

Stock Code: 2434

Mospec Semiconductor Corp.
Parent Company Only Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report

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Parent Company Only Financial Statements

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Independent Auditors' Report

The Board of Directors and Shareholders
Mospec Semiconductor Corp.

Opinion

We have audited the accompanying parent company only financial statements of Mospec Semiconductor Corporation and its subsidiaries (the "Company"), which comprise the parent company only balance sheets as of the December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have identified the following key audit matters to be communicated in the audit report:

Inventory Evaluation

As of December 31, 2022, the net inventory of Mospec Semiconductor Corporation was NT\$6,733,000, accounting for 1% of the total assets. The above-mentioned inventory is measured at the lower of cost or net realizable value and involves significant accounting estimates and judgments by management. The book value of inventory is considered material to the parent company only financial statements, and therefore, we have determined it as a key audit matter.

Our procedures include (but are not limited to) evaluating the appropriateness of the inventory valuation accounting policy; observing inventory counting on site to confirm the quantity and condition of the inventory; testing the accuracy of inventory aging and analyzing the appropriateness of the provision for slow-moving and obsolete inventory; evaluating the analysis and assessment made by management regarding slow-moving and obsolete inventory, including the possibility of inventory realization and the estimation of net realizable value; and testing whether the provision for inventory write-down to net realizable value is appropriate. We also consider the appropriateness of inventory disclosure in Notes 5 and 6 of the consolidated financial statements.

Revenue Recognition

The main source of revenue for the Company lies in the manufacturing and sales of diode products, which typically includes shipping services based on order items and practical practices. It is necessary to assess and determine the performance obligations and the timing of their satisfaction based on industry practices. Therefore, we have deemed this a key audit matter.

The auditor's procedures include (but are not limited to) evaluating the appropriateness of revenue recognition accounting policies, understanding and testing the effectiveness of the internal control established by management for revenue recognition; performing analytical procedures on gross profit margin; selecting samples to perform transaction detail testing and reviewing significant terms and conditions in contracts; performing cut-off testing and subsequent review to confirm that revenue is recognized in the correct period. In addition, we also consider the appropriateness of disclosure related to operation revenue in Note 4 and Note 6 of the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management's responsibility is to prepare the parent company only financial statements that fairly present the financial position in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the ROC, 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 error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For and on behalf of Ernst & Young Global Limited, Taiwan
The competent authority approves the public issuance of the company's financial report
Approved-certified No.:Jin-Guan-Certificate No. 1010045851
No.:Jin-Guan-Certificate No. 1040030902

Accountant: Li, Feng-Wen
Qiu, Wan-Ru

March 7, 2023

Mospec Semiconductor Corporation
PARENT COMPANY ONLY BALANCE SHEETS
As of December 31, 2022 and 2021

Unit: NT\$: thousands

ASSETS			December 31, 2022		December 31, 2021		LIABILITIES AND EQUITY			December 31, 2022		December 31, 2021	
Code	Accounting Item	Note	Amount	%	Amount	%	Code	Accounting Item	Note	Amount	%	Amount	%
	CURRENT ASSETS							CURRENT LIABILITIES					
1100	Cash and cash equivalents	4 and 6.1	\$68,820	11	\$89,947	15	2100	Short-term loans	6.10	\$30,000	5	\$ –	–
1110	Financial assets at fair value through profit or loss	4 and 6.2	52,084	8	–	–	2170	Accounts payable		54	0	1,666	0
1150	Notes receivable, net	4 and 6.3, 16	10	0	167	0	2180	Payables to related parties	7	–	–	4,246	1
1170	Accounts receivable, net	4 and 6.4, 16	4,072	1	9,676	2	2220	Other accounts payable		7,175	1	4,394	1
1180	Receivables from related parties, net	4 and 6.4, 16 and 7	–	–	19,809	3	2322	Current portion of longterm liabilities	4 and 6.11	4,014	1	–	–
1200	Other accounts receivable	7	97	0	5,462	1	2360	Net defined benefit liability	4 and 6.12	1,069	0	1,010	0
1210	Other receivables from related parties	7	52,423	9	–	–	2399	Other current liabilities		373	0	574	0
1220	Current tax assets		81	0	–	–	21xx	Total current liabilities		42,685	7	\$11,890	2
130x	Inventories	4 and 6.5 and 8	6,733	1	9,060	2		NON-CURRENT LIABILITIES					
1479	Other current assets	4	3,660	1	1,289	0	2540	Long-term loans	4 and 6.11 and 7	15,875	3	–	–
11xx	Total current assets		187,980	31	135,410	23	2550	Non-current provisions	4 and 6.13	10,411	2	14,920	2
	NON-CURRENT ASSETS						2570	Deferred tax liabilities	4 and 6.21	46,212	7	46,212	8
1510	Financial assets at fair value through profit or loss	4 and 6.2	–	–	6,796	1	25xx	Total non-current liabilities		72,498	12	61,132	10
1550	Investments accounted for using equity method	4 and 6.6	98,403	16	143,454	24		Total liabilities		115,183	19	73,022	12
1600	Property, plant and equipment	4 and 6.7 and 7	282,769	46	295,102	49	2xxx						
1780	Right-of-use assets	4 and 6.8	–	–	693	0		EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
1840	Deferred income tax assets	4 and 6.21	3,410	0	3,410	0	3100	Capital stock	6.14				
1900	Deferred income tax assets	6.9 and 8	43,219	7	18,554	3	3110	Capital - common stock		370,000	60	370,000	61
15xx	Total non-current assets		427,801	69	468,009	77	3200	Capital surplus	6.14	193,260	31	193,260	32
							3300	Retained earnings	6.14				
							3350	Accumulated deficit		(55,532)	(9)	(20,577)	(3)
								Total retained earnings		(55,532)	(9)	(20,577)	(3)
							3400	Other equity interest		(7,130)	(1)	(12,286)	(2)
							3xxx	Total equity		500,598	81	530,397	88
1xxx	Total assets		\$615,781	100	\$603,419	100		Total liabilities and equity		\$615,781	100	\$603,419	100

Please refer to the Notes in the consolidated financial statements

Mospec Semiconductor Corporation

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

Unit: NT\$: thousands

Code	Accounting Item	Note	2022		2021	
			Amount	%	Amount	%
4000	OPERATING REVENUE	4 and 6.15 and 7	\$47,651	100	\$98,679	100
5000	OPERATING COSTS	4 and 6.18 and 7	(43,915)	(92)	(114,009)	(115)
5900	GROSS PROFIT FROM OPERATIONS		3,736	8	(15,330)	(15)
5910	Unrealized gain (loss) from sale		(6,113)	(13)	(6,465)	(7)
5920	Realized gain (loss) from sale		6,465	14	5,703	6
5950	Gross profit (loss) from operations		4,088	9	(16,092)	(16)
6000	OPERATING EXPENSES	4 and 6.18				
6100	Selling expenses		(6,079)	(13)	(5,662)	(6)
6200	Administrative expenses		(29,496)	(62)	(24,677)	(25)
6300	Research and development expenses	4	(5,099)	(11)	(2,966)	(3)
6450	Expected credit loss (gain)	4 and 6.16	46	0	2	0
	Total operating expenses		(40,628)	(86)	(33,303)	(34)
6900	Net operating income (loss)		(36,540)	(77)	(49,395)	(50)
7000	NON-OPERATING INCOME AND EXPENSES					
7100	Interest income	6.19	1,046	2	70	0
7010	Other income	6.19	3,452	7	11,251	11
7020	Other gains and losses	6.19	48,375	102	(5,391)	(5)
7050	Finance costs	6.19 and 7	(729)	(2)	(767)	(1)
7070	Share of profits of subsidiaries and associates for using equity method	4 and 6.6	(50,559)	(106)	25,310	26
	Total non-operating income and expenses		1,585	3	30,473	31
7900	PROFIT(LOSS) BEFORE TAX		(34,955)	(74)	(18,922)	(19)
7950	Tax income	6.21	-	-	79	0
8000	Profit (loss) from continuing operations		(34,955)	(74)	(18,843)	(19)
8200	Profit (loss)		(34,955)	(74)	(18,843)	(19)
8300	Other comprehensive income	6.20				
8360	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		5,156	11	(1,644)	(2)
	Other comprehensive income(loss), net		5,156	11	(1,644)	(2)
8500	Total comprehensive income		\$(29,799)	(63)	\$(20,487)	(21)
	EARNINGS PER SHARE (NT\$)					
9750	Basic earnings per share	4 and 6.22	\$(0.94)		\$(0.54)	
9850	Diluted earnings per share	4 and 6.22	\$(0.94)		\$(0.54)	

Please refer to the Notes in the consolidated financial statements

Chairman: Wong, Shu-Jen

Manager: Tarnq, Bennet-Yun

Accounting Executive: Yen, Yung-Sen

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Mospec Semiconductor Corporation

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

Unit: NT\$: thousands

Code	Item	Capital - Common Stock	Capital Surplus	Retained Earnings		Others	Total Equity
				Legal Capital Reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	
		3110	3200	3310	3350	3410	3xxx
A1	BALANCE, JANUARY 1, 2021	\$270,000	\$101,000	\$1,672	\$(26,146)	\$(10,642)	\$335,884
B13	Legal reserve used to offset accumulated deficits	–	–	(1,672)	1,672	–	–
C11	Capital Surplus used to offset accumulated deficits	–	(22,740)	–	22,740	–	–
D1	Net income (loss)	–	–	–	(18,843)	–	(18,843)
D3	Net comprehensive income (loss)	–	–	–	–	(1,644)	(1,644)
D5	Total comprehensive income (loss)	–	–	–	(18,843)	(1,644)	(20,487)
E1	Seasoned equity offering	100,000	115,000	–	–	–	215,000
Z1	BALANCE, DECEMBER 31, 2021	<u>\$370,000</u>	<u>\$193,260</u>	<u>\$–</u>	<u>\$(20,577)</u>	<u>\$(12,286)</u>	<u>\$530,397</u>
A1	BALANCE, JANUARY 1, 2022	\$370,000	\$193,260	\$–	\$(20,577)	\$(12,286)	\$530,397
D1	Net income (loss)	–	–	–	(34,955)	–	(34,955)
D3	Net comprehensive income (loss)	–	–	–	–	5,156	5,156
D5	Total comprehensive income (loss)	–	–	–	(34,955)	5,156	(29,799)
Z1	BALANCE, DECEMBER 31, 2022	<u>\$370,000</u>	<u>\$193,260</u>	<u>\$–</u>	<u>\$(55,532)</u>	<u>\$(7,130)</u>	<u>\$500,598</u>

Please refer to the Notes in the consolidated financial statements

Chairman: Wong, Shu-Jen

Manager: Tarng, Bennet-Yun

Accounting Executive: Yen, Yung-Sen

Mospec Semiconductor Corporation

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

Unit: NT\$: thousands

Code	Item	2022	2021	Code	Item	2022	2021
		Amount	Amount			Amount	Amount
	CASH FLOWS FROM OPERATING ACTIVITIES				CASH FLOWS FROM INVESTING ACTIVITIES		
A10000	Net income before tax	\$(34,955)	\$(18,922)	B07100	Prepayments for equipment's	(24,665)	(18,554)
A20000	Adjustments:			BBBB	Net cash flows used in investing activities	(24,665)	(18,554)
A20010	Adjustments to reconcile profit (loss)						
A20100	Depreciation expense	12,333	12,974		CASH FLOWS FROM INVESTING ACTIVITIES		
A20200	Amortization expense	693	1,019	C00100	Increase in short-term loans	30,000	-
A20300	Expected credit loss (gain)	(46)	(2)	C00200	Decrease in short-term loans	-	(30,000)
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(45,288)	-	C01600	Proceeds from long-term loans	20,840	-
A20900	Interest expense	729	767	C01700	Repayment of long-term loans	(951)	(91,230)
A21200	Interest income	(1,046)	(70)	C04600	Seasoned equity offering	-	215,000
A22400	Share of profits of subsidiaries and associates for using equity method	50,559	(25,310)	CCCC	Net cash flows from financing activities	49,889	93,770
A23900	Unrealized gain (loss) from sale	6,113	6,465				
A24000	Realized gain (loss) from sale	(6,465)	(5,703)	EEEE	Net increase (decrease) in cash and cash equivalents	(21,127)	63,710
A29900	Inventory Valuation Losses	2,117	9,990	E00100	Cash and cash equivalents at beginning of period	89,947	26,237
A29900	Others	-	(7,997)	E00200	Cash and cash equivalents at end of period	\$68,820	\$89,947
A20010	Total reconcile profit (loss)	19,699	(7,867)				
A30000	Changes in operating assets and liabilities						
A31000	Changes in operating assets						
A31130	Decrease (increase) in notes receivable	157	46				
A31150	Decrease in accounts receivable	5,650	133				
A31160	Receivables from related parties	19,809	(11,982)				
A31180	Other receivables	5,365	(5,462)				
A31190	Other receivables from related parties	(52,423)	5,572				
A31200	Increase (decrease) in inventories	210	35,680				
A31240	Other current assets	(2,371)	(692)				
A32000	Changes in operating liabilities						
A32130	Decrease in notes payable	-	(2,777)				
A32150	Decrease in accounts payable	(1,612)	(2,947)				
A32160	Decrease accounts payable to related parties	(4,246)	4,246				
A32180	Increase in other payable	2,754	1,402				
A32190	Decrease in other payable due from related parties	-	(1,318)				
A32200	Decrease in provisions	(4,509)	(6,022)				
A32230	Adjustments for increase (decrease) in other current liabilities	(201)	435				
A32240	Increase (decrease) in net defined benefit liability	59	(334)				
A30000	Total changes in operating assets and liabilities	(31,358)	15,980				
A33000	Cash inflow (outflow) generated from operations	(46,614)	(10,809)				
A33100	Interest received	1,046	70				
A33300	Interest paid	(702)	(767)				
A33500	Income taxes paid	(81)	-				
AAAA	Net cash flows used in operating activities	(46,351)	(11,506)				

Please refer to the Notes in the consolidated financial statements

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
MOSPEC SEMICONDUCTOR CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) Mospec Semiconductor Corp. (the “Company”) was established and approved in March, 1987 in Gangqian Village, Xinshi District, Tainan City, at No. 76 Zhongshan Road. The Company primarily engages in the manufacturing, processing, and sales of power transistors, diodes, and solar cell wafers.
- (2) The Company's shares were approved for trading on the Taipei Exchange in November, 1998 and subsequently received approval to be listed and traded on the Taiwan Stock Exchange in September, 2000.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The parent company only financial statements of the Company for the years ended December 31, 2022 and 2021 were approved by the Board of Directors on March 7, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Accounting policy changes resulting from the first-time adoption of IFRS.

