statement of cash flows for the year ended December 31, 2022, and notes to the consolidated financial statements. Our opinion is not modified in respect of this matter.

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 IFRS, 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.



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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 are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.
- 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.

*Ernst & Young LLP*¹

Montreal, Canada

March 28, 2024

¹ CPA auditor, public accountancy permit no. A118111



A member firm of Ernst & Young Global Limited

Future Electronics Inc.

Consolidated balance sheets

[in thousands of US dollars]

As at

	December 31, 2023 \$	December 31, 2022 \$	January 1, 2022 \$
		<i>[restated - see notes 2.4 & 25]</i>	<i>[restated - see notes 2.4 & 25]</i>
Assets			
Current			
Cash and cash equivalents	400,172	198,357	221,618
Accounts receivable <i>[note 4]</i>	1,962,898	2,143,886	1,857,846
Prepaid expenses and other current assets	137,984	141,710	85,398
Due from related parties <i>[note 11]</i>	32,863	—	38,120
Inventories <i>[note 5]</i>	1,425,681	1,463,602	1,191,374
Income taxes and other taxes receivable	34,235	55,437	26,827
Total current assets	3,993,833	4,002,992	3,421,183
Due from company under common control <i>[note 11]</i>	—	150,000	150,000
Property, plant and equipment, net <i>[note 6]</i>	52,950	74,737	78,463
Right-of-use assets <i>[note 12]</i>	45,014	44,471	56,191
Deferred income tax assets <i>[note 13]</i>	25,472	25,557	24,083
Intangible assets, net <i>[note 7]</i>	981	1,777	2,977
Goodwill <i>[note 8]</i>	8,824	8,824	8,824
Other long term assets	4,669	9,556	7,907
	4,131,743	4,317,914	3,749,628
Liabilities and shareholder's equity			
Current			
Accounts payable and accrued liabilities <i>[notes 6 and 9]</i>	691,579	659,709	653,683
Income taxes and other taxes payable	16,171	47,874	50,645
Due to related parties <i>[note 11]</i>	—	337,504	268,906
Lease liabilities – current portion <i>[note 12]</i>	15,818	14,734	15,972
Other short term liabilities <i>[notes 2.4 and 10]</i>	5,110	15,766	899
Total current liabilities	728,678	1,075,587	990,105
Due to company under common control <i>[note 11]</i>	—	150,000	150,000
Deferred income tax liabilities <i>[note 13]</i>	1,395	4,753	5,994
Lease liabilities – long-term portion <i>[note 12]</i>	30,755	30,376	43,389
Other long-term liabilities <i>[notes 2.4, 6 and 10]</i>	68,668	69,975	77,282
Total liabilities	829,496	1,330,691	1,266,770
Shareholder's equity			
Common stock <i>[note 26]</i>	158,311	158,311	158,311
Contributed surplus	1,601	1,601	1,601
Retained earnings	3,142,335	2,827,311	2,322,946
Total shareholder's equity	3,302,247	2,987,223	2,482,858
	4,131,743	4,317,914	3,749,628

Commitments, guarantees and contingencies *[notes 18, 19 and 21]*

Subsequent event *[note 24]*

See accompanying notes

Future Electronics Inc.

Consolidated statements of income and comprehensive income

[in thousands of US dollars]

Years ended December 31

	2023	2022
	\$	\$
	<i>[restated - see notes 2.4 & 25]</i>	
Net sales <i>[note 15]</i>	5,446,936	6,071,669
Cost of merchandise sold <i>[note 5]</i>	4,500,901	4,846,781
Gross profit	946,035	1,224,888
Expenses		
Selling <i>[notes 16 and 24]</i>	402,344	389,726
General and administrative <i>[notes 4, 16 and 25]</i>	160,387	149,248
Depreciation of right-of-use assets <i>[note 12]</i>	16,692	16,699
Operating profit	366,612	669,215
Foreign exchange loss	2,772	20,544
Interest expense <i>[notes 10, 12, and 17]</i>	7,179	9,783
Interest revenue <i>[note 17]</i>	(16,628)	(9,829)
Change in estimate – other liabilities <i>[notes 2.4, 10 and 25]</i>	(210)	8,545
Gain on disposal of property, plant and equipment and other assets <i>[note 6]</i>	(15,635)	—
Income before income taxes	389,134	640,172
Provision for income taxes <i>[note 13]</i>	74,110	135,807
Net income and comprehensive income for the year	315,024	504,365

Future Electronics Inc.

Consolidated statements of shareholder's equity

[In thousands of US dollars]

Years ended December 31

	Common stock \$	Contributed surplus \$	Retained earnings \$	Total \$
2023				
Balance, beginning of year	158,311	1,601	2,827,311	2,987,223
Net income and comprehensive income for the year	—	—	315,024	315,024
Balance, end of year	158,311	1,601	3,142,335	3,302,247
2022 <i>[restated – see notes 2.4 & 25]</i>				
Balance, beginning of year	158,311	1,601	2,322,946	2,482,858
Net income and comprehensive income for the year	—	—	504,365	504,365
Balance, end of year	158,311	1,601	2,827,311	2,987,223

See accompanying notes

Future Electronics Inc.

Consolidated statements of cash flows

[in thousands of US dollars]

Years ended December 31

	2023	2022
	\$	\$
	<i>[restate – see notes 2.4 & 25]</i>	
Operating activities		
Income before income taxes	389,134	640,172
Adjustments to reconcile income before income taxes to cash provided by (used in) operating activities		
Depreciation of property, plant and equipment and intangible assets	11,634	12,469
Change in estimate – other liabilities	(210)	8,545
Principal repayment of other liabilities	(17,700)	(3,300)
Gain on disposal of property, plant and equipment and other assets	(15,635)	—
Depreciation of right-of-use assets	16,692	16,699
Foreign exchange (gain) loss – lease liabilities	781	(3,091)
Interest expense	7,179	9,783
Interest revenue	(16,628)	(9,829)
	375,247	671,448
Changes in non-cash working capital balances related to operations		
Accounts receivable	180,988	(286,040)
Inventories	37,921	(272,228)
Income taxes and other taxes, net	24,389	(21,130)
Accounts payable and accrued expenses	33,059	5,995
Other assets and liabilities, net	11,087	(58,044)
Net change in non-cash working capital balances related to operations	287,444	(631,447)
Interest paid	(3,852)	(6,315)
Interest received	15,375	9,828
Income taxes paid	(112,294)	(148,774)
Cash provided by (used in) operating activities	561,920	(105,260)
Investing activities		
Net change in amounts due from related parties	(32,863)	38,120
Additions to property, plant and equipment and intangible assets	(8,794)	(7,543)
Proceeds from sale of property, plant and equipment and other long-term assets	36,711	—
Repayment of due from company under common control	150,000	—
Cash provided in investing activities	145,054	30,577
Financing activities		
Payment of principal portion of lease liabilities	(17,655)	(17,175)
Net change in amounts due to related parties	(337,504)	68,597
Repayment of due to company under common control	(150,000)	—
Cash provided by (used in) by financing activities	(505,159)	51,422
Increase (decrease) in cash and cash equivalents, during the year	201,815	(23,261)
Cash and cash equivalents, beginning of year	198,357	221,618
Cash and cash equivalents, end of year	400,172	198,357

See accompanying notes

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

1. Nature of business

Future Electronics Inc. ["Future Electronics" or the "Company"] is a world-class leader and innovator in the distribution and marketing of semiconductors, passives components, interconnect, solid state lighting and electromechanical products. Future Electronics employs approximately 5,000 people and operates in more than 40 countries throughout North America, Europe and Asia.

