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Champion Microelectronic Corp.

Parent Company Only Financial Statements and

Accountants' Audit Report

In FY 2022 and 2021

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Parent Company Only Financial Statements
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Accountant's Audit Report

Champion Microelectronic Corp. requests for joint inspection:

Opinion

We have audited the accompanying parent company only balance sheets of Champion Microelectronic Corp. (hereinafter referred to as the Company) as of December 31, 2022, and the related parent company only consolidated statements of income, changes in equity, and cash flows for the period from January 1 to December 31, 2022, and the notes to the parent company only financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements referred to above were prepared in all material respects in accordance with the standards for the preparation of financial reports of the security issuers. They are enough sufficient to fairly represent the financial conditions as of December 31, 2022 of Champion Microelectronic Corp. and financial performance and cash flows as of January 1 to December 31, 2022.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibility under these standards will be further explained in the paragraph of our responsibility to review the parent company only financial statements. The staff of the firm to which we are affiliated is regulated by the Code of Ethics for Accountants and maintains independence of Champion Microelectronic Corp. We also perform other responsibilities under the Code. Based on our audit and report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key Audit Matters (KAM) are defined as those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements of Champion Microelectronic Corp. for FY2022. These matters have been considered in the course of auditing the consolidated financial statements as a whole and forming an opinion thereon, and we do not express an opinion on these matters individually.

<u>Recognition of revenue</u>

The Company derives its revenue from the research, development, production, manufacture and sale of power integrated circuits, power modules, field-effect transistors and fast recovery diodes, with the recognized revenue of NT$ 532,754 thousand in FY2022. We have determined to take the significant decrease in sales revenue for the year ended December 31, 2021 as the key audit matter as it had a material effect on the Parent Company Only Financial Statements of Company for FY2022.

Our auditing procedures include, but are not limited to, assessing the appropriateness of accounting policies for revenue recognition; understanding and testing the effectiveness of management's internal controls over revenue recognition, including the identification of performance obligations in customer contracts and the accounting for the timing of revenue recognition; and performing analytical procedures on gross margin, accounts receivable turnover, and changes in major customers over the past two years to assess the reasonableness of turnover days of sales revenue and accounts receivable; performing transaction line item testing on a sample of reconciliation certificates to confirm the authenticity of transactions and to review significant terms and conditions in contracts to confirm the timing of revenue recognition; and performing cut-off point tests to review the certificates related to revenue and transactions in the period before and after the balance sheet date to confirm that revenue is recognized in the correct period and reviews the reasonableness of significant post-period sales returns and allowances.

We also considered the appropriateness of the accounting policy for revenue recognition in Note IV and the disclosure of revenue details in Note VI to the consolidated financial statements.

Inventory valuation

As of December 31, 2022, the Company had net inventory of NT$371,687 thousand, accounting for 24% of total assets. Due to the rapid technological changes in the semiconductor industry, management needs to estimate inventory allowance for the dead inventory that is expected to be scrapped or disposed of in the future. Since the estimation of amount of losses in dead inventory involves management's subjective judgment, the key inputs include inventory depletion, historical obsolescence of dead inventories and inventory aging range, the audit work of losses in dead inventory evaluation is complicated. Therefore we have determined it is a critical audit matter.

Our audit procedures include, but are not limited to, assessing the appropriateness of accounting policies for inventory valuation; understanding and testing the effectiveness of management's internal control system over inventory, including the carry-forward of inventory costs and the allowance for doubtful accounts; selecting significant inventory locations and performing physical observations of inventory counts to confirm the quantity and condition of inventory; testing the correctness of inventory aging ranges and recalculating whether adequate allowance for doubtful accounts has been made in accordance with accounting policies. In addition, a sample is taken to check against the relevant certificates to confirm the correctness of the net realizable value used by the management.

We also considered the appropriateness of inventory disclosure in Notes IV, V and VI to the financial statements.

Other matter - Reference to the audit of other auditors

The parent company only financial statements of the Company for the year 2021 were audited by other certified public accountants, and an unqualified audit report was issued on February 18, 2021.

Obligations of management and governing body for Parent Company Only Financial Statements

It is the management's responsibility to fairly present the Parent Company Only Financial Statements in conformity with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," and to avoid material misstatements due to fraud or errors therein.

In preparing the parent company only financial statements, the management's responsibility also includes assessing the Company's ability to continue as a going concern, the disclosure of related matters, and the adoption of the going concern basis of accounting, unless the management intends to liquidate the Company or cease its operations, or there is no practical alternative to liquidation or cessation of operations.

The governance unit (including the Audit Committee) of the Company is responsible for overseeing the financial reporting process.

Obligations of CPA to audit the Parent Company Only Financial Statements

The purpose of our audit is to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report thereon. An audit conducted in accordance with auditing standards does not provide assurance that material misstatements in the parent company only financial statements can be identified. Misstatements can arise from fraud or error and are considered material Misstatements are considered material if, individually or in the aggregate, they may reasonably be expected to influence the economic decisions taken on the basis of these Parent Company Only Financial Statements by users hereof.

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or errors, design and performing audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a solid basis for the CPA’s professional opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of the internal control relevant to our 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 Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Based on the evidence obtained, we have made a conclusion as to the appropriateness of the management's adoption of the going concern basis of accounting and whether there is any material uncertainty about the events or circumstances that may cast significant doubt on the Company. If the CPA considers that there is material uncertainty in such events or circumstances, he shall, in the audit report, remind users of the Parent Company Only Financial Statements of the relevant disclosure of the Parent Company Only Financial Statements or amend the audit opinion where such disclosure is not appropriate. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to have the ability to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the related notes, and whether the statements present fairly the related transactions and events.

6. Obtain sufficient and appropriate audit evidence to form an opinion on the financial information of the Company's parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 the units charged with governance with a statement that we have complied with the independence requirements of the Code of Ethics for Auditors in accordance with the Norm of Professional Ethics for Certified Public Accountants and communicate with them about all relationships and other matters (including related safeguards) that may be considered to affect the auditors' independence.

We have determined, based on the communication with the governance unit, to audit the key audit matters of the Company's parent company only financial statements for FY2022. We identified those matters in the auditor's report, except for those specific matters that are not permitted by law to be disclosed publicly or, in rare circumstances, where we decided not to communicate those matters in the auditor's report because the negative effect of such communication could reasonably be expected to outweigh the public interest that would be served.

Ernst & Young Taiwan
The competent authorities approved the processing of public issuance of Champion Microelectronic Corp.'s financial reports
Auditing and attestation Ref.: Jin Guan Zheng Liu Zi No. 0970038990
(90) Tai Cai Zheng (VI) No.100690

Chen Zhengchu

Accountants:

Fu Wenfang

February 23, 2023

Champion Microelectronic Corp.
Parent company only Balance Sheet
December 31, 2021 and 2022

Unit: NT$ thousand

Assets			December 31, 2022		December 31, 2021	
Code	Items	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	(VI).1	$258,683	17	$754,973	38
1170	Net accounts receivable	(VI).3,13	68,781	4	200,720	10
1200	Other receivables		729	0	1,429	0
1220	Income tax assets for the period		31,640	2	-	-
130x	Inventory	(VI).4	371,687	24	222,971	11
1410	Prepayments		16,352	1	10,013	0
1470	Other current assets		283	0	134	0
1476	Other financial assets - current		66,900	4	66,900	3
	Total current assets		815,055	52	1,257,140	62
	Non-current assets					
1510	Non-current financial assets at fair value through profit or loss	(VI).2	957	0	957	0
1550	Investments accounted for using the equity method	(VI).5	425,340	27	409,212	21
1600	Property, plant and equipment	(VI).6	178,628	11	171,863	9
1755	Right-of-use assets	(VI).14	11,210	1	11,688	1
1780	Intangible assets	(VI).7	1,222	0	896	0
1840	Deferred income tax assets	(VI).18	60,476	4	51,553	3
1900	Other non-current assets	(VI).8/(VIII)	69,886	5	70,246	4
1915	Prepayment for equipment		-	-	7,586	0
	Total non-current assets		747,719	48	724,001	38
1xxx	Total assets		$1,562,774	100	$1,981,141	100

Liabilities and equity			December 31, 2022		December 31, 2021	
Code	Items	Notes	Amount	%	Amount	%
	Current liabilities					
2170	Accounts payable		$25,096	2	$62,345	3
2200	Other payables		45,657	3	102,356	5
2230	Income tax liabilities for the period		-	-	56,912	3
2280	Current lease liabilities	(VI).14	467	0	458	0
2300	Other current liabilities		1,462	0	1,418	0
	Total current liabilities		72,682	5	223,489	11
	Non-current liabilities					
2570	Deferred income tax liabilities	(VI).18	7,588	0	-	-
2580	Non-current lease liabilities	(VI).14	11,063	1	11,480	1
2670	Other non-current liabilities - others		515	0	-	-
	Total non-current liabilities		19,166	1	11,480	1
2xxx	Total liabilities		91,848	6	234,969	12
31xx	Rights and interests					
3100	Share capital					
3110	Ordinary share capital	VI.10	799,866	51	799,866	40
3200	Capital surplus	VI.10	173,314	11	213,226	11
3300	Retained earnings	VI.10				
3310	Legal reserve		205,994	13	165,879	8
3320	Special reserve		39,014	3	34,466	2
3350	Undistributed earnings		289,421	19	580,986	29
	Total retained earnings		534,429	35	781,331	39
3400	Other equity interest					
3410	Exchange differences on translation of financial statements of foreign operations		(25,326)	(2)	(41,601)	(2)
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income		(2,120)	(0)	2,587	0
	Total other equity interest		(27,446)	(2)	(39,014)	(2)
3500	Treasury stock	VI.10	(9,237)	(1)	(9,237)	(0)
3xxx	Total equity		1,470,926	94	1,746,172	88
3x2x	Total liabilities and equity		$1,562,774	100	$1,981,141	100

(Notes to Parent Company Only Financial Statements)

Chairman: Fang Minzong　　Manager: Lin Baowei　　Accounting Supervisor: Zhang Liru

Champion Microelectronic Corp.
Parent company only Consolidated Income Sheet
January 01 to December 31, 2022 and 2021

Unit: NT$ thousand

Code	Items	Notes	2022 Amount	%	2021 Amount	%
4000	Operating income	(VI).12/(VII)	$532,754	100	$1,228,406	100
5000	Operating costs	(VI).4,15	(266,939)	(50)	(544,258)	(44)
5900	Gross profit		265,815	50	684,148	56
5910	Unrealized gains or losses on sales		-	-	140	0
5950	Net operating profit		265,815	50	684,288	56
6000	Operating expenses	(VI).13,15				
6100	Marketing fees		(11,003)	(2)	(16,033)	(1)
6200	Administrative expenses		(37,803)	(7)	(49,325)	(4)
6300	Research and development expenses		(140,058)	(27)	(164,147)	(13)
	Total operating expenses		(188,864)	(36)	(229,505)	(18)
6900	Operating profit (loss)		76,951	14	454,783	38
7000	Non-operating income and expenses					
7100	Interest income		3,426	1	2549	0
7010	Other income		2320	1	2950	0
7020	Other gains and losses		37,231	7	11	0
7050	Financial costs		(181)	0	(186)	(0)
7070	Share of profits and losses of subsidiaries, affiliates and joint ventures recognized under the equity method	(VI).5	4,560	1	14,149	1
	Total non-operating income and expenses	(VI).16	47,356	10	19,473	1
7900	Net profit before tax		124,307	23	474,256	39
7950	Income tax (expense)	(VI).18	(12,003)	(3)	(73,104)	(6)
8000	Net profit of going concern operations for the period		112,304	21	401,152	33
8200	Net profit for the period		112,304	21	401,152	33
8300	Other comprehensive profit and loss	(VI).17				
8310	Items not reclassified to profit or loss					
8316	Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income or loss		(4,707)	(1)	(291)	(0)
8360	Items reclassified to profit or loss in the future					-
8361	Exchange differences on translation of financial statements of foreign operations		16,275	4	(4,257)	(0)
	Other comprehensive profit and loss (net after tax) for the period		11,568	2	(4,548)	(0)
8500	Other comprehensive profit and loss for the period		$123,872	23	$396,604	33
	Earnings per share (NT$)	(VI).19				
9750	Basic earnings per share		$1.41		$5.03	
9850	Diluted earnings per share		$1.40		$4.98	

(Notes to Parent Company Only Financial Statements)

Chairman: Fang Minzong　　Manager: Lin Baowei　　Accounting Supervisor: Zhan

Champion Microelectronic Corp.
Parent company only Statement of Changes in Equity
January 01 to December 31, 2022 and 2021

Unit: NT$ thousand

		Share capital		Retained earnings			Other equity items			
	Items	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Treasury stock	Total equity
Code		3110	3200	3310	3320	3350	3410	3420	3500	31xx
A1	Balance as of January 1, 2021	$727,390	$292,224	$141,904	$31,869	$416,586	($37,344)	$2,878	($14,905)	$1,560,602
	Appropriation and distribution of earnings for the year 2020									
B1	Legal reserve appropriated	-	-	23,975	-	(23,975)	-	-	-	-
B3	Special reserve appropriated	-	-	-	2,597	(2,597)	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(137,704)	-	-	-	(137,704)
B9	Dividends on common stock	72,476	-	-	-	(72,476)	-	-	-	-
C15	Distribution of cash dividends from capital reserves	-	(79,724)	-	-	-	-	-	-	(79,724)
D1	Net profit from January 1st to December 31st, 2021	-	-	-	-	401,152	-	-	-	401,152
D3	Other comprehensive income from January 1 to December 31, 2021	-	-	-	-	-	(4,257)	(291)	-	(4,548)
D5	Total comprehensive income from January 1 to December 31, 2021	-	-	-	-	401,152	(4,257)	(291)	-	396,604
L1	Repurchase of treasury stock									
	Transfer of treasury stocks to employees	-	726	-	-	-	-	-	5,668	6,394
Z1	Balance as of December 31, 2021	$799,866	$213,226	$165,879	$34,466	$580,986	($41,601)	$2,587	($9,237)	$1,746,172
A1	Balance as of January 1, 2022	$799,866	$213,226	$165,879	$34,466	$580,986	($41,601)	$2,587	($9,237)	$1,746,172
	Appropriation and distribution of earnings for the year 2021									
B1	Legal reserve appropriated	-	-	40,115	-	(40,115)	-	-	-	-
B3	Special reserve appropriated	-	-	-	4,548	(4,548)	-	-	-	-
B5	Cash dividends on common stock	-	-	-	-	(359,206)	-	-	-	(359,206)
C15	Distribution of cash dividends from capital reserves	-	(39,912)	-	-	-	-	-	-	(39,912)
D1	Net profit from January 1st to December 31st, 2022	-	-	-	-	112,304	-	-	-	112,304
D3	Other comprehensive income from January 1 to December 31, 2022	-	-	-	-	-	16,275	(4,707)	-	11,568
D5	Total comprehensive income from January 1 to December 31, 2022	-	-	-	-	112,304	16,275	(4,707)	-	123,872
N1	Share-based payment transactions	-	-	-	-	-	-	-	-	-
Z1	Balance as of December 31, 2022	$799,866	$173,314	$205,994	$39,014	$289,421	($25,326)	($2,120)	($9,237)	$1,470,926