The Company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations or Interpretations (IFRIC), approved by the Financial Supervisory Commission (FSC) and applicable for accounting years beginning on or after January 1, 2022, which did not have a significant impact on the Group upon first-time application.

- (2) As of the publication date of the financial report, the Company has not yet adopted the following new standards, interpretations and amendments recognized by the FSC that have been issued by the International Accounting Standards Board:

Item	New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
1	Amendments to IAS 1 “Disclosure Initiative-Accounting Policy”	January 1, 2023
2	Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
3	Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

1. Amendments to IAS 1 “Disclosure Initiative-Accounting Policy”

The amendment aims to improve the disclosure of accounting policies to provide investors and other primary users of financial statements with more useful information.

MOSPEC SEMICONDUCTOR CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

2. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendment provides a direct definition of accounting estimates and makes other revisions to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to assist entities in distinguishing between changes in accounting policies and in accounting estimates. Its purpose is to provide more useful information to investors and other primary users of financial statements.

3. Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”

The amendment limits the scope of exemption for recognition of deferred tax liabilities as stated in paragraphs 15 and 24 of IAS 12 "Income Taxes", so that the exemption does not apply to transactions that generate the same amount of taxable and deductible temporary differences at initial recognition.

The above are new standards, interpretations and amendments issued by the International Accounting Standards Board and approved by the FSC, applicable to accounting periods beginning on or after January 1, 2023. The Company has evaluated these new standards, interpretations or amendments, and has determined that they will not have a significant effect on the Company.

- (3) As of the publication date of the financial report, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Item	New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
1	Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standard Board
2	IFRS 17, “Insurance Contracts”	January 1, 2023
3	Amendments to IAS 1, “Classification of liabilities as current or noncurrent”	January 1, 2024
4	Amendment to IFRS 16, “Sale and leaseback liabilities”	January 1, 2024
5	Amendment to IAS 1, “Non-current contract liabilities”	January 1, 2024

1. Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”

The plan is designed to address the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" regarding the treatment of the loss of control over an associate or joint venture when using the subsidiary as the cost for the investment. IAS 28 requires the elimination of the portion of gain or loss resulting from upstream transactions when non-monetary assets are contributed to acquire interests in associates or joint ventures, while IFRS 10 requires the full gain or loss on the loss of control over a subsidiary to be recognized. This amendment

MOSPEC SEMICONDUCTOR CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

restricts the provision of IAS 28, and when the assets that constitute a business are sold or contributed, as defined in IFRS 3, the resulting gain or loss should be fully recognized.

This amendment also modifies IFRS 10 to require that when an investor and its associates sell or contribute a subsidiary that does not meet the definition of a business under IFRS 3, the resulting gain or loss should only be recognized to the extent of the non-controlling interest in the subsidiary.

2. IFRS 17, “Insurance contracts”

The standard provides a comprehensive model for insurance contracts, including all accounting-related aspects (recognition, measurement, presentation, and disclosure principles). The core of the standard is a general model, under which the initial recognition of insurance contract groups is measured as the sum of the present value of the fulfillment cash flows and the contractual service margin. The carrying amount as of the end of each reporting period is the sum of the remaining coverage liabilities and the incurred claims liabilities.

In addition to the general model, specific application methods (variable fee approach) are provided for contracts with direct participation features; and a simplified approach (premium allocation approach) for short-term contracts.

The standard, which was issued in May 2017, was subsequently amended in 2020 and 2021. The effective date of the amendment was postponed by two years in the transitional provisions, from January 1, 2022, to January 1, 2024. The amendment also provided additional exemptions, simplified certain provisions to reduce adoption costs, and modified certain provisions to make them more easily interpretable in certain circumstances. The standard will supersede the transitional standard, IFRS 4, "Insurance Contracts," upon its effective date.

3. Amendment to IAS 1, “Classification of liabilities as current or noncurrent”

This is a revision to the classification of liabilities as current or non-current in paragraphs 69 to 76 of IAS 1, "Presentation of Financial Statements."

4. Amendment to IFRS 16, “Sale and leaseback liabilities”

This is an amendment to IFRS 16, "Leases," adding additional accounting treatment for sale-and-leaseback transactions with leaseback agreements by the seller-lessee, in order to enhance consistency in application of the standard.

5. Amendment to IAS 1, “Non-current contract liabilities”

The amendment aims to enhance the information provided by companies regarding long-term debt contracts. It clarifies that contractual obligations to be fulfilled beyond twelve months after the reporting period do not affect the classification of such liabilities as current or non-current at the end of the period.

The above mentioned standards or interpretations have been issued by the International Accounting Standards Board but have not yet been endorsed by the FSC, the actual effective date shall be determined by the FSC. The Company is currently evaluating the potential effect of these new standards, interpretations or amendments and is unable to reasonably

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estimate their effect on the Company at this time. However, other new standards, interpretations or amendments have no significant effect on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of preparation

The Company prepares the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations, the current profit or loss and other comprehensive income in the parent company only financial statements are equivalent to the apportionment of profit or loss and other comprehensive income in the consolidated financial statements, and the equity of owners in the parent company only financial statements are equivalent to the equity of owners in the consolidated financial statements. Therefore, the investment in subsidiaries is presented in the parent company only financial statements as "investments accounted for using the equity method", with necessary valuation adjustments.

Except for financial instruments at fair value, the parent company only financial statements have been prepared under the historical cost convention, unless otherwise stated. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

3. Foreign currency transactions

The parent company only financial statements of the Company are presented in the functional currency, New Taiwan Dollars.

Foreign currency transactions are recorded using the exchange rate on the transaction date, which is converted into the functional currency. At the end of each reporting period, foreign currency monetary items are re-measured using the closing exchange rate on that day, while foreign currency non-monetary items measured at fair value are re-measured using the exchange rate on the fair value measurement date. Foreign currency non-monetary items measured at historical cost are recorded using the exchange rate on the date of the original transaction.

Except as described below, exchange differences arising from the settlement or translation of monetary items are recognized as profit or loss in the period in which they occur:

- (1) In the case of foreign currency borrowings incurred to acquire assets that meet the criteria, if the resulting exchange differences are regarded as an adjustment to interest costs, they are capitalized as part of the borrowing costs and included in the cost of the asset.
- (2) Foreign currency items falling within the scope of IFRS 9 "Financial Instruments" shall be accounted for in accordance with the accounting policies for financial instruments.
- (3) Exchange differences arising from monetary items that form part of a reporting entity's net

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investment in a foreign operation are initially recognized in other comprehensive income and reclassified to profit or loss on disposal of the net investment.

When the gains or losses of non-monetary items are recognized in other comprehensive income, any exchange components of such gains or losses shall be recognized in other comprehensive income. On the other hand, the gains or losses of non-monetary items are recognized in profit or loss, any exchange components of such gains or losses shall be recognized in profit or loss.

4. Translation of foreign currency financial statements

When preparing the consolidated financial statements, the assets and liabilities of foreign operating entities are converted into New Taiwan Dollars at the closing exchange rate on the balance sheet date, while the revenue and expense items are converted at the average exchange rate for the period. The resulting exchange differences are recognized in other comprehensive income and reclassified from equity to profit or loss on disposal of the foreign operating entity. In the case of partial disposals involving subsidiaries with foreign operating entities or equity investments in associates or joint ventures with foreign operating entities, the portion of the retained equity containing financial assets denominated in foreign currency is also accounted for as a disposal.

When a partial disposal that includes a subsidiary of a foreign operation under the control of the reporting entity occurs, the proportionate amount of the cumulative translation differences that are recognized in other comprehensive income shall be reclassified to the non-controlling interests of the foreign operation rather than recognized in profit or loss. However, if the significant influence or joint control over the foreign operation is not lost, and a partial disposal that includes an associate or a jointly controlled entity of a foreign operation occurs, the proportionate amount of the cumulative translation differences shall be reclassified to profit or loss.

5. The classification standards for assets and liabilities

If an asset meets any of the following conditions, it is classified as a current asset; otherwise it is a non-current asset:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realized within twelve months from the balance sheet date;
- (4) Cash or cash equivalents, except for those restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

If a liability meets any of the following conditions, it is classified as a current liability, otherwise it is a non-current liability:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be settled within twelve months from the balance sheet date;
- (4) The maturity of a liability cannot be unconditionally extended beyond 12 months after the

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reporting period. However, the terms of a liability may allow for the issue of equity instruments by the entity to settle the liability at the option of the counterparty, without affecting its classification.

6. Cash or cash equivalents

Cash and cash equivalents refer to cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to imprest cash and subject to an insignificant risk of changes in value (including term deposits or investments with maturities of three months or less).

7. Financial instruments

Financial assets and financial liabilities are recognized when the contract terms of the financial instrument become effective for the Company.

Financial assets and financial liabilities that fall within the scope of IFRS 9, "Financial Instruments," are initially measured at fair value and directly attributed to financial assets and financial liabilities (except for financial assets and financial liabilities measured at fair value through profit or loss), the transaction cost of acquiring or issuing such financial assets and financial liabilities is added or subtracted from the fair value of those financial assets and financial liabilities.

(1) Recognition and Measurement of Financial Assets

The recognition and derecognition of all financial assets in the Company's ordinary course of business are accounted for on the trade date basis.

The Company classified financial assets as measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss based on two criteria:

- A. The business model for managing the financial assets, and
- B. The contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

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

- A. Business model for managing financial assets: Holding financial assets to collect contractual cash flows.
- B. Cash flow characteristics of financial assets: Cash flows consist solely of payments of principal and interest on the principal amount outstanding

These financial assets (excluding those involved in hedge relationships) are subsequently measured at amortized cost "the original recognition amount, 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 any loss allowance". Gains or losses are recognized in profit or loss when the asset is derecognized, through the amortization process, or when an impairment gain or loss is recognized.

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Interest is recognized in profit (loss) when using the effective interest method (by multiplying the effective interest rate by the total carrying amounts of the financial asset) or in the following circumstances:

- A. For purchased or originated credit-impaired financial assets, interest is calculated using the credit-adjusted effective interest rate applied to the amortized cost of the financial asset.
- B. For those financial assets that do not belong to the former category but have become credit impaired subsequently, they are measured at amortized cost using the effective interest rate method.

Financial assets measured at fair value through other comprehensive income

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

- A. Business model for managing financial assets: both collecting contractual cash flows and selling financial assets
- B. Cash flow characteristics of financial assets: cash flows consisting solely of 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, except for impairment gains or losses and foreign exchange gains or losses recognized in profit or loss, the gains or losses are recognized in other comprehensive income.
- B. When derecognizing a financial asset that was previously measured at fair value through other comprehensive income, the accumulated gains or losses that were previously recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest calculated using the effective interest method (by multiplying the effective interest rate by the total carrying amounts of the financial assets) or the following is recognized in profit or loss:
 - (a) For credit-impaired financial assets acquired or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial assets.
 - (b) For financial assets that do not belong to the former category but become credit-impaired subsequently, they are measured at amortized cost using the effective interest method.

In addition, for equity instruments within the scope of IFRS 9 and not held for trading or recognized as consideration in a business combination accounted for under IFRS 3, and for which there is no irrevocable election to present subsequent changes in fair value in profit or loss, they are recognized at fair value on initial recognition with any subsequent changes in fair value reported in other comprehensive income. The amount recognized in other comprehensive income cannot subsequently be transferred to profit or loss (upon disposal of such equity instruments, the cumulative amount recognized in other equity is directly transferred to retained earnings), and such financial assets measured at fair value through

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other comprehensive income are presented on the balance sheet. Dividends from such investments are recognized in profit or loss, unless they clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss

All financial assets, except those measured at amortized cost or through other comprehensive income based on specific criteria mentioned earlier, are measured at fair value through profit or loss and reported on the balance sheet as financial assets at fair value through profit or loss.

Financial assets classified as measured at fair value through profit or loss are recognized at fair value with any subsequent changes in fair value recognized in profit or loss. The gains or losses recognized in profit or loss include any dividends or interest income earned on the financial assets measured at fair value through profit or loss.

(2) Impairment of financial assets

The Company recognizes and measures the allowance for losses on investments in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost using expected credit losses. Investments in debt instruments measured at fair value through other comprehensive income or loss are recognized as an allowance for losses in other comprehensive income or loss and do not reduce the carrying amount of the investments.

The Company measures expected credit losses by considering the following factors:

- A. By determining an unbiased and probability-weighted amount through the evaluation of various possible outcomes.
- B. Time value of money
- C. Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions (available without undue cost or effort as of the balance sheet date)

Methods for measuring provision for credit losses are described below:

- A. Measured based on the 12-month expected credit losses: This includes financial assets for which credit risk has not increased significantly since initial recognition or which are judged to have low credit risk at the reporting date. In addition, it also includes provision for credit losses measured based on expected credit losses over the remaining life of the financial asset for which credit risk has increased significantly since initial recognition, but which no longer meets the condition for credit risk having increased significantly since initial recognition at the reporting date.
- B. Measured based on the lifetime expected credit losses: This includes financial assets for which credit risk has increased significantly since initial recognition, or which are credit-impaired financial assets acquired or originated by the company.
- C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, provision for credit losses is measured based on the lifetime expected credit losses.

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- D. For lease receivables arising from transactions within the scope of IFRS 16, provision for credit losses is measured based on the lifetime expected credit losses.

On each balance sheet date, the Company assesses whether the credit risk of financial instruments has significantly increased since initial recognition by comparing the instruments' default risk at the balance sheet date with the default risk at initial recognition. Please refer to Note 12 for information related to credit risk.

(3)Derecognition of financial assets

The financial assets held by the Company will be derecognized under any of the following conditions:

- A. The contractual rights to receive cash flows from the financial asset have expired.
- B. The Company has transferred substantially all risks and rewards of ownership of the financial asset to another party.
- C. The Company has neither transferred nor retained substantially all risks and rewards of ownership of the financial asset, but has transferred control of the asset.

