

**Stock Code: 2434**

**Mospec Semiconductor Corp. & Subsidiaries**  
**Consolidated Financial Statements for the**  
**Years Ended December 31, 2022 and 2021 and**  
**Independent Auditors' Report**

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# Consolidated Financial Statements

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# Representation Letter

The entities that are required to be included in the combined financial statements of Mospec Semiconductor Corp. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Mospec Semiconductor Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Mospec Semiconductor Corp.

by

WONG,SHU-JHEN

Person in Charge

March 7, 2023

## Independent Auditors' Report

The Board of Directors and Shareholders  
Mospec Semiconductor Corp.

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards(IFRS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations(SIC) endorsed and issued into effort by the Financial Supervisory Commission of the ROC.

### **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 Consolidated Financial Statements section of our reports. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC and we are 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated 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 value of Mospec Semiconductor Corporation and its subsidiaries amounted to NT\$ 25,572,000, accounting for 4% of the total consolidated assets. The aforementioned inventory is measured at the lower of cost or net realizable value, involving significant accounting estimates and judgments by management. Given the material impact of inventory carrying values on the overall consolidated financial statements, we have deemed this a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of inventory valuation accounting policies; conducting physical observations of inventory counts to confirm the quantity and condition of inventory; testing the accuracy of inventory aging and analyzing the appropriateness of allowances for slow-moving and obsolete inventory; evaluating management's analysis and assessment of slow-moving and obsolete inventory, including the possibility of inventory realization and the estimation of net realizable value; and testing the adequacy of the allowance amounts for reducing inventory value to net realizable value. We also considered the appropriateness of inventory disclosures in Notes 5 and 6 of the consolidated financial statements.

### Revenue Recognition

Mospec Semiconductor Corporation and its subsidiaries primarily derive their revenue from the manufacturing and sale of diode products. Due to the need for judgment in determining performance obligations and their fulfillment timing based on the content of orders and customary business practices, we have deemed this a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of revenue recognition accounting policies, understanding and testing the effectiveness of management's internal controls established for revenue recognition; performing analytical procedures on gross profit margins; selecting samples for transaction detail testing and reviewing significant terms and conditions in contracts; conducting cut-off testing and subsequent reviews to ensure that revenue is recognized in the correct period. Additionally, we also considered the appropriateness of operation revenue disclosures in Notes 4 and 6 of the financial statements.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management's responsibility is to prepare consolidated financial statements that fairly present the financial position in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express the opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of 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 of the Group that were of most significance in the audit of the consolidated financial statements of the fiscal year 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.

### **Other Matter**

We have also audited the parent company only financial statements of Mospec Semiconductor Corporation and its subsidiaries as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