(Notes to Parent Company Only Financial Statements)

Chairman: Fang Minzong　　Manager: Lin Baowei　　Accounting Supervisor: Zhang Lir

Champion Microelectronic Corp.
Parent company only Cash Flow Statement
January 01 to December 31, 2022 and 2021

Unit: NT$ thousand

Code	Items	2022 Amount	2021 Amount
	Cash flow from operating activities:		
A10000	Net profit before tax for the period	$124,307	$474,256
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation	19,803	20,405
A20200	Amortization	459	342
A20900	Interest expense	181	186
A21200	Interest income	(3,426)	(2,549)
A21900	Share-based compensation cost	-	726
A22300	Share of losses of subsidiaries, affiliates and joint ventures recognized under the equity method	(4,560)	(14,149)
A22600	Property, plant and equipment transferred to expenses	929	-
A29900	Other adjustments	1,116	7,016
A20010	Adjustments to reconcile profit (loss)	14,502	11,977
A30000	Changes in assets/liabilities related to operating activities:		
A31000	Net changes in assets related to operating activities		
A31150	Decrease (increase) in accounts receivable	131,939	(10,285)
A31160	Decrease in accounts receivable - related parties	-	4,715
A31180	Decrease (increase) in other receivables	786	(90)
A31200	(Increase) in inventories	(149,832)	(42,306)
A31230	(Increase) in prepayments	(6,339)	(1,485)
A31240	(Increase) decrease in other current assets	(149)	126
A32000	Net change in liabilities related to operating activities		
A32125	(Decrease) in contractual liabilities	-	(6)
A32150	(Decrease) in accounts payable	(37,249)	(39,699)
A32180	Increase (decrease) in other payables	(57,008)	21,475
A32230	Increase (decrease) in other current liabilities	44	(34)
A30000	Total net changes in assets and liabilities related to operating activities	(117,808)	(67,589)
A33000	Cash inflow generated from operations	21,001	418,644
A33100	Interest received	3,340	2,604
A33300	Interest paid	(5)	(4)
A33500	Income tax paid	(101,890)	(36,482)
AAAA	Net cash (outflow) from operating activities	(77,554)	384,762
	Cash flow from (used in) operating activities:		
B02700	Acquisition of property, plant and equipment	(19,072)	(36,091)
B03700	Increase in refundable deposits	-	10
B04500	Acquisition of intangible assets	(785)	-
B06600	Decrease in other financial assets	-	399,760
B06800	Decrease in other non-current assets	360	38,758
B07100	Increase in prepayments for equipment	-	(2,769)
BBBB	Net cash (outflow) inflow from investing activities	(19,497)	399,668
	Cash flow from financing activities:		
C03000	Increase in guarantee deposits received	-	(458)
C04020	Payments of lease liabilities	(636)	(634)
C04300	Increase in other non-current liabilities	515	-
C04500	Cash dividends paid	(399,118)	(217,428)
C05100	Treasury stocks purchased by employees	-	5,668
CCCC	Net cash flows used in financing activities	(399,239)	(212,852)
DDDD	Effect of exchange rate changes on cash and cash equivalents	-	(7,156)
EEEE	Increase (decrease) in cash and cash equivalents for the period	(496,290)	564,422
E00100	Cash and cash equivalents at beginning of period	754,973	190,551
E00200	Cash and cash equivalents at end of period	$258,683	$754,973

(Notes to Parent Company Only Financial Statements)

Chairman: Fang Minzong Manager: Lin Baowei Accounting Supervisor: Zhang Liru

Champion Microelectronic Corp.
Notes to Parent Company Only Financial Statements
January 01 to December 31, 2021 and 2022
(Unit: NT$ thousand, unless otherwise indicated)

i. History and Organization

Champion Microelectronic Corp. (hereinafter referred to as "the Company") was incorporated on December 30, 1987 with the approval of the Ministry of Economic Affairs, with its address registered at Floor 5, Building 11, Park 2 Road, Science Park, Hsinchu City. The Company’s main business is research, development, production, manufacturing and sales of power integrated circuits, power supply modules, field-effect transistors and fast recovery diodes, as well as technical consulting and import/export trading. The Company's shares have been listed on the Taiwan Stock Exchange since March 21, 2021.

ii. The date of authorization of the financial report and procedure for authorization

The Company's financial statements for the years ended December 31, 2022 and 2021 were approved by the Board of Directors on February 23, 2023.

iii. Application of newly issued and revised standards and their interpretations

1. Change in accounting policy arising from the first application of IFRS

   The Company has adopted International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), International Financial Reporting Interpretations (IFRS) or Interpretative Announcements (IAs) that have been endorsed by the Financial Supervisory Commission (FSC) and are applicable for fiscal years beginning on or after January 01, 2022. The first-time application of the new standards and amendments has no material impact on the Company.

2. As of the date of adoption and issuance of the financial report, the Company has not applied the following newly issued, revised, and amended standards or interpretations that have been issued by the International Accounting Standards Board (IASB) and endorsed by the Financial Service Commission (FSC):

Items	Newly issued and revised standards and their interpretations	Effective date of issuance by IASB

(Unit: NT$ thousand, unless otherwise indicated)

1	Disclosure initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
2	Definition of accounting estimates (Amendments to IAS 8)	January 1, 2023
3	Deferred income tax relating to assets and liabilities arising from a single transaction (Amendments to IAS 12)	January 1, 2023

(1) Disclosure initiative - Accounting Policies (Amendments to IAS 1)

This amendment is to improve the disclosure of accounting policies to provide investors and other major users of financial statements with more useful information.

(2) Definition of accounting estimates (Amendments to IAS 8)

This amendment directly defines accounting estimates and makes other amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to help companies distinguish between changes in accounting policies and changes in accounting estimates.

(3) Deferred income tax relating to assets and liabilities arising from a single transaction (Amendments to IAS 12)

This amendment limits the scope of the deferred income tax recognition exemption in paragraphs 15 and 24 of IAS 12 "Income Taxes", so that the exemption does not apply to transactions that give rise to the same amount of taxable and deductible temporary differences on initial recognition.

The above new, revised and amended standards or interpretations issued by the IASB and endorsed by the FSC and applicable for fiscal years beginning after January 01, 2023 have no material impact on the Company.

3. As of the date of adoption and issuance of the financial report, the Company has not applied the following newly issued, revised, and amended standards or interpretations that have been issued by the International Accounting Standards Board but not yet endorsed by the FSC:

Items	Newly issued and revised standards and their interpretations	Effective date of issuance by IASB
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its associates or Joint Ventures	To be decided by the International Accounting Standards Board
2	IFRS 17 "Insurance Contracts"	January 1, 2023

(Unit: NT$ thousand, unless otherwise indicated)

3	Classified as current or non-current liabilities (Amendments to IAS 1)	January 1, 2024
4	Lease liabilities in sale-leasebacks (Amendment to IFRS 16)	January 1, 2024
5	Non-current liabilities in contracts (Amendments to IAS 1)	January 1, 2024

(1) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its associates or Joint Ventures

This plan addresses the inconsistency between IFRS 10 "Consolidated Financial Statements," and IAS 28 "Investments in Associates and Joint Ventures" regarding the loss of control over an investment in an associate or joint venture at the price made by a subsidiary. IAS 28 requires that when a non-monetary asset is invested in exchange for an interest in an associate or joint venture, the share of the resulting gain or loss should be eliminated in accordance with the treatment of a flow-through transaction; IFRS 10 requires that a full gain or loss should be recognized when control over the subsidiary is lost. This amendment restricts the preceding provisions of IAS 28 to the effect that when assets that constitute a business as defined in IFRS 3 are sold or invested, the resulting gain or loss should be recognized in full.

The amendment also amends IFRS 10 so that gains or losses arising from the sale or contribution of an investor and its affiliates or joint ventures that do not constitute a subsidiary as defined in IFRS 3 are recognized only to the extent that they are not attributable to the investor's share.

(2) IFRS 17 "Insurance Contracts"

The standard provides a comprehensive model of insurance contracts that includes all relevant components of accounting (recognition, measurement, presentation and disclosure principles). The core of the standard is a general model under which the group of insurance contracts is measured by the aggregate of performance cash flows and contract service margins on initial recognition, where performance cash flows include:

A. Estimated future cash flows
B. Discount rate: an adjustment to reflect the time value of money and the financial risk associated with future cash flows (to the extent that the financial risk is not included in the estimated future cash flows); and
C. Adjustment for non-financial risks

The carrying amount of the insurance contract group at the end of each reporting period is the sum of the remaining coverage liabilities and the liabilities for incurred claims.

In addition to the general model, it provides:

A. Specific methodology for contracts with direct participation features (variable fee approach)
B. Simplified method of short-term contracts (premium allocation approach)

This standard was released in May 2017, and its amendment was issued in June 2020 and 2021. This amendment not only allows the extension of the effective date of the transitional clause for 2 years (that is, postponed from the original January 1, 2021 to January 1, 2023) and additional exemptions, but also reduce the cost of adopting this standard by simplifying some of the regulations, and amending some regulations to make some situations easier to explain. This standard will supersede the transitional standard (i.e. IFRS 4 "Insurance Contracts") when it becomes effective

(3) Classified as current or non-current liabilities (Amendments to IAS 1)

This is an amendment to the classification of liabilities as current or non-current ones in paragraphs 69 to 76 of SFAS No. 1 "Presentation of Financial Statements".

(4) Lease liabilities in sale-leasebacks (Amendment to IFRS 16)

This is to address the consistent application by adding accounting treatment to sale and leaseback transactions by sellers and lessees in IFRS 16 "Leases”.

(5) Non-current liabilities in contracts (Amendments to IAS 1)

This amendment is intended to add information on long-term debt contracts provided by companies. It is to note that the contractual obligations to be complied with for 12 months after the reporting period does not affect the classification of these liabilities as current or non-current ones at the end of the reporting period.

The actual application dates of the above standards or interpretations issued by the IASB but not yet endorsed by the FSC are subject to the FSC's regulations. Except for the potential impact of the newly issued or amended standards, or interpretations in (3), which the Company is currently evaluating and cannot reasonably estimate their impact on the Company for the time being, the remaining newly issued or amended standards, or interpretations have no material impact on the Company.

iv. Summary of significant accounting policies

1. Declaration of compliance

The Company's Parent Company Only Financial Statements for the years of 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of compilation

The Company's financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. As stipulated in Article 21 of "Preparation Standards of Financial Statements for Securities Issuers, the current gain or loss and other comprehensive income in the Parent Company Only Financial Statements shall be the same as the allocation of other comprehensive income attributable to the parent company owners in the combined Financial Statements, and the owners' equity in the Parent Company Only Financial Statements shall be the same as the equity attributable to the parent company's owners in the combined Financial Statements. Therefore, investments in subsidiaries are expressed in Parent Company Only Financial Statements as "investments by equity method", and necessary evaluation adjustments are made.

The parent company only financial statements are prepared on the historical cost basis, except for financial instruments measured at fair value. Unless otherwise indicated, the parent company only financial statements are expressed in New Taiwan dollars.

3. Foreign currency transactions

The Company's Parent Company Only Financial Statements are expressed in New Taiwan dollars, the functional currency of the Company. Foreign currency transactions are recorded in their functional currency using the exchange rate at the date of the transaction. Foreign currency monetary items are translated at the closing rate on the end date of each reporting period; foreign currency non-monetary items at fair value are translated at the exchange rate at the date of the fair value measurement; foreign currency non-monetary items at historical cost are translated at the exchange rate at the date of the original transaction.

Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss in the current period, except for those described below:

(1) Exchange differences arising from foreign-currency borrowings to acquire qualifying assets are capitalized as part of the cost of the borrowings if they are considered to be an

adjustment to interest costs.

(2) The foreign-currency items under IFRS 9 "Financial Instruments" are accounted for in accordance with the accounting policy for financial instruments.

(3) Exchange differences arising from monetary items that form part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and are reclassified from equity to profit or loss upon disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in gain or loss, any exchange component of that gain or loss is recognized in other comprehensive income.

4. Translation of foreign currency financial statements

Each of the Company's foreign operations determines its own functional currency and measures its financial statements in that functional currency. When preparing parent Company only Financial Statements, the assets and liabilities of foreign operation are converted into New Taiwan dollars at the closing exchange rate on the balance sheet date, and income and expenditure items are converted at the current average exchange rate. Exchange differences arising from translation are recognized in other comprehensive income and, upon disposal of the foreign operation, the cumulative exchange differences previously recognized in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to profit or loss upon recognition of the gain or loss on disposal. A partial disposal involving the loss of control over a subsidiary that includes a foreign operation and a partial disposal of an interest in an associate or joint agreement that includes a foreign operation, where the retained interest is in a financial asset that includes a foreign operating entity, are also treated as disposals.

When a subsidiary that includes a foreign operation is partially disposed of without losing control over it, the cumulative translation differences recognized in other comprehensive income are adjusted proportionately to "investments accounted for using the equity method" and are not recognized in profit or loss. When a subsidiary that includes a foreign operation is partially disposed of without losing significant influence or joint control, the cumulative translation differences are reclassified into profit or loss on a pro-rata basis.

Goodwill arising from the Company’s acquisition of a foreign operation and the fair value adjustment made to the carrying amounts of its assets and liabilities are recognized as assets and liabilities of the foreign operation and presented in its functional currency.

5. Classification criteria for current and non-current assets and liabilities

An asset is classified as current asset under one of the following circumstances, or a non-current asset if it is not a current asset:

(1) The asset is expected to be realized in its normal operating cycle, or is intended to be sold or consumed.
(2) The asset is held primarily for the purpose of being traded.
(3) The asset is expected to be realized within 12 months after the reporting period.
(4) Cash or cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current liability under one of the following circumstances, or non-current liability if it is not current liability:

(1) The liability is expected to be settled in its normal operating cycle.
(2) The liability is held primarily for the purpose of being traded.
(3) The liability is expected to be settled when due within 12 months after the reporting period.
(4) Liabilities that cannot be unconditionally deferred until at least 12 months after the reporting period. The terms of the liabilities, which may be settled by issuing equity instruments at the option of the counter-parties, do not affect their classification.

6. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and short-term highly liquid time deposits or investments (including time deposits within 3 months of the contract period) that are readily convertible into fixed deposits with minimal risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities that meet the scope of IFRS 9 "Financial Instruments" are measured at fair value on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (other than those classified as at fair value through profit or loss) are added to or deducted from the fair value of those financial assets and liabilities.