Future Electronics, a corporation governed by the *Business Corporations Act* (New Brunswick), and its subsidiaries are wholly owned by Alonim Investments Inc., a Canadian holding company [the "Parent"]. The Company's head office and registered office is located at 237 Hymus Boulevard, Pointe-Claire, Quebec, Canada.

2. Summary of material accounting policies

2.1 Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

For all periods up to and including the year ended December 31, 2022, the Company prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States ["US GAAP"]. These consolidated financial statements as at and for the year ended December 31, 2023 are the first the Company has prepared in accordance with IFRS. Refer to note 2.3 for information on how the Company adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis. They are presented in US dollars and all values are rounded to the nearest thousand [\$000], except when otherwise indicated.

Approval of the consolidated financial statements

The consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors on March 28, 2024.

2.2 Material accounting policies

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended December 31, 2023. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee [i.e., existing rights that give it the current ability to direct the relevant activities of the investee]
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement[s] with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ["OCI"] are attributed to the equity holders of the parent. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities within the consolidated group of the Company are eliminated in full on consolidation.

The Company's subsidiaries included in the consolidated financial statements are as follows:

Name	Country of incorporation	Ownership %
Future Electronics Corp.	United States of America	100%
Future Electronics LP Corp.	United States of America	100%
Future Electronics GP Corp.	United States of America	100%
Future Electronics Distribution Center, LP	United States of America	100%
Future Electronics (US) LLC	United States of America	100%
Future Electronics (US) Holding Corp.	United States of America	100%
Future Electronics (US) Finance Corp.	United States of America	100%
Future Electronics () Ltd.	Canada	100%
FAI Electronics Inc.	Canada	100%
Future Electronics do Brazil Ltda.	Brazil	100%
Future Electronics Puerto Rico Corp.	Puerto Rico	100%
Future Electronics Distribution Costa Rica S.A.	Costa Rica	100%
Future Electronics S.A. de C.V.	Mexico	100%
Future Electronics Austria GmbH	Austria	100%
Future Electronics N.V.	Belgium	100%
Future Electronics, s.r.o.	Czech Republic	100%
Future Electronics Deutschland GmbH	Germany	100%
FE EDC Services GmbH	Germany	100%
Future Electronics A/S	Denmark	100%
Future Electronics Oy	Finland	100%
Future Electronics OU	Estonia	100%

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

Name	Country of incorporation	Ownership %
Future Electronics SAS	France	100%
PN Electronics SA	France	100%
Future Electronics Servicing and Trading Kft.	Hungary	100%
Future Electronics (Ireland) Ltd	Ireland	100%
Future Electronics Distribution (Israel) Ltd.	Israel	100%
Future Electronics S.R.L.	Italy	100%
UAB Future Electronics	Lithuania	100%
Future Electronics Management Services Ltd.	United Kingdom	100%
Future Electronics Ltd.	United Kingdom	100%
Future Electronics B.V. Breda	Netherlands	100%
Future Electronics AS	Norway	100%
Future Electronics Polska S.P. Z.o.o.	Poland	100%
Future Electronics Portugal Unipessoal LDA	Portugal	100%
Future Electronics S.R.L.	Romania	100%
LLC Future Electronics RUS	Russia	100%
FE Trading PTY Ltd.	South Africa	100%
Future Electronics Distribution (Spain) S.L.	Spain	100%
Future Electronics Tunisia Sarl	Tunisia	99%
Future Electronics d.o.o.	Slovenia	100%
Future Electronics Aktiebolag	Sweden	100%
FE Schweiz GmbH	Switzerland	100%
Future Electronics Turkey iç ve dış tic Ltd şti	Turkey	100%
Future Electronics Pty. Ltd	Australia	100%
Future Electronics (Shanghai) Co., Ltd.	China	100%
Future Advanced Electronics Limited	Hong Kong	100%
Future Electronics (Hong Kong) Limited	Hong Kong	100%
Future Electronics Kabushiki Kaisha	Japan	100%
Future Electronics Inc.	Korea	100%
Future Electronics Services Sdn. Bhd.	Malaysia	100%
Future Electronics Marketing Services (NZ) Ltd.	New Zealand	100%
Future Electronics (Philippines) Inc.	Philippines	99.91%
Future Electronics (Thailand) Ltd.	Thailand	100%
Future Taiwan Advanced Electronics Pte. Ltd.	Taiwan	100%
Future Electronics Inc. (Distribution) Pte. Ltd.	Singapore	100%
Future India Advanced Electronics Private Ltd.	India	99.9995%
F.E Luxfinco Services S.à.r.l	Luxembourg	100%

Revenue recognition

Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

Most of the Company's sales are generated from goods purchased from suppliers and held in inventories. However, a portion of the Company's sales are shipments of goods directly from its suppliers to its customers. In such circumstances, the Company negotiates the price with the customer, pays the supplier directly for the goods shipped and bears the credit risk of collecting payment from its customers. Furthermore, in such drop-shipment arrangements, the Company bears the responsibility for accepting returns of goods from the customer even if the Company, in turn, has a right to return the goods to the original supplier if the goods are defective. Under these terms, the Company serves as the principal with the customer and, therefore, recognizes the sale and cost of merchandise sold upon receiving notification from the supplier that the goods have been shipped.

The Company does not consider shipping and handling costs as a separate performance obligation and consequently, they were included in selling, general and administrative expenses. Furthermore, the Company has excluded sales and other taxes collected from customers for remittance to governmental authorities from revenue. Tariffs recharged to customers are netted against tariff expense as part of the cost of merchandise sold.

Sale of electronic components

In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right to return the goods within a specified period. The Company also provides retrospective volume rebates to certain customers once the quantity of goods purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

Provisions are made based on the most likely amount approach for discounts and rebates, which are primarily volume-based, and are based on historical trends and anticipated customer buying patterns. Provisions for returns are also based on the most likely amount approach and are estimated based on historical sales returns, credit memo analysis and other known factors. The Company does not have material product warranty obligations as the assurance type product warranties provided by the component manufacturers are passed through to the Company's customers.

Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred income tax assets and deferred income tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets and liabilities are expected to be settled or recovered.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

Foreign currency translation

The functional currency of the Company is the US dollar. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Monetary assets and liabilities of the Company are translated to the US dollar using current exchange rates in effect at the reporting date. Differences arising on settlement or translation of monetary items are included in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Cash equivalents

Cash equivalents are defined as highly liquid investments with maturities of three months or less at the date of purchase. The Company has entered into cash pooling arrangements with certain financial institutions, which are each composed of multiple currencies. As a result of the right of offset granted thereunder, the Company has presented the associated bank balances at their net value.