## English Translation of Consolidated Financial Statements Originally Issued in Chinese

Mospec Semiconductor Corporation and Subsidiaries

## CONSOLIDATED 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	Account Item	Note	Amount	%	Amount	%	Code	Account Item	Note	Amount	%	Amount	%
	<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>					
1100	Cash and cash equivalents	4 and 6.1	\$72,883	11	\$98,160	15	2100	Short-term loans	6.10	\$85,264	12	\$28,085	4
1110	Financial assets at fair value through profit or loss	4 and 6.2	52,084	7	–	–	2170	Accounts payable		3,622	1	14,833	2
1150	Notes receivable, net	4 and 6.3, 16	115	0	1,502	0	2200	Other accounts payable		11,429	2	17,511	3
1170	Accounts receivable, net	4 and 6.4, 16	18,913	3	26,477	4	2322	Current portion of long-term liabilities	4 and 6.11	4,014	1	–	–
1200	Other accounts receivable, net	7	1,061	0	5,521	1	2360	Net defined benefit liability	4 and 6.12	1,069	0	1,010	0
1220	Current tax assets		81	0	–	–	2399	Other current liabilities		374	0	574	0
130x	Inventories	4 and 6.5	25,572	4	31,704	5	21xx	Total current liabilities		105,772	16	62,013	9
1479	Other current assets	4 and 6.6	40,064	6	42,132	6							
11xx	Total current assets		210,773	31	205,496	31		<b>NON-CURRENT LIABILITIES</b>					
	<b>NON-CURRENT ASSETS</b>						2540	Long-term loans	6.11 and 7	15,875	2	–	–
1510	Financial assets at fair value through profit or loss	4 and 6.2	–	–	6,796	1	2550	Non-current provisions	4 and 6.13	10,411	1	14,920	2
1600	Property, plant and equipment	4 and 6.7	373,749	55	391,925	60	25xx	Deferred tax liabilities	4 and 6.21	46,212	7	46,212	7
1755	Right-of-use assets	4 and 6.17	3,300	0	3,320	1		Total non-current liabilities		72,498	10	61,132	9
1780	Intangible assets	4 and 6.8	–	–	693	0	2xxx	Total liabilities		178,270	26	123,145	18
1840	Deferred income tax assets	4 and 6.21	3,410	1	3,410	1		<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>					
1900	Other non-current assets	6.9 and 8	87,636	13	41,902	6	3100	Capital stock	6.14				
15xx	Total non-current assets		468,095	69	448,046	69	3110	Capital - common stock		370,000	55	370,000	57
							3200	Capital surplus	6.14	193,260	28	193,260	30
							3300	Retained earnings	6.14				
							3350	Accumulated deficit		(55,532)	(8)	(20,577)	(3)
								Total retained earnings		(55,532)	(8)	(20,577)	(3)
							3400	Other equity interest		(7,130)	(1)	(12,286)	(2)
							31xx	Total equity attributable to owners of parent		500,598	74	530,397	82
							3xxx	Total equity		500,598	74	530,397	82
1xxx	Total assets		\$678,868	100	\$653,542	100		Total liabilities and equity		\$678,868	100	\$653,542	100

Please refer to the Notes in the consolidated financial statements

Chairman: Wong, Shu-Jen

Manager: Tarnq, Bennet-Yun

Accounting Executive: Yen, Yung-Sen

## Mospec Semiconductor Corporation and Subsidiaries

## CONSOLIDATED 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	\$91,870	100	\$135,366	100
5000	OPERATING COSTS	4 and 6.18	(104,722)	(114)	(110,167)	(81)
5900	GROSS PROFIT FROM OPERATIONS		(12,852)	(14)	25,199	19
6000	OPERATING EXPENSES					
6100	Selling expenses		(11,396)	(12)	(11,602)	(10)
6200	Administrative expenses		(43,385)	(47)	(39,693)	(29)
6300	Research and development expenses		(5,098)	(6)	(2,966)	(2)
6450	Expected credit loss (gain)	4 and 6.16	63	0	3,413	3
	Total operating expenses	4 and 6.5	(59,816)	(65)	(50,848)	(38)
6900	Net operating income (loss)		(72,668)	(79)	(25,649)	(19)
7000	NON-OPERATING INCOME AND EXPENSES					
7100	Interest income	4 and 6.19	1,059	1	100	0
7010	Other income	4 and 6.19	5,840	6	12,126	9
7020	Other gains and losses	4 and 6.19	33,223	36	(4,627)	(3)
7050	Finance costs	4 and 6.19 and 7	(2,409)	(2)	(872)	(1)
	Total non-operating income and expenses		37,713	41	6,727	5
7900	Profit (loss) before tax		(34,955)	(38)	(18,922)	(14)
7950	Tax income	4 and 6.21	–	–	79	0
8200	Profit (loss)		(34,955)	(38)	(18,843)	(14)
8300	Other comprehensive income	4 and 6.20				
8360	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		5,156	6	(1,644)	(1)
	Other comprehensive income(loss), net		5,156	6	(1,644)	(1)
8500	Total comprehensive income		\$(29,799)	(32)	\$(20,487)	(15)
8600	NET INCOME ATTRIBUTABLE TO:					
8610	Shareholders of the parent	4 and 6.21	\$(34,955)	(38)	\$(18,843)	(5)
8700	COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
8710	Shareholders of the parent		\$(29,799)	(32)	\$(20,487)	(15)
	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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
Mospec Semiconductor Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2022 and 2021