(1) Recognition and measurement of financial assets

All regular way financial assets are recognized and derecognized using trade date accounting.

The Company classifies financial assets as financial assets subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on the following two bases:

A. Business model for managing financial assets
B. Contractual cash flow characteristics of financial assets

Financial assets at amortized cost

Financial assets that meet both of the following criteria are measured at amortized cost and presented in the balance sheet as notes receivable, accounts receivable, financial assets at amortized cost and other receivables:

A. Business model of financial assets under management: holding financial assets to collect contractual cash flows
B. Contractual cash flow characteristics of financial assets: The cash flows are solely payments of principal and interest on the principal amount outstanding.

These financial assets (excluding those involved in hedging relationships) are subsequently measured at amortized cost [the amount measured at original recognition, less principal repayments, plus or minus the cumulative amortization of the difference between the original amount and the maturity amount (using the effective interest method), and adjusted for the allowance for losses]. A gain or loss is recognized in profit or loss when it is derecognized or recognized in impairment gain or loss through the amortization process.

Interest calculated using the effective interest method (by multiplying the total carrying amount of the financial assets by the effective interest rate) or under the following circumstance is recognized in profit or loss:

A. In the case of credit-impaired financial assets acquired or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial assets
B. The effective interest rate is multiplied by the amortized cost of the financial asset if it is not the former, but subsequently becomes credit-impaired.

Financial assets at fair value through other comprehensive income

Financial assets that meet both of the following two criteria are measured at fair value through other comprehensive income and presented in the balance sheet as financial assets at fair value through other comprehensive income:

A. Operating model of financial assets under management: Receipt of contractual cash flows and sale of financial assets

B. Contractual cash flow characteristics of financial assets: The cash flows are solely payments of principal and interest on the principal amount outstanding.

The recognition of gains and losses related to these financial assets is as follows:

A. Before derecognition or reclassification, gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign currency exchange gains or losses recognized in profit or loss.
B. At the time of derecognition, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest calculated using the effective interest method (by multiplying the total carrying amount of the financial assets by the effective interest rate) or under the following circumstance is recognized in profit or loss:
   (a) In the case of credit-impaired financial assets acquired or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial assets
   (b) The effective interest rate is multiplied by the amortized cost of the financial asset if it is not the former, but subsequently becomes credit-impaired.

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (upon disposal of these equity instruments, the cumulative amounts included in other equity items are transferred directly to retained earnings) and are presented in the balance sheet as financial assets at fair value through other comprehensive income. Dividends from investments are recognized in profit or loss unless it is clear that the dividends represent a partial recovery of investment costs.

<u>Financial assets at fair value through profit or loss</u>

Financial assets are measured at fair value through profit or loss, and are presented in the balance sheet as financial assets at fair value through profit or loss, except for those that meet certain conditions and are measured at amortized cost or measured at fair value through other comprehensive income.

Such financial assets are measured at fair value, and gains or losses arising from their remeasurement are recognized in profit or loss. Such gains or losses recognized in profit or loss include any dividends or interest received on the financial assets.

(2) Impairment of financial assets

For investments in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost, the Company recognizes and measures the allowance for losses on expected credit losses. Investments in debt instruments at fair value through other comprehensive income are recognized as an allowance for losses in other comprehensive income and the carrying amount of the investments will not be reduced.

The Company measures expected credit losses in a manner that reflects the following:

A. An unbiased and probability-weighted amount determined by evaluating the possible outcomes
B. Time value of money
C. Reasonable and corroborative information relating to past events, current conditions and projections of future economic conditions (those that might be obtained without excessive cost or input on the balance sheet date)

The method of measuring allowance for losses is described as follows:

A. Measured by the amount of expected credit losses over 12 months: Including financial assets with no significant increase in credit risk since original recognition or those judged to have low credit risk as of the balance sheet date. In addition, it also includes the allowance for losses measured at the amount of expected credit losses during the prior reporting period, but no longer meets the condition that the credit risk has increased significantly since the original recognition on the balance sheet date.
B. Measurement of amount of expected credit losses during the duration: including financial assets for which the credit risk has significantly increased since initial recognition, or financial assets with credit impairment recognized upon purchase or origination
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Company measures the allowance for losses using the amount of expected credit losses over the life of the transaction.
D. For lease receivable or contract assets arising from transactions within the scope of IFRS 16, the Company measures the allowance for losses using the amount of expected credit losses over the life of the transaction.

On each balance sheet date, the Company assesses whether the credit risk of a financial instrument has increased significantly after initial recognition by comparing the change in default risk of the financial instrument at the balance sheet date with that at the date of initial recognition. Please refer to Note XII for additional information related to credit risk.

(3) Derecognition of financial assets

Financial assets held by the Company are derecognized when one of the following conditions is met:

A. The contractual rights from the cash flow of financial assets are terminated.
B. A financial asset is transferred and almost all the risks and rewards of ownership of the asset are transferred to another person.
C. The control over the asset is transferred without transferring or retaining substantially all the risks and rewards of ownership of the asset.

When a financial asset is derecognized as a whole, the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

The liabilities and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments

An equity instrument is any contract that recognizes the Company's remaining interest in assets less all liabilities. Equity instruments issued by the Company are recognized at the acquisition price less direct issue costs.

Compound instruments

The Company recognizes financial liabilities and equity components of the convertible bonds issued in accordance with their contractual terms. For convertible bonds issued, the Group evaluates whether the economic characteristics and risks of the embedded call and put option is closely related to the principal debts before distinguishing the equity elements.

For the liability component that does not involve derivatives, its fair value is assessed at the market interest rate for bonds of similar nature and without conversion characteristics, and the amount of this component is classified as a financial liability at amortized cost until the conversion or redemption is settled; for other embedded derivative components that are not closely related to the risk of economic characteristics of the master contract (e.g., embedded repurchase rights and redemption rights which exercise price is determined to be not nearly equal to the amortized cost of the debt instrument at each exercise date), they are classified as a liability component, except for the equity component, and are subsequently measured at fair value through profit or loss; the equity component amount is determined as the fair value of the convertible bond less the liability component, and its carrying amount is not remeasured in subsequent accounting periods. If the convertible bonds issued do not have an equity element, they are treated in accordance with IFRS 9 “Hybrid Instruments”.

Transaction costs are allocated to the liability and equity components in proportion to the original recognition of convertible bonds.

When the holder of a convertible bond requests to exercise the conversion right before the maturity of the bond, the carrying amount of the liability component is adjusted to the carrying amount at the time of conversion, which is the basis for recording the issuance of common stock.

Financial liabilities

Financial liabilities that fall within the scope of application of IFRS 9 are classified as financial liabilities at fair value through profit or loss or at amortized cost at initial recognition.

Financial assets at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

A. It was acquired primarily for the purpose of selling in the near future;
B. on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
C. Derivatives (other than derivatives on financial guarantee contracts or designated and effective hedging instruments).

For a contract that contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; it is designated as financial liabilities at fair value through profit or loss on initial recognition when one of the following factors is met and more relevant information can be provided:

A. The designation can eliminate or significantly reduce inconsistencies between measurement or recognition; or
B. A group of financial liabilities or a group of financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a written risk management or investment strategy, and the information on this investment portfolio provided internally to the Company's management is incorporated on a fair value basis.

Gains or losses arising from the remeasurement of these financial liabilities are recognized in profit or loss. Such gains or losses recognized in profit or loss include any interest paid on the financial assets.

<u>Financial liabilities at amortized cost</u>

Financial liabilities at amortized cost, including payables and borrowings, are subsequently measured using the effective interest method after initial recognition. When financial liabilities are derecognized and amortized using the effective interest method, the related gain or loss and amortization are recognized in profit or loss.

The calculation of amortized cost takes into account the discount or premium on acquisition and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled or expires.

When a debt instrument with materially different terms is exchanged between the Company and its creditors, or when all or part of the terms of an existing financial liability are significantly modified (whether or not due to financial difficulties), the original liability is derecognized and a new liability is recognized. When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis only when the Group has a current and legally enforceable right to set-off the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

8. Measurement at fair value

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. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in one of the following markets:

(1) The principal market for the asset or liability, or
(2) In the most advantageous market for the asset or liability in the absence of a principal market

The primary or most advantageous market must be accessible to the company in order to trade.

Fair value of an asset or a liability must be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate and informative in the circumstances to measure fair value and to maximize the use of observable inputs and minimize the use of unobservable inputs.

9. Inventory

Inventories should be valued at the lower of cost or net realizable value on a line-by-line basis.

Cost is the cost incurred to bring inventory to a saleable or production-ready condition and location:

Raw materials	- Weighted-average method based on actual cost of goods purchased.
Finished goods and work in process	- Include direct raw materials, labor and fixed manufacturing costs allocated to normal production capacity, but do not include borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of operations, less the costs to be input until completion and selling expenses.

The provision of labor is accounted for in accordance with IFRS 15 and is not part of inventories.

10. Investments accounted for using the equity method

The Company's investments in affiliated companies are accounted for by the equity method, except for those classified as assets held for sale. An associate is an entity over which the company has significant influence. A joint venture is a joint arrangement whereby the Company has joint control of the arrangement and have rights to the net assets of the arrangement.

Under the equity method, the investment in an associate or a joint venture is recorded in the balance sheet at cost plus changes in net assets of the associate or joint venture that are recognized in proportion to the Company's ownership. After the carrying amount of an investment in an associate or joint venture and other related long-term interests are reduced to zero using the equity method, additional losses and liabilities are recognized to the extent that legal obligations, constructive obligations or payments on behalf of the related party have been incurred. Unrealized gains or losses resulting from transactions between the Company and its associates or joint ventures are eliminated in proportion to the Company's interest in the affiliates or joint ventures.

When changes in the equity of an associate or joint venture do not occur due to gain or loss and other comprehensive income items and do not affect the Company's shareholding ratio, the Company recognizes the related ownership and equity changes based on the shareholding ratio. Therefore, the recognized capital reserve is transferred to gain or loss according to the proportion of the disposal in the subsequent disposal of associates or joint ventures.

When an associate or a joint venture issues new shares, the Company fails to subscribe in proportion to the shareholding ratio, resulting in a change in the investment ratio, thereby increasing or decreasing the Company's equity holdings in the associate or joint venture, "capital reserve" and "investment using the equity method" are used to adjust the increase or decrease. When the investment ratio decreases, the related items that have been previously recognized in other comprehensive income are also reclassified to gain or loss or other appropriate accounts according to the reduction ratio. The recognized capital reserve above is transferred to gain or loss according to the proportion of the disposal in the subsequent disposal of associates or joint ventures.

The financial reports of associates or joint ventures are prepared for the same reporting period as the Company, and adjusted to make their accounting policies consistent with the Company's accounting policies.

At the end of each reporting period, the Company confirms whether there is objective evidence showing that the investment in associates or joint ventures has been impaired in accordance with the provisions of IAS 28 "Investment in associates and joint ventures." That is, in accordance with IAS 36 "Asset Impairment", the amount of impairment is calculated based on the difference between the recoverable amount of the associate or joint venture and the carrying amount, and the amount is recognized as gain or loss of the associate or joint venture. If the aforementioned recoverable amount adopts the use value of the investment, the Company will determine the relevant use value based on the following estimates:

(1) The Company's share of the present value of estimated future cash flows from associates or joint ventures, including the cash flow generated by the operation of associates or the joint venture and the final disposal price of the investment; or
(2) The Company expects the present value of estimated future cash flows from the investment to receive dividends and ultimately disposal of the investment.

Since the goodwill component items that constitute the carrying amount of investment in associates or joint ventures are not separately recognized, the provisions of IAS 36, "Impairment of Assets" for goodwill impairment testing are not required.

When it loses significant influence on the associate or joint control of the joint venture, the Company measures and recognizes the retained investment portion at fair value. In the event of loss of significant influence or joint control, the difference between the carrying amount of the investment associate or joint venture and the fair value of the retained investment plus the proceeds from the disposal is recognized as gain or loss. In addition, when an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without re-evaluating the retained equity.

11. Property, plant and equipment

Property, plant, and equipment are recognized on the basis of acquisition cost, and are recognized after deducting accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing and restoring the property, plant, and equipment at their location and the necessary interest expenses incurred for the unfinished construction. If the components of property, plant and equipment are significant, they are depreciated separately. When a significant component of property, plant and equipment is required to be replaced periodically, the Company recognizes the item as an individual asset with a specific useful life and depreciation method, respectively. The carrying amount of these replaced portions should be derecognized in accordance with IAS 16, "Property, Plant and Equipment". If the major maintenance cost meets the recognition conditions, it is regarded as replacement cost and recognized as part of the carrying amount of plant, and equipment, and other repair and maintenance expenses are recognized in gain or loss.

Depreciation is accrued based on the estimated useful life of the following assets by the straight-line method:

Assets	Useful life
Buildings	7 to 41 years
Utilities equipment	5 to 6 years
Office equipment and others	5 to 6 years

After initial recognition, items of property, plant, and equipment or any important component are derecognized and recognized in profit or loss if they are disposed of or are not expected to have an inflow of economic benefits due to use or disposal in the future.

The residual value, useful life, and depreciation method of property, plant, and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is regarded as a change in accounting estimates.

12. Lease

The Company assesses whether the contract is (or contains) a lease based on the inception date of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is (or contains) a lease. In order to assess whether a contract transfers control over the use of an identified asset for a period of time, the Company assesses whether it has both of the following throughout the period of use:

(1) Obtain substantially all of the economic benefits from use of an identified asset; and
(2) Has the right to direct the use of an identified asset.

For contracts that are (or contain) leases, the Company treats each lease component of the contract as a separate lease and treats it separately from the non-lease components of the contract. Where a contract contains a lease component and one or more additional leases or non-lease components, the Company apportions the consideration in the contract to the lease component on the basis of the relative individual prices of each lease component and the aggregate and individual prices of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined on the basis of the prices charged by the lessor (or similar suppliers) for the components (or similar components.) If an observable individual price is not readily available, the Company maximizes the use of observable information to estimate the individual price.

<u>The Company is the lessee</u>

Right-of-use assets and lease liabilities are recognized for all leases when the Company is the lessee of the lease contract, except for leases that qualify as short-term leases or leases with low-value underlying assets.

The Company measures the lease liability at the commencement date at the present value of the lease payments outstanding at that date. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, use the lessee’s incremental borrowing interest rate. On the starting date, the lease payments in the lease liability include the following payments related to the right-of-use of the underlying asset during the lease period and not yet paid on that date:

(1) Fixed payments (including substantial fixed payments) less any lease incentives receivable;
(2) Variable lease payments depending on an index or a rate, initially measured (using the index or rate at the commencement date);
(3) Amounts expected to be payable by the lessee under residual value guarantees;
(4) The exercise price of the purchase option if the Company can reasonably certain that it will exercise such option; and
(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee

exercising an option to terminate the lease.