When a financial asset is derecognized in its entirety, any difference between its carrying amount and the total of the consideration received and receivable for the asset is recognized in profit or loss, including any cumulative gain or loss previously recognized in other comprehensive income.

(4)Liabilities and equity instruments

Classification of liabilities and equity

The classification of financial liabilities and equity instruments issued by the Company is based on the substance of the contractual agreements and the definition of financial liabilities and equity instruments.

Equity Instruments

Equity instruments refer to any contracts that represent the residual interest in the assets of the Company after deducting all liabilities. The equity instruments issued by the Company are recognized at the amount received, net of directly attributable issuance costs.

Hybrid Instruments

The Company recognizes the financial liability and equity components of its issued convertible bonds based on their contractual terms. For the issued convertible bonds, the economic characteristics and risks of the embedded call and put options are evaluated prior to separating the equity component.

The portion of the liability not involving derivatives, which has a fair value that is substantially the same and is not convertible, is classified as a financial liability measured at amortized cost until conversion or redemption. For the embedded derivatives that are not closely related to the economic characteristics and risks of the host contract (such as call and put options embedded that cannot be measured at fair value at each reporting date),

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they are classified as financial liability components and measured at fair value through profit or loss. The equity component is determined by deducting the financial liability component from the fair value of the convertible bond and is not remeasured subsequently. If the issued convertible bonds do not have any equity component, they are treated in accordance with IFRS 9 as hybrid instruments.

The transaction costs are allocated to the liability and equity components of the convertible bonds based on the proportion of their respective carrying amounts at initial recognition.

When the holders of the convertible bonds exercise their conversion rights before the maturity date, the carrying amount of the liability component is adjusted to its carrying amount at conversion date as the basis for recording the issuance of common stocks.

Financial liabilities

Financial liabilities that fall within the scope of IFRS 9 are initially classified as either fair value through profit or loss financial liabilities or amortized cost financial liabilities.

Financial Liabilities at Fair Value through Profit or Loss

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

Financial liabilities are classified as held for trading when one of the following conditions is met:

- A. Its primary objective is to sell within the short term;
- B. At the time of initial recognition, it is part of a recognizable financial instrument combination under consolidated management and there is evidence that the combination is an operational type of short-term profit in the near future; or
- C. It is a derivative instrument (excluding financial guarantee contracts or derivatives designated as effective hedging instruments).

For contracts containing one or more embedded derivative instruments, the overall mixed contract may be designated as a financial liability measured at fair value through profit or loss when either of the following factors can provide more relevant information at initial recognition:

- A. The designation eliminates or significantly reduces a measurement or recognition inconsistency;
- B. A group of financial assets, financial liabilities or both are managed on a fair value basis in accordance with a documented risk management or investment strategy and information on this investment portfolio, which is provided internally to management, is also based on fair value.

Any benefit or loss resulting from the remeasurement of such financial liabilities is recognized in profit or loss, which includes any interest paid on the financial liabilities.

Financial liabilities measured at amortized cost

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Financial liabilities measured at amortized cost include accounts payable and loans, which are measured using the effective interest method after initial recognition. When a financial liability is derecognized or amortized, any related gains or losses and the amortization amount are recognized in profit or loss.

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

Derecognition of Financial Liabilities

Financial liabilities shall be derecognized when the obligation of the financial liability is discharged, canceled or expired.

When significant modifications (whether due to financial difficulties or not) are made to the terms of the existing financial liabilities or when the Company exchanges debt instruments with creditors that have significant differences in terms, the original liability shall be derecognized and the new liability shall be recognized. When a financial liability is derecognized, the difference between the book value and the total consideration paid or payable (including non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

(5) Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities shall only be offset and presented on a net basis in the balance sheet when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

8. Derivative financial instruments

The Company holds or issues derivative financial instruments to hedge against exchange rate and interest rate risks. Designated and effective hedging instruments are reported in the balance sheet as hedging derivative assets or liabilities, while others that do not qualify as designated and effective hedging instruments are reported in the statement of financial position as financial assets or financial liabilities measured at fair value through profit or loss.

The initial recognition of derivative financial instruments is based on their fair value on the date of the derivative contract signing, and subsequently, they are measured at fair value. A derivative financial instrument is classified as a financial asset if its fair value is positive and a financial liability if its fair value is negative. Changes in the fair value of derivative financial instruments are recognized directly in profit or loss. However, for those derivative financial instruments that involve effective hedging and belong to effective portions, the gains and losses are recognized in profit or loss or equity items depending on the type of hedging.

Embedded derivatives in non-financial assets or non-financial liabilities are treated as independent derivative financial instruments when their economic characteristics and risks are not closely related to the host contract and the host contract is not measured at fair value through profit or loss.

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9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in either:

- (1) The principal market for the asset or liability, or
- (2) If there is no principal market, the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible by the Company to make the transaction.

The fair value measurement of assets or liabilities uses the assumptions that market participants would use when pricing the assets or liabilities, assuming that the market participants are acting in their economic best interest.

The fair value measurement of non-financial assets takes into account the ability of market participants to generate economic benefits by using the asset in its highest and best use or by selling the asset to another market participant who would use the asset in its highest and best use.

The Company employs valuation techniques that are appropriate and have sufficient data available in the relevant circumstances to measure fair value, while maximizing the use of observable inputs and minimizing the use of unobservable inputs.

10. Inventory

The inventory is valued at the lower of cost or net realizable value on an item-by-item basis.

Cost refers to the cost incurred to bring the inventory to its present location and condition for sale or use:

Raw materials – valued using weighted average cost method

Finished goods and work in progress – includes direct materials, labor, and allocated fixed manufacturing costs based on normal capacity utilization, but excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision of labor services are accounted for in accordance with IFRS 15 and are not within the scope of inventory.

11. Investments accounted for using equity method

For investments in subsidiaries, the Company applies the equity method in accordance with the provisions of Article 21 of the Financial Reporting Standards for Securities Issuers. The investment is expressed as "investments using the equity method" and necessary adjustments are made to ensure that the parent company only financial statements reflect the same share of profit or loss and other comprehensive income as the consolidated financial

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statements attributed to the owners of the parent company. This adjustment mainly considers the treatment of the subsidiary's investment in the consolidated financial statements in accordance with IFRS 10, and the differences in the application of IFRS at the individual reporting entity level. The related accounts such as "investments using the equity method", "share of profit or loss of associates and joint ventures accounted for using the equity method", or "share of other comprehensive income of associates and joint ventures accounted for using the equity method" are debited or credited accordingly.

At the end of each reporting period, the company determines whether there is objective evidence of impairment of investments in associates in accordance with International Accounting Standard 28 "Investments in Associates and Joint Ventures". If there is objective evidence of impairment, the company then calculates the impairment loss in accordance with IAS 36 "Impairment of Assets" based on the difference between the recoverable amount and the carrying amount of the investment in the associate. The impairment loss is recognized in profit or loss attributed to the associate.

The recoverable amount of an investment in an associate is determined by the difference between its value in use and its carrying amount. Value in use is estimated based on the following criteria:

- (1) The Company's share of the estimated future cash flows of the associates, including cash flows generated by the associates' operations and the proceeds from the ultimate disposal of the investment; or
- (2) The expected future cash flows to be received by the Company from the investment in the form of dividends and the proceeds from the ultimate disposal of the investment.

As goodwill is not recognized separately in the carrying amount of investments in associates, the impairment test for goodwill under IAS 36 is not applicable.

When there is a significant loss of influence over an associate, the Company will measure and recognize the retained investment at fair value. The difference between the carrying amount of the investment in the associate before significant loss of influence and the fair value of the retained investment plus any proceeds from the disposal will be recognized in the income statement. In addition, when an investment in an associate becomes an investment in a joint venture or vice versa, the Company will continue to apply the equity method and will not remeasure the retained interest.

12. Property, plant, and equipment

Property, plant, and equipment are recognized at cost, including the costs of dismantling, removing, and restoring the location of the asset and necessary interest incurred during the construction phase. They are then reduced by accumulated depreciation and accumulated impairment losses. If a significant component of property, plant, and equipment has a useful life and depreciation method that is different from the remainder, it is separately depreciated. When significant components of property, plant, and equipment are subject to periodic revaluation, they are treated as individual assets and are recognized using specific useful lives and depreciation methods. Any resulting carrying amount of the revalued component is derecognized in accordance with IAS 16. If significant overhaul costs meet the recognition criteria, they are recognized as part of the cost of replacing the asset, while other repairs and maintenance expenses are recognized in profit or loss.

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Depreciation is provided on a straight-line method over the estimated useful lives of the following assets:

<u>Assets</u>	<u>Useful life</u>
Buildings	5-51 years
Machinery and equipment	2-10 years
Other equipment	3-15 years

After the initial recognition, if a property, plant and equipment item or any significant component is disposed of or expected to generate no future economic benefits through use or disposal, it should be derecognized and any resulting gain or loss recognized.

The residual value, useful life, and depreciation method of property, plant and equipment are evaluated at the end of each financial year. Any changes in the estimated values compared to the previous estimates are recognized as accounting estimate changes.

13. Lease

Upon the establishment of a contract, the Company assesses whether the contract constitutes or contains a lease. If the contract transfers the right to control the use of a recognized asset for a period of time in exchange for consideration, the contract is deemed to be or to contain a lease. In order to evaluate whether the contract transfers the right to control the use of a recognized asset for a period of time, the Company assesses whether it has the following over the entire period of use:

- (1)The right to obtain substantially all of the economic benefits from the use of the identified assets;
- (2)The right to direct the use of the identified assets.

For contracts that contain a lease (or lease component), the Group treats each lease component as a separate lease and accounts for it separately from non-lease components in the contract. If a contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to the lease component based on the relative standalone price of each lease component and the aggregate standalone price of the non-lease components in the contract. The relative standalone price of the lease and non-lease components is based on the price charged by the lessor (or a similar supplier) for each component (or similar components), respectively. If the standalone price is not readily observable, the Group maximizes the use of observable information to estimate the standalone price.

As a Lessee

Except for leases of low-value assets or short-term leases, when the Company is a lessee under a lease contract, it recognizes a right-of-use asset and a lease liability for all leases.

On the commencement date, the Company measures the lease liability at the present value of the lease payments that are not yet paid on that date. If the implicit rate of interest in the lease is readily determinable, the lease payments are discounted using that rate. If the

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implicit rate is not readily determinable, the lessee's incremental borrowing rate is used. On the commencement date, the lease payments included in the lease liability comprise the following payments related to the right to use the underlying asset that are unpaid on that date:

- (1) Fixed payments (including any in-substance fixed payments), less any lease incentives receivable;
- (2) Variable lease payments that are based on an index or a rate (initially measured using the index or rate as at the commencement date);
- (3) The amounts expected to be payable by the lessee under residual value guarantees;
- (4) The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently, the lease liabilities are measured on an amortized cost basis using the effective interest method, reflecting the interest expense on the lease liabilities, while the lease payments reduce the lease liabilities.

On the commencement date, the Company measures the right-of-use asset at cost, which includes:

- (1) The initial measurement of the lease liability;
- (2) Any lease payments made at or before the commencement date, less any lease incentives received;
- (3) Any initial direct costs incurred by the lessee; and
- (4) The estimated cost of dismantling, removing and restoring the underlying asset, or of restoring the underlying asset to the condition required by the terms and conditions of the lease.

The subsequent measurement of the right-of-use asset is based on the cost model, which means it is measured at cost less accumulated depreciation and accumulated impairment losses.

If ownership of the underlying asset transfers to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects that the Company is reasonably certain to exercise a purchase option, then depreciation is provided over the useful life of the asset from the commencement date until the end of the useful life of the asset. Otherwise, depreciation is provided over the useful life of the asset from the commencement date until the earlier of the end of the useful life of the asset or the end of the lease term.

The Company applies IAS 36, "Impairment of Assets," to assess whether a right-of-use asset has suffered any impairment and to recognize any impairment losses.

Except for leases of low-value assets or short-term leases, the Group recognizes right-of-use assets and lease liabilities on the balance sheet, and recognizes depreciation expense and interest expense separately in the statement of comprehensive income.

For leases of low-value assets or short-term leases, the Group may choose to recognize the

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lease payments as an expense under a straight-line method or another systematic basis over the lease term.

14. Intangible assets

Intangible assets acquired separately are initially measured at cost. Intangible assets acquired through a business combination are measured at their fair value at the acquisition date. Subsequently, intangible assets are measured at cost less accumulated amortization and impairment losses, i.e., using the cost model. Internally generated intangible assets that do not meet the recognition criteria are expensed when incurred.

Intangible assets are classified as having either a finite or indefinite useful life.

Intangible assets with finite useful lives are amortized over their useful lives and are tested for impairment when there are indicators of impairment. The amortization period and method for intangible assets with finite useful lives are reviewed at least at the end of each financial year. If the estimated useful life of the asset differs from previous estimates or the expected pattern of consumption of future economic benefits has changed, the amortization method or period is adjusted and treated as an accounting estimate change.

Intangible assets with indefinite useful lives are not amortized, but they are subject to impairment testing at the individual asset or cash-generating unit level annually. The useful life of intangible assets with indefinite useful lives is assessed each reporting period to determine if there are any events or circumstances that continue to support their classification as indefinite. If the useful life is changed from indefinite to finite, the new accounting treatment is applied prospectively.

Any gains or losses arising from the derecognition of intangible assets are recognized as profits/losses.

The Company's accounting policies for intangible assets can be summarized as follows:

	<u>Computer Software Cost</u>
Useful life	Finite(5 years)
Amortization method	Straight-line Method
Internal or external acquisition	External

15. Non-financial asset impairment

At the end of each reporting period, the Company evaluates whether there are indicators of impairment for all assets that fall within the scope of IAS 36 "Impairment of Assets". If there are indicators of impairment or if certain assets require an annual impairment test, the Company conducts an impairment test on an individual asset or on the cash-generating unit to which the asset belongs. If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the Company recognizes an impairment loss. The recoverable amount is the higher of the net fair value or value in use.

At the end of each reporting period, the Company also assesses whether there are indications that previously recognized impairment losses for assets other than goodwill may no longer

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exist or may have decreased. If such indications exist, 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 loss is reversed. However, the carrying amount after reversal cannot exceed the asset's carrying amount if no impairment loss had been recognized, net of depreciation or amortization.