Unit: NT\$: thousands

Code	Item	Equity Attributable to Shareholders of the Parent					
		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: Tarnq, Bennet-Yun

Accounting Executive: Yen, Yung-Sen

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
Mospec Semiconductor Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2022 and 2021  
Amounts in NT\$ thousands Unless otherwise specified

Unit: NT\$: thousands

Code	Item	2022	2021	Code	Item	2022	2021
		Amount	Amount			Amount	Amount
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
A10000	Net income before tax	\$(34,955)	\$(18,922)	B02700	Acquisition of property, plant and equipment	(1,735)	(20,517)
A20000	Adjustments:			B02800	Proceeds from disposal of property, plant and equipment	–	3,230
A20010	Adjustments to reconcile profit (loss):			B03800	Decrease in refundable deposits	17	1,281
A20100	Depreciation expense	22,161	21,362	B07100	Increase in prepayments for business facilities	(52,330)	(40,060)
A20200	Depreciation expense	693	1,019	BBBB	Net cash flows from (used in) investing activities	(54,048)	(56,066)
A20300	Expected credit loss (gain)	(63)	(3,413)				
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(45,288)	–		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
A20900	Interest expense	2,409	872	C00200	Decrease in short-term loans	57,179	(1,915)
A21200	Interest income	(1,059)	(100)	C01600	Proceeds from long-term loans	20,840	–
A22500	Loss (gain) on disposal of property, plan and equipment	4,037	(1,400)	C01700	Repayment of long-term loans	(951)	(91,230)
A29900	Loss (gain) from price recovery of inventory	18,961	(19,241)	C04600	Seasoned equity offering	–	215,000
A29900	Others	1,600	(7,997)	CCCC	Net cash flows from financing activities	77,068	121,855
A20010	Total reconcile profit (loss)	3,451	(8,898)				
				DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,661	(1,244)
A30000	Changes in operating assets and liabilities			EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	(25,277)	60,025
A31000	Changes in operating assets			E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,160	38,135
A31130	Decrease (increase) in notes receivable	1,387	(111)	E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	\$72,883	\$98,160
A31150	Decrease in accounts receivable	7,625	17,465				
A31180	Decrease (increase) in other receivable	4,557	(5,421)				
A31190	Decrease (increase) in other receivable due from related parties	–	5,572				
A31200	Increase (decrease) in inventories	(12,862)	6,020				
A31240	Decrease (increase) in other current assets	2,068	(483)				
A32000	Changes in operating liabilities						
A32130	Decrease in notes payable	–	(2,777)				
A32150	Decrease in accounts payable	(10,969)	(4,097)				
A32180	Increase (decrease) in other payable	(6,676)	13,839				
A32200	Decrease in provisions	(4,509)	(6,022)				
A32230	Increase (decrease) in other current liabilities	(200)	415				
A32240	Increase (decrease) in net defined benefit liability	59	(334)				
A30000	Total changes in operating assets and liabilities	(19,520)	24,066				
A33000	Cash inflow (outflow) generated from operations	(51,024)	(3,754)				
A33100	Interest received	962	100				
A33300	Interest paid	(1,815)	(866)				
A33500	Income taxes paid	(81)	–				
AAAA	Net cash flows from (used in) operating activities	(51,958)	(4,520)				

Please refer to the Notes in the consolidated financial statements

Chairman: Wong, Shu-Jen

Manager: Tarn, Bennet-Yun

Accounting Executive: Yen, Yung-Sen

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
MOSPEC SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED 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 consolidated financial statements of the Company and its subsidiaries (the "Group") 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 Group 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 Group 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"

This 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 Corp. and subsidiaries

Notes to the Consolidated Financial Statements

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

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

This 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 changes 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”

This 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 Group has evaluated these new standards, interpretations or amendments, and has determined that they will not have a significant effect on the Group.