Subsequent to the commencement date, the Company measures the lease liabilities on an amortized cost basis by increasing the carrying amount of the lease liabilities using the effective interest rate method to reflect the interest on the lease liabilities; payments of lease benefits reduce the carrying amount of the lease liabilities.

The Company measures right-of-use assets at cost as of the commencement date, and the cost of right-of-use assets consists of:

(1) The original measured amount of the lease liability;
(2) Any lease payments paid on or before the commencement date, less any lease incentives receivable;
(3) Any original direct costs incurred by the lessee; and
(4) The estimated cost of lessee's dismantling, removing an underlying asset and restoring its location, or restoring the underlying asset to the state required in the terms and conditions of the lease.

Subsequent measurement of the right-of-use asset is presented after the cost minus the accumulated depreciation and accumulated impairment loss, that is, the cost model is applied to measure the right-of-use asset.

If ownership of the subject asset is transferred to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise the purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the subject asset. Otherwise, the Company depreciates the right-to-use assets from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36, "Impairment of Assets," to determine whether a right-of-use asset is impaired and to account for any identified impairment loss.

In addition to leases that meet the consolidated selection of short-term leases or low-value underlying assets, the Company presents the right-of-use assets and lease liabilities on the balance sheet, and separately presents depreciation expenses and interest expenses related to leases in the comprehensive income statement.

For short-term leases and leases of low-value underlying assets, the Company chooses to recognize lease payments related to such leases as expenses during the lease term on a straight-line basis or another systematic basis.

<u>The Company is the lessor</u>

The Company classifies each of its leases as either operating leases or finance leases at the inception date of the contract. If a lease transfers almost all the risks and rewards attached to the ownership of the underlying asset, it is classified as a financial lease; if it has not been transferred, it is classified as an operating lease. At the inception date, the Company recognized assets held under finance leases in the balance sheet and expressed them as finance lease receivables based on the net investment in the leases.

For contracts with lease components as well as non-lease components, the Company applies IFRS 15 to apportion the consideration in the contracts.

The Company recognizes rental income from operating lease payments on a straight-line basis or another systematic basis. For operating leases, lease payments that are not dependent on a certain index or rate change are recognized as rental income when they occur.

13. Intangible assets

Intangible assets acquired separately are measured by cost at the time of initial recognition. The cost of intangible assets acquired through a business merger is the fair value at the acquisition date. After the initial recognition of intangible assets, the carrying amount is the amount of its cost minus accumulated amortization and accumulated impairment losses. Internally generated intangible assets that do not meet the recognition conditions shall not be capitalized, but shall be recognized in gain or loss when they occur.

The useful life of intangible assets is divided into limited and non-determined useful life.

Intangible assets with a limited useful life are amortized over their useful life, and an impairment test is performed when there are signs of impairment. The amortization period and amortization method of intangible assets with limited useful life are reviewed at least at the end of each financial year. If the estimated useful life of the asset is different from the previous estimate or the expected pattern of future economic benefit consumption has changed, the amortization method or amortization period will be adjusted and considered as a change in accounting estimates.

Intangible assets with an indefinite useful life are not amortized, but impairment tests are conducted at the level of individual assets or cash-generating units in each fiscal year. Intangible assets with indefinite useful life are assessed in each period whether there are events and circumstances that continue to support that the asset’s useful life is still indefinite. If the useful life is changed from an indefinite useful life to a limited one, the application will be postponed.

The profit or loss arising from derecognition of intangible assets is recognized in profit or loss.

The Company’s accounting policies for intangible assets are summarized as follows:

	The cost of computer software	Patents
Useful life	Finiteness (1 to 5 years)	Finiteness (3 years)
Amortization method used	Straight-line method	Straight-line method
Internally generated or externally acquired	Externally acquired	Externally acquired

14. Impairment of non-financial assets

At the end of each reporting period, the Company evaluates whether there is any sign of impairment of all assets that are subject to IAS 36 "Impairment of Assets". If there is an indication of impairment or an asset is required to be tested annually for impairment, the Company performs the test on an individual asset or the cash-generating unit to which the asset belongs. As a result of the impairment test, if the carrying amount of the asset or the cash-generating unit to which the asset belongs is greater than its recoverable amount, the impairment loss is recognized. The recoverable amount is the higher of its net fair value or its value in use.

At the end of each reporting period, the Company assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased for assets other than goodwill. If there is such an indication, the Company estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount increases due to changes in the estimated service potential of the asset, the impairment will be reversed. However, after the reversal, if the carrying amount does not exceed the asset value before recognizing impairment losses, the carrying amount after depreciation or amortization should be deducted.

The impairment loss and the reversal of continuing business units are recognized in profit or loss.

15. Treasury stock

When the Company and its subsidiaries acquired the Company's shares (treasury stock), they were recognized at acquisition cost as a deduction from equity. The spread of treasury stock transactions is recognized under equity.

16. Recognition of revenue

Revenue from contracts with customers consists mainly of sales of merchandise, and the accounting treatment is described as follows:

Sales of goods

The company manufactures and sells goods, and recognizes revenue when the promised goods are delivered to the customer and the customer obtains control (i.e., the ability of the customer to dominate the use of the goods and obtain almost all of the remaining benefits of the goods) over them. The main products are power integrated circuits and power components, and the revenue is recognized based on the price specified in the contract.

The warranty provided by the Company is based on the guarantee that the goods provided will function as expected by the customer and is treated in accordance with IAS 37.

The credit period for the Company's sales of merchandise transactions ranges from 30 days to 90 days at the end of each month. Most of the contracts are recognized as receivables when the goods are transferred to the customer and the right to receive unconditional consideration is available. These receivables are usually of short duration and do not have significant financial components. A small number of contracts that have been transferred to customers but do not have an unconditional right to receive consideration are recognized as contract assets, which are also subject to an allowance for losses based on the expected credit losses over the life of the contract in accordance with IFRS 9. However, some contracts are recognized as contractual liabilities due to the fact that some consideration is collected from the customer at the time of signing the contract, and the company assumes the obligation to provide goods at a later date.

The period in which the Company reclassifies the aforementioned contract liabilities to income does not normally exceed one year and does not result in a material financial component.

According to the contract between the Company and the customer, the period of delivery of the promised goods to the customer and the payment by the customer does not exceed one year. Therefore, the transaction price has not been adjusted for the time value of money.

17. Post employment benefit plan

The Company’s employee retirement plan is applicable to all employees who are officially appointed. The employee pension is fully deposited in the management of the Labor Retirement Reserve Supervision Committee and deposited into a special account for pension. Because the above-mentioned pensions are deposited in the name of the retirement reserve supervision committee, it is completely separated from the Company, so it is not included in the Parent Company Only Financial Statements above.

For post-employment benefit plans that are defined contribution plans, the Company's monthly contribution rate to the employee's pension fund shall not be less than 6% of the employee's monthly salary, and the amount contributed shall be recognized as current expense.

18. Share-based payment transactions

The cost of share-based benefit transactions between the Company and its employees for equity settlements is measured at the fair value of the equity instruments at the date of grant. The fair value is measured using an appropriate pricing model.

The cost of equity-settled share-based payment transactions is recognized over the period in which the service conditions and performance conditions are satisfied, and increases in equity are recognized accordingly. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The cumulative change in cost recognized for share-based payment transactions at the beginning and end of each reporting period is recognized in profit or loss for that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and or service conditions are satisfied.

When the terms of an equity-settled transaction are modified, at least the unmodified original cost of benefits is recognized. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph.

The dilutive effect of the outstanding options will be calculated as additional shares for the purpose of calculating diluted earnings per share.

Upon the issuance of restricted employee stock, salary expense and the corresponding increase in equity are recognized over the vesting period based on the fair value of the equity instruments granted on the date of grant. The Company recognizes unearned compensation for employees on the date of grant, which is a transitional account and is recorded as a deduction from equity in the consolidated balance sheet and transferred to salary expense over time.

19. Income tax

Income tax expense (gain) refers to the aggregate amount related to current income tax and deferred income tax included in the current profit or loss.

Current income tax

The current income tax liabilities (assets) related to the current and previous periods are measured by the tax rates and tax laws that have been legislated or substantively legislated at the end of the reporting period. Current income taxes are related to items recognized in other comprehensive income or directly recognized in equity, which are respectively recognized in other comprehensive income or equity instead of gain or loss.

The Company’s undistributed earnings subjects to income tax shall be recognized as income tax expense on the day when the shareholders meeting decides to distribute the surplus.

Deferred income tax

Deferred tax is calculated based on the temporary difference between the tax basis of assets and liabilities and their carrying amounts on the balance sheet at the end of the reporting period.

Except for the following two, all taxable temporary differences are recognized as deferred tax liabilities:

(1) The original recognition of goodwill; or the original recognition of assets or liabilities that were not generated by a business merger transaction and did not affect accounting

profits or taxable income (loss) at the time of the transaction;

(2) Taxable temporary differences arising from investment in subsidiaries, associates, and joint agreement interests, the timing of which is controllable and may not be reversed in the foreseeable future.

In addition to the following two, deferred tax assets resulting from deductible temporary differences, unused tax losses and unused income tax deductions are recognized within the scope of possible future taxable income:

(1) Relevant to deductible temporary differences arising from the original recognition of assets or liabilities that are not a business merger transaction that does not affect accounting profits or taxable income (loss) at the time of the transaction;

(2) It is related to the deductible temporary differences arising from the equity investment in subsidiaries, associates, and joint agreements, which are only likely to be reversed in the foreseeable future and there is sufficient taxable income at that time to provide for such temporary differences recognized within the scope of use.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which corporations expect, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax and items that are not recognized in profit or loss are also not recognized in gain or loss, but are recognized in other comprehensive income or directly recognized in equity based on their related transactions. Deferred tax assets are reviewed and recognized at the end of each reporting period.

Deferred tax assets and liabilities can only be granted when the current income tax assets and current income tax liabilities have the statutory enforcement power, and when the deferred tax belongs to the same taxpayer and is related to the income tax levied by the same tax authority, they can be offsetting.

v. Main sources of uncertainty in significant accounting judgments, estimates, and assumptions

The preparation of the Company's individual financial statements requires management to make judgments, estimates and assumptions as of the end of the reporting period that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, the uncertainties in these major assumptions and estimates may result in significant adjustments to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions

At the end of the reporting period, the estimates and assumptions made about the future and the main sources of estimation uncertainty are information that has a significant risk of causing significant adjustments to the carrying amounts of assets and liabilities in the next financial year. These are described below:

(1) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized on the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including income method (such as discounted cash flow model) or market method. Assuming changes will affect the fair value of the reported financial instruments. Please refer to Note XII for details.

(2) Income tax

The uncertainty of income tax lies in the interpretation of complicated tax laws and the amount and timing of taxable income generated in the future. Due to the long-term and complex nature of extensive international business relations and contracts, the differences between actual results and assumptions made, or changes in these assumptions in the future, may force the income tax benefits and expenses recorded in the book to be adjusted in the future. The calculation of income tax is based on a reasonable estimate made by the tax authority where the Company operates. The stated amount is based on different factors, such as the previous tax review experience and the difference between the taxation body and the taxation authority’s interpretation of tax laws and regulations. The difference in this interpretation may result in various issues due to the location of the Company.

Post-transition of unused tax losses and income tax deductions and reducible temporary differences, which are likely to generate taxable income in the future or within the scope of contingent taxable temporary differences, shall be recognized as deferred income tax assets. The determination of the recognizable amount of deferred tax assets is based on the estimated time and level at which future taxable income and taxable temporary differences may occur, as well as future tax planning strategies.

(3) Receivables - estimation of impairment losses

The estimated impairment loss on receivables is measured using the estimated credit loss over the remaining period. The credit loss is based on the present value of the difference between the contractual cash flows receivable (carrying amount) and the expected cash flows receivable (forward-looking information). However, the effect of discounting short-term receivables is not significant and credit losses are measured as the undiscounted difference. If the actual future cash flow is less than expected, significant impairment losses may occur. Please refer to Note VI for details.

(Unit: NT$ thousand, unless otherwise indicated)

(4) Inventory

The estimated value of the net realizable value of the inventory is based on the fact that the inventory is damaged, fully or partially obsolete, or the selling price has fallen. The most reliable evidence of the expected cash value of the inventory available at the time of the estimation is used. Please refer to Note VI for details.

vi. Contents of significant accounts

1. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash in treasury and working capital	$145	$147
Checks, demand deposits and time deposits, etc.	258,538	754,826
Total	$258,683	$754,973

(Unit: NT$ thousand, unless otherwise indicated)

2. Financial assets at fair value through profit or loss - Non-current

	December 31, 2022	December 31, 2021
Financial assets at fair value forcibly through profit or loss:		
Shares of unlisted OTC companies	$957	$957

The Company's financial assets at fair value through profit or loss are not guaranteed.

3. Net accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	$68,781	$200,720
(Less): allowance for losses	—	—
Total	$68,781	$200,720

There is no guarantee for the Company's accounts receivable.

The credit period for our customers is usually 30 to 90 days after the end of each month of monthly balance. As of December 31, 2022 and 2021, the total carrying amount was NT$68,781 thousand and NT$200,720 thousand, respectively. Please refer to Note VI (13) for information on the allowance for losses and Note XII for information on credit risk.

4. Inventory

	December 31, 2022	December 31, 2021
Raw materials	$89,793	$31,821
Work in progress	161,317	79,940
Finished goods (including commodities)	120,577	111,210
Total	$371,687	$222,971

The cost of inventories recognized as expenses in FY2022 was NT$266,939 thousand which included a loss of NT$1,116 thousand in inventory impairment loss recognized in FY2022 in addition to the cost of inventories.

In addition to the cost of inventories, the Company recognized a gain of NT$18,157 thousand from the increase in net realizable value of inventories due to the elimination of the factors that caused the net realizable value of inventories to be lower than cost in FY2022.

The Group does not provide guarantee for the inventories above.

(Unit: NT$ thousand, unless otherwise indicated)

5. Investments accounted for using the equity method

10. Investments accounted for using the equity method：

Name of Invested Companies	December 31, 2022 Amount	December 31, 2022 Shareholding Ratio	December 31, 2021 Amount	December 31, 2021 Shareholding Ratio
Investment subsidiaries.				
Champion Microelectronic Corp.	$142,224	100.00%	$126,650	100.00%
Wisdom Mega Corp.	123,130	100.00%	127,837	100.00%
Wisdom Bright Inc.	159,986	100.00%	154,725	100.00%
Total	$425,340		$409,212	

Investee subsidiaries are expressed in Parent Company Only Financial Statements as "investments by equity method", and necessary evaluation adjustments are made.