Impairment losses and reversals for continuing operations are recognized as profits/losses.

16. Provisions

The recognition criteria for liability provisions is that a present obligation (legal or constructive) has arisen from past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. When the company expects some or all of the liability provisions to be reimbursed, it is recognized as a separate asset only when the reimbursement is virtually certain. If the time value of money is significant, liability provisions are discounted at a pre-tax rate that reflects the specific risks of the liability. The increase in the liability amount due to the passage of time during discounting is recognized as borrowing cost.

Provisions for dismantling, restoration and similar costs

Provisions for dismantling, removal of property, plant and equipment and restoration of the site on which they are located are measured at the present value of the estimated cash flows required to settle the obligation, and the costs of dismantling are recognized as part of the cost of the asset. The cash flows are discounted using a rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense. Estimates of future dismantling costs are reviewed and adjusted for appropriateness at the end of each reporting period. Changes in estimates of future dismantling costs or changes in the discount rate increase or decrease the related asset cost.

17. Revenue Recognition

The Company's revenue from contracts with customers mainly includes the sales of goods, which are accounted for as follows:

Sales of Goods

The Company manufactures and sells goods, and revenue and accounts receivable are recognized when the goods are delivered to the customer and the customer obtains control of them (i.e., the ability to use the goods and obtain almost all the remaining benefits). The main products are power transistors, diodes, and solar cell chips, and revenue is recognized based on the contractually agreed price.

The Company's credit period for sales of goods ranges from 30 to 120 days. For most contracts, accounts receivable are recognized when control of the goods is transferred and the right to receive consideration without conditions is obtained. These accounts receivable are usually short-term and not a significant component of the Company's financial

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statements. For a small portion of contracts, the goods have been transferred to the customer but the right to receive consideration without conditions has not yet been obtained. In this case, contract assets are recognized, and these assets are subject to impairment losses measured based on the expected credit loss over the remaining life of the contract in accordance with IFRS 9.

18. Borrowing Costs

The borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets. All other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing costs include interest and other costs incurred in connection with borrowing funds.

19. Retirement benefits plan

The retirement policy of the Company applies to all regular employees, and the retirement benefits of the employees are fully deposited into the Labor Retirement Reserve Supervisory Committee and stored in the Retirement Fund Account. As the above-mentioned retirement benefits are deposited in the name of the Labor Retirement Reserve Supervisory Committee and are completely separated from the Company, they are not included in the aforementioned parent company only financial statements.

For defined contribution retirement benefits plans, the Company's monthly contribution rate for employee retirement benefits shall not be less than 6% of the employees' salary, and the amount contributed shall be recognized as expenses in the current period.

20. Income tax

Income tax expenses (benefits) refer to the aggregate amount included in determining the current period's income statement and related to current income tax and deferred income tax.

Current Income Tax

The current income tax liability (asset) related to the current and prior periods is measured using the tax rates or tax-related laws that have been enacted or substantially enacted as of the end of the reporting period. Income tax related to items recognized in other comprehensive income or directly recognized in equity is separately recognized in other comprehensive income or equity instead of income.

The portion of income tax payable on undistributed earnings subject to surtax on undistributed profits is recognized as income tax expense on the date of the resolution to distribute earnings at the shareholders' meeting.

Deferred Income Tax

Deferred income tax is calculated on the temporary differences between the tax base of assets and liabilities and their carrying amounts on the balance sheet date.

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All taxable temporary differences, except for the following two items, are recognized as deferred income tax liabilities:

- (1)The original recognition of goodwill; or the original recognition of assets or liabilities that do not arise from business combination and do not affect accounting profits or taxable income (loss) at the time of the transaction.
- (2)The temporary differences arising from investments in subsidiaries, associates and joint ventures, which can be controlled upon reversal and are likely not to be reversed in the foreseeable future.

Except for the following two situations, deferred tax assets arising from deductible temporary differences, unused tax losses and unused tax credits can be recognized within the scope of probable future taxable income:

- (1)Deductible temporary differences arising from the original recognition of assets or liabilities in a non-business combination transaction that did not affect accounting profit or taxable income (loss) at the time of the transaction;
- (2)Deductible temporary differences arising from investments in subsidiaries, associates, and joint arrangements, which are expected to be reversed and for which sufficient taxable income will be available in the foreseeable future to utilize the temporary differences.

Deferred tax assets and liabilities are measured based on the tax rates and laws that are enacted or substantively enacted at the end of the reporting period, and reflect the tax consequences of expected asset realizations or liability settlements in the current period. The measurement of deferred tax assets and liabilities reflects the tax consequences of the expected recovery of assets or the settlement of liabilities at their carrying amounts as of the end of the reporting period. Deferred tax items that are not recognized in profit or loss are recognized in other comprehensive income or directly in equity, depending on the nature of the transaction. Deferred tax assets are reviewed and recognized at the end of each reporting period.

Deferred tax assets and liabilities can only be offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax is levied by the same tax authority as the income tax levied on the same taxable entity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS UNCERTAINTIES

When preparing the parent company only financial statements, the management is required to make judgments, estimates, and assumptions as of the end of the reporting period. These judgments, estimates, and assumptions may affect the reported amounts of income, expenses, assets, liabilities and disclosure of contingent liabilities. However, the uncertainties associated with these significant assumptions and estimates may result in significant adjustments to the carrying amounts of assets and liabilities in the future periods.

Estimates and Assumptions

Information regarding the major sources of uncertainties associated with significant estimates

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and assumptions made about the future at the end of the reporting period that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

(1) Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from active markets, the fair value will be determined using valuation techniques, including the income approach (such as discounted cash flow models) or market approach. Changes in the assumptions used in these models could affect the fair value of the reported financial instruments. Please refer to Note 12 for more details.

(2) Impairment of Non-Financial Assets

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, impairment occurs. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The calculation of fair value less costs to sell is based on 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, less the costs directly attributable to the disposal of the asset or cash-generating unit. The value in use is based on the discounted cash flow model. The estimated cash flows are based on the budget for the next five years, excluding any restructuring that the Company has not yet committed to or any significant future investments required to enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model and the expected future cash inflows and growth rates based on extrapolation.

(3) Income Tax

The uncertainty in income tax arises from the interpretation of complex tax regulations, the amount and timing of future taxable income. The actual results from extensive international business relationships and long-term and complex contracts may differ from the assumptions made, or changes in these assumptions in the future may require adjustments to the income tax benefit or expense already recognized in the future. The provision for income tax is based on reasonable estimates made based on possible audit results of the tax authorities in the countries where the consolidated companies operate. The amount recognized is based on various factors, such as past tax audit experience and different interpretations of tax regulations by taxpayers and tax authorities. These differences may raise various issues due to the location of individual companies within the Company.

Unutilized tax losses and tax credits that can be carried forward, as well as deductible temporary differences, are recognized as deferred tax assets if it is probable that taxable income or temporary differences that can be taxed will arise in the future. The amount of deferred tax assets that can be recognized is estimated based on the timing and level of future taxable income and temporary differences, along with future tax planning strategies. As of December 31, 2021, please refer to Note 6 for information on deferred tax assets that have not been recognized by the Company.

(4) Accounts Receivable – Estimated Impairment Loss

The estimated impairment loss for doubtful accounts receivable is based on the expected credit losses during the remaining lifetime of the receivables. The credit loss is measured as

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the present value difference between the contractual cash flows (book value) and the expected cash flows to be collected (forward-looking information). However, the discounting effect for short-term receivables is not significant and the credit loss is measured as the difference before discounting. If the actual cash flows in the future are less than expected, a significant impairment loss may occur. Please refer to Note 6 for further details.

(5)Inventory

The estimated net realizable value of inventory is determined by considering the possibility of inventory impairment, obsolescence, or decline in selling price. The most reliable evidence of the expected realizable value of inventory at the time of estimation is used for this purpose, as described in Note 6.

6. EXPLANATION OF SIGNIFICANT ACCOUNTING ITEMS

(1)Cash and cash equivalents

	As of December 31, 2022	As of December 31, 2021
Cash on hand	\$160	\$228
Check and current deposit	13,382	62,039
Time Deposits	55,278	27,680
Total	<u>\$68,820</u>	<u>\$89,947</u>

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

	As of December 31, 2022	As of December 31, 2021
Fair value through profit or loss:		
Publicly traded stocks	\$52,084	\$ –
Unlisted stocks	–	6,796
Total	<u>\$52,084</u>	<u>\$6,796</u>
Current assets	\$52,084	\$ –
Non-current assets	–	6,796
Total	<u>\$52,084</u>	<u>\$6,796</u>

The Company does not provide collateral for financial assets measured at fair value through profit or loss.

(3)Notes receivable, net

	As of December 31, 2022	As of December 31, 2021
Notes receivable - generated from operations.	\$10	\$167
Less: allowance for doubtful accounts	–	–
Total	<u>\$10</u>	<u>\$167</u>

The Company does not provide any notes receivable as collateral for its loans. The impairment and related information on allowance for doubtful accounts are evaluated in accordance with IFRS 9. Please refer to Note 6.16 for more details, and for information related to credit risk, please refer to Note 12.

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(4)Accounts receivable and accounts receivable - Related parties

	As of December 31, 2022	As of December 31, 2021
Accounts Receivable	\$4,104	\$9,754
Less: Allowance for doubtful accounts	(32)	(78)
Subtotal	\$4,072	\$9,676
Accounts Receivable - Related Parties	-	19,809
Less: Allowance for doubtful accounts	-	-
Subtotal	-	19,809
Total	\$4,072	\$29,485

The Company does not provide any accounts receivable as collateral for its loans.

The credit period provided by the Company to its customers is usually between 30 to 120 days. As of December 31, 2022 and 2021, the total carrying amount was NT\$4,114 thousand and NT\$29,730 thousand, respectively. The information on the allowance for doubtful accounts for the year 2022 and 2021 is detailed in Note 6.16, and for information related to credit risk, please refer to Note 12.

(5)Inventories

	As of December 31, 2022	As of December 31, 2021
Raw material	\$131	\$1
Work in process	6,592	8,786
Finished goods	10	273
Total	\$6,733	\$9,060

The inventory costs recognized as expenses for 2022 and 2021 by the Company were NT\$ 43,915 thousand and NT\$ 114,009 thousand, respectively, including inventory write-down of NT\$ 2,117 thousand and NT\$ 9,990 thousand, respectively.

The Company did not provide any inventories as collateral for its loans.

(6)Investment accounted for using equity method

The details of investments accounted for using equity method are as follows:

Investee Name	As of December 31, 2022		As of December 31, 2021	
	Amount	Equity Stake	Amount	Equity Stake
Subsidiary:				
NHM (BVI) Holding Ltd.	\$98,403	100%	\$143,454	100%

The investment in the subsidiary is presented in the parent company only financial statements as "Investment accounted for using equity method", and necessary fair value adjustments are made.

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The details of "Equity in net income of investees and affiliated companies accounted for using the equity method" and "Foreign currency translation adjustments on financial statements of foreign operations (pre-tax)" recognized by the Company in 2022 and 2021, and elimination of intercompany profits are presented as follows:

A. Details of "Equity in net income of investees accounted for using the equity method" and "Foreign currency translation adjustments on financial statements of foreign operations (pre-tax)":

	2022	2021
Equity in net income of investees accounted for using the equity method	\$(50,559)	\$25,310
Foreign currency translation adjustments on financial statements of foreign operations (pre-tax)	\$5,156	\$(1,644)

B. The Company's investment in NHM (BVI) Holding Ltd. is mainly through the reinvestments in Mospec Semiconductor (Shenzhen) Co., Ltd. and H&M Semiconductor (Sichuan) Co., Ltd.

(7)Property, Plant and Equipment

	As of December 31, 2022	As of December 31, 2021
Property, plant and equipment used by the Company	\$282,769	\$295,102

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost:</u>					
January 1, 2022	\$178,778	\$19,505	\$649,486	\$216,641	\$1,240,410
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
December 31, 2022	\$178,778	\$195,505	\$649,486	\$216,641	\$1,240,410
January 1, 2021	\$178,778	\$19,505	\$716,031	\$235,293	\$1,325,607
Additions	-	-	-	-	-
Disposals	-	-	(66,545)	(18,652)	(85,197)
December 31, 2021	\$178,778	\$195,505	\$649,486	\$216,641	\$1,240,410

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	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Depreciation and impairment:</u>					
January 1, 2022	\$ -	\$120,750	\$648,496	\$176,062	\$945,308
Depreciation	-	4,761	505	7,067	12,333
Impairment loss	-	-	-	-	-
Disposals	-	-	-	-	-
December 31, 2022	\$ -	\$125,511	\$649,001	\$183,129	\$957,641
<u>January 1, 2021</u>					
January 1, 2021	\$ -	\$115,990	\$714,072	\$187,469	\$1,017,531
Depreciation	-	4,760	969	7,245	12,974
Disposals	-	-	(66,545)	(18,652)	(85,197)
December 31, 2021	\$ -	\$120,750	\$648,496	\$176,062	\$945,308
<u>Net carrying amount:</u>					
December 31, 2022	\$178,778	\$69,994	\$485	\$33,512	\$282,769
December 31, 2021	\$178,778	\$74,755	\$990	\$40,579	\$295,102

Please refer to Note 8 for information on the provision of collateral with property, plants and equipment.

(8) Intangible Assets

i.

	<u>Computer Software</u>
<u>Cost:</u>	
January 1, 2022	\$4,162
Additions – Separate	-
Derecognition	-
December 31, 2022	\$4,162
<u>January 1, 2021</u>	
January 1, 2021	\$4,162
Additions – Separate	-
Derecognition	-
December 31, 2021	\$4,162
<u>Amortization and impairment</u>	
January 1, 2022	\$(3,469)
Amortization	(693)
Derecognition	-
December 31, 2022	\$(4,162)

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	<u>Computer Software</u>
January 1, 2021	\$(2,636)
Amortization	(833)
Derecognition	—
December 31, 2021	<u>\$(3,469)</u>
Net book value:	
December 31, 2022	\$—
December 31, 2021	<u>\$693</u>

ii. The amount of amortization of intangible assets recognized is as follows:

	<u>2022</u>	<u>2021</u>
Operation Cost	<u>\$69</u>	<u>\$83</u>
Operation Expense	<u>\$624</u>	<u>\$750</u>

iii. The cost of computer software refers to expenses incurred for ERP and other computer software, which are amortized over a period of 5 years.