Inventories

Inventories, consisting principally of electronic components held for resale, are stated at the lower of cost and net realizable value. Cost is determined on the weighted-average basis and includes the cost of freight, duty and tariffs. Write-downs of inventories to net realizable value are based upon contractual provisions governing price protection, stock rotation, and obsolescence, as well as assumptions about future demand and market conditions. If assumptions about future demand and/or actual market conditions change, additional write-downs of inventories may be required.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Additions, renewals and betterments, unless of a relatively minor amount, are capitalized. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are recognized in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 6 for further information about the recognized decommissioning provision.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal [i.e., at the date the recipient obtains control] or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the consolidated statements of income and comprehensive income when the asset is derecognized.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets, as follows:

Aircraft	10–20 years
Distribution center equipment	5–15 years
Computer equipment	2–5 years
Building	33–40 years
Furniture, fixtures and other equipment	5–10 years
Leasehold improvements	Over the remaining lease term

Depreciation is included in the consolidated statements of income and comprehensive income and commences when the asset is put into use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Decommissioning liability

The Company entered into certain leases with an obligation to restore these properties to their original condition upon termination of the leases. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs are added to or deducted from the cost of the asset. Upon settlement of the obligations, any difference between the cost to retire an asset and the recorded liability is recorded in the consolidated statements of income and comprehensive income as a gain or loss. Refer to note 6 for further information about the recognized decommissioning provision.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income and comprehensive income in the expense category that is consistent with the function of the intangible assets.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

Amortization is calculated on the straight-line basis over the following period:

Software	2–5 years

An intangible asset is derecognized upon disposal [i.e., at the date the recipient obtains control] or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the consolidated statements of income and comprehensive income.

Impairment of non-financial assets

Long-lived assets subject to depreciation and amortization

The Company assesses, at each reporting date, whether there is an indication that long-lived assets subject to depreciation and intangible assets subject to amortization may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ["CGU"] fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease [i.e., the date the underlying asset is available for use]. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets that relate to office space and distribution centre facilities are depreciated on a straight-line basis over the lease term expiring through 2033.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments [including in-substance fixed payments] less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments [e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments] or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of servers. It also applies the lease of low-value assets recognition to leases of \$5,000 that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Goodwill

Goodwill is initially measured at cost [being the excess of the aggregate of the consideration transferred].

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

The Company is required to test goodwill for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the CGU or group of CGUs as at December 31. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level. Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Where the carrying amount exceeds the recoverable amount, an impairment loss equal to the excess is recognized in profit or loss, however, the carrying amount of the assets is not reduced below the higher of their fair value less costs to sell and their value in use.

Financial instruments

Recognition and derecognition

Financial instruments are recognized in the consolidated balance sheets when the Company becomes a party to the contractual rights or obligations of the instrument.

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Financial assets are subsequently derecognized when payment is received in cash or other financial assets or if the debtor is discharged of its liability. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When the terms of the liability are substantially modified, such modification is treated as a debt extinguishment and results in the derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amounts is recognized in the consolidated statements of income and comprehensive income. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Classification

Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified. Financial instruments are classified and measured at amortized cost, at fair value through profit or loss ["FVTPL"] or at fair value through other comprehensive income ["FVOCI"], in which case they are subsequently measured at fair value.

The classification of financial assets is driven by the Company's business model for managing the assets and their contractual cash flow characteristics. Financial assets that are held to collect contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost using the effective interest rate method, less an allowance for impairment. Financial assets that are held to collect contractual cash flows and to sell, where those cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL irrespective of the business model. Financial liabilities are measured at amortized cost using the effective interest rate method, unless the Company has opted to measure them at FVTPL.

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or [where appropriate] a shorter period, to the net carrying amount on initial recognition.

Financial assets

When the financial assets are held in a held-to-collect business model and give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, the company classifies them at amortized cost. They are initially measured at fair value, net of directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

When the financial assets are not held in a held-to-collect business model, the Company classifies them at fair-value through profit and loss.

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Financial liabilities

The Company initially measures financial liabilities at fair value, net of directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted [unadjusted] market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Impairment of financial assets

The Company recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For trade receivables, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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The Company considers a financial asset in default when contractual payments exceed general terms. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Recently issued accounting standards

No issued or amended standards not yet effective as of the date of these consolidated financial statements are expected to have an impact on the consolidated financial statements.

2.3 First-time adoption of IFRS

These consolidated financial statements, as at and for the year ended December 31, 2023, are the first the Company has prepared in accordance with IFRS. For all periods up to and including the year ended December 31, 2022, the Company prepared its consolidated financial statements in accordance with US GAAP.

Accordingly, the Company has prepared consolidated financial statements that comply with IFRS applicable as at and for the year ended December 31, 2023, together with comparative period data for the year ended December 31, 2022, as described in the summary of material accounting policies. In preparing the consolidated financial statements, the Company's opening consolidated balance sheet was prepared as at January 1, 2022, the Company's date of transition to IFRS. Note 25 details and explains the principal adjustments made by the Company in restating its US GAAP consolidated financial statements as at and for the year ended December 31, 2022.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exceptions:

- The Company elected not to reassess whether all contracts existing as at January 1, 2022 contained a lease based upon the conditions in place as at January 1, 2022. The Company relied upon the previous assessment under US GAAP.
- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2022. A single discount rate was applied to each portfolio of leases with reasonably similar characteristics.
- Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet immediately before January 1, 2022. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognized as an expense on a straight-line basis over the lease term.
- Cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.

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2.4 Correction of an error

In 2023, management received new information that clarified the nature of the donation commitment, described in note 10, which was determined to be irrevocable and not discretionary as it had been previously characterized. On September 7, 2021, the Company assumed a \$100,000 donation commitment. The commitment was measured using a discount rate of 3.3%. This implied rate is derived by the USD corporate full yield curves (BB+ and BBB+) for a maturity of 16–18 years and adjusted the yields based on the selected credit rating of BB+. Furthermore, future annual payments were calculated based on the greater of 10% of estimated 5-year rolling average annual taxable income of one of the Company's US subsidiaries or \$3,300. Annual donation payments were assumed to be between \$4,883 and \$7,292.

The impact of the correction is as follows:

Impact on balance sheet (increase/(decrease)):

	December 31, 2022 \$	January 1, 2022 \$
Deferred income tax asset	18,494	16,736
Total assets	18,494	16,736
Donation commitment	80,411	72,765
Total liabilities [note 10]	80,411	72,765
Net impact on equity	(61,917)	(56,029)

The impact on the consolidated statement of income and comprehensive income is as follows:

	December 31, 2022 \$
Change in estimate – other liabilities	(8,545)
Cost of merchandise sold	3,300
Accretion interest expense	(2,401)
Recovery of income taxes	(1,758)
Net impact on net income for the year	(5,888)

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The impact on the consolidated statement of cash flows is as follows:

	December 31, 2022
	\$
Operating activities	
Income before income taxes	(7,646)
Add back of accretion interest expense	2,401
Principal repayment	(3,300)
Change in estimate - other liabilities	8,545
Cash flows used in operating activities	—

The changes did not have an impact on OCI for the period. Refer to Notes 10, and 25 for further details.

3. Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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Functional currency

The Company operates worldwide, but its distribution operations are highly integrated, which require significant judgments from management in order to determine the functional currency of each entity within the Company's consolidated group using factors provided by International Accounting Standards ["IAS"] 21, *The Effects of Changes in Foreign Exchange Rates* ["IAS 21"]. Management established the functional currency of each entity as its local currency unless the assessment of the criteria established by IAS 21 to assess the functional currency led to the determination of another currency. IAS 21 criteria are reviewed annually for each entity.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Taxes

Deferred income tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable profit, together with future tax planning strategies.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships of the Company, differences arising between actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. The Company monitors possible consequences of audits by the tax authorities of each country in which it operates. The Company considers various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

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Inventory obsolescence

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on the consolidated balance sheet dates using judgments and estimates. Such an evaluation of inventories is principally based on aging and movement of specific parts, market information and projections. Other factors include historical write-offs and specific considerations regarding product demand. Therefore, there might be material changes to the evaluation. Refer to note 5 for the carrying amount of inventories as at December 31, 2023.

4. Accounts receivable

Accounts receivable consists of the following:

	2023	2022	As at January 1, 2022
	\$	\$	\$
Trade receivables, gross	1,969,233	2,147,216	1,860,943
Allowance for expected credit losses	(6,335)	(3,330)	(3,097)
Trade receivable, net	1,962,898	2,143,886	1,857,846

Trade receivables are non-interest bearing and are generally on terms within industry standards or 180–330 days for customers under the Company's Preferred and Elite Customer Programs.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2023	2022
	\$	\$
As at January 1	(3,330)	(3,097)
Write-offs	150	777
Increase of allowance for expected credit losses	(3,155)	(1,010)
As at December 31	(6,335)	(3,330)

The information about the credit exposures is disclosed in note 20.

5. Inventories

	2023	2022	As at January 1, 2022
	\$	\$	\$
Inventories	1,441,810	1,474,757	1,198,575
Allowance for inventory obsolescence	(16,129)	(11,155)	(7,201)
Inventories, net	1,425,681	1,463,602	1,191,374

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6. Property, plant and equipment

	Land \$	Building \$	Distribution Centre Equipment \$	Furniture & Fixture \$	Computer Equipment \$	Aircraft & Motor Vehicle \$	Leasehold Improvement \$	Total \$
Cost								
January 1, 2022	8,870	37,292	67,955	30,205	56,597	73,811	30,335	305,065
Additions	—	1,440	215	685	4,714	28	357	7,439
Disposals	—	—	(85)	(228)	(2,740)	(1)	—	(3,054)
December 31, 2022	8,870	38,732	68,085	30,662	58,571	73,838	30,692	309,450
Additions	—	—	869	3,874	2,316	44	1,945	9,048
Disposals	—	—	(308)	(1,711)	(2,566)	(72,028)	(341)	(76,954)
December 31, 2023	8,870	38,732	68,646	32,825	58,321	1,854	32,296	241,544
Accumulated depreciation								
January 1, 2022	—	13,791	59,290	26,894	51,034	49,424	26,169	226,602
Depreciation	—	1,058	2,791	854	2,334	2,778	1,350	11,165
Disposals	—	—	(85)	(228)	(2,740)	(1)	—	(3,054)
December 31, 2022	—	14,849	61,996	27,520	50,628	52,201	27,519	234,713
Depreciation	—	1,084	2,582	1,032	2,697	2,010	1,177	10,582
Disposals	—	—	(301)	(612)	(2,423)	(53,064)	(301)	(56,701)
December 31, 2023	—	15,933	64,277	27,940	50,902	1,147	28,395	188,594
Net book value								
January 1, 2022	8,870	23,501	8,665	3,311	5,563	24,387	4,166	78,463
December 31, 2022	8,870	23,883	6,089	3,142	7,943	21,637	3,173	74,737
December 31, 2023	8,870	22,799	4,369	4,885	7,419	707	3,901	52,950

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During 2023, the Company sold an aircraft and spare parts inventory [included in other long-term assets] with a total net carrying amount of \$18,066, (consisting of cost of \$70,005 and accumulated depreciation of \$51,939) and \$823, respectively, for total cash consideration of \$35,900 to a company under common control [note 11]. The net gain on disposal totaling \$17,011 was recognized as part of the gain on disposal of property, plant and equipment and other assets. Furthermore, the Company also disposed of shares of an aircraft having a net book value of \$857 [consisting of cost of \$1,559 and accumulated depreciation of \$702] for total cash consideration of \$811 resulting in a loss on disposal of \$46. The Company also retired equipment no longer in use with a cost of \$5,390 and accumulated depreciation of \$4,060, resulting in a loss of \$1,330 [2022 – \$4,580 which was fully depreciated as at December 31, 2022].

Included in property, plant and equipment are decommissioning costs amounting to \$5,700 at cost [2022 – \$5,200] and the related amount of \$316 [2022 – \$355] is recorded in depreciation expense.

	2023	2022
	\$	\$
Obligation, beginning of year	5,071	5,391
Additions	509	—
Settlements	(76)	—
Change due to foreign exchange variations	277	(320)
Obligation, end of year	5,781	5,071

The current portion of the related obligation totaling \$146 [2022 – \$112] is recorded as part of accounts payable and accrued liabilities and the long-term portion of \$5,635 [2022 – \$4,959] is included with other long-term liabilities. These liabilities are expected to be settled upon lease maturity which is between 2024 and 2027.

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7. Intangible assets

	Software
	\$
Cost	
January 1, 2022	36,727
Additions	104
December 31, 2022	36,831
Additions	255
Written off	(615)
December 31, 2023	36,471
Accumulated amortization	
January 1, 2022	33,750
Amortization	1,304
December 31, 2022	35,054
Amortization	1,051
Written off	(615)
December 31, 2023	35,490
Net book value	
December 31, 2022	1,777
December 31, 2023	981

The Company also retired software no longer in use with a cost totaling \$615, which was fully depreciated as at December 31, 2023 [2022 – nil].

8. Goodwill

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU [or group of CGUs] to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

9. Accounts payable and accrued liabilities

	December 31, 2023	December 31, 2022	As at January 1, 2022
	\$	\$	\$
Trade accounts payable	502,592	480,282	485,690
Accrued liabilities	159,007	144,714	128,948
Employee-related liabilities	6,796	6,793	8,431
Other current liabilities	23,184	27,920	30,614
	691,579	659,709	653,683

Trade payables are non-interest bearing and are normally settled on 30-day terms.

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10. Donation commitment

	2023	2022
	\$	\$
Provision, beginning of year	80,411	72,765
Accretion expense <i>[note 17]</i>	2,144	2,401
Principal repayment	(17,700)	(3,300)
Change in estimate of other liabilities	(210)	8,545
Provision, end of year	64,645	80,411
Current	5,110	15,766
Non-current	59,535	64,645

Refer to notes 2.4, 24 and 25.

11. Related party transactions

The Company's structure, including details of the subsidiaries and the holding company, is provided in note 2.2. In addition to the transactions described elsewhere in these consolidated financial statements, the Company also has the following related party transactions and outstanding balances as at year-end:

Due from/due to related parties

Parent company

[i] Lending facility

The Company has an aggregate revolving credit facility totaling \$372,400 extended to its Parent company, which is repayable on demand but no later than December 31, 2024. The credit facility is comprised of two lines of credit. The first line of credit ["Interest-free line"] is non-interest bearing. The second line of credit ["Interest-bearing line"] is interest bearing at a rate equal to the short-term federal rate for purposes of section 1274[d] of the Internal Revenue Code plus 0.25%, which interest shall be computed on a monthly basis.