- (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
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”

This 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 restricts the provision

Mospec Semiconductor Corp. and subsidiaries

Notes to the Consolidated Financial Statements

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

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”

This 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.

This standard, which was issued in May 2017, was subsequently amended in June 2020. 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”

This 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.

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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 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

These consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### (2) Basis of preparation

Except for financial instruments at fair value, the consolidated 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) Basis of consolidation

###### Principles of preparation of the consolidated financial statements

The Group “controls” an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In particular, the Group only controls an entity when it has the following three control elements:

- (1) Power over the investee (i.e., having existing rights that give the investor the current ability to direct relevant activities)
- (2) Exposure or rights to variable returns from the investor's involvement with the investee, and
- (3) The ability to use the investor's power over the investee to affect the amount of the investor's returns.

As the Group directly or indirectly holds less than the majority of voting or similar rights of an investee, the Group considers all relevant facts and circumstances to assess whether it has power over the investee, including:

- (1) Contractual agreements with other vote-holding investors of the investee
- (2) Rights arising from other contractual agreements
- (3) Voting rights and potential voting rights

As facts and circumstances indicate a change in one or more of the three elements of control, the Group reassesses whether it still maintains control over the investee.

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From the acquisition date (i.e. the date when control is obtained), subsidiaries are fully included in the consolidated financial statements until the date control ceases. The accounting period and accounting policies of the subsidiary's financial statements are consistent with those of the parent company. All intra-group account balances, transactions, unrealized profits and losses resulting from intra-group transactions, and dividends are eliminated in full.

In case of changes in the equity interest in subsidiaries where control is not lost, such transactions are accounted for as equity transactions. The total comprehensive profit(loss) of the subsidiary is allocated to the owners of the parent company and non-controlling interests, even if the non-controlling interests result in a deficit balance.

If the Group loses control of a subsidiary,

- (1) the assets (including goodwill) and liabilities of the subsidiary are derecognized;
- (2) any non-controlling interests are derecognized at their carrying amounts;
- (3) the fair value of the consideration received is recognized;
- (4) any investment retained is measured at its fair value;
- (5) any gain or loss is recognized in profit or loss;
- (6) Amounts previously recognized in other comprehensive income related to the subsidiary are reclassified to profit or loss.

The entities included in the preparation of the consolidated financial statements are as follows:

Name of Investor	Name of Subsidiary	Main business activities	Ownership(%)	
			December 31, 2022	December 31, 2021
The Company	NHM (BVI) Holding Ltd.	Regular investment	100.00%	100.00%
NHM (BVI) Holding Ltd.	H&M Semiconductor(Si chuan) Co., Ltd.	Manufacturing and sales of new electronic components and trading of solar cell wafers	100.00%	100.00%

(4) Foreign currency transactions

The consolidated financial statements of this Group are presented in New Taiwan Dollars, which is the functional currency of the Company. Each entity within the Group determines its own functional currency and measures its financial statements using that functional currency.

Foreign currency transactions within the group are recorded in the functional currency using the exchange rates on the transaction dates. As of each reporting period, foreign currency monetary items are translated using the closing exchange rates, while foreign currency non-monetary items measured at fair value are translated using the exchange rates on the valuation date. Foreign currency non-monetary items measured at historical cost are translated using the exchange rates on the original transaction dates.

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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) Exchange differences arising from foreign currency borrowings incurred to acquire qualifying assets, if considered as an adjustment to interest costs, are capitalized as part of the cost of those assets.
- (2) Foreign currency items subject to IFRS 9 "Financial Instruments" are treated 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 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.

(5) 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 subsidiary containing foreign operations is partially disposed of without losing control, the proportionate amount of the cumulative translation adjustment previously recognized in other comprehensive income is reclassified to the non-controlling interest of the foreign operations, rather than recognized in profit or loss. When a joint venture or associate containing foreign operations is partially disposed of without losing significant influence or joint control, the cumulative translation adjustment is proportionately reclassified to profit or loss.