(9)Other Noncurrent Asset

	<u>As of December 31, 2022</u>	<u>As of December 31, 2021</u>
Prepayments for equipment	<u>\$43,219</u>	<u>\$18,554</u>

Please refer to Note 8 for details regarding the equipment advances provided as collateral.

(10)Short-Term Loans

<u>Nature of borrowing</u>	<u>As of December 31, 2022</u>	<u>As of December 31, 2021</u>
Bank credit loans	<u>\$30,000</u>	<u>\$—</u>
Interest rate range	2.425 %	—
Unused credit line	\$—	\$—

(11)Long-Term Loans

Details of long-term loans are as follows:

<u>Creditor</u>	<u>As of December 31, 2022</u>	<u>Interest Rate (%)</u>	<u>Loan Content</u>
First Bank guaranteed loan	\$13,979	2.1%	The loan is repayable in monthly installments of principal from August 10, 2022 to August 10, 2027, with monthly interest payments.
First Bank guaranteed loan	5,910	2.1%	The loan is repayable in monthly installments of principal from December 27, 2022 to December 27, 2027, with monthly interest payments.
Subtotal	<u>19,889</u>		
Less: Current portion	<u>4,014</u>		
Total	<u>\$15,875</u>		

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As of December 31, 2021: None.

Please refer to Note 8 for details on the collateral for the First Bank secured loan.

(12) Retirement Benefits Plan

Defined contribution plans

The employee retirement plan established by the Company is a defined contribution plan under the "Labor Pension Act". Pursuant to the Act, the Company is required to contribute to each employee's individual retirement account every month, and the contribution rate must be no less than 6% of the employee's monthly salary. The Company has already established an employee retirement plan in accordance with the Act and contributes 6% of each employee's monthly salary to employees' pension accounts every month.

In 2022 and 2021, the Company recognized retirement benefit plan expenses of NT\$ 855 thousand and NT\$ 776 thousand, respectively.

(13) Provision

	Decommissioning, Restoration, and Remediation Costs	Other	Total
January 1, 2022	\$14,221	\$699	\$14,920
Current use	(3,810)	(699)	(4,509)
December 31, 2022	<u>\$10,411</u>	<u>\$ -</u>	<u>\$10,411</u>
Noncurrent – December 31, 2022	<u>\$10,411</u>	<u>\$ -</u>	<u>\$10,411</u>
Noncurrent – December 31, 2021	\$14,221	\$699	\$14,920

Decommissioning, Restoration, and Remediation Costs

The provision recognizes pollution prevention and control costs related to land owned by the Company, which are estimated based on the best estimate of future possible investment amounts.

Other

The provision recognizes compensation costs related to civil litigation involving the Company.

(14) Equity

1. Common stock

- i. As of December 31, 2022 and 2021, the authorized capital stock of the Company was NT\$1,800,000 thousand divided into 180,000 thousand shares with a par value of NT\$10 per share. The issued and outstanding common stock of the Company was NT\$370,000 thousand divided into 37,000 thousand shares with a par value of NT\$10 per share (including 27,489 thousand shares of privately placed common stock). Each share is entitled to one vote and to receive dividends.
- ii. The Board of Directors of the Company passed resolutions on April 8, April 15, September 7, and October 8, 2009 to issue privately placed common stock totaling

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- NT\$276,300 thousand (NT\$42,439 thousand after reducing capital to offset accumulated losses).
- iii. The Board of Directors of the Company passed a resolution on December 28, 2010 to issue privately placed new shares of common stock totaling NT\$48,375 thousand (NT\$7,430 thousand after reducing capital to offset accumulated losses).
 - iv. The Board of Directors of the Company passed a resolution on June 8, 2011 to issue privately placed new shares of common stock totaling NT\$66,750 thousand (NT\$10,253 thousand after reducing capital to offset accumulated losses).
 - v. The Board of Directors of the Company passed a resolution on February 26, 2013 to issue privately placed new shares of common stock totaling NT\$96,150 thousand (NT\$14,769 thousand after reducing capital to offset accumulated losses).
 - vi. In order to improve its financial structure, the Company passed a resolution at the shareholders' meeting on June 29, 2020 to reduce its capital to offset accumulated losses by NT\$536,021 thousand, with a reduction ratio of 75.9214%.
 - vii. The Board of Directors of the Company passed a resolution on September 24, 2020 to issue privately placed new shares of common stock totaling NT\$100,000 thousand.
 - viii. The Company passed a resolution at the Board of Directors meeting on March 11, 2021 to issue new shares of common stock by private placement for cash, with 10,000 thousand shares at a par value of NT\$10 per share, at a premium of NT\$21.5 per share, with total paid-in capital of NT\$100,000 thousand. The shares were fully subscribed on March 19, 2021, thus, the base date for the private placement was March 19, 2021.
 - ix. The rights and obligations of the privately placed new shares are generally the same as those of the common stock already issued by the Company. However, according to the Securities and Exchange Act, the privately placed common stock cannot be freely transferred within three years after the issuance. Except for the restrictions on transferability under the Securities and Exchange Act, and subject to completing the public issuance and waiting for three years from the delivery date, the privately placed common stock has the same rights and obligations as the common stock already issued by the Company.

2. Capital Reserve

A.

Item	As of December 31, 2022	As of December 31, 2021
Issuance premium	\$216,000	\$216,000

- B. According to laws and regulations, capital reserves can only be used to offset company losses. When the company has no losses, the capital reserves generated from the premium on the issuance of shares and donations received may be allocated to increase capital up to a certain percentage of paid-in capital each year. The aforementioned capital reserves may also be distributed as cash dividends in proportion to the shareholders' original shares.

3. Earnings Distribution and Dividend Policy

According to the company's articles of association, in the event of an annual surplus, it shall be distributed in the following order:

- A. Payment of taxes and other government charges.
- B. Offset of accumulated losses.
- C. Appropriation of 10% of net income to legal reserve.
- D. Appropriation or reversal of special reserve in accordance with the regulations of the competent authority.
- E. The remaining surplus shall be distributed to shareholders in accordance with the dividend policy proposed by the board of directors and submitted to the shareholders' meeting.

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The Company's dividend policy takes into consideration the current and future development plans, investment environment, capital requirements, domestic and international competitive conditions, and shareholder interests. The Company shall allocate not less than 50% of the distributable profits for dividends to shareholders each year. Dividends may be paid in cash or shares, with the cash portion not less than 50% of the total dividend amount.

According to the Company Act, the legal reserve shall be appropriated until it reaches an amount equal to the Company's paid-in capital. The legal reserve may be used to offset losses. When there are no accumulated losses, any excess in the legal reserve over 25% of the paid-in capital may be distributed to shareholders in the form of new shares or cash, in proportion to their shareholdings.

When the Company distributes its distributable profits, it is required by law to allocate the remaining balance of the special reserve after first-time adoption of IFRS and the net amount of other equity deduction to offset the special reserve. In the event that the net amount of other equity deduction is reversed, the Company may allocate the reversed portion to the special reserve for distribution of profits.

Due to accumulated losses in 2021 and 2020, the Company did not distribute profits at the shareholders' meeting on June 15, 2022, and July 7, 2021, respectively.

On July 7, 2021, the shareholders' meeting passed a resolution to offset the losses of 24,412 thousand by allocating 1,672 thousand from the legal reserve and 22,740 thousand from the capital reserve.

For information regarding the estimation basis and recognition amount of employee and director remuneration, please refer to Note 6.18.

(15) Net revenue

	<u>2022</u>	<u>2021</u>
Revenue from customer contracts		
Net revenue from sale of goods	\$47,651	\$98,679

The revenue information related to customer contracts for the Company in 2022 and 2021 are as follows:

Revenue breakdown:

	<u>2022</u>		<u>2021</u>	
	<u>Semiconductor</u>	<u>Total</u>	<u>Semiconductor</u>	<u>Total</u>
Sales of Goods	\$47,651	\$47,651	\$98,679	\$98,679

Revenue recognition timing:

At a certain time	\$47,651	\$47,651	\$98,679	\$98,679
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(16). Expected credit gain(loss)

	<u>2022</u>	<u>2021</u>
Operation expense – Expected credit gain(loss)		
Accounts receivable	\$46	\$2

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Please refer to Note 12 for information related to credit risk.

The accounts receivable of the Company (including notes and accounts receivable) are measured for impairment using the lifetime expected credit loss method. The relevant explanation of the assessment of the allowance for impairment on December 31, 2022 and 2021 is as follows:

Historical credit loss experience for accounts receivable does not indicate any significant differences in loss patterns among different customer groups. Therefore, a non-segmented approach is adopted, and an expected credit loss model based on the provision matrix is used to measure the allowance for doubtful accounts. The relevant information is as follows:

December 31, 2022	Not Overdue	Days Past Due			Total	
	(Note)	Within 90 days	91-180 days	181-365 days		Over 366 days
Total carrying amount	\$10	\$3,062	\$1,042	\$-	\$-	\$4,114
Loss rate	0%	0.78%	0.78%	-	-	
Lifetime expected credit losses	-	(24)	(8)	-	-	(32)
Subtotal	\$10	\$3,038	\$1,034	\$-	\$-	\$4,082
Carrying amount						\$4,082

December 31, 2021	Not Overdue	Days Past Due			Total	
	(Note)	Within 90 days	91-180 days	181-365 days		Over 366 days
Total carrying amount	\$167	\$26,464	\$3,099	\$-	\$-	\$29,730
Loss rate	0%	0.78%	0.78%	-	-	
Lifetime expected credit losses	-	(54)	(24)	-	-	(78)
Subtotal	\$167	\$26,410	\$3,075	\$-	\$-	\$29,652
Carrying amount						\$29,652

Note: All notes receivable of the Group are not overdue.

The information on the changes in the allowance of accounts receivable for the years ended December 31, 2022 and 2021 of the Company is presented below:

	Accounts Receivable
January 1, 2022	\$78
Addition (Reversal)	(46)
December 31, 2022	\$32
January 1, 2021	\$80
Addition (Reversal)	(2)
Write-off due to uncollectible	-
December 31, 2021	\$78

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(17)Lease

As a lessee

The effect of the lease on the financial position, financial performance, and cash flows of the Group is explained as follows:

A. Revenue and expenses related to leasing activities for the lessee

	2022	2021
Expenses related to leases of low-value assets (excluding expenses related to leases of low-value assets with a lease term of 12 months or less)	\$85	\$98

B. Cash outflows related to the lessee and leasing activities

The total cash outflows related to leasing activities for the Group were NT\$85 thousand and NT\$98 thousand for the years ended December 31, 2022 and 2021, respectively.

(18)Summary of Employee Benefits, Depreciation, and Amortization Expenses by Function:

By item	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Operation Cost	Operation Expense	Total
Employees' Benefits						
Salaries	\$1,053	\$13,705	\$14,758	\$1,314	\$12,392	\$13,706
Health and Labor Insurance	141	1,584	1,725	140	1,464	1,604
Pensions	69	786	855	69	707	776
Remuneration of Directors	–	1,508	1,508	–	1,026	1,026
Others	60	612	672	62	588	650
Depreciation(Note)	2,996	5,081	8,077	3,591	5,128	8,719
Amortization	69	624	693	83	936	1,019

Note: The depreciation provision for the solar power generation equipment of the Company is recorded as an expense under other expenses.

- 1.The number of employees in the current and previous years was 31 and 29, respectively, with 5 and 6 directors who are not concurrently employed.

- 2.For companies whose stocks are listed on the stock exchange or traded on the TPEX, the following information shall be disclosed:
 - A. The average employee benefits expense for the current year was NT\$693 thousand, and for the previous year, it was NT\$728 thousand.
 - B. The average employee salary expense for the current year was NT\$568 thousand, and for the previous year, it was NT\$596 thousand.
 - C. The adjustment percentage of the average employee salary expense was (5)%.

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- D. The Company has set up an audit committee to replace the supervisor, and the supervisor remuneration for the current and previous year were NT\$0 and NT\$24 thousand, respectively.
- E. Employees' remuneration include monthly salary, performance bonus, and year-end bonus. The salary is mainly based on the market salary, company operations, and overall economic conditions, and takes into account the Company's competitiveness, internal fairness, and legality to establish a competitive salary system. Performance bonuses are awarded based on the company's operating performance and the individual performance of employees to reward their contributions and motivate them to continue their efforts. The year-end bonus is based on the Company's annual profit.

According to the Company's regulations, if there is profit for the year, no less than 1% shall be allocated for employee remuneration and no more than 2% for director remuneration. However, if the Company has accumulated losses, the amount to make up for such losses shall be reserved in advance. The aforementioned employee remuneration may be provided in the form of stocks or cash and shall be resolved by the board of directors with the consent of at least two-thirds of the attending directors and a majority of the total number of directors, and shall be reported to the shareholders' meeting. For information on employee and director compensation approved by the board of directors, please refer to the "Market Observation Post System" of the Taiwan Stock Exchange.

At the end of 2022 and 2021, the Company has accumulated losses, and therefore no employees' or directors' remuneration was recognized or distributed.