[ii] Borrowing facility

The Company has an aggregate revolving credit facility [the "Borrowing facility"] totaling 2022 – \$186,200 extended by its Parent company. The facility is comprised of two lines of credit, which are both repayable to the Parent on demand but no later than December 31, 2024. The first line of credit ["Interest-free line"] is non-interest bearing. The second line of credit ["Interest-bearing line"] is interest bearing at a rate equal to the prescribed rate for purposes of section 4301[c] of the *Income Tax Regulation*, which interest shall be computed on a monthly basis.

[iii] Assigned loan payable

During the year ended December 31, 2021, the non-interest bearing demand loan payable to a company under common control totaling \$241,678 was assigned to the Parent [the "Assigned loan payable"], under the terms of the original agreement and, accordingly, was reclassified from amounts due to companies under common control to the assigned loan payable to the Parent.

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As at December 31, amounts outstanding under the Lending facility, Borrowing facility and Assigned loan payable are as follows:

	2023	2022	2021
	\$	\$	\$
Lending facility			
Beginning balance	—	—	158,840
Interest-free line repayments	—	—	(158,840)
Interest-free line advances	32,843	—	—
Ending balance	32,843	—	—
Borrowing facility			
Beginning balance	(31,972)	(27,228)	—
Interest-free line advances	—	(4,744)	(27,228)
Interest-free line repayments	31,972	—	—
Ending balance	—	(31,972)	(27,228)
Assigned loan payable			
Beginning balance	(241,678)	(241,678)	—
Loan payable assignment to Parent company	—	—	(241,678)
Reimbursement	241,678	—	—
Ending balance	—	(241,678)	(241,678)
Net due to Parent	32,843	(273,650)	(268,906)

Related parties

Other amounts due from related parties amounting to \$20 [2022 – \$63,854 due to related parties; 2021 - \$38,120] are non-interest bearing and are repayable on demand.

On March 31, 2019, the Company entered into two facilities with companies under common control which were both fully reimbursed during the year:

	2023	2022
	\$	\$
Due from company under common control, unsecured, interest-bearing, loan at 3.6% per annum, maturing on June 30, 2026.	—	150,000
Due from related parties	—	150,000
Due to company under common control, unsecured, interest-bearing loan at 4.05% per annum, maturing on June 30, 2026.	—	150,000
Due to related parties	—	150,000

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The fair value of the due from/to commonly controlled companies approximates their carrying value.

During the year ended December 31, 2023, an amount of \$3,255 [2022 – \$5,400] was recorded as interest income in relation to the due from company under common control and an amount of \$3,662 [2022 – \$6,075] was recorded as interest expense in relation to the due to company under common control.

The Company leases some of its operating facilities from a company under common control in Canada. Included in right of use amortization for the year ended December 31, 2023, is an amount of approximately \$3,200 [2022 – \$3,200]. Included in total undiscounted lease liabilities is an amount of \$6,200 [2022 – \$6,100] in relation to these facilities [note 7]. During the year, the Company purchased telecommunication and other related services from a related party to the ultimate shareholder amounting to \$7,800 [2022 – \$8,700]. Furthermore, commitments include an amount of \$2,706 related to these services [2022 – \$5,767] [note 18]. Furthermore, the Company acquired property, plant and equipment from a related party to the ultimate shareholder totaling \$2,478 [2022 – \$2,900]. The above expenses are measured at the exchange amount being the consideration established and agreed to by the related parties and the acquisitions are measured at the carrying value of the asset acquired.

During the year, the Company sold and purchased inventory of approximately \$2,713 and \$3,487 [2022 – \$7,517 and \$5,040], respectively, to and from companies under common control. It also has current accounts receivable and accounts payable and accrued liabilities of \$341 and \$17 [2022 – \$999 and \$99], respectively, as at December 31, 2023, with these companies. These amounts are classified as accounts receivable and accounts payable and accrued liabilities, respectively.

Finally, during the year, the Company disposed of an aircraft to a company under common control [note 6].

Compensation of key management personnel of the Company

	2023 \$	2022 \$
Salaries	9,988	6,898
Employee benefits	380	149
	10,368	7,047

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

12. Leases

The Company has lease contracts for various office space and distribution center facilities. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions including extension and termination options.

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Set out below are the carrying amounts of right-of-use assets and the movements during the year:

	2023 \$	2022 \$
As at January 1	44,471	56,191
Additions	17,235	4,979
Depreciation expense	(16,692)	(16,699)
As at December 31	45,014	44,471

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 \$	2022 \$
As at January 1	45,110	59,361
Additions	17,266	4,979
Accretion of interest	1,102	1,036
Payments	(17,655)	(17,175)
Foreign exchange	750	(3,091)
As at December 31	46,573	45,110
Current	15,818	14,735
Non-current	30,755	30,376

The following are the amounts recognized in profit or loss:

	2023 \$	2022 \$
Depreciation of right-of-use assets	16,692	16,699
Interest expense on lease liabilities [note 17]	1,102	1,036
Total amount recognized in profit or loss	17,794	17,735

The Company had total cash outflows for leases of \$17,655 in 2023 [2022 – \$17,175]. The Company also had non-cash additions to right-of-use assets of 17,235 and lease liabilities of \$17,266 in 2023 [2022 – \$4,979].

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

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Notes to consolidated financial statements

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Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years \$	More than five years \$	Total \$
Extension options expected not to be exercised	13,863	11,149	25,012
	13,863	11,149	25,012

Maturities of lease liabilities as at December 31, 2023 were as follows:

	\$
2024	16,946
2025	14,936
2026	8,495
2027	6,015
2028	1,898
Thereafter	790
Total undiscounted liabilities	49,080
Less imputed interest	2,507
Total present value of lease liabilities	46,573

13. Income taxes

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

	2023 \$	2022 \$
Current income tax		
Current income tax charge	77,735	138,522
Adjustments in respect of current income tax of previous year (benefit)/expense	(352)	35
Deferred tax		
Relating to origination and reversal of temporary differences (benefit)/expense	(3,273)	(2,750)
Income tax expense reported in the consolidated statements of income and comprehensive income	74,110	135,807

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	2023	2022
	\$	\$
Income before income taxes	389,134	640,172
Consolidated income tax rate of 19% [2022 – 18%]	73,935	115,231
Difference in consolidated tax rate versus stand-alone entities	1,210	7,607
Non-deductible expenses	1,580	2,123
Foreign exchange fluctuations	(5,347)	10,932
Special tax rates on specific income	1,178	14
Adjustments in respect of current income tax of previous years	1,401	(980)
Other	153	880
Income tax expense	74,110	135,807

Deferred tax

The consolidated balance sheets are as follows:

	2023	2022	2021
	\$	\$	\$
	[USD]	[USD]	[USD]
Expenses carried forward from previous years	2,735	1,136	669
Provision for inventory valuation loss and obsolescence	2,525	1,200	861
Employee benefits	2,245	1,500	1,623
Provision for excessive bad debts	1,562	628	296
Donation commitment	14,912	18,494	16,736
Retirement funds	442	517	530
Loss carryforwards	47	1,544	2,843
Unrealized exchange gain or loss	(23)	(59)	(58)
Depreciation expense	(1,649)	(5,135)	(5,859)
Other temporary differences	1,295	1,014	448
Foreign exchange impact	(14)	(35)	
Net deferred income tax assets	24,077	20,804	18,089
Reflected in the consolidated balance sheets:			
Deferred income tax assets	25,472	25,557	24,083
Deferred income tax liabilities	(1,395)	(4,753)	(5,994)
Net Deferred income tax assets	24,077	20,804	18,089
Reconciliation of deferred income tax assets, net			
As at January 1	20,804	18,089	24,083
Tax (expense)/benefit during the period recognized in profit or loss	3,252	2,750	(5,994)
Foreign exchange impact	21	(35)	
As at December 31	24,077	20,804	18,089