The share of profit and losses of subsidiaries, affiliates and joint ventures recognized under the equity method:

Name of Invested Companies	2022	2021
Champion Microelectronic Corp.	$1,726	$313
Wisdom Bright Inc.	2,834	13,836
Total	$4,560	$14,149

6. Property, plant and equipment

	December 31, 2022	December 31, 2021
Property, plant and equipment for own use	$112,910	$105,501
Property, plant and equipment leased under operating leases	65,718	66,362
Total	$178,628	$171,863

(1) Property, plant and equipment for own use

	Land	Buildings	Utilities equipment	Office and other equipment	Total
Cost:					
January 1, 2022	$4,785	$85,664	$95,030	$28,303	$213,782
Addition	—	—	14,015	5,366	19,381
Reclassification	—	—	4,289	2,368	6,657

(Unit: NT$ thousand, unless otherwise indicated)

	Land	Buildings	Utilities equipment	Office and other equipment	Total
December 31, 2022	$4,785	$85,664	$113,334	$36,037	$239,820
Depreciation and impairment:					
January 1, 2022	$—	($30,656)	($55,841)	($21,784)	($108,281)
Depreciation	—	(2,672)	(12,447)	(3,510)	(18,629)
Transfer	—	—	—	—	—
December 31, 2022	$—	($33,328)	($68,288)	($25,294)	($126,910)

	Land	Buildings	Utilities equipment	Office and other equipment	Total
Cost:					
January 1, 2021	$4,785	$85,664	$60,267	$26,975	$177,691
Addition	—	—	34,763	1,328	36,091
December 31, 2021	$4,785	$85,664	$95,030	$28,303	$213,782
Depreciation and impairment:					
January 1, 2021	$—	($27,984)	($44,173)	($16,892)	($89,049)
Depreciation	—	(2,672)	(11,668)	(4,892)	(19,232)
December 31, 2021	$—	($30,656)	($55,841)	($21,784)	($108,281)
Net carrying amount:					
December 31, 2022	$4,785	$52,336	$45,046	$10,743	$112,910
December 31, 2021	$4,785	$55,008	$39,189	$6,519	$105,501

(Unit: NT$ thousand, unless otherwise indicated)

(2) Property, plant and equipment leased under operating leases

	Land	Buildings	Utilities equipment	Office and other equipment	Total
Cost:					
January 1, 2022	$50,515	$22,553	$—	$—	$73,068
Addition	—	—	—	—	—
December 31, 2022	$50,515	$22,553	—	$—	$73,068
Depreciation and impairment:					
January 1, 2022	$—	($6,706)	$—	$—	($6,706)
Depreciation	—	(644)	—	—	(644)
December 31, 2022	$—	($7,350)	$—	$—	($7,350)

	Land	Buildings	Utilities equipment	Office and other equipment	Total
Cost:					
January 1, 2021	$50,515	$22,553	$—	$—	$73,068
Addition	—	—	—	—	—
December 31, 2021	$50,515	$22,553	$—	$—	$73,068
Depreciation and impairment:					
January 1, 2021	$—	($6,061)	$—	$—	($6,061)
Depreciation	—	(645)	—	—	(645)
December 31, 2021	$—	($6,706)	$—	$—	($6,706)

Net carrying amount:

(Unit: NT$ thousand, unless otherwise indicated)

	Land	Buildings	Utilities equipment	Office and other equipment	Total
Cost:					
December 31, 2022	$50,515	$15,203	$—	$—	$65,718
December 31, 2021	$50,515	$15,847	$—	$—	$66,362

The amount of capitalized borrowing costs for property, plant and equipment was NT$0 for in FY2022 and FY2021.

The Company's property, plant and equipment are not pledged as collateral.

7. Intangible assets

	The cost of computer software	Patents	Total
Cost:			
January 1, 2022	$13,283	$300	$13,583
Addition - acquired separately	785	—	785
Disposal	—	—	—
December 31, 2022	$14,068	$300	$14,368
January 1, 2021	$13,283	$300	$13,583
Addition - acquired separately	—	—	—
Disposal	—	—	—
December 31, 2021	$13,283	$300	$13,583

	The cost of computer software	Patents	Total
Amortization and impairment:			

January 1, 2022	($12,387)	($300)	($12,687)
Amortization	(459)	—	(459)
Disposal	—	—	—
December 31, 2022	($12,846)	($300)	($13,146)
January 1, 2021	($12,045)	($300)	($12,345)
Amortization	(342)	—	(342)
Disposal	—	—	—
December 31, 2021	($12,387)	($300)	($12,686)
Net carrying amount:			
December 31, 2022	$1,222	$—	$1,222
December 31, 2021	$896	$—	$896

Amortized amount recognized as intangible assets:

	2022	2021
Operating expenses	$459	$342

8. Other non-current assets

	December 31, 2022	December 31, 2021
Refundable deposits	$519	$519
Pledged time deposits	1,220	871
Restricted bank deposits	68,147	68,856
Total	$69,886	$70,246

The restricted bank assets, which are transferred from the earnings of CMC and Dynamic, are remitted to the special account in accordance with the "Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds". The funds shall be withdrawn from the foreign exchange deposit account for investment purposes, or the funds deposited in the special account shall be withdrawn for free use within the limit calculated at 5% of the total amount of the foreign exchange deposit account, except for the application to the Ministry of Economic Affairs for approval to invest in industries or to invest in industries in important policy areas through domestic venture capital businesses or private equity funds. The funds shall be deposited in the special account for foreign exchange deposits for a period of five years and shall be withdrawn in three years after the expiration date, and shall not be transferred to other uses or used as the subject of pledges or guarantees or otherwise reduced in value.

(Unit: NT$ thousand, unless otherwise indicated)

Please refer to Note 8 for the pledge of other non-current assets of the Company.

9. Post employment benefit plan

Defined contribution plan

In accordance with the Labor Pension Act, the Company's defined contribution plan is based on a contribution rate of 6% of the employee's monthly wages to the individual employee's pension account at the Bureau of Labor Insurance. Under this plan, the Company has no legal or constructive obligation to pay additional amounts after it has contributed a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2022 and 2021, the Company recognized NT$3,344 thousand and NT$3,497 thousand, respectively, in expenses for the defined contribution plan.

10. Rights and interests

(1) Ordinary share

As of December 31, 2022 and 2021, the Company’s rated share capital is NT$1,200,000 thousand, the issued share capital is NT$799,866 thousand, and the par value of each share is NT$10, which is 79,987 thousand shares. Each share has one voting right and the right to receive dividends.

(2) Capital surplus

Items	December 31, 2022	December 31, 2021
Share premium	$168,106	$208,018
Treasury stock trading	5,138	5,138
Restrict employee rights share	70	70
Total	$173,314	$213,226

According to laws and regulations, the capital reserve shall not be used except to cover the Company’s losses. When the Company has no losses, the premium from issuing shares in excess of the par value and the capital surplus generated by the donation is subject to a certain percentage of paid-in capital each year for capital replenishment. The afore-mentioned capital reserve may also be distributed in cash in proportion to the shareholders' original shares.

(3) Treasury stock

As of December 31, 2022 and 2021, the Company held treasury stocks of NT$9,237 thousand and the numbers of shares were 163,000 shares, respectively.

(4) Earnings distribution and dividend policy

According to the articles of association of the Company, if there is a surplus in the annual final accounts, it shall be distributed in the following order:

A. Withholding taxes.
B. Offsetting accumulated losses.
C. Withdrawing 10% as statutory surplus reserve.
D. Allocating or reversing special surplus reserves in accordance with the regulations of the competent authority.
E. The balance shall be proposed by the Board of Directors for the surplus distribution proposal.

In accordance with Article 240, Paragraph 5 of the Company Act, the Company authorizes the Board of Directors, in the condition of having more than two-thirds of the directors present and more than half of the directors agree, to assign all or part of the dividends and bonuses payable.

The Company's dividend policy is determined by the Board of Directors based on operating plans, investment plans, capital budgets, and changes in internal and external environments. Considering the Company's future capital needs and long-term financial planning, and meeting shareholders' demand for cash inflows, the principles of surplus distribution are as follows:

The balance to be distributed for the current year is given priority to cash dividends and can also be distributed to shareholders in the form of stock dividends, but the total amount of cash dividends shall not be less than 10% of the total amount of dividends paid to shareholders.

Per requirement of the Company Act, the legal surplus reserve shall be appropriated until the total reaches the amount of total paid-in capital stock of the Company. Legal surplus reserves may offset losses. When the Company bears no losses, the part of the statutory surplus reserve exceeding 25% of the paid-up capital can issue new shares or cash in proportion to the shareholders' original shares.

In accordance with Article 241 of the Company Act, the Company will issue all or part of the statutory surplus reserve and capital reserve as new shares or cash in proportion to the shareholders' original shares. When cash is assigned, the Company authorizes the Board of Directors, in the condition of having more than two-thirds of the directors present and more than half of the directors agree, to make a resolution and report to the shareholders meeting. When new shares are issued, they shall be distributed after resolution is made in the shareholders meeting.

When distributing distributable earnings, the Company is required by law to make a special reserve for the difference between the balance of the special reserve provided for when IFRSs were first adopted and the net decrease in other equity. If there is a subsequent reversal of the net decrease in other equity, the portion of the net decrease in other equity that is reversed may be reversed to a special reserve for distribution of earnings.

(Unit: NT$ thousand, unless otherwise indicated)

According to the provisions of the Letter (Ching-Kuan-Chen-Fa-Tze No.

1010012865) issued by the Financial Regulatory Commission on April 06, 2012, when the International Financial Reporting Standards were first adopted, the Company's accounts have not realized the benefits of revaluation value added and accumulated conversion adjustments on the conversion date, as a result of choosing to adopt an exemption from IFRS 1 "First Application of International Financial Reporting Standards," and transferred to retained earnings. The same amount is recognized as special surplus reserve. After adopting IFRS to prepare financial reports, when distributing the distributable surplus, the difference between the balance of the special surplus reserve provided for the first time when the IFRS is adopted and the net deduction of other equity is added to the special surplus reserve.

The appropriations and distributions of earnings and dividends per share for the years ended December 31, 2021 and 2020 were approved at the Company's annual stockholders' meetings held on May 27, 2022 and July 01, 2021, and are listed below:

	Appropriation and distribution of earnings		Dividend per share (NT$)	
	2021	2020	2021	2020
Legal reserve	$40,115	$23,975	$—	$—
Provision for special reserve	$4,548	$2,597	$—	$—
Cash dividends on common stock	$359,206	$137,704	$4.50	$1.90
Dividends on common stock	$—	$72,476	$—	$1.00

Please refer to Note VI (18) for the relevant information about the assessment basis and recognized amount of the employee compensation and directors' remuneration

11. Share-based payment transactions

The Group's employees receive share-based payments as part of the compensation plan; employees receive equity instruments in consideration for their services, which should be equity-settled share-based payment transactions.

From January 01 to December 31, 2022, the Company provided 163,000 shares of its stock to employees for subscription under the Company's treasury stock transfer program and estimated the compensation cost per share at NT$2.72 using the Black-Scholes valuation model, and the compensation cost recognized from January 01 to December 31, 2022 was NT$444 thousand.

From January 01 to December 31, 2021, the Company provided 63,000 AND 37,000 shares of its stock to employees for subscription under the Company's treasury stock transfer program and estimated the compensation cost per share at NT$4.77 and NT$11.49 respectively using the Black-Scholes valuation model, and the compensation cost recognized from January 01 to December 31, 2021 was NT$726 thousand.

On April 13, 2012, the Board of Directors approved the issuance of 163,000 units of employee stock warrants, each unit of which can be used to subscribe for one share of common stock of a subsidiary, and the employees will exercise their stock options by transferring treasury stock. The repurchased shares are transferred to employees, and employees are restricted from transferring them for two years from the date of transfer.

The fair value of the stock options is determined on the date of grant based on the Black-Scholes valuation model, and the parameters and assumptions are set considering the terms and conditions of the contracts.

The information on the aforementioned share-based payment plan is as follows:

Date of grant of stock option certificate	Total number of units issued (thousand units)	Execution price per unit (NT$)
April 13, 2022	163	$56.72
May 13, 2021	63	$56.72
July 28, 2021	37	$56.72

For the share-based payment plan granted from January 01 to December 31, 2021 and 2022, the pricing model and assumptions used are as follows:

	January 1-November 31, 2022
Expected volatility (%)	33.67%
Risk-free rate (%)	0.4453%
Expected life of the stock options (years)	0.238 years
Weighted average share price ($)	$54.63
The pricing model used	Black-Scholes valuation mode

	January 1-November 31, 2022	
	First transfer of treasury stock to employees in 2021	Second transfer of treasury stock to employees in 2021
Expected volatility (%)	38.09%	35.28%
Risk-free rate (%)	0.1639%	0.1655%
Expected life of the stock options (years)	0.274 years	0.066 years
Weighted average share price ($)	$57.20	$68.16
The pricing model used	Black-Scholes valuation mode	Black-Scholes valuation mode

The expected duration of the stock option is estimated based on historical data and current expectations, so it may not necessarily conform to actual implementation status. The expected volatility is assumed to be representative of future trends over the near term of the options, although this may not necessarily correspond to actual future results.

Details of the Company's employee stock option plan are as follows:

	January 1-November 31, 2022	
	Quantity outstanding (Thousand units)	Weighted average Exercise price (NT$)
Outstanding options as of 01 January	—	$—
Stock option granted in the current period	163	$56.72
Exercise of stock options in the current period	—	$—
Overdue and expired stock options in the current period	(163)	
Outstanding options as of December 31	—	
Exercisable stock options on December 31	—	
Weighted-average fair value of stock options granted in the current period (NT$)	$9,245,360	

	January 1, 2021-December 31, 2021	
	Quantity outstanding (Thousand units)	Weighted average Exercise price (NT$)
Outstanding options as of 01 January	—	$—
Stock option granted in the current period	100	$56.72
Exercise of stock options in the current period	(100)	$—
Outstanding options as of December 31	—	
Exercisable stock options on December 31	—	
Weighted-average fair value of stock options granted in the current period (NT$)	$5,672,000	

Information on the aforementioned share-based payment plans outstanding as of December 31, 2022 is shown in the table below:

(Unit: NT$ thousand, unless otherwise indicated)

	Range of exercise price	Weighted average remaining duration (years)
Outstanding stock options as of December 31, 2022	$56.72	—
Outstanding stock options as of December 31, 2021	$56.72	—

12. Operating income

	2022	2021
Revenue from sales of goods	$532,754	$1,228,406

Information related to revenue from contracts with customers for the years ended December 31, 2022 and 2021 is as follows.

(1) Revenue breakdown

2022

	Power integrated circuits	Power components	Others	Total
Sales of goods	$336,190	$196,563	$1	$532,754

2021

	Power integrated circuits	Power components	Others	Total
Sales of goods	$986,639	$241,757	$10	$1,228,406

(2) Contract balance

Contract assets - current

	December 31, 2022	December 31, 2021

Accounts receivable	$68,781	$200,720
Less: allowance for losses	—	—
Total	$68,781	$200,720

13. Expected credit impairment gains (losses)

	2022	2021
Operating expenses－ Expected credit impairment gains (losses)		
Accounts receivable	$－	$－

Please refer to Note XII for information related to credit risk.