(19) Non-operating income and expenses

1. Interest Income

	2022	2021
Amortized cost financial asset - Bank deposit interest	\$1,046	\$70

2. Other Income

	2022	2021
Other Income - Others	\$3,065	\$11,251
Dividend	387	-
Total	\$3,452	\$11,251

3. Other income and expenses

	2022	2021
Net foreign exchange gain (loss)	7,343	(1,090)
Gain on financial assets at fair value through profit or loss	45,288	-
Other expenses - Depreciation of solar power equipment	(4,256)	(4,256)
Other expenses - Others	-	(45)
Total	\$48,375	\$(5,391)

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4. Financial Cost

	2022	2021
Interest on bank loans	\$(729)	\$(143)
Interest on related party loans	–	(376)
Interest on lease company loans	–	(248)
Total	\$(729)	\$(767)

(20) Components of Other Comprehensive Income

The composition of other comprehensive income for the year ended December 31, 2022

is as follows:

	Current period generated	Reclassificatio n adjustments For the Period	Other Comprehensive Income	Income tax benefit (expense)	After-Tax Amount
Items that may be subsequently reclassified to profit or loss: Exchange differences arising from the translation of the financial statements of foreign operating entities	\$5,156	–	\$5,156	–	\$5,156

The composition of other comprehensive income for the year ended December 31, 2021 is as follows:

	Current period generated	Reclassificatio n adjustments For the Period	Other Comprehensive Income	Income tax benefit (expense)	After-Tax Amount
Items that may be subsequently reclassified to profit or loss: Exchange differences arising from the translation of the financial statements of foreign operating entities	\$(1,644)	–	\$(1,644)	–	\$(1,644)

(21) Income Tax

1. The major components of income tax expense for 2022 and 2021 are as follows:

Income tax expense recognized in profit or loss

	2022	2021
Current income tax expense:		
Current tax expense recognized in the current year	\$ –	\$ –
Deferred income tax expense:		
The origination and reversal of temporary differences	–	(79)
Income tax expense recognized in profit or loss	\$ –	\$(79)

Income tax recognized in other comprehensive profit or loss

	2022	2021
Deferred income tax expense:		
Foreign exchange differences arising from the translation of financial statements of foreign operating entities	\$ –	\$ –

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2. The adjustments to income tax expense for the year and the amount of income tax computed at the applicable statutory tax rates are as follows:

	2022	2021
Pretax gain/loss from continuing operations	\$(34,955)	\$(18,922)
Income tax expense calculated at statutory tax rates	\$(6,991)	\$(3,784)
Tax effects of non-deductible expenses	1,234	(4,730)
Tax effects of deferred tax assets/liabilities	5,757	8,435
Income tax expense recognized in income statement	\$ -	\$(79)

3. The following deferred tax assets (liabilities) balances are related to the items below:

	2022			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehen- sive income	Ending balance
Temporary difference				
Unrealized holiday bonus deduction	\$202	\$ -	\$ -	\$202
Unrealized intercompany transactions	287	-	-	287
Unrealized exchange losses	178	-	-	178
Unrealized exchange gains	(9)	-	-	(9)
Land value increment tax reserve	(46,203)	-	-	(46,203)
Defined benefit liabilities, net	3,409	-	-	3,409
Other	(666)	-	-	(666)
Deferred tax (expense) benefit		\$ -	-	
Deferred tax assets (liabilities), net	\$(42,802)			\$(42,802)
The information expressed in the balance sheet is as follows:				
Deferred tax assets	\$3,410			\$3,410
Deferred tax liabilities	\$(46,212)			\$(46,212)

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		2021			
		Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference					
Unrealized holiday bonus deduction		\$268	\$(66)	\$—	\$202
Unrealized intercompany transactions		135	152	—	287
Unrealized exchange losses		32	146	—	178
Unrealized exchange gains		(88)	79	—	(9)
Land value increment tax reserve		(46,203)	—	—	(46,203)
Defined benefit liabilities, net		3,409	—	—	3,409
Other		(434)	(232)	—	(666)
Deferred tax (expense) benefit			\$79	—	
Deferred tax assets (liabilities) , net		\$(42,881)			\$(42,802)
The information expressed in the balance sheet is as follows:					
Deferred tax assets		\$3,410			\$3,410
Deferred tax liabilities		\$(46,291)			\$(46,212)

4. The information regarding the Company's unused tax losses is summarized as follows:

Occurrence Year	Loss Amount	Unused Balance		Last Offset Year
		As of December 31, 2022	As of December 31, 2021	
2012	\$94,873	\$94,873	\$94,873	111 年
2013	30,324	30,324	30,324	112 年
2016	42,651	42,651	42,651	115 年
2017	90,089	90,089	90,089	116 年
2018	86,733	86,733	86,733	117 年
2019	81,565	81,565	81,565	118 年
2020	121,263	129,886	129,886	119 年
2021	37,065	37,065	37,065	120 年
2022	35,821	35,821	—	121 年
		\$629,007	\$593,186	

5. Unrecognized Deferred Income Tax Assets

As of December 31, 2022 and 2021, the total amount of unrecognized deferred income tax assets of the Company amounted to NT\$239,004 thousand and NT\$227,856 thousand, respectively.

6. Status of Income Tax Filing

As of December 31, 2022, the settlement and filing of profit-seeking enterprise income tax for the Company have been approved by the tax authorities up to the fiscal year 2020.

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(22)Earnings per share

The calculation of basic earnings per share is based on the net income attributable to the shareholders of the parent company for the period divided by the weighted average number of outstanding common shares during the year.

The calculation of diluted earnings per share is determined by dividing the net income attributable to the shareholders of the parent company for the period by the weighted average number of outstanding ordinary shares during the period, adjusted for the effects of all dilutive potential ordinary shares, including stock options and convertible bonds. This calculation reflects the potential dilution that could occur if all dilutive securities were exercised or converted into ordinary shares.

	2022	2021
1. Basic earnings per share		
Net loss attributable to common stockholders (NT\$ thousands)	\$(34,955)	\$(18,843)
Weighted average shares outstanding - basic (thousands of shares)	37,000	34,885
Basic loss per share (NT\$)	\$(0.94)	\$(0.54)
2. Diluted earnings per share		
Net profit (in thousands) attributable to the owners of the Company's common stock from continuing operations (NT\$ thousand)	\$(34,955)	\$(18,843)
Diluted net loss attributable to the shareholders of the parent company from continuing operations after adjustment for dilution (NT\$ thousand)	\$(34,955)	\$(18,843)
The diluted weighted average number of shares after adjustment (thousands of shares)	37,000	34,885
Diluted loss per share (NT\$)	\$(0.94)	\$(0.54)

No significant changes to the end-of-period outstanding common stocks or potential common stocks occurred between the reporting period and the issuance of the financial statements.

7. RELATED-PARTY TRANSACTIONS

The related parties who had transactions with the Group during the financial reporting period are as follows:

Name and relationship of related-party

Name of related parties	Relationship with the Company
H&M Semiconductor(Sichuan) Co., Ltd.(H&M Sichuan)	Subsidiary of the Company
Ming Pei Investment Co.(Ming Pei Investment)	Substantive Related Parties
Ding Hong International Investment Ltd.(Ding Hong International Investment)	Substantive Related Parties
Sichuan Yajixin Electronic Technology Co., Ltd.(Yajixin)(Note)	Substantive Related Parties

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Note: The representative of Ming Pei Investment Co., a director of the Company and the legal representative of Yajixin, was formerly Ming-Tsan Lee. The Company held the 2021 general shareholders' meeting on July 7, 2021 to elect new directors and supervisors. The representative of Ming Pei Investment is no longer Mr. Ming-Tsan Lee after the shareholders' meeting, therefore Yajixin is no longer a related party of the Company.

Significant related-party transactions

1. Sales

	2022	2021
H&M (Sichuan)	\$3,666	\$49,827

The subsidiary in Mainland China sells products domestically and purchases diodes from the Company. The sales price is calculated based on the cost plus markup, and the payment term is 4 to 10 months after monthly settlement. The payment terms for other customers are generally 1 to 6 months after monthly settlement.

2. Purchases

	2022	2021
H&M (Sichuan)	\$33,055	\$12,749

The Company entrusts its subsidiary to process semi-finished products and pays processing fees based on actual processing costs and related expenses. The payment period for processing fees is 4 to 10 months from the end of each month. General payment terms are 1 to 6 months from the end of each month.

3. Accounts receivable - Related parties

	As of December 31, 2022	As of December 31, 2021
H&M (Sichuan)	\$ -	\$19,809

4. Accounts payable - Related parties

	As of December 31, 2022	As of December 31, 2021
H&M (Sichuan)	\$ -	\$4,246

5. Other accounts receivable - Related parties

	As of December 31, 2022	As of December 31, 2021
H&M (Sichuan)	\$52,423	\$ -
Yajixin	-	5,390(Note)
Total	\$52,423	\$5,390

Note: As the related party is no longer considered a significant relationship to the Group since the 2021 general shareholders' meeting, this amount is recorded under other receivables and has been collected in January 21, 2022.

6. Financing Status

(1) The related-party financing arrangements of the Company are as follow:

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As of December 31, 2022:

	2022				
	Maximum amount	End-of-period balance	Interest rate	Total interest income (expense)	End-of-period accounts receivable (payable) for interest
<u>Other account receivable (financing, included in other receivables - related parties)</u>					
H&M (Sichuan)	\$55,392	\$52,423	-	\$ -	\$ -

As of December 31, 2022: None.

(2) The financing transactions between the Company and related-party are as follows:

As of December 31, 2022: None.

As of December 31, 2021:

	2021				
	Maximum amount	End-of-period balance	Interest rate	Total interest income (expense)	End-of-period accounts receivable (payable) for interest
<u>Long-term payable (related-party financing, included in long-term loans)</u>					
Ming Pei Investment(Note)	\$60,000	\$ -	2.1 %	\$(280)	\$ -
Ding Hong International Investment	20,000	-	2.1 %	(96)	-
Total	\$80,000	\$ -		\$(376)	\$ -

Note: The loan provided by the Group to Ming Pei Investment Co. was secured by solar equipment. As the loan was fully repaid in March 2021, the collateral registration has been canceled in accordance with the letter issued by Tainan City Government on June 24, 2021 with reference number Nanshi-Jing-Gong-Shang-Zi-1100036224.

7. The Remuneration of the Major Management Personnel of the Company

	2022	2021
Short-term employee benefits	\$2,468	\$2,512

8. PLEDGED ASSETS

The Company has the following assets as collateral:

Item	Carrying Amount		Secured Debt
	December 31, 2022	December 31, 2021	
Prepayments for Equipment	\$30,612	\$ -	Collateral for long-term loans

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9. DISCLOSURE OF SIGNIFICANT OR POTENTIAL LIABILITIES AND UNRECOGNIZED CONTRACTUAL OBLIGATIONS

(1) As of December 31, 2022 and 2021, the Company has placed orders for inventory which has not yet been received, amounting to NT\$50 thousand and NT\$118,516 thousand, respectively.

(2) As of December 31, 2022 and 2021, the Company has purchased properties, plants, and equipment from suppliers but has not yet paid for them, amounting to NT\$17,415 thousand and NT\$48,887 thousand, respectively.

10. SIGNIFICANT LOSSES CAUSED BY MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31, 2022	As of December 31, 2021
FVTPL:		
MFVTPL	\$52,084	\$6,796
Amortized cost		
Cash and cash equivalent(not including cash on hand)	68,660	89,719
Notes and accounts receivable (including related parties)	4,082	29,652
Other receivables (including related parties)	52,520	5,462
Subtotal	<u>125,262</u>	<u>124,833</u>
Total	<u>\$177,346</u>	<u>\$131,629</u>

Financial liabilities

	As of December 31, 2022	As of December 31, 2021
Financial liabilities measured at amortized cost:		
Short-term loans	\$30,000	\$ -
Accounts payable and other payables (including related parties)	7,229	10,306
Long-term loans (including current portion)	19,889	-
Total	<u>\$57,118</u>	<u>\$10,306</u>

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(2) Financial risk management and policy

The primary objective of financial risk management for the Company is to manage market risk, credit risk, and liquidity risk related to the operational activities, and to identify, measure, and manage these risks according to the policies and risk preferences.

The Company has established appropriate policies, procedures, and internal controls in accordance with relevant regulations for the management of the aforementioned financial risks. 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 execution of financial management activities, the Company must strictly comply with the relevant regulations for financial risk management that have been established.

(3) Market risk

The market risk of the Company refers to the risk that the fair value or cash flows of its financial instruments may fluctuate due to market price changes. Market risks mainly include currency risk, interest rate risk, and other price risks.

In practice, it is rare for a single risk variable to change independently, and the changes in various risk variables are usually interrelated. However, the sensitivity analysis of each risk variable below does not consider the interactive effects of related risk variables.

Currency risk

The Company's currency risk is mainly related to its operating activities (when the currency used for income or expenses is different from the Company's functional currency) and net investments in foreign operations.

For some foreign currency receivables and payables of the Company that are denominated in the same currency, a natural hedging effect is generated for the corresponding positions. For some other foreign currency items, forward foreign exchange contracts are used to manage currency risk. However, as the natural hedging and hedging through forward foreign exchange contracts do not comply with the hedge accounting requirements, the Company does not adopt hedge accounting for these items. In addition, the net investment in foreign operations is regarded as a strategic investment, and therefore, the Company does not hedge against it.

The sensitivity analysis of the Company's currency risk mainly focuses on the major foreign currency monetary items at the end of the financial reporting period, and analyzes the impact of a 1% increase or decrease in the relevant foreign currency exchange rate on the Company's income and equity. The Company's currency risk is mainly affected by fluctuations in the US dollar and the Chinese yuan. The sensitivity analysis information is as follows:

- A. If the New Taiwan Dollar appreciates/depreciates by 1% against the US Dollar, it will result in a decrease of NT\$ 579 thousand and 647 thousand in the net income of the Company at the end of 2022 and 2021, respectively.
- B. If the New Taiwan Dollar appreciates/depreciates by 1% against the Chinese Yuan, it will result in a decrease of NT\$ 534 thousand and 282 thousand in the net income of the Company at the end of 2022 and 2021, respectively.

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Interest rate risk

Interest rate risk refers to the risk of fluctuations in fair value or future cash flows of financial instruments caused by changes in market interest rates. The interest rate risk of the Company mainly arises from fixed-rate and floating-rate loans.

The Company manages its interest rate risk by maintaining an appropriate mix of fixed and floating rates and using interest rate swap contracts, but has not applied hedge accounting as it does not meet the criteria.

The sensitivity analysis of interest rate risk primarily focuses on the floating-rate investments and borrowings as of the end of the reporting period, assuming a holding period of one accounting year. When the interest rate rises/falls by 100 basis points, the impact on the Company's income for the years ended December 31, 2022 and 2021 would be an increase of NT\$187 thousand and NT\$260 thousand, respectively.

(4) Credit Risk Management

Credit risk refers to the risk of financial loss due to the counterparty's failure to fulfill the obligations specified in the contract. The credit risk of the Company is mainly caused by business activities (mainly accounts receivable and notes) and financial activities (mainly bank deposits and various financial instruments).