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The consolidated statements of income and comprehensive income are as follows:

	2023 \$	2022 \$
Expenses carried forward from previous years	1,599	467
Provision for inventory valuation loss and obsolescence	1,325	339
Employee benefits	745	(123)
Provision for excessive bad debts	934	332
Donation commitment	(3,582)	1,758
Retirement funds	(75)	(13)
Loss carryforwards	(1,497)	(1,299)
Unrealized exchange gain or loss	36	(1)
Depreciation expense	3,486	724
Other temporary differences	281	566
Foreign exchange impact	21	(35)
Deferred tax expense	3,273	2,715

The Company has capital losses carried forward that arose in Canada of \$6,867 [2022 – \$6,867; January 1, 2022 – nil]. Capital losses can only be used against future capital gains, and therefore no deferred tax benefit has been recognized. The Company also had \$6,680 in 2022 and \$11,333 in 2021 of available operating losses originating in Luxembourg for which a deferred income tax asset of \$1,500 and \$2,800 had been recognized in 2022 and 2021, respectively. As at December 31, 2022, these losses could be carried forward for a period of 13 years. In 2023, the remaining balance of the deferred income tax asset associated of \$700 with these losses of \$2,700 was written off as management determined that it was not probable that these losses would be utilized.

The Company, or its subsidiaries, files income tax returns in Canada, the US federal jurisdiction, as well as various provinces, states and foreign jurisdictions. The Company is subject to Canada Revenue Agency ["CRA"] examination and Internal Revenue Services in U.S. ["IRS"] examination for the years 2019 through 2023 due to unexpired statute of limitation periods. The Company, or its subsidiaries, remains subject to income tax examination by tax authorities in the following major tax jurisdictions: the United Kingdom for years after 2022, Germany for years 2015 to 2023 and Singapore for years after 2018.

There are no income tax consequences attached to the payment of dividends in either 2019 or 2018 by the Company to its shareholders.

On December 14, 2023, and November 1, 2023, respectively, the CRA and the IRS mutually agreed on the Company's bilateral Advance Pricing Agreement ["APA"] covering the period 2021 to 2025 with respect to certain cross-border transactions between Canada and the US. This replaced the previous agreement reached in 2016, which covered the period 2016 to 2020.

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14. Long-term debt

Syndicate senior revolving facility

The Company has a revolving credit facility with a syndicate of banks [the "Facility"] totaling \$50,000 [2022 – \$50,000].

The Facility is guaranteed by a first rank on its worldwide accounts receivable and its worldwide inventories. The Company's borrowing capacity is determined by a borrowing formula based on accounts receivable and inventories. The Facility is available by way of prime rate advances, US base rate advances, US prime rate advances, Secured Overnight Financing Rate ["SOFR"] advances, BA advances and the issuance of letters of credit. The Facility bears interest at a floating rate depending on the type of loan advance utilized plus a certain spread which is established from a pricing grid based on a leverage ratio. Stand-by fees are charged by the syndicate regardless of whether any amount is drawn on the Facility. These costs are expensed as incurred and are included as part of finance fees.

The Facility expired on January 17, 2024 and was not renewed.

As at December 31, 2023 and 2022, the amounts utilized under the Facility were \$1,981 and \$1,942, respectively. These amounts were used exclusively for standby letters of credit.

The Facility is subject to financial and non-financial covenants. As at December 31, 2023 and 2022, the Company was in compliance with all of the covenant requirements under these facilities.

15. Disaggregated revenue information

	2023 \$	2022 \$
North America	1,914	2,308
Europe	1,646	1,578
Asia	1,887	2,186
	5,447	6,072

16. Selling, general, and administrative expenses

	2023 \$	2022 \$
Employee related expenses	445,211	423,442
Facility costs	37,226	32,069
Shipping and handling, net of customer recoveries	27,044	31,227
Expected credit losses of trade receivables	3,903	1,756
Other administrative expenses	49,347	50,480
	562,731	538,975

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Notes to consolidated financial statements

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December 31, 2023 and 2022

17. Interest expense and income

	2023 \$	2022 \$
Interest expense		
Interest expense – due to company under common control <i>[note 11]</i>	3,662	6,075
Interest on other liabilities <i>[note 10]</i>	2,144	2,401
Interest on lease liabilities <i>[note 12]</i>	1,102	1,036
Stand-by fees on credit facility	83	95
Bank interest expense	93	136
Amortization of deferred financing charges	95	40
	7,179	9,783
Interest revenue		
Bank interest income	13,373	4,429
Interest revenue – due from company under common control <i>[note 11]</i>	3,255	5,400
	16,628	9,829

18. Commitments

The Company is subject to commitments relating to property, plant and equipment, telecommunications and other related services under non-cancelable agreements expiring through 2029.

Future minimum rental and service fee payments under the Company's short-term non-cancelable leases and commitments related to property, plant and equipment and telecommunications and other related services *[note 11]* are approximately as follows:

	\$
2024	15,823
2025	8,034
2026	4,978
2027	1,232
2028	270
2029	200
	30,537

19. Guarantees

On December 31, 2023, the Company was contingently liable for guarantees of indebtedness owed by subsidiaries of the Company via letters of credit and corporate guarantees for an amount totaling up to \$7,054 [2022 – \$7,017] and by related parties of the Company for an amount up to nil [2022 – \$240].

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Notes to consolidated financial statements

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December 31, 2023 and 2022

20. Financial instruments

The Company's principal financial assets include accounts receivable and cash and cash equivalents that derive directly from its operations, as well as amounts due from related parties. The Company's principal financial liabilities comprise accounts payable and accrued liabilities, payables to related parties and donation commitment. The main purpose of accounts payable and accrued liabilities and the payables to related parties is to finance the Company's operations. The donation commitment represents the present value of the remaining donations to be made under the terms of the arrangement.

Fair value of financial assets and liabilities

Due to their short-term nature, the carrying amounts reported in the consolidated balance sheets for the Company's financial instruments approximate their respective fair value, which are determined using Level 2 inputs with the exception of the other liabilities which was measured using Level 3 inputs. Furthermore, the amounts due to and due from company under common control were long-term in nature as at December 31, 2022. Their respective present values as at December 31, 2022 were \$128,762 [2021 – 22,687] and \$131,122 [2021 – \$125,722] respectively.

Financial risks

The Company is exposed to various risks through transactions in financial instruments. The Company's senior management oversees the management of these risks. The following provides helpful information in assessing the extent of the Company's exposure to these risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities [primarily accounts receivable] and from its financing activities, including deposits with banks and financial institutions. The Company invests its excess cash primarily in overnight investments and high-grade debt securities with quality financial institutions.