As a result of acquiring foreign operating organizations, the Group recognizes the goodwill generated and fair value adjustments made to their assets and liabilities at their book values, which are then treated as the assets and liabilities of foreign operating organizations and reported in their functional currencies.

(6) The classification standards for assets and liabilities are as follows:

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

- A. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

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- B. Assets held mainly for trading purposes;
- C. Assets that are expected to be realized within twelve months from the balance sheet date;
- D. 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 an liability meets any of the following conditions, it is classified as a current liability, otherwise it is a non-current liability:

- A. Liabilities that are expected to be settled within the normal operating cycle;
- B. Liabilities arising mainly from trading activities;
- C. Liabilities that are to be settled within twelve months from the balance sheet date;
- D. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(7) Cash or cash equivalents

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

(8) Financial instruments

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

Financial assets and liabilities within the scope of IFRS 9 "Financial Instruments" are measured at fair value upon initial recognition, which can be directly attributed to financial assets and liabilities (excluding 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.

A. Recognition and Measurement of Financial Assets

All financial assets resulting from regular transactions by the Group are recognized and derecognized based on the accounting treatment on the transaction date.

The Group classifies financial assets into subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss based on the following two criteria:

- a. The business model for managing financial assets
- b. The nature of contractual cash flow of the financial asset

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

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assets measured at amortized cost, and other receivables:

- a. Business model for managing financial assets: Holding financial assets to collect contractual cash flows.
- b. Nature of contractual cash flow of the financial asset: Cash flows solely represent principal repayments and interest on the outstanding principal amount.

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.

Interest is recognized in profit(loss) when using the effective interest method (by multiplying the effective interest rate by the total book value 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 conditions 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. The business model for managing the financial asset is to both collect contractual cash flows and sell financial assets.
- b. Nature of contractual cash flow of financial assets: cash flows consist 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 financial assets or financial liabilities, any previously recognized accumulated gains or losses in other comprehensive income will be reclassified from equity to profit or loss as reclassification adjustments, except for impairment gains or losses and foreign exchange gains or losses recognized in profit or loss.
- c. Interest calculated using the effective interest method (by multiplying the effective interest rate by the total book value 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.

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- (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 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.

This type of financial asset is measured at fair value, and any gains or losses resulting from the re-measurement are recognized in the income statement, including any dividends or interest earned from the financial asset.

B. Impairment of financial assets

The Group 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 Group 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)

The method for measuring impairment losses is described as follows:

- a. Measurement of expected credit losses over a 12-month period includes financial assets that have not experienced a significant increase in credit risk since initial recognition or those that are determined to have low credit risk at the balance sheet date. In addition, it also includes impairment losses measured using the expected credit loss approach over the remaining life

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of the financial asset as of the previous reporting period, but which no longer meet the significant increase in credit risk condition since initial recognition as of the current balance sheet date.

- b. Measurement of expected credit losses over the remaining life of financial assets includes those that have had a significant increase in credit risk since initial recognition or that are credit-impaired at the reporting date, as well as those that are purchased or originated credit-impaired financial assets.
- c. For trade receivables or contract assets within the scope of IFRS 15, the Group measures the allowance for credit losses using the expected credit loss model over the remaining period of credit risk.
- d. For lease receivables within the scope of International Financial Reporting Standard 16, the Group measures the allowance for credit losses using the expected credit loss method over the remaining lease term.

On each balance sheet date, the Group evaluates whether there has been a significant increase in credit risk of financial instruments since their initial recognition by comparing the changes in default risk of the financial instruments between the balance sheet date and the initial recognition date. Please refer to Note 12 for information related to credit risk.