Each unit of the Company follows the policies, procedures, and controls for credit risk management. All credit risk assessments consider factors such as the counterparty's financial condition, credit rating agencies' ratings, past transaction experiences, current economic environment, and internal rating standards of the Company.

The Company also uses certain credit enhancement tools (such as prepayments and insurance) to reduce the credit risk of specific counterparties at appropriate times.

As of December 31, 2022 and 2021, the percentage of the top ten customers' accounts receivable to the Company's total accounts receivable was 91.9% and 97.2%, respectively. The credit concentration risk of other accounts receivable is relatively low.

The finance department of the Company manages the credit risk of bank deposits and other financial instruments in accordance with the Company's policy. The Company's counterparties are well-established domestic and foreign financial institutions, therefore there is no significant credit risk.

The Company applied IFRS 9 to evaluate expected credit losses, and the relevant information on credit risk assessment is as follows:

Category	Indicator	The method for measuring expected credit losses	Total Carrying Amount	
			As of December 31, 2022	As of December 31, 2021
Simplified method(Note)	—	Expected credit losses during the remaining lifetime	\$4,114	\$29,730

Note: Include notes and accounts receivable.

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(5) Liquidity Risk Management

The Company maintains financial flexibility through contracts such as cash and cash equivalents, highly liquid securities, and bank borrowings. The following table summarizes the maturity profile of the remaining payments for non-derivative financial liabilities with agreed repayment terms, based on the earliest possible repayment date and using undiscounted cash flows. The amounts listed include the agreed-upon interest. The undiscounted interest amounts paid in cash flow with floating interest rates are based on the yield curve derived from the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2-3 years	4-5 Years	More Than 5 Years	Total
As of December 31, 2022					
Loans	\$34,074	8,286	7,589	-	\$49,949
Accounts payable	\$7,169	-	-	-	\$7,169
As of December 31, 2021					
Loans	\$-	-	-	-	\$-
Accounts payable	\$10,306	-	-	-	\$10,306

The disclosure of the table above regarding derivative financial liabilities is presented using the total undiscounted cash flow.

(6) Adjustment of Liabilities from Financing Activities

Adjustment information of liabilities for the year 2022 as follows:

	Short-term loans	Long-term loans	Total amount of liabilities from financing activities
As of January 1, 2022	\$-	\$-	\$-
Cash flow	30,000	19,889	49,889
Non-cash change	-	-	-
As of December 31, 2022	\$30,000	\$19,889	\$49,889

Adjustment information of liabilities for the year 2021 as follows:

	Short-term loans	Long-term loans	Total amount of liabilities from financing activities
As of January 1, 2021	\$30,000	\$91,230	\$121,230
Cash flow(Note)	(30,000)	(91,230)	(121,230)
Non-cash change	-	-	-
As of December 31, 2021	\$-	\$-	\$-

Note: This amount does not include the cash capital increase of NT\$215,000 thousand.

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(7) Fair Value of Financial Instruments

1. Valuation technology and assumptions used to measure fair value of financial instruments

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

- A. Cash and cash equivalents, accounts receivable, deposits paid, accounts payable, and other current liabilities are measured at their carrying amounts, which approximate their fair values, primarily because these instruments have short maturities.
- B. Financial assets and financial liabilities that are traded in active markets and have standard terms and conditions, such as publicly traded stocks, securities, bonds, and futures, are measured using quoted market prices.
- C. Equity instruments that are not traded in active markets, such as privately placed stocks, stocks of public companies not traded in active markets, and stocks of unlisted companies, are measured using market-based methods. This involves estimating fair value using information such as prices of similar instruments that have been traded in active markets or other relevant information (such as discounts for lack of liquidity, price-to-earnings ratios of similar companies, and price-to-book ratios of similar companies).
- D. Debt instruments, investments, bank loans, corporate bonds, and other non-current liabilities that do not have quoted market prices are measured using valuation techniques that take into account the counterparty quotes or appropriate valuation techniques. Valuation techniques are based on discounted cash flow analysis, with assumptions for interest rates and discount rates obtained from similar instruments and relevant information (such as dividend yield curves from the TPEX, Reuters commercial paper rate average quotes, and credit risk).
- E. Derivative financial instruments that do not have quoted market prices are valued using counterparty quotes or using a discounted cash flow analysis based on dividend yield curves for the remaining term of the derivative. For options, counterparty quotes, appropriate option pricing models (such as Black-Scholes Model), or other valuation methods (such as Monte Carlo Simulation) are used to determine fair value.

2. Fair Value of Financial Instruments Measured Using Amortized Cost

The carrying amount of financial assets and liabilities measured using amortized cost is considered to be a reasonable approximation of their fair values.

3. Information on Fair Value Hierarchy of Financial Instruments

Please refer to Note 12-8 for the fair value hierarchy information for financial instruments of the Company.

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(8) Fair Value Hierarchy

1. Definition of Fair Value Hierarchy

All assets and liabilities measured or disclosed at fair value are classified into their respective levels within the fair value hierarchy based on the significance of the inputs used in measuring the fair value of the asset or liability. The three levels of inputs are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

2. Fair Value Measurement Hierarchy Information

The Company did not have any non-recurring assets measured at fair value, and the fair value hierarchy information for recurring assets and liabilities is as follows:

As of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Share	\$52,084	\$ –	\$ –	\$52,084

As of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fair value measured financial assets:				
Financial assets at fair value through profit or loss				
Equity investments in domestic unlisted securities	\$ –	\$ –	\$6,796	\$6,796

Transfer between level 1 and level 2 fair value hierarchy

There were no transitions between Level 1 and Level 2 of the fair value hierarchy for the recurring fair value measurements of assets and liabilities for 2022 and 2021.

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Details of changes in fair value of Level 3 recurring financial assets and liabilities

The adjustments to the beginning and ending balances of the Level 3 financial assets and liabilities that were measured at fair value on a recurring basis by the Company are presented below:

	Asset Fair Value through Profit or Loss Share
As of January 1, 2022	\$6,796
(Transferred) Level 3	(6,796)
As of December 31, 2022	\$ –
	Asset Fair Value through Profit or Loss Share
As of January 1, 2021	\$ –
Recognized in profit or loss (reported under "Other gains and losses")	6,796
As of December 31, 2021	\$6,796

Due to the fact that the stocks held by the Company were registered as an emerging stock on September 21, 2022, the Company has reclassified them from Level 3 fair value hierarchy at the end of the reporting period.

(9) Significant Information on Foreign Currency Financial Assets and Liabilities

The significant foreign currency financial assets and liabilities information of the Group is as follows:

	As of December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial asset</u>			
Currency:			
US dollar	\$1,966	30.7100	\$60,376
Chinese Yuan	\$12,124	4.4080	\$53,442
<u>Financial liability</u>			
Currency:			
US dollar	\$80	30.7100	\$2,456

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	As of December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial asset</u>			
Currency:			
US dollar	\$7,753	27.6800	\$214,610
Chinese Yuan	\$7,474	4.3440	\$32,468
Japanese Yen	\$53,716	0.2405	12,919
 <u>Financial liability</u>			
Currency:			
Chinese Yuan	\$986	4.3440	\$4,283

The above information is disclosed based on the foreign currency carrying amount (converted to the functional currency).

Due to the various functional currencies involved in the foreign currency transactions of the Company, it is impractical to disclose the impact of each significant currency separately. Therefore, the gains or losses on foreign currency translation are aggregated and disclosed. For the years ended December 31, 2022 and 2021, the Company had a translation gain of NT\$7,343 thousand and a translation loss of NT\$(1,090) thousand respectively on its monetary financial assets and financial liabilities.

10. Capital management

The primary objective of capital management for the Group is to ensure a sound credit rating and favorable financing costs, in order to support business operations and maximize shareholder equity. The Group manages and adjusts its capital structure based on operating and economic conditions, and may achieve the goal of maintaining and adjusting its capital structure by adjusting dividend payments, returning capital, or issuing new shares.

13. ADDITION DISCLOSURE

(1) Information related to Significant Transactions:

1. Financings provided: See Table 1 attached;
2. Endorsement/guarantee provided: See Table 2 attached;
3. Marketable securities held: See Table 3 attached;
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;

MOSPEC SEMICONDUCTOR CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

9.Information about the derivative financial instruments transaction: None.

(2).Information on investment in subsidiary:

For companies that the Group has invested in and directly or indirectly exerts significant influence, control, or joint control outside of Mainland China, the name, location, main business, original investment amount, year-end shareholding, current period profit or loss, and investment gains or losses recognized should be disclosed. Please refer to Table 4 for details.

(3).Investment information in Mainland China:

(1)Investment information in Mainland China: please refer to Table 5.

(2)Significant transaction matters with the subsidiaries in Mainland China directly or indirectly through third-party territories, as well as their prices, payment terms, and unrealized gains or losses:

- A. Purchased amount and percentage, as well as the year-end balance and percentage of related payables: please refer to Table 6 for details.
- B. Sales amount and percentage, as well as the year-end balance and percentage of related receivables: please refer to Table 6 for details.
- C. Property transaction amount and the resulting gain or loss amount: None.
- D. End-of-period balance and purpose of notes endorsed/guaranteed or provided with collateral: None.
- E. Maximum balance, year-end balance, interest rate range, and total interest amount for financing: None.
- F. Other significant transaction matters that have a significant effect on current profit or financial position: None.

(4).Information on major shareholders: please refer to Table 7.

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements
(Expressed in thousands of NTS, unless otherwise indicated)
Loans to others

Table 1

For the year ended December 31, 2022

Number (Note 1)	Creditor	Borrower	General ledger Account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2022(Note 3)	Balance at December 31, 2022	Actual amount drawn down	Interes t rate	Nature of loan (Note 4)	Amount of transactions with borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Mospec Semiconductor Corp.	H&M Semiconductor (Sichuan) Co., Ltd.	Other receivables from related parties	Yes	\$55,392	\$88,160	\$52,423	—	2	—	Working capital requirement	Included in consolidated statements exempted from provision	—	—	\$200,239	\$200,239	(Note 7)

Note 1: The number filled in for the loans provided by the Company or subsidiaries are as follows.

(1) The company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum balance of loans to others for the period.

Note 4: The column of "Nature of loan" shall fill in:

(1) "Business transaction" is 1.

(2) "Short-term financing" is 2.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current period.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: The Company's operational procedures for making loans to others stipulate that the total amount of external loans provided by the Company shall not exceed 40% of the net equity. However, this limitation does not apply to foreign companies in which the Company directly or indirectly holds 100% of voting For a single company, loans shall not exceed 40% of the Company's net equity.

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements

(Expressed in thousands of NT\$, unless otherwise indicated)

Guarantees and endorsements for other parties

Table 2

For the year ended December 31, 2022

Number (Note 1)	Endorser/Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount during the period(Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022(Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/g uarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary(Note 7)	Provision of endorsements/g uarantees by subsidiary to parent company(Note 7)	Provision of endorsements/ guarantees to the party in Mainland China(Note 7)
		Company name	Relationship with the endorser/guarant or(Note 2)										
0	Mospec Semiconductor Corp.	H&M Semiconductor (Sichuan) Co., Ltd.	2	\$100,119	\$57,987	\$55,278	\$55,278	\$55,278	11.04%	\$100,119	Y	N	Y

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) Subsidiary which owned more than 50 percent by the guarantor.
- (3) An investee owned more than 50 percent in total by both the guarantor and its subsidiary.
- (4) The parent company that directly or indirectly through its subsidiaries holds more than 50% of the common stock equity of the company.
- (5) The parent company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Due to joint venture, all capital contributing shareholders make endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: In accordance with the "operational procedures for endorsement guarantee", the company may provide endorsements and guarantees for companies in which it directly or indirectly holds 90% or more of the voting shares, with the amount not exceeding 10% of the net value in the company's most recent financial statements. However, for companies in which the company directly or indirectly holds 100% of the voting shares, this limitation does not apply, but the amount should not exceed 20% of the net value in the company's most recent financial statements. Based on the net value of the Company as of December 31, 2022, which is NT\$ 500,598,000, the limit on endorsements or guarantees provided by the Company for a single company is NT\$ 100,119,000 or 20% of the net value, whichever is lower. Ceiling on total amount of endorsements/guarantees is also NT\$ 100,119,000 or 20% of the net value as of December 31, 2022.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: The amount approved by the Board of Directors should be filled in. However, if the Chairman is authorized to decide on the matter in accordance with Article 12, Paragraph 8 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it refers to the amount determined by the Chairman.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements

(Expressed in thousands of NT\$, unless otherwise indicated)

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Table 3

For the year ended December 31, 2022

Securities held by	Category of Marketable Securities (Note 1)	Name of Marketable Securities(Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of December 31, 2022				Footnote
					Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Mospec Semiconductor Corp.	NASDAQ-listed stocks in the United States	Hoku Scientific Inc.	—	Financial asset measured at fair value through profit/loss	24	—	—	—	—
	Unlisted (OTC) stocks	Luxtaltek Corporation	—	Financial asset measured at fair value through profit/loss	27660	—	—	—	—
	Emerging stock market shares	Speciality Chemicals Corp.	—	Financial asset measured at fair value through profit/loss	595,583	\$52,084	0.43%	\$52,084	—

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9, "Financial instruments: recognition and measurement".

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: As it is a financial product, there is no shares or ownership percentage.

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements
(Expressed in thousands of NT\$, unless otherwise indicated)
Information on investees (not including investee company of Mainland China)

Table 4

For the year ended December 31, 2022

Investor	Investee (Note 1, Note 2)	Location	Main business activities	Currency	Initial investment amount(thousand dollar)		Shares held as of December 31, 2022			Net profit (loss) of the investee For the year ended December 31, 2022(Note 2)	Investment profit (loss) recognized by the Company For the year ended December 31, 2022(Note 3)	Footnote
					Balance as of December 31, 2022	Balance as of December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	NHM B.V.I. Holdings Ltd.	Quastishy Building P.O.Box 4389, Road Town, Tortola, British Virgin Islands.	Reinvestment activities	NTD	\$466,874	\$466,874	10,804,742	100.00%	\$98,403	\$(50,564)	\$(50,559)	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of "Investee", "Location", "Main business activities", "Initial investment amount" and "Shares held as at December 31, 2022" should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the "footnote" column.
- (2) The "Net profit (loss) of the investee for the year ended December 31, 2022" column should fill in amount of net profit (loss) of the investee for this period.
- (3) The "Investment profit (loss) recognized by the Company for the year ended December 31, 2022" column should fill in the Company (public company) recognized investment profit(loss) of its direct subsidiary and recognized investment profit (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment profit (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment profit (loss) which shall be recognised by regulations.