The Company's accounts receivable are measured as an allowance for loss using the expected credit loss amount for the duration of the period, and the related explanations of the allowance for loss as of December 31, 2022 and December 31, 2021 are as follows:

Accounts receivable are classified into groups by considering the credit rating of counter-parties, regions and industries, and the allowance matrix is used to measure the allowance for losses, and the related information is as follows:

December 31, 2022

	Not overdue	within 60 days	Over 61 days	Total
Total carrying amount	$46,833	$21,948	$－	$68,781
Loss rate	0%	0%	0%	
Expected credit losses during the duration	—	—	—	—
Subtotal	$46,833	$21,948	$－	$68,781

December 31, 2021

	Not overdue	within 60 days	Over 61 days	Total
Total carrying amount	$162,983	$37,735	$2	$200,720
Loss rate	0%	0%	0%	
Expected credit losses during the duration	—	—	—	—
Subtotal	$162,983	$37,735	$2	$202,720

14. Lease

The Company is the lessee.

(Unit: NT$ thousand, unless otherwise indicated)

The Company leases a variety of assets, including land, buildings and structures. The lease term of each contract ranges from 5 years to 25 years.

The impact of the leases on the Company's financial position, financial results and cash flows are described below:

A. Amount recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Land	$11,210	$11,688

(b) Lease liabilities

	December 31, 2	December 31, 2021
Current	$467	$458
Non-current	11,063	11,480
Total	$11,530	$11,938

Please refer to Note 6, 17(4) for interest expense on lease liabilities for the years ended December 31, 2022 and 2021. Please refer to Note XII (5) for maturity analysis of lease liabilities for finance costs.

B. Amounts recognized in the consolidated statement of income

Depreciation of right-of-use assets

	2022	2021
Land	$530	$528

C. Lessee's income and expenses related to leasing activities

	2022	2021
Short-term rent	$828	$811
Rent of low-value assets	414	129
Total	$1,242	$940

D. Lessee's cash outflows related to leasing activities

For the years ended December 31, 2023 and 2022, the Company recognized NT$636 thousand and NT$634 thousand, respectively, in expenses for the defined contribution plan.

E. Other information related to leasing activities

Option for lease extension and lease termination

Some of the Company's real estate leases include options to extend the leases and to terminate the leases. In determining the lease term, there is a non-cancellable period for the right to use the subject asset, together with a period for which it is reasonably certain that the Company will exercise the option to extend the lease, and a period for which it is reasonably certain that the Company will not exercise the option to terminate the lease. The use of these options maximizes the operational flexibility of the management contract. The majority of the options to extend the lease and the option to terminate the lease are exercisable by the Company only. The Company reassesses the lease term if a material event or change in circumstances (which is within the control of the lessee and affects whether the Company can reasonably determine that it will exercise an option not previously included in the determination of the lease term or will not exercise an option previously included in the determination of the lease term) occurs after the commencement of the lease term.

15. A summary of the employee benefits, depreciation and amortization expense functions is as follows.

(Unit: NT$ thousand, unless otherwise indicated)

Function / Nature	2022			2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expenses						
Salary expenses	$16,665	$94,034	$110,699	$21,565	$132,182	$153,747
Labor and health insurance premiums	$1,358	$5,931	$7,289	$1,314	$5,925	$7,239
Pension expenses	$716	$2,628	$3,344	$687	$2,810	$3,497
Directors' remuneration	$—	$7,754	$7,754	$—	$10,570	$10,570
Others employee benefit expenses	$528	$2,372	$2,900	$563	$3,720	$4,283
Depreciation	$13,461	$6,342	$19,803	$12,683	$7,722	$20,405
Amortization	$—	$459	$459	$—	$342	$342

Note: The number of employees for the current year and the previous year were 78 and 81, respectively, of which 4 and 5 directors were concurrently employed in the current year and the previous year, respectively.

For companies whose shares are listed on the stock exchange, the following information should be added to the disclosure:

(1) The average employee benefit cost for the year was NT$1,679 thousand. The average employee benefit expense for the previous year was NT$2,221 thousand and the average employee salary expense for the current year was NT$1,496 thousand. The average salary cost of employees in the previous year was NT$2,023 thousand.
(2) Change in average employee salary cost adjustment decreased by 26%.
(3) The Company has set up an audit committee to replace the supervisors, so the supervisors' remuneration was NT$254 thousand and NT$875 thousand for FY2022 and FY2023.
(4) The company's salary and remuneration policy:
(1) Directors:
The remuneration of the Company's directors is determined in accordance with Article 22: "The remuneration of all directors, regardless of operating profit or loss, shall be

determined by the Board of Directors in accordance with the usual industry practice" and Article 19 of the Company's Articles of Incorporation: "If the Company makes a profit in a year, no more than 3% of the remuneration shall be paid to the directors” in addition to their degree of participation in the company, contribution value and the overall operation performance of the company. They shall be submitted to the board of directors for discussion after consideration by the remuneration committee.

(2) Managers and employees:
The compensation of the Company's managers and employees is determined by reference to the usual industry standard, taking into account the time devoted by the individual, the responsibilities of the individual, the achievement of personal goals, the performance of the individual in other positions, the compensation offered by the Company to the same position in recent years, and the overall operation of the Company, and in accordance with Article 25 of the Company's Articles of Incorporation: "If the Company makes a profit in a year, it shall contribute not less than 5% to the compensation of its employees. The manager's remuneration shall be submitted to the Board of Directors for discussion after consideration by the Compensation Committee; the employee's remuneration shall be submitted to their supervisor in charge for approval in accordance with the Company's hierarchical authorization method.

In accordance with the Company's Articles of Incorporation, not less than 5% of the annual profit shall be appropriated as remuneration to employees and not more than 3% as remuneration to directors. But the Company shall reserve a portion of profit to offset accumulated losses, if any. The aforementioned employee compensation can be made in stock or cash. Its subjects may include employees of controlling or associates that meet certain conditions which are set by the Board of Directors.

According to one of Article 235 of the Company Act, if the employee’s compensation in the preceding paragraph is based on stocks or cash, the Board of Directors shall come to the resolution with more than two-thirds of the directors present and more than half of the present directors approve, and report to the shareholders meeting. For information about employee compensation and director renumeration approved by the Board of Directors, please visit "Market Observation Post System" of Taiwan Stock Exchange.

According to the profit status of the Company in FY2022, the employee compensation and directors renumeration were estimated to be not less than 6.5% and not more than 3%, respectively, and the amount of employee compensation and directors renumeration were NT$12,901 thousand and NT$2,177 thousand, respectively; In FY2022, the amount of employee compensation and directors renumeration were NT$45,000 thousand and NT$7,200 thousand, respectively. The foregoing amounts were accounted for under salary expenses. If the Board of Directors decides to pay employee compensation in stocks, the closing price on the day before the Board of Directors resolution is used as the basis for calculating the number of allotted shares. If there is a difference between the estimated number and the actual allotted amount by the Board of Directors, it is recognized as gain or loss in the following year.

(Unit: NT$ thousand, unless otherwise indicated)

The Company's Board of Directors resolved on February 23, 2023 and February 18, 2022 to provide cash for the employees' compensation and directors renumeration in FY2022 and FY2021 and the amounts were NT$12,901 thousand, NT$2,177 thousand and NT$45,000 thousand, NT$7,200 thousand, respectively. There is no significant difference to the amounts recognized as expenses in the financial report of FY2022 and FY2021.

16. Non-operating income and expenses

(1) Interest income

	2022	2021
Interest from bank deposits	$2,939	$1,467
Other financial assets	487	1,082
Total	$3,426	$2,549

(2) Other income

	2022	2021
Rental income	$2,320	$2,950

(3) Other gains and losses

	2022	2021
Gains on disposal of property, plant and equipment	$—	$2,600
Net gains (losses) on foreign exchange	32,950	(15,415)
Income from technical services	3,542	7,024
Others	739	5,802
Total	$37,231	$11

(Unit: NT$ thousand, unless otherwise indicated)

(4) Financial costs

	2022	2021
Interest on lease liabilities	($176)	($182)
Other interest expenses	(5)	(4)
Total	($181)	($186)

17. Components of other comprehensive income and loss

	2022				
	Generated in the current period	Reclassification adjustments in the current period	Others Other comprehensive income	Gains on income tax (Expenses)	After-tax amount
Items not reclassified to profit or loss					
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income or loss	($4,707)	—	($4,707)	—	($4,707)
Items that may be reclassified to profit or loss in the future:					
The balance of translation of the financial report of foreign operation institutions	$16,275	—	$16,275	—	$16,275

	2021				
	Generated in the current period	Reclassification adjustments Adjustment of reclassification	Others Other comprehensive income	Gains on income tax (Expenses)	After-tax amount
Items not reclassified to profit or loss					
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income or loss	($291)	—	($291)	—	($291)
Items that may be reclassified to profit or loss in the future:					
The balance of translation of the financial report of foreign operation institutions	($4,257)	—	($4,257)	—	($4,257)

18. Income tax

The major components of income tax expense (benefit) for 2022 and 2021 are as follows:

(Unit: NT$ thousand, unless otherwise indicated)

(1) Income tax recognized in profit or loss

	2022	2021
Current income tax expenses:		
Current income tax payable	$11,793	$75,663
Adjustment of the current income tax of the previous year in the current period	1,212	(2,709)
Income tax on undistributed earning	269	150
Deferred income tax expenses:		
Deferred income tax (gains) related to the original creation and reversal of temporary differences	(1,271)	—
Income tax expenses	$12,003	$73,104

(2) The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is reconciled as follows:

	2022	2021
Net profit before tax from going concern operations	$124,307	$474,256
Income tax at the statutory income tax rate	24,861	94,851
Effect of income tax of deferred income tax assets/liabilities	(6,588)	—
Unrecognized changes in temporary differences	—	(2,200)
5% income tax on undistributed earnings	269	150
Adjustment of the current income tax of the previous year in the current period	1,212	(2,709)
Separate tax on repatriation of overseas funds	(1,127)	(12,586)
Effect of other income tax adjusted in accordance with the Tax Act	(6,624)	(4,402)
Total income tax expense recognized in profit or loss	$12,003	$73,104

(3) The balance of deferred income tax assets (liabilities) related to the following items:

FY2022:

		recognized in	

	Opening balance	recognized in profit or loss	other comprehensive income	Ending balance
Temporary differences				
Allowance for price decline in inventories	－	$5,622		$5,622
Unrealized exchange gains and losses	－	(1,336)	－	(1,336)
The share of profit or loss of subsidiaries recognized using the equity method	－	(3,364)	－	(3,364)
Investment loss	$51,553	－	－	51,553
Others	－	413	－	413
Deferred income tax (expense) benefit		$1,335	－	
Net deferred income tax assets (liabilities)	$51,553			$52,888
The information expressed in the balance sheet is as follows:				
Deferred income tax assets	$51,553			$60,476
Deferred income tax liabilities	－			($7,588)

(4) Verification of income tax declaration

As of December 31, 2022, the Company's income tax returns were approved for the year 2020.

19. Earnings per share

The calculation of basic earnings per share is based on the net income attributable to holders of the Company's common stock divided by the weighted-average number of common shares outstanding during the year.

The amount of diluted earnings per share is calculated by dividing the net income attributable to holders of the Company's common stock (after adjusting for interest on convertible bonds) by the weighted-average number of common shares outstanding during the period plus the weighted-average number of common shares to be issued upon conversion of all dilutive potential common shares into common shares.

	2022	2021
(1) Basic earnings per share		
Net profit of the current period (NT$ thousand)	$112,304	$401,152
Weighted-average number of shares of common stock for basic earnings per share (thousand shares)	79,824	79,757
Basic earnings per share (NT$)	$1.41	$5.03
(2) Diluted earnings per share		
Net income of the current period after adjustment and dilution (NT$ thousand)	$113,586	$401,152
Weighted-average number of shares of common stock for basic earnings per share (thousand shares)	79,824	79,757
Dilution effect:		
Employee compensation - Stock (thousand shares)	298	738
Employee stock options (thousand shares)	117	—
Weighted-average number of common shares after adjustment for dilution effect (thousand shares)	80,239	80,495
Diluted earnings per share (NT$)	$1.40	$4.98

After the reporting period and before the financial statements were approved for release, there were no other transactions that materially changed the number of common shares outstanding or the number of potential common shares at the end of the period.

(Unit: NT$ thousand, unless otherwise indicated)

vii. Related-party transactions

The related parties with whom the Company had transactions during the financial reporting period are as follows:

Name of related parties and relationship

Name of related parties	Relationship with the Company
Wisdom Toprich Technology Limited Company	Subsidiaries of the Company

(1) Sales

	2022	2021
Wisdom Toprich Technology Limited Company	$—	$652

(2) Remuneration for key management personnel of the Company

	2022	2021
Short-term employee benefits	$36,526	$52,218
Post-employment benefits	389	407
Share-based payment	—	726
Total	$36,915	$53,351

viii. Pledged assets

The Company has the following assets pledged as collateral:

	Carrying amount		Secured debts
Items	December 31, 2022	December 31, 2021	Content
Time deposits - other non-current assets	$1,220	$871	Performance guarantee
Refundable deposits— Other non-current assets	519	519	Performance guarantee
Total	$1,739	$1,390	

(Unit: NT$ thousand, unless otherwise indicated)

ix. Significant contingent liabilities and unrecognized contractual commitments

None.

x. Major disaster losses

None.

xi. Major post-period events

None.

xii. Others

1. Types of financial instruments

Financial assets

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
at fair value through profit or loss:	$957	$957
Financial assets at amortized cost		
Cash and cash equivalents (excluding cash on hand)	258,578	754,867
Accounts receivable	68,781	200,720
Other receivables	729	1,429
Subtotal	$328,088	$957,016
Total	$329,045	$957,973

(Unit: NT$ thousand, unless otherwise indicated)

Financial liabilities

	111.12~30	December 31, 2021
Financial liabilities at amortized cost:		
Payables	$70,753	$164,701
Lease liabilities	11,530	11,938
Total	$82,283	$176,639

2. Financial risk management objectives and policies

The Company's financial risk management objective is to manage market risk, credit risk and liquidity risk associated with operating activities. The Company identifies, measures and manages the aforementioned risks in accordance with the Company's policies and risk appetite.

The Company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management in accordance with relevant regulations. Significant financial activities are subject to review by the Board of Directors and similar audit committee units in accordance with relevant regulations and internal control systems. During the implementation of financial management activities, the Company is required to comply with the financial risk management regulations established by the Company.

3. Market risk

Market risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market prices. Market risk mainly includes exchange rate risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rare that a single risk variable changes independently, and the changes of each risk variable are usually related, but the sensitivity analysis of each risk below does not consider the interactive impact of related risk variables.