C. Derecognition of financial assets

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

- a. The contract right to cash flows from the financial asset has expired.
- b. The financial asset has been transferred and substantially all risks and rewards of ownership of the asset have been transferred to others.
- c. The financial asset has not been transferred or retained almost all risks and rewards of the asset's ownership, but the control over the asset has been transferred.

When a financial asset is derecognized as a whole, any difference between the book value of the asset and the consideration received or receivable is recognized in profit or loss, except for any cumulative gain or loss previously recognized in other comprehensive income and subsequently reclassified to profit or loss.

D. Liabilities and equity instruments

Classification of liabilities and equity

The Group's issued liabilities and equity instruments are classified as financial liabilities or equity instruments based on the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments

Equity instruments refer to any contracts that evidence a residual interest in the assets of the Group after deducting all its liabilities. The Group's issued equity instruments are recognized at the amount of the proceeds received, net of any directly attributable issuance costs.

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Hybrid Instruments

The Group 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), 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 issued convertible bonds based on the proportion of their respective carrying amounts.

When the holders of the convertible bonds exercise their conversion rights before the maturity date, the book value 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. The main purpose of the financial asset is to be sold in the short term;
- b. This condition refers to a situation where a financial instrument or a group of financial instruments is recognized as part of a recognizable group of financial instruments managed under a consolidated basis at its initial recognition, and there is evidence of short-term profit-taking activity associated with the group of financial instruments in the near term;
- 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:

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- 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

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 Group 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.

E. 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.

(9) Derivative Financial Instruments

The Group 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.

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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.

(10) 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 Group 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 Group 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.

(11) 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 the weighted average method based on the actual purchase cost.  
finished and work-in-progress goods: It includes direct materials, labor, and fixed manufacturing overhead allocated at normal capacity levels, but excludes borrowing costs.

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Net realizable value refers to the estimated selling price less the costs of completion and sales expenses under normal conditions.

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

(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.

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

Assets	Useful life
Real estate and buildings	5-51 years
Machinery and equipment	2-10 years
Other equipment	3-15 years

After the initial recognition, if a real estate, plant, or 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 real estate, 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) Leases

Upon the establishment of a contract, the Group 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 Group assesses whether it has the following over the entire period of use:

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- (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.

Lessee

Except for leases of low-value assets or short-term leases, when the Group 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 Group 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 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.

After the commencement date, the Group measures the lease liability using the effective interest method, with the lease liability increased to reflect interest on the lease liability and reduced by lease payments made.

On the commencement date, the Group 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.

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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 Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group 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 Group 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 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.

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The Group'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 Group 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 Group 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 Group 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 Group also assesses whether there are indications that previously recognized impairment losses for assets other than goodwill may no longer exist or may have decreased. If such indications exist, the Group 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.

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(17) Revenue Recognition

The Group's revenue from contracts with customers primarily includes sales of goods and rendering of services, and the accounting treatment is described as follows:

Sales of Goods

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

The credit period for the sale of goods is 30 to 120 days. For most contracts, when control over the goods is transferred and the Group has an unconditional right to receive payment, accounts receivable are recognized. Such accounts receivable are usually short-term and do not constitute a significant portion of the Group's financial statements. For a few contracts, the Group has transferred the goods to the customer but does not yet have an unconditional right to receive payment. In such cases, contract assets are recognized, and the impairment loss is measured based on the expected credit loss amount over the asset's life, in accordance with IFRS 9.

(18) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the cost of the asset. All other borrowing costs are recognized as expenses in the period incurred. Borrowing costs include interest and other costs related to 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 consolidated financial statements. The retirement benefits of the employees of overseas subsidiaries are handled in accordance with local laws and regulations.

For defined contribution retirement benefits plans, the Company's monthly contribution rate for employee retirement benefits shall not be less than 6% of the employee's monthly salary, and the amount contributed shall be recognized as expenses in the current period. The overseas subsidiaries contribute and recognize expenses in the current period according to the specific proportion in the local area.

(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.