Note 3: The investment profit (loss) recognized by the Company include unrealized profit (loss) between affiliates.

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements
(Expressed in thousands of NT\$, unless otherwise indicated)
Information on investments in Mainland China

Table 5

For the year ended December 31, 2022

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated outflow of investment from Taiwan as of 2022/1/1	Investment flows for the period		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Ownership held by the Company (direct of indirect) (%)	Investment income(loss) recognized by the Company for the year ended December 31, 2022(Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Outflow	Inflow						
H&M Semiconductor (Sichuan) Co., Ltd.	Manufacturing and sales of cutting-edge electronic components, as well as the trading of solar cell wafers.	\$307,100 (US\$10,000,000)	2 NHM B.V.I. Holdings Ltd.	\$307,100	\$-	\$-	\$307,100	\$(47,917)	100.00%	\$(47,917)	\$73,831	\$-
Accumulated Investment in Mainland China as of December 31, 2022					Investment Amounts Authorized by Investment Commission, MOEA			Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 3)				
\$307,100 (US\$10,000,000)					\$307,100 (US\$10,000,000)			\$500,598				

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

- (1) Directly invest in a company in Mainland China
- (2) Through investing in an existing company, in the third area (please specify the investing company in that third region).
- (3) Others

Note 2: The financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 3: Pursuant to the 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, the total amount of investment shall not exceed 60% of the Company's net worth.

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements

(Expressed in thousands of NT\$, unless otherwise indicated)

Information on Amount and percentage of purchases (sales) and the ending balance percentage of related accounts payable (receivable) in Mainland China

Table 6

For the year ended December 31, 2022

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction Status				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases/sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	H&M Semiconductor (Sichuan) Co., Ltd.	Its subsidiaries	Sale	\$ (3,666)	(8%)		Not applicable	Not applicable	—	—	—
			Purchase	\$33,055	62%		Not applicable	Not applicable	—	—	—

Mospec Semiconductor Corp. and subsidiaries' notes to the Parent Company Only Financial Statements

(Expressed in thousands of NT\$, unless otherwise indicated)

Major shareholders information

Table 7

For the year ended December 31, 2022

Major Shareholder	Shares	Number of shares held	Ownership (%)
Dinghong International Investment Co., Ltd.		8,735,109	23.60%
Mingpei Investment Co., Ltd.		2,320,579	6.27%
Pi-Lien, Hsieh		2,140,802	5.78%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

Statements of Major Accounting Items

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MOSPEC SEMICONDUCTOR CO., LTD.

1. STATEMENT OF CASH AND CASH EQUAIVLENTS

As of December 31, 2022

Unit: NT\$ thousand

Item	Description (Unit: Foreign Currency Cents)	Amount	Note																																							
Petty Cash and Cash on Hand		\$160																																								
Bank Deposits:																																										
TWD Deposit		8,990																																								
Foreign Currency Deposits	<table border="0"> <tr> <td>USD</td> <td>110,433.69</td> <td>dollars</td> <td>3,391</td> <td>USD to TWD exchange rate:</td> </tr> <tr> <td>CNY</td> <td>224,082.35</td> <td>dollars</td> <td>988</td> <td>1:30.71</td> </tr> <tr> <td>HKD</td> <td>1,907.81</td> <td>dollars</td> <td>8</td> <td>CNY to TWD exchange rate:</td> </tr> <tr> <td>JPY</td> <td>21,882.00</td> <td>dollars</td> <td>5</td> <td>1:4.408</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>HKD to TWD exchange rate:</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>1:3.938</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>JPY to TWD exchange rate:</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>1:0.2324</td> </tr> </table>	USD	110,433.69	dollars	3,391	USD to TWD exchange rate:	CNY	224,082.35	dollars	988	1:30.71	HKD	1,907.81	dollars	8	CNY to TWD exchange rate:	JPY	21,882.00	dollars	5	1:4.408					HKD to TWD exchange rate:					1:3.938					JPY to TWD exchange rate:					1:0.2324	
USD	110,433.69	dollars	3,391	USD to TWD exchange rate:																																						
CNY	224,082.35	dollars	988	1:30.71																																						
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				HKD to TWD exchange rate:																																						
				1:3.938																																						
				JPY to TWD exchange rate:																																						
				1:0.2324																																						
Foreign Currency Time Deposits	USD	1,800,000.00	dollars	55,278																																						
Total Bank Deposits				68,660																																						
Total				<u>\$68,820</u>																																						

MOSPEC SEMICONDUCTOR CO., LTD.

2. STATEMENT OF NOTES RECEIVABLE, NET

As of December 31, 2022

Unit: NT\$ thousand

Client	Description	Amount	Note
WELL STRONG CORPORATION	Trade	\$10	
Total		10	
Less: Allowance for Losses		—	
Net Amount		\$10	

MOSPEC SEMICONDUCTOR CO., LTD.

3. STATEMENT OF ACCOUNTS RECEIVABLE, NET

As of December 31, 2022

Unit: NT\$ thousand

Client	Description	Amount	Note
Source Well Technology Co., Ltd.	Trade	\$1,794	
Hawyang Semiconductor Corp.	Trade	1,237	
Premier Farnell Limited.	Trade	491	
Other	(Note)	582	
Less: Allowance for Losses		(32)	
Net Amount		\$4,072	

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

MOSPEC SEMICONDUCTOR CO., LTD.

4. STATEMENT OF OTHER RECEIVABLES AND OTHER RECEIVABLES-RELATED PARTY

As of December 31, 2022

Unit: NT\$ thousand

Item	Description	Amount	Note
<u>Non-related Party</u>			
Other Receivables - Others		\$97	Time Deposit Interest
<u>Related Party</u>			
H&M Semiconductor(Sichuan) Co., Ltd.		52,423	Capital Financing
Total		<u>52,520</u>	

MOSPEC SEMICONDUCTOR CO., LTD.

5. STATEMENT OF INVENTORIES

As of December 31, 2022

Unit: NT\$ thousand

Item	Description	Cost	Net Realizable Value	Note
Raw Materials	Mainly includes ingots, wafers, leadframes, gold wires, adhesive wafers, chemical materials and spare parts, etc.	\$31,366	\$131	Net realizable value refers to the estimated selling price under normal circumstances The remaining balance after deducting the cost and sales expenses still required to complete the work. Allowance for inventory obsolescence is based on the net realizable value and the possibility of inventory stagnation.
Work in Process (including semi-finished products)	Mainly includes wafers, chips, power transistors, diodes, and solar cell chips, etc.	134,957	6,592	
Finished Goods	Mainly includes power transistors, diodes, and solar cell chips, etc.	34,949	10	
Total		<u>201,272</u>		
Less: Allowance for Inventory Obsolescence		(194,539)		
Net amount		<u><u>\$6,733</u></u>	\$6,733	

MOSPEC SEMICONDUCTOR CO., LTD.

6. STATEMENT OF OTHER CURRENT ASSETS

As of December 31, 2022

Unit: NT\$ thousand

Item	Description	Amount	Note
Input Tax		\$815	
Offset Against Business Tax Payable		2,625	
Others	(Note)	220	
Total		<u><u>\$3,660</u></u>	

Note: The individual balance included does not exceed 5% of the total other current assets balance.

MOSPEC SEMICONDUCTOR CO., LTD.

7. STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

2022 January 1 to December 31

Unit: NT\$ thousand

Financial Instrument	Beginning Balance		Current Increase		Current Decrease		Ending Balance			Collateral or Pledged Status	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	reholding R	Fair Value		
Hoku Scientific Inc.	24	\$—	—	\$—	—	\$—	24	—	\$—	None	
Luxtaltek Coporation	27,660	—	—	—	—	—	27,660	—	—	None	
Taiwan Speciality Chemicals Corporation	\$595,583	6,796	—	45,288	—	—	595,583	0.43%	52,084	None	
Total		\$6,796		\$45,288		\$—			\$52,084		

MOSPEC SEMICONDUCTOR CO., LTD.

8. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

2022 January 1 to December 31

Unit: NT\$ thousand

Investees	Beginning Balance		Current Increase		Current Decrease		Ending Balance			Market Price or Equity Net Value		Collateral or Pledge Status	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding Ratio	Amount	Unit Price	Total Amount		
Subsidiary - NHM (BVI) Holding Ltd.	10,804,742	\$143,454	—	\$(50,207) (Note 1) 5,156 (Note 2)	—	\$—	10,804,742	100.00%	\$98,403	—	\$104,517	None	

Note 1: Refers to the share of the subsidiary's profit or loss recognized using the equity method, as well as the downstream unrealized profit or loss, upstream unrealized sales profit, and upstream realized sales profit.

Note 2: Refers to the exchange difference arising from the translation of the financial statements of foreign operating entities recognized under the equity method.

MOSPEC SEMICONDUCTOR CO., LTD.
 9. STATEMENT OF SHORT-TERM LOANS
 As of December 31, 2022

Unit: NT\$ thousand

Loan Type	Description	Contract Period	Interest Rate (Annual)	Ending Balance	Credit Limit	Collateral or Pledge Status	Note
Unsecured loan	First Commercial Bank - Southern Taiwan Science Park Branch	July 11, 2022 - January 11, 2023	2.425%	\$30,000	\$30,000	None	

MOSPEC SEMICONDUCTOR CO., LTD.
10. STATEMENT OF ACCOUNTS PAYABLE
As of December 31, 2022

Unit: NT\$ thousand

Client	Description	Amount	Note
Jih Lin Technology Co., Ltd.	Purchases	\$32	
Qlian Jun Technology Corporation	Purchases	17	
E'Dale Technology Co., Ltd.	Purchases	5	
Total		<u>\$54</u>	

11. STATEMENT OF OTHER PAYABLES
As of December 31, 2022

Unit: NT\$ thousand

Item	Description	Amount	Note
<u>Non-related parties</u>			
Salaries Payable		\$1,202	
Other Payable Expenses		2,976	
Equipment Payable		2,739	
Other		258	
Total		<u>\$7,175</u>	

12. STATEMENT OF OTHER CURRENT LIABILITIES - OTHERS
As of December 31, 2022

Unit: NT\$ thousand

Item	Description	Amount	Note
Temporary Receipts	Unoffset amount	\$276	
Receipts under Custody	collection on behalf of labor and health insurance, meals, etc	97	
Total		<u>\$373</u>	

13. STATEMENT OF NET DEFINED BENEFIT LIABILITIES - CURRENT
As of December 31, 2022

Unit: NT\$ thousand

Item	Description	Amount	Note
Net Defined Benefit Liabilities - Current		<u>\$1,069</u>	

MOSPEC SEMICONDUCTOR CO., LTD.
14. STATEMENT OF LONG-TERM LOANS
As of December 31, 2022

Unit: NT\$ thousand

Creditor	Description	Ending Balance	Contract Period	Interest Rate	Collateral or Pledge Status	Note
First Commercial Bank - Southern Taiwan Science Park Branch	Secured loan	\$13,979	August 10, 2022- August 10, 2027	2.1%	Prepayment for equipment	Amortize principal and pay interest monthly
First Commercial Bank - Southern Taiwan Science Park Branch	Secured loan	5,910	December 27, 2022- December 27, 2027	2.1%	Prepayment for equipment	Amortize principal and pay interest monthly
Total		<u>\$19,889</u>				
(Less): Portion due within a year		(4,014)				
Net Amount		<u><u>\$15,875</u></u>				

MOSPEC SEMICONDUCTOR CO., LTD.

15. STATEMENT OF OPERATING REVENUE

2022 January 1 to December 31

Unit: NT\$ thousand

Item	Quantity (In thousand)	Amount	Note
Bare Dies	3,050	\$5,048	
Diodes	10,362	42,513	
Others	1	90	Raw materials, etc.
Total		<u>\$47,651</u>	

MOSPEC SEMICONDUCTOR CO., LTD.
16. STATEMENT OF OPERATING COSTS
2022 January 1 to December 31

Unit: NT\$ thousand

Item	Amount
Direct Materials:	
Current Period Raw Materials Purchases	\$547
Add: Beginning Inventory of Raw Materials	31,256
Other Transfers In	8
(Less) Ending Inventory of Raw Materials	(31,366)
Sales of Raw Materials	(31)
Other Usage	(391)
Current Period Material Consumption	23
Direct Labor	1,321
Manufacturing Expenses	411
Manufacturing Cost	1,755
Add: Beginning Work in Process	76,565
Current Period Purchases	4,617
(Less) Ending Work in Process	(76,596)
Sales	(4,683)
Inventory (Gains) Losses	(1,297)
Other Usage	(338)
Finished Goods Cost	23
Add: Beginning Finished Goods	17,705
Current Period Purchases	32,425
(Less) Ending Finished Goods	(17,353)
Inventory (Gains) Losses	(25)
Cost of Goods Sold	32,775
Other Operating Costs:	
Sales of Raw Materials and Semi-finished Products	4,714
Inventory Valuation Loss/Reversal Gains	2,117
Inventory Write-off Loss	1,286
Unallocated Manufacturing Expenses	2,988
Other Costs	35
Total Operating Costs	\$43,915

MOSPEC SEMICONDUCTOR CO., LTD.

17. STATEMENT OF OPERATING EXPENSES

2022 January 1 to December 31

Unit: NT\$ thousand

Item	Description	Selling Expense	Note
Salary expense		\$4,294	
Shipping Cost		303	
Insurance		523	
Other Expenses(Note)		959	
Total		<u>\$6,079</u>	

Item	Description	Management Expense	Note
Salary expense		\$8,940	
water/electricity/gas bill		2,787	
Depreciation expense		5,081	
Service fee		2,311	
Miscellaneous costs		4,726	
Other(Note)		5,651	
Total		<u>\$29,496</u>	

Item	Description	R&D Expense	Note
Salary expense		\$2,567	
water/electricity/gas bill		1,135	
Insurance		284	
Consumables		671	
Other(Note)		442	
Total		<u>\$5,099</u>	

Note: The balance of each item does not exceed 5% of the total amount in this category, and they are presented in a consolidated manner.