Exchange rate risk

The Company's exchange rate risk is primarily related to operating activities (when revenues or expenses are denominated in currencies different from the Company's functional currency) and net investments in foreign operating entities.

The Company's foreign currency receivables and payables are denominated in the same currency. In this case, a significant portion of the receivables are subject to natural hedge effects, while forward exchange contracts are used to manage the exchange rate risk for some of the foreign currency receivables. Based on the aforementioned natural hedge and the management of exchange rate risk by means of forward exchange contracts do not meet the requirements of hedge accounting and therefore hedge accounting is not applied. In addition, the net investment in foreign operations is a strategic investment and therefore the Company does not hedge it.

The sensitivity analysis of the Company's exchange rate risk focuses on the impact on the Company's profit or loss and equity of the appreciation/depreciation of the relevant foreign currencies for major foreign currency monetary items as of the end of the financial reporting period. The Company's exchange rate risk is primarily affected by fluctuations in the U.S. dollar and Renminbi exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The Company's interest rate risk arises mainly from investments in floating-rate debt instruments, fixed-rate borrowings and floating-rate borrowings.

The Company maintains an appropriate mix of fixed and floating interest rates supplemented by interest rate swap contracts to manage interest rate risk; however, hedge accounting is not applied because the Company does not meet the requirements for hedge accounting.

Sensitivity analysis of interest rate risk mainly focuses on interest rate risk insurance items at the end of the financial reporting period, including floating rate investments, floating rate borrowings and interest rate swap contracts.

Equity price risk

The fair value of equity securities held by the Company that are not listed on OTC markets abroad may be affected by uncertainty regarding the future value of underlying investments. The Company's unlisted equity securities are classified as fair value through other comprehensive income. The Company manages the price risk of equity securities by diversifying its investments and setting limits on its investments in equity securities, both individually and in the aggregate. Portfolio information on equity securities is provided to the Company's senior management on a regular basis, and the Board of Directors is required to review and approve all investment decisions on equity securities.

The sensitivity analysis of relevant risk changes is as follows:

2022

Key risks	Variation range	Sensitivity to gain or loss (NT$ thousand)		Equity sensitivity (NT$ thousand)
Exchange rate risk	NTD/USD exchange rate +/- 1 %	+/−	$433	−
	NTD/CNY exchange rate +/- 1 %	+/−	$10	−
Interest rate risk	NTD market rate +/- 100 basis point	+/−	$2,585	−
Equity price risk	Equity securities price +/- 10%	+/−	$96	$12,879

2021

Key risks	Variation range	Sensitivity to gain or loss (NT$ thousand)		Equity sensitivity (NT$ thousand)
Exchange rate risk	NTD/USD exchange rate +/- 1 %	+/−	$4,093	−
	NTD/CNY exchange rate +/- 1 %	+/−	$15	−
Interest rate risk	NTD market rate +/- 100 basis points	−/+	$7,548	−
Equity price risk	Equity securities price +/- 10%	+/−	$96	$12,784

If the fair value hierarchy of other equity instruments or derivatives linked to equity instruments is within Level 3, please refer to Note XII.8 for the sensitivity analysis information.

4. Credit risk management

Credit risk refers to the risk that the counterparty cannot fulfill the obligations set out in the contract and will result in financial losses. The Company's credit risk is attributable to operating activities (mainly accounts receivable) and financial activities (mainly bank deposits and various financial instruments).

Each of the Company's units manages credit risk in accordance with its policies, procedures and controls over credit risk. All credit risk assessments are based on a combination of the counterparty's financial condition, ratings from credit rating agencies, historical transaction experience, the current economic environment and the Company's internal rating standards. The Company also uses certain credit enhancement tools (such as advance receipts and insurance) at appropriate times to reduce the credit risk of specific counterparties.

As of December 31, 2022 and 2021, the percentages of receivables from the top ten customers to the Company's receivable balances were 100% and 98%, respectively. The credit concentration risk of the remaining receivables was relatively insignificant.

(Unit: NT$ thousand, unless otherwise indicated)

The Finance Department manages the credit risk of bank deposits, fixed-income securities and other financial instruments in accordance with the Company's policies. Since the Corporation's counter-parties are determined by internal control procedures and are creditworthy banks and investment-grade financial institutions, corporate organizations and government agencies, there is no significant credit risk.

5. Liquidity risk management

The Company maintains financial flexibility through cash and cash equivalents, highly liquid marketable securities and leases. The following table summarizes the contractual maturities of the Company's financial liabilities, based on the earliest possible date on which repayment can be demanded and the undiscounted cash flows. The amounts listed also include agreed interest. For interest cash flows paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
December 31, 2022					
Payables	$70,753	$−	$−	$−	$70,753
Lease liabilities	$636	$1,273	$1,273	$10,261	$13,443
December 31, 2021					
Payables	$164,701	$−	$−	$−	$164,701
Lease liabilities	$634	$1,267	$1,267	$10,850	$14,018

The above disclosures regarding derivative instruments are presented using undiscounted total cash flows.

(Unit: NT$ thousand, unless otherwise indicated)

6. Adjustment of liabilities generated from financing activities

Adjustment information of liabilities in FY2022:

	Lease liabilities	Total liabilities from financing activities
January 1, 2022	$11,938	$11,938
Cash flow	(636)	(636)
Non-cash changes	228	228
December 31, 2022	$11,530	$11,530

Adjustment information of liabilities in FY2022:

	Lease liabilities	Total liabilities from financing activities
January 1, 2021	$12,390	$12,390
Cash flow	(634)	(634)
Non-cash changes	182	182
December 31, 2021	$11,938	$11,938

7. Fair value of financial instruments

(1) Valuation techniques and assumptions used to measure fair value

Fair value refers to the price that can be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date. The methods and assumptions used to measure or disclose the fair value of financial assets and financial liabilities are as follows.

A. The carrying amounts of cash and cash equivalents, receivables, other current assets, payables and other current liabilities are a reasonable approximation of the fair value, which is mainly due to the short maturity period of such instruments.

B. The fair value of financial assets and financial liabilities that are traded in an active market with standard terms and conditions is determined by reference to market quotes (for example, listed stocks, beneficiary certificates, bonds and futures, etc.).

C. The fair value of equity instruments without active market transactions (for example, private equity stocks of listed companies, public company shares without active markets, and unpublished company shares) is estimated by the market method, and is estimated for the fair value with the price and other relevant information (such as lack of liquidity discount factors, similar company stock price-to-earning ratio, similar company stock price-to-net worth ratio and other input values) of the same or comparable company equity instruments generated by market transactions.

D. For investment in debt instruments, bank borrowings, corporate bonds payable and other non-current liabilities without active market quotations, the fair value is determined based on the counterparty's quotation or evaluation technology. The evaluation technology is determined on the basis of discounted cash flow analysis. The interest rate and assumptions such as discount rate are mainly based on information related to similar tools (for example, OTC's reference yield curve, the average quotation of the Reuters commercial paper rate, and credit risk information.)

E. Derivative financial instruments without active market quotations, among which are non-option derivative financial instruments, are calculated based on discounted cash flow analysis using the counterparty's quotation or the applicable yield curve within duration; for option derivative financial instruments, use Counterparty quotations, appropriate option pricing models (such as the Black-Scholes model) or other evaluation methods (such as Monte Carlo Simulation) to calculate the fair value.

(2) Fair value of financial instruments measured at amortized cost

The carrying amounts of financial assets and financial liabilities carried at amortized cost are a reasonable approximation of their fair values.

(3) Information about the fair value level of financial instruments

Please refer to Note XII (8) for the fair value hierarchy of the Company's financial instruments.

8. Fair value level

(1) Definition of fair value level

All assets and liabilities measured or disclosed by fair value are entered at the lowest level of importance to the overall fair value measurement, and are classified into the fair value level to which they belong. The input values for each level are as follows:

Level 1. The quoted price (unadjusted) of the same asset or liability available in the active market on the measurement date.
Level 2. The observable input value of an asset or liability directly or indirectly, except for those included in the quotation of the first level.
Level 3. The unobservable input value of an asset or liability.

For assets and liabilities recognized in Parent Company Only Financial Statements on a repetitive basis, their classification is reassessed at the end of each reporting period to determine whether there will be a transfer between the levels of the fair value hierarchy.

(2) Hierarchical information on fair value measurement

The Company has no non-repeatable assets measured at fair value. The fair value hierarchy information for repetitive assets and liabilities is presented below:

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stock	$—	$—	$957	$957

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stock	$—	$—	$957	$957

Transfer between the first level and the second level of the fair value hierarchy

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2022 and 2021.

Changes in recurring fair value at level 3

The assets and liabilities measured by the Company's repetitive fair value fall within the third level of the fair value hierarchy, and a reconciliation of the beginning to end of period balances is shown below:

	Financial assets at fair value through profit or loss
	Stock
January 1, 2022	$957
Total gains (losses) recognized in the current period:	
Recognized in profit or loss (presented in "Other gains and losses")	—
Acquired in the current period	—
Penalties in the current period	—
December 31, 2022	$957

	Financial assets at fair value through profit or loss
	Stock
January 1, 2021	$957
Total gains (losses) recognized in the current period:	
Recognized in profit or loss (presented in "Other gains and losses")	—
Acquired in the current period	—
Penalties in the current period	—
December 31, 2021	$957

9. Information on foreign currency financial assets and liabilities with significant impact

Information on foreign currency financial assets and liabilities that have significant impact on the Company is as follows:

Amount: NT$ thousand

	December 31, 2022		
	Foreign currency	Exchange rate	New Taiwan dollar
Financial assets			
Monetary items:			

(Unit: NT$ thousand, unless otherwise indicated)

USD	$2,389	30.7100	$73,369
RMB	$230	4.4080	$1,014
Financial liabilities			
Monetary items:			
USD	$979	30.7100	$30,050

	December 31, 2021		
	Foreign currency	Exchange rate	New Taiwan dollar
Financial assets			
Monetary items:			
USD	$16,608	27.6800	$459,709
RMB	$339	4.3415	$1,472
Financial liabilities			
Monetary items:			
USD	$1,821	27.6800	$50,405

The above information is disclosed on the basis of the foreign currency carrying amount (which has been converted to functional currency).

10. Capital management

The Company's primary objective in capital management is to ensure that it maintains sound credit ratings and good capital ratios to support corporate operations and maximize shareholders' equity. The Company manages and adjusts its capital structure in accordance with economic conditions. It may maintain and adjust its capital structure by adjusting dividend payments, returning capital or issuing new shares.

xiii. Additional disclosures

1. Information on significant transactions:

(1) Financing provided to others: none.
(2) Endorsement/guarantee for others: none.
(3) The situation of holding marketable securities at the end of the period: detailed in Table 1.
(4) Cumulative amount of buying or selling negotiable securities to reach NT$300 million or over 20% of actually received: none.
(5) The amount of acquiring property to reach NT$300 million or over 20% of actually received capital: none.
(6) The amount of disposing of property to reach NT$300 million or over 20% of actually

received capital: none.

(7) The amount of purchase and sales with related parties up to NT $100,000 thousand or more than 20% of the paid-up capital: none.

(8) Related party receivables of NT $100,000 thousand or more than 20% of paid-in capital: none.

(9) Engaged in derivative transaction: none.

2. Information on investees:

Those who directly or indirectly have significant influence, control, or joint control over the investee company in a non-mainland area shall disclose its name, location, main business items, original investment amount, end-of-period shareholding, current profit or loss, and recognized investment gain or loss: detailed in Table 2.

3. Information of investment in Mainland China：

(1) Information of investment in Mainland China: detailed in Table 3.

(2) The following major transactions, including prices, payment terms, and unrealized gain or loss, which occur directly or indirectly with the investee company in mainland China through the third region:

A. Amount and percentage of purchases and ending balance and percentage of related payables: none.

B. Amount and percentage of sales and ending balance and percentage of related receivables: detailed in Tables 5 and 6.

C. The amount of property transactions and the amount of profits and losses generated: none.

D. The ending balance of the note endorsement and guarantee or collateral provided and its purpose: none.

E. The maximum financing balance, ending balance, interest rate range and total interest of the current period: none.

F. Other transactions that have a significant impact on the current gain or loss or financial status: none.

4. Information on major shareholders: detailed in Table 4.

Notes to Parent Company Only Financial Statements (Continued) of
Champion Microelectronic Corp.
(Unit: NT$ thousand, unless otherwise indicated)
Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint venture control)

Table 1 Unit: NT$ thousand

Holding companies	Type and name of the securities (Note 1)	Relationship with the issuer of marketable securities (Note 2)	Account Subjects	Ending					Remarks (Note 4)
				Number of shares (thousand shares)	Currency	Carrying amount	Shareholding ratio (Note 3)	Fair value	
Champion Microelectronic Corp.	Unlisted (over the counter) stocks								
	HC PHOTONICS CORP.	—	Non-current financial assets at fair value through profit or loss	136	NTD	957	0.54%	957	
Wisdom Mega Corp.	Unlisted (over the counter) stocks								
	SiFotonics Technologies Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non current	2,040	NTD	123,130	3.39%	123,130	

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 “Financial Instruments.”

Note 2: If the securities issuer is not a related party, this column should be left blank.

Note 3: If measured at fair value, for carrying amount in column B, please fill in the carrying balance after fair value evaluation adjustment and deduction of accumulated impairment; if not measured at fair value, for carrying amount in column B, please fill in the carrying balance of the original acquisition cost or the amortized cost after deducting the accumulated impairment.

Note 4: The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed-upon. The remarks column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and status of restricted use.

Notes to Parent Company Only Financial Statements (Continued) of Champion Microelectronic Corp.
(Unit: NT$ thousand, unless otherwise indicated)
Name of investee company, location... and other related information (excluding investees in Mainland China)

Table 2

Name of investor	Name of Invested Companies (Note 1, Note 2)	Location	Main Business Items	Currency	Original Investment Amount		Held at the End of the Period			Profit or Loss of invested company in the Current Period (Note 2(3))	Investment profit or loss recognized by the Company (Note 2(3))	Remarks
					At the end of the period	At the end of last year	Number of shares (thousand shares)	Ratio	Carrying amount			
Champion Microelectronic Corp.	Wisdom Bright Inc.(Wisdom Bright)	Seychelles	Investment holdings	NTD	157,658	157,658	5,104	100.00%	159,986	2,834	2,834	Subsidiaries (Note 3)
	Champion Microelectronic Corp.(CMC)	Seychelles	International trading, investment holding and e-commerce business	NTD	144,793	144,793	4,500	100.00%	142,224	1,726	1,726	
	Wisdom Mega Corp.(Wisdom Mega)	Seychelles	Investment holdings	NTD	125,250	125,250	4,000	100.00%	123,130	-	-	Subsidiaries (Note 3)
Wisdom Bright Inc.	Wisdom Toprich Technology Limited (Wisdom Toprich)	Seychelles	Investment holdings	NTD	157,658	157,658	5,104	100.00%	159,986	2,834	2,834	Subsidiaries (Note 3)

Note 1: If a public offering company has a foreign holding company and uses a consolidated report as the main financial report in accordance with local laws and regulations, the disclosure of information about the foreign investee company may only disclose the relevant information to the holding company.