The Company performs regular credit evaluations on the financial condition of its customers and generally does not require collateral. Receivables are generally due within industry standards and 180–330 days generally for customers under the Company's Preferred and Elite Customer Programs. Credit risk on trade receivables is mitigated as a result of customer credit insurance and the fact that no customer represents 10% or more of the Company's net sales or outstanding accounts receivable. The Company maintains reserves for potential credit losses but has not experienced any material losses related to individual customers or groups of customers in any particular industry or geographic area.

The maximum exposure to credit risk is the carrying value of these financial instruments on the consolidated balance sheet. Set out below is the information about the credit risk exposure on the Company's accounts receivable using a provision matrix.

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Trade receivables days past due is as follows:

December 31, 2023							
Current	<30 days	30-60 days	61-90 days	>91 days	>120 days	Total	
\$	\$	\$	\$	\$	\$	\$	
Estimated total gross carrying amount at default	1,860,041	74,624	12,410	6,500	2,902	12,756	1,969,233
Loss allowance provision	(5,982)	(242)	(40)	(21)	(9)	(41)	(6,335)
December 31, 2022							
Current	<30 days	30-60 days	61-90 days	>91 days	>120 days	Total	
\$	\$	\$	\$	\$	\$	\$	
Estimated total gross carrying amount at default	2,034,618	89,686	14,931	3,906	2,106	1,969	2,147,216
Loss allowance provision	(3,155)	(140)	(23)	(6)	(3)	(3)	(3,330)
January 1, 2022							
Current	<30 days	30-60 days	61-90 days	>91 days	>120 days	Total	
\$	\$	\$	\$	\$	\$	\$	
Estimated total gross carrying amount at default	1,795,594	42,145	19,648	1,365	962	1,229	1,860,943
Loss allowance provision	(2,987)	(70)	(32)	(3)	(3)	(2)	(3,097)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities [when revenue or expense is denominated in a foreign currency] and the Company's net investments in foreign subsidiaries.

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The following tables demonstrate the sensitivity to a reasonably possible change in EUR and Renminbi exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

The effect on income before taxes is as follows:

	2023		2022	
	-5%	+5%	-5%	+5%
Changes in rate				
EUR	(8,800)	8,800	(6,600)	6,600
Renminbi	(4,500)	4,500	(5,500)	5,500

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities which are typically settled in less than three months and lease liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, credit facilities, and lease contracts. In addition to the amounts presented in the below tables, related party amounts are due on demand, except for the \$150,000 due to company under common control [note 10].

December 31, 2023					
	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	691,579	—	—	—	691,579
Lease liabilities	3,859	11,959	30,480	275	46,573
Other liabilities	—	5,111	31,321	37,346	73,778
	695,438	17,070	61,801	37,621	811,930

December 31, 2022					
	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	659,709	—	—	—	659,709
Lease liabilities	3,897	10,837	29,883	493	45,110
Other liabilities	—	15,766	21,360	43,285	85,741
	663,606	26,603	56,573	43,778	790,560

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December 31, 2023 and 2022

	January 1, 2022				Total
	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	653,683	—	—	—	653,683
Lease liabilities	4,339	11,633	42,242	1,147	59,361
Other liabilities	—	899	30,581	46,701	78,181
	658,022	12,532	72,823	47,848	791,225

21. Contingencies

Claim and legal proceeding may be instituted against the Company in the normal course of business. Legal proceedings are often subject to numerous uncertainties and it is not possible to predict the outcome of individual cases. In management's opinion, the Company has made adequate provision for or has adequate insurance to cover all claims and legal proceedings.

22. Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Parent. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial attached to the credit facility that define capital structure requirements. There have been no breaches of the financial covenants in the current period.

No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2023.

23. Retirement savings plan

The Company offers defined contribution retirement savings plans for substantially all employees in Canada and the United States, including under section 401[k] of the U.S. Internal Revenue Code. Contributions to these plans are made according to the terms of the respective plans in place. For the year ended December 31, 2023, the Company and certain of its subsidiaries have made contributions of \$2,327 [2022 – \$2,450].

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24. Subsequent events

Sale of the Company

In February 2023 a decision was made to sell Future Electronics inc. and its subsidiaries. A Share Purchase Agreement between the Parent and WT Microelectronics Co., Ltd was signed on September 14, 2023. The transaction is expected to close by early Q2 2024 following the receipt of all required regulatory approvals and the satisfaction of all pre-closing conditions.

Credit facilities

On January 17, 2024, the \$50,000 Syndicated loan facility expired and was not renewed. Outstanding Letters of Credit amounting \$1,900 were either cancelled or supported by cash collateral.

Advances to the Parent

Since January 1, 2024, the Company provided non-interest-bearing cash advances to the Parent company which is due on demand, totaling \$279,000.

Dividend to the Parent

On March 22, 2024, the Company declared a dividend to the Parent company totaling \$500,000.

Donation Commitment

On February 26, 2024, the Company paid \$70,000 to a company under common control to transfer the donation commitment that had a carrying amount of \$64,645 as at December 31, 2023, which was included in other liabilities [note 10].

25. First-time adoption of IFRS

This note explains the principal adjustments made by the Company in restating its U.S. GAAP consolidated financial statements, including the balance sheet as at January 1, 2022 and the consolidated financial statements as of, and for, the year ended December 31, 2022. Company reconciliation of equity as at January 1, 2022 [date of transition to IFRS]:

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December 31, 2023 and 2022

	US GAAP \$	Reclassification and remeasurements \$	Correction of error [note 2.4] \$	IFRS as at January 1, 2022 \$
Assets				
Current assets				
Cash and cash equivalents	221,618			221,618
Accounts receivable [note A]	1,858,081	(235)		1,857,846
Inventories	1,191,374			1,191,374
Due from related parties	38,120			38,120
Prepaid expenses and other current assets [note B]	85,398			85,398
Income taxes and other taxes receivable	26,827			26,827
	3,421,418	(235)		3,421,183
Non-current assets				
Due from company under common control	150,000			150,000
Property, plant and equipment [note C]	81,440	(2,977)		78,463
Right of use assets [note B]	55,359	832		56,191
Deferred tax assets [note 2.4]	7,347		16,736	24,083
Intangible assets [note C]	—	2,977		2,977
Goodwill [note D]	2,498	6,326		8,824
Other assets	7,907			7,907
	3,725,969	6,923	16,736	3,749,628
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	653,683			653,683
Income taxes and other taxes payable	50,645			50,645
Due to related parties	268,906			268,906
Lease liabilities – current portion [note B]	15,972			15,972
Donation commitment – short-term portion	—		899	899
	989,206		899	990,105
Non-current liabilities				
Due to company under common control	150,000			150,000
Deferred tax liabilities	5,994			5,994
Lease liabilities – long-term portion [note B]	42,553	836		43,389
Donation commitment – long-term portion	—		71,866	71,866
Other long-term liabilities	5,420	(4)		5,416
	1,193,173	832	72,765	1,266,770
Shareholder's equity				
Common stock	158,311			158,311
Contributed surplus	1,601			1,601
Retained earnings	2,389,711	-(10,736)	(56,029)	2,322,946
Accumulated other comprehensive loss	(16,827)	16,827		—
	2,532,796	6923	(56,029)	2,482,858
	3,725,969	26,923	16,736	3,749,628

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December 31, 2023 and 2022

Company reconciliation of equity as at December 31, 2022:

	US GAAP \$	Reclassification and remeasurements \$	Correction of error [note 2.4] \$	IFRS as at December 31, 2022 \$
Assets				
Current assets				
Cash and cash equivalents	198,357			198,357
Accounts receivable [note A]	2,144,152	(266)		2,143,886
Inventories	1,463,602			1,463,602
Prepaid expenses and other current assets [note B]	141,744	(34)		141,710
Income taxes and other taxes receivable	55,437			55,437
	4,003,292	(300)		4,002,992
Non-current assets				
Due from company under common control	150,000			150,000
Property, plant and equipment [note C]	76,514	(1777)		74,737
Right of use assets [note B]	44,690	(219)		44,471
Deferred tax assets [note 2.4]	7,063		18,494	25,557
Intangible assets [note C]	—	1,777		1,777
Goodwill [note D]	1,661	7,163		8,824
Other assets	9,556			9,556
	4,292,776	6,644	18,494	4,317,914
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	659,708	1		659,709
Income taxes and other taxes payable	47,874			47,874
Due to related parties	337,504			337,504
Lease liabilities – current portion [note B]	14,777	(43)		14,734
Donation commitment – short-term portion	—		15,766	15,766
	1,059,863	(42)	15,766	1,075,587
Non-current liabilities				
Due to company under common control	150,000			150,000
Deferred tax liabilities	4,753			4,753
Lease liabilities – long-term portion [note B]	30,327	49		30,376
Donation commitment – long-term portion	—		64,645	64,645
Other long-term liabilities [notes B and 2.4]	5,404	(74)		5,330
	1,250,347	(67)	80,411	1,330,691
Shareholder's equity				
Common stock	158,311			158,311
Contributed surplus	1,601			1,601
Retained earnings [note 2.4]	2,899,344	(10,116)	(61,917)	2,827,311
Accumulated other comprehensive loss [note F]	(16,827)	16,827		—
	3,042,429	6,711	(61,917)	2,987,223
	4,292,776	6,644	18,494	4,317,914

Future Electronics Inc.

Notes to consolidated financial statements

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December 31, 2023 and 2022

Company reconciliation of total comprehensive income for the year ended December 31, 2022:

	US GAAP	Reclassification	Remeasurement	Correction of error [Note 2.4]	IFRS for the year ended December 31, 2022
	\$	\$	\$	\$	\$
Net sales	6,071,669			—	6,071,669
Cost of merchandise sold	4,850,081			(3,300)	4,846,781
Gross profit	1,221,588			3,300	1,224,888
Selling, general and administrative expenses [note E]	544,093	(543,487)	(606)		—
Selling expenses [note E]	—	394,271	(4,545)		389,726
General and administrative expenses [note E]	—	162,341	(13,093)		149,248
Impairment loss [note E]	—				—
Right of use amortization [note B]	—		16,699		16,699
Depreciation of property, plant and equipment [note E]	12,469	(12,469)			—
Amortization of goodwill [note D]	836	(836)			—
Total operating expenses	557,398	(180)	(1,545)	—	555,673
Operating profit	664,190	180	1,545	3,300	669,215
Unusual items [note E]	(179)	179			—
Foreign exchange loss [note 2.4]	20,654		(110)		20,544
Interest expense [note B]	(3,483)	9,829	1,036	2,401	9,783
Interest revenue	—	(9,829)			(9,829)
Change in the estimate of the donation commitment [note 2.4]	—			8,545	8,545
Income before income taxes	647,198	1	619	(7,646)	640,172
Provision for income tax	137,565	1	—	(1,758)	135,807
Net income and comprehensive income	509,633	1	619	(5,888)	504,365

Notes to the reconciliation of equity as at January 1, 2022 and December 31, 2022 and total comprehensive income for the year ended December 31, 2022.

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December 31, 2023 and 2022

[a] Accounts receivable

The adoption of IFRS has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing incurred loss approach under U.S. GAAP with a forward-looking expected credit loss ["ECL"] approach. IFRS requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. At the date of transition to IFRS, the Company recognized additional impairment on its accounts receivable of \$235 [December 31, 2022 – \$31], which resulted in a decrease in retained earnings by the same amount.

[b] Leases

Under US GAAP, a lease is classified as a finance lease or an operating lease. Operating leases were included in operating lease right-of-use ["ROU"] assets and current and noncurrent operating lease liabilities on the Company's consolidated balance sheets. The ROU was amortized as a balancing amount that, together with accretion on the lease liability, resulted in a straight-line total lease expense. The Company had no leases classified as a finance leases.

Under IFRS, as explained in note 2.2, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Company applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, at January 1, 2022, the Company recognized an increase of \$836 [December 31, 2022 – \$6] of lease liabilities and an increase of \$832 [December 31, 2022 – decrease of \$219] of right-of-use assets. The difference between lease liabilities and right-of-use assets is due to the reclassification of prepaid rent and deferred rent to the ROU assets. Additionally, for the year ended December 31, 2022, amortization increased by \$16,699 and lease expense, included in selling, general and administrative expenses under US GAAP, decreased by \$16,832 and interest expense increased by \$1,036.

Statement of cash flows

Under US GAAP, leases were classified as operating leases and cash flows arising from operating lease payments were presented as operating activities. Under IFRS, a lessee generally applies a single recognition and measurement approach for all leases and recognizes lease liabilities. Cash flows arising from payments of principal portion of lease liabilities are classified as financing activities. Therefore, cash outflows from operating activities decreased by \$16,832 and cash outflows from financing activities increased by \$17,175 for the year ended December 31, 2022.

[c] Reclass software

Under US GAAP, computer software was classified as property, plant and equipment whereas under IFRS, software is categorized as intangible assets. Accordingly, upon transition to IFRS at January 1, 2022, \$2,977 [December 31, 2022 – \$1,800] of computer software was reclassified to intangible assets from property, plant and equipment.

Future Electronics Inc.

Notes to consolidated financial statements

[In thousands of US dollars, except where otherwise indicated]

December 31, 2023 and 2022

[d] Goodwill

Under US GAAP, the Company elected to follow an accounting alternative available to private companies and amortized goodwill using a 10-year straight-line method whereas under IFRS, goodwill amortization is not permitted. Furthermore, goodwill is subject to annual impairment testing. At the date of transition to IFRS, the accumulated amortization under U.S. GAAP totaling \$6,326 was reversed, resulting in an increase of retained earnings of \$6,326 at January 1, 2022. In addition, depreciation expense for the year ended December 31, 2022 was reduced by \$836.

[e] Statement of income reclassifications

As a result of the transition to IFRS selling, general and administrative expenses and depreciation of property, plant and equipment totaling \$543,487 and \$12,469, respectively, were reclassified to selling expenses [\$394,271] and general and administrative expense [\$161,505]. In addition, \$180 of unusual income was reclassified to administrative expenses.

[f] Accumulated other comprehensive income

As a result of the transition to IFRS, a first-time adopter need not comply with the requirements for cumulative translation differences that exist at the date of transition to IFRS. The Company used this exemption and as a result the cumulative translation differences for all foreign operations were deemed to be zero at the date of transition. Therefore, \$16,827 was reclassified to retained earnings as at January 1, 2022.

26. Share capital

As at December 31, 2023, the Company's authorized share capital was unlimited and comprised of common shares without par value. There was 160,091,093 issued common shares as at December 31, 2023 [2022 – 160,091,093] with a paid-in capital of \$158,311.

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