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Current Income Tax

Current income tax payable (receivable) for the current period and prior periods is measured using the enacted or substantially enacted tax rates and laws at the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity, respectively, and not in profit or loss.

The portion of the undistributed earnings subject to additional income tax is recognized as income tax expense on the date of the shareholder resolution to distribute the earnings.

Deferred Income Tax

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

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

- (1) The initial recognition of goodwill, or of an asset or liability in a non-business combination, that does not affect accounting profit or taxable income (loss) at the time of the transaction;
  - (2) Temporary differences arising from investments in subsidiaries, associates, and joint ventures that are not expected to reverse in the foreseeable future and over which the entity has control.
- Deferred income tax assets arising from deductible temporary differences, unused tax losses and unused tax credits are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized, except for the following two items:

- (1) The deductible temporary differences arising from the initial recognition of goodwill, or of an asset or liability in a non-business combination, that does not affect accounting profit or taxable income (loss) at the time of the transaction;
- (2) The deductible temporary differences arising from investments in subsidiaries, associates, and joint ventures, provided it is probable that the differences will reverse in the foreseeable future and sufficient taxable income will be available against which the differences can be utilized.

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. Sources of Significant Accounting Judgments, Estimates and Assumptions Uncertainty

In preparing the consolidated financial statements, the management of the Group is required to make judgments, estimates and assumptions as of the end of the reporting period, which affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, the uncertainty associated with these significant assumptions and estimates may result in significant adjustments to the carrying amounts of assets or liabilities in future periods.

### Estimates and Assumptions

Information on the sources of uncertainty related to the significant estimates and assumptions made about the future as of the end of the reporting period may result in significant risks of material adjustments to the book value of assets and liabilities in the next financial year. The following are the details:

#### (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 an active market, fair value will be determined using valuation techniques including income approach (e.g. discounted cash flow model) or market approach. Changes in the assumptions used in these models will affect the fair value of the reported financial instruments. Please refer to Note 12 for details.

#### (2) Impairment of Non-Financial Assets

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and 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 transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. The value in use is based on a discounted cash flow model. The estimation of cash flows is based on a five-year budget, excluding any restructuring that the Group has not committed to, or significant future investments needed 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 rate 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 Group.

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Unused tax losses and tax credits for future periods and deductible temporary differences are recognized as deferred tax assets within the scope of probable future taxable income or deductible temporary differences. The determination of the amount of deferred tax assets recognized is based on estimates of future taxable income and probable temporary differences, as well as future tax planning strategies at the time and level when they may occur.

As of December 31, 2022, please refer to Note 6 for the explanation of the deferred tax assets not yet recognized by the Group.

(4) Accounts receivable - estimated impairment loss

The estimated impairment loss for accounts receivable of the Group is measured by expected credit losses during the existence of accounts receivable. The credit losses are measured by the difference between the present value of the contractual cash flows (book value) and the expected cash flows to be collected (forward-looking information). However, the impact of discounting on short-term accounts receivable is insignificant, and credit losses are measured by the undiscounted difference. If actual cash flows in the future are less than expected, significant impairment losses may arise, please refer to Note 6 for more 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. Description of Significant Accounts

1. Cash and cash equivalents

	As of December 31, 2022	As of December 31, 2021
Cash on hand	\$333	\$514
Check and cash in bank	17,272	69,966
Time Deposits	55,278	27,680
Total	<u>\$72,883</u>	<u>\$98,160</u>

2. Financial assets measured at fair value through profit or loss

	As of December 31, 2022	As of December 31, 2021
Mandatory fair value measurement through profit or loss:		
Publicly traded stock	\$52,084	\$ -
Privately held stock	-	6,796

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Total	<u>\$52,084</u>	<u>\$6,796</u>
Current	\$52,084	\$ –
Non-current	–	6,796
Total	<u>\$52,084</u>	<u>\$6,796</u>

The Group 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.	<u>\$115</u>	<u>\$1,502</u>
Less: allowance for doubtful accounts	–	–
Total	<u>\$115</u>	<u>\$1,502</u>

The Group did 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.

4. Accounts receivable, net

	As of December 31, 2022	As of December 31, 2021
Accounts receivable	<u>\$19,062</u>	<u>\$26,687</u>
Less: allowance for doubtful accounts	(149)	(210)
Total	<u>\$18,913</u>	<u>\$26,477</u>

The Group did not provide any accounts receivable as collateral for its loans.

The credit period provided by the Group to its customers is usually between 30 to 120 days. As of December 31, 2022 and December 31, 2021, the total book value was NT\$19,177 thousand and NT\$28,189 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	December 31, 2021
Raw material	<u>\$22,340</u>	<u>\$9,750</u>
Work in process	480	2,641
Finished goods	<u>2,752</u>	<u>19,313</u>
Total	<u>\$25,572</u>	<u>\$31,704</u>

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The inventory costs recognized as expenses for the fiscal years 2022 and 2021 by the Group were NT\$ 104,722 thousand and NT\$ 110,167 thousand, respectively, including inventory write-down (reversal) of NT\$ 18,961 thousand and (NT\$ 19,241) thousand, respectively. Due to the disposal of some obsolete inventory in the same period of the previous year, there was a situation of inventory reversal benefit.

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

6. Other current assets

	As of December 31, 2022	December 31, 2021
Deferred tax	\$39,415	\$40,635
Prepaid expense	618	1,465
Others	31	32
<b>Total</b>	<b>\$40,064</b>	<b>\$42,132</b>

7. Property, Plant and Equipment

	As of December 31, 2022	As of December 31, 2021
Property, plant and equipment used by the Company	\$ 373,749	\$ 391,925

	Land	Buildings	Machinery and Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
<b>Cost:</b>						
January 1, 2022	\$178,778	\$272,299	\$1,014,741	\$231,710	\$-	\$1,697,528
Additions	-	6	1,729	-	-	1,735
Disposals	-	-	(15,902)	-	-	(15,902)
Transfers	-	-	4,737	-	-	4,737
Effect of exchange rate changes	-	1,112	1,499	4	-	2,615
December 31, 2022	\$178,778	\$273,417	\$1,006,804	\$231,714	\$-	\$1,690,713
January 1, 2022	\$178,778	\$195,505	\$1,089,469	\$250,063	\$58,393	\$1,772,208
Additions	-	18,519	1,698	300	-	20,517
Disposals	-	-	(75,602)	(18,653)	-	(94,255)
Reclassification	-	58,275	-	-	(57,933)	342
Effect of exchange rate changes	-	-	(824)	-	(460)	(1,284)
December 31, 2022	\$178,778	\$272,299	\$1,014,741	\$231,710	\$-	\$1,697,528
<b>Depreciation and impairment</b>						
January 1, 2022	\$-	\$123,858	\$990,869	\$190,876	\$-	\$1,305,603
Depreciation	-	9,409	5,566	7,117	-	22,092
Disposals	-	-	(11,865)	-	-	(11,865)
Effect of exchange rate changes	-	28	1,106	-	-	1,134
December 31, 2022	\$-	\$133,295	\$985,676	\$197,993	\$-	\$1,316,964

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January 1, 2021	\$ -	\$115,991	\$1,059,113	\$202,240	\$ -	\$1,377,344
Depreciation	-	7,870	6,135	7,289	-	21,294
Disposals	-	-	(73,773)	(18,653)	-	(92,426)
Effect of exchange rate changes	-	(3)	(606)	-	-	(609)
December 31, 2022	\$ -	\$123,858	\$990,869	\$190,876	\$ -	\$1,305,603
<u>Net book value</u>						
December 31, 2022	\$178,778	\$140,122	\$21,128	\$33,721	\$ -	\$373,749
December 31, 2021	\$178,778	\$148,441	\$23,872	\$40,834	\$ -	\$391,925

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

8. Intangible Assets

(1)

	<u>Computer Software</u>
<u>Cost:