Note 2: If a public offering company has a foreign holding company and uses a consolidated report as the main financial report in accordance with local laws and regulations, the disclosure of information about the foreign investee company may only disclose the relevant information to the holding company.

(1) According to this (public offering) company's reinvestment and the reinvestment of each invested company directly or indirectly controlled, fill in the order of "Name of invested company", "location", "main business item", "original investment amount" and "end-of-term shareholding situation" and other fields; indicate in the remarks column regarding the relationship between each invested company and the (public offering) company (if it is a subsidiary or a sub-subsidiary).

(2) In column B of "invested company's current gain or loss", the amount of current gain or loss of each invested company should be filled in.

(3) Column B of "Investment Profits and Losses Recognized in the Current Period" only needs to fill in the gain or loss amount of each subsidiary recognized by the (public offering) company for direct reinvestment and each invested company evaluated by equity method, and the others can be ignored. When filling in the "recognition of the current profit or loss amount of each subsidiary directly reinvested", it should be confirmed that the current profit or loss amount of each subsidiary has included the investment profit or loss of its reinvestment that should be recognized in accordance with the regulations.

Note 3: It had been written off in preparing the consolidated financial statements.

Notes to Parent Company Only Financial Statements (Continued) of Champion Microelectronic Corp.
(Unit: NT$ thousand, unless otherwise indicated)
Information of investment in Mainland China

Table 3

Name of investment company	Invested Companies in Mainland China	Main Business Items	Paid-in Capital (Note 4)	Investment Method (Note 1)	Cumulative Investment Amount Remitted from Taiwan at the beginning of the period	Remitted or recovered investment amount for the period		Cumulative Investment Amount Remitted from Taiwan at the end of the period	Profit or Loss of invested company in Profit or Loss of Invested Company in the Current Period	Percentage of Ownership through the Company's Direct or Indirect Investment	Investment profit (loss) confirmed in current year (Note 2)	Carrying Amount of Investment at the End of the Period Carrying amount	Investment Gains Repatriated by the End of the Current Period
						Remittance	Recovery						
Wisdom Toprich Technology Limited	Great Power Microelectronics Corp.	Technical development of electronic products and import, export and wholesale of related products	$164,299 (USD5,350)	2	$156,744 (USD5,104)	$-	$-	$156,744 (USD5,104)	$2,834	100.00%	$2,834 (Note 3)	$159,986 (Note 3)	$-

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the period		Investment amount approved by Investment Review Committee of Ministry of Economy	Investment ceiling in Mainland China according to provisions of Investment Review Committee of Ministry of Economy
Champion Microelectronic Corp.	$156,744 (USD5,104)	$156,744 (USD5,104)	(Note 5) $882,553

Note 1: Investment modes can be divided into the following three types, please mark the type:
(1) Direct investment in Mainland China.
(2) Reinvest in mainland China through a third-region company (please specify the investment company in the third region.)
(3) Others.
Note 2: For the column of gain or loss on investments recognized in the current period:
(1) If it is in preparation and there is no investment gain or loss, it should be indicated.
(2) The recognition basis of investment gain or loss is divided into the following three types, which should be specified.
A. The financial report verified by an international accounting firm in cooperation with the Accounting Firm within the Republic of China.
B. The financial report certified and audited by the Taiwanese parent company’s CPA.
C. Others
Note 3: It had been written off in preparing the consolidated financial statements.
Note 4: The exchange rate of U.S. dollars against New Taiwan dollars is 1:30.710.
Note 5: The limit of investment in Mainland China is calculated as follows:
Champion Microelectronic Corp.: NT$1,470,926 thousand × 60% = NT$882,553 thousand

Notes to Parent Company Only Financial Statements (Continued) of Champion Microelectronic Corp.

(Unit: NT$ thousand, unless otherwise indicated)

Information of major shareholders

Table 4

Unit: shares

Major shareholders	Number of Shares Held	Shareholding Ratio
PANJIT INTERNATIONAL INC.	23,996,000	30.00%
Sonix Technology Co., Ltd.	6,571,472	8.22%

(1) The major shareholders in this table are shareholders holding more than 5% of the common and preference stocks that have completed delivery of non-physical registration (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the Capital stock recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.

(2) If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

Detailed Statement of Significant Accounting Items

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Champion Microelectronic Corp.

1. Cash and cash equivalents

December 31, 2022

Unit: NT$ thousand

Items	Summary		Amount	Remarks
Petty cash			$40	The exchange rate of the US dollar to the New Taiwan dollar is 1:30.71
Cash equivalent	USD	3,128.40	97	The exchange rate of Hong Kong dollar to New Taiwan dollar is 1:3.938
	HKD	592.50	2	
	CNY	1,428.30	6	The exchange rate of Renminbi to New Taiwan Dollar is 1:4.408
	(Unit: cents in foreign currency)			
Total cash equivalent			$105	
Bank deposits:				
NT$ deposits			237,033	
Foreign currency deposits	USD	667,046.63	20,485	
	HKD	3,022.65	12	
	CNY	228,707.58	1,008	
	(Unit: cents in foreign currency)			
Total bank deposits			$258,538	
Total			$258,683	

Champion Microelectronic Corp.

2. Detailed list of net accounts receivable

December 31, 2022

Unit: NT$ thousand

Customer Name	Summary	Amount	Remarks
Banner Span Co., Ltd.	Payment for goods	$32,981	
Synnex Technology International Corporation	Payment for goods	15,763	
Delta Electronics Int'l (Singapore) Pte Ltd.	Payment for goods	9,962	
Others	(Note)	10,075	
Total		68,781	
(Less): allowance for losses		—	
Net amount		$68,781	

(Note): The individual balance included does not exceed 5% of the balance of accounts receivable.

Champion Microelectronic Corp.

3. Detailed list of other receivables

December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remarks
Non-related person			
Tax refunds receivable	Business tax	$513	
Other receivables	Interest receivable, technical service fees receivable	216	
Subtotal		729	
(Less): allowance for losses		—	
Total		$729	

Champion Microelectronic Corp.

4. Income tax assets for the period

December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remarks
Income tax refund receivable	Tax refund for direct investment of funds returned to Taiwan	$1,076	
	Provisional payment of business tax	30,564	
		$31,640	

Champion Microelectronic Corp.

5. Detailed list of inventories

December 31, 2022

Unit: NT$ thousand

Items	Cost	Net realizable value	Remarks
Raw materials	$95,899	$89,793	Net realizable value is defined as the estimated selling price under normal circumstances.
Work in progress	176,406	161,317	Less costs and selling expenses to be invested
Finished goods (including commodities)	127,491	120,577	to completion.
Total	399,796		
(Less): Allowance for price decline in inventories	(28,109)		Allowance for price decline in inventories is estimated based on the net realizable value of inventories and the probability of doubtfulness.
Net amount	$371,687		

Champion Microelectronic Corp.

6. Prepayment details

December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remarks
Prepaid rent	Prepaid rent for software and parking spaces	$118	
Prepaid insurance premium	Liability insurance, commodity fire insurance, medical insurance, etc	1,021	
Prepayment for goods		1,193	
Offset against business tax payable		5,285	
Others	Prepayment for R&D materials, product packaging and development cases, website construction costs, etc	8,735	
Total		$16,352	

Champion Microelectronic Corp.

7. Detailed list of other current assets

December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remarks
Provisional payment	Sponsorships, meals, event advances, etc.	$248	
Payment on behalf of others	Payment on shipping freight on behalf of others	35	
Total		$283	

Champion Microelectronic Corp.

8. Detailed list of changes in investments accounted for using the equity method

January 01 to December 31, 2022

Unit: NT$ thousand

Name	Opening balance		Increase in the current period		Decrease in the current period		Ending balance			Market value or net equity value	Provision of a guarantee	Remarks
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Shareholding ratio	Amount	Total price	or pledge	
Champion Microelectronic Corp.	4,500	$126,650	—	$1,726 (Note 1) 13,848 (Note 2)	—	$—	4,500	100.00%	$142,224	$142,224	None	
Wisdom Mega Corp.	4,000	127,837	—	—	—	4,707 (Note 3)	4,000	100.00%	123,130	123,130	None	
Wisdom Bright Inc.	5,104	154,725	—	2,834 (Note 1) 2,427 (Note 2)	—	—	5,104	100.00%	159,986	159,986	None	
Total		$409,212		$20,835		$4,707			$425,340	$425,340		

(Note 1): Represents the share of profit or loss of subsidiaries recognized using the equity method.

(Note 2): Translation differences recognized under the equity method for the translation of financial statements of foreign operations.

(Note 3): Unrealized (loss) gain or loss on financial assets measured at fair value through other comprehensive income.

Champion Microelectronic Corp.

9. Detailed list of changes in right-of-use assets

January 01 to December 31, 2022

Unit: NT$ thousand

Items	Opening balance	Current changes			Ending balance	Remarks
		Increase	Decrease	Reclassification		
Land	$13,273	$—	$—	$52	$13,325	

Champion Microelectronic Corp.

10. Accumulated depreciation - Detailed list of changes in right-of-use assets

January 01 to December 31, 2022

Unit: NT$ thousand

Items	Opening balance	Current changes			Ending balance	Remarks
		Increase	Decrease	Reclassification		
Land	$1,585	$530	$—	$—	$2,115	

Champion Microelectronic Corp.

11. Detailed list of accounts payable

December 31, 2022

Unit: NT$ thousand

Customer Name	Summary	Amount	Remarks
Shanghai Hua Hong Semiconductor Limited	Purchase payment	$8,706	
Shanghai Simat Microelectronics Technology Co., Ltd.	Purchase payment + processing payment	4,670	
Vanguard International Semiconductor Corporation	Purchase payment	3,416	
Chengdu Perfect Technology Company Limited	Purchase payment + processing payment	2,942	
Advanced Semiconductor Manufacturing Corporation Limited	Purchase payment	2,397	
Others	(Note)	2,965	
Total		$25,096	

(Note): The individual balance included does not exceed 5% of the balance of accounts payable.

12. Detailed list of other payables
December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remark
Salaries and bonuses payable	Salary for December	$5,281	
Estimated payable expenses	Housing tax, pension, health insurance, etc.	13,739	
Employee bonuses payable		12,901	
Remuneration payable to directors and supervisors		2,177	
Other payable expenses	Miscellaneous expenses, employee advances, etc.	7,210	
Payable for equipment		461	
Other payables - others	Testing costs, repair costs, etc.	3,888	
Total		$45,657	

Champion Microelectronic Corp.

13. Detailed list of other current liabilities
December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remark
Collection for others	Collection of health insurance, pension, etc. for others	$1,444	
Prepaid rent income		18	
Total		$1,462	

Champion Microelectronic Corp.

14. Other non-current liabilities - other details
December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remark
Deposited margin		$515	

Champion Microelectronic Corp.

15. Lease liabilities

December 31, 2022

Unit: NT$ thousand

Items	Lease period	Discount rate	Ending balance	Remark
Land	February 1, 2003-January 31, 2044	1.5000%	$5,742	
Land	March 1, 2014-February 28, 2044	1.5000%	$5,788	
Total			11,530	
Lease liabilities due within one year			(467)	
Lease liabilities - non-current			$11,063	

Champion Microelectronic Corp.

16. Detailed list of operating income

January 01 to December 31, 2022

Unit: NT$ thousand

Items	Quantity (thousand)	Amount	Remarks
Power integrated circuits	39,433	$341,385	
Power components	17,039	197,030	
Others	0	1	
Total		538,416	
(Less): Sales returns and discounts		(5,662)	
Net amount		$532,754	

(Note): The individual balance included does not exceed 5% of the balance of operating revenues.

Champion Microelectronic Corp.

17. Detailed list of operating cost

January 01 to December 31, 2022

Unit: NT$ thousand

Items	Amount
Beginning raw materials	$38,962
Add: Current incoming materials	259,929
Materials returned from R&D	404
Materials input to R&D	5,348
Less: Ending raw materials	(95,899)
Materials received for R&D	(1,597)
Total consumption of raw materials	207,147
Outsourced processing	78,560
Manufacturing expenses	45,901
Others	(205)
Manufacturing costs	331,403
Add: Beginning products in production	24,308
Less: Ending products in production	(23,076)
Others	(79)
Add: Beginning semi-finished products	70,122
Current purchase	22,746
R&D expenses input to semi-finished products	2,938
Less: Ending semi-finished products	(153,330)
R&D expenses for semi-finished products	(3,147)
Sale of semi-finished products	(16)
Cost of finished goods	271,869
Add: Beginning finished products	115,707
R&D expenses input to finished products	1,912
Less: Ending finished products	(127,343)
R&D expenses for finished products	(309)
Finished product received for samples	(430)
Cost of sales of finished products	261,406
Add: Beginning goods inventory	865
Purchase of goods	3,718
Less: Ending goods inventory	(148)
Materials received for R&D	(171)
Materials received for samples	(11)
Production and sales costs	265,659
Loss on price decline in inventories	1,116
Sale of semi-finished products	16
Revenue from sale of scraps	(136)
Other operating costs	284
Operating costs	$266,939

Champion Microelectronic Corp.

18. Detailed list of operating expenses

January 01 to December 31, 2022

Unit: NT$ thousand

Items	Summary	Marketing fees	Remarks
Compensation expenditure		$6,209	
Labor costs		1,253	
Royalty		992	
Others	Those that the balance of each item does not exceeded 5% of balance of this item	2,549	
Total		$11,003	

Items	Summary	Administrative expenses	Remarks
Compensation expenditure		$20,449	
Labor costs		4,663	
Insurance premium		2,852	
Others	Those that the balance of each item does not exceed 5% of balance of this item	9,839	
Total		$37,803	

Items	Summary	R&D expenses	Remarks
Compensation expenditure		$77,870	
Labor costs		10,211	
Material cost		11,792	
Light shield fee		10,324	
Others	Those that the balance of each item does not exceed 5% of balance of this item	29,861	
Total		$140,058	

Champion Microelectronic Corp.

19. Detailed list of non-operating income and expenses

January 01 to December 31, 2022

Unit: NT$ thousand

Items	Summary	Amount	Remark
Interest income	Bank deposits and other financial assets	$3,426	
Rental income		$2,320	
Gains or losses on net foreign currency exchange		$32,950	
Income from technical services		3,542	
Others	Compensation income and insurance settlement refunds, etc.	739	
Total other gains and losses		$37,231	
Financial costs	Lease liabilities and interest on deposit	($181)	
The share of profits and losses of subsidiaries and associated enterprises recognized by the equity method		$4,560	
Total non-operating income and expenses		$47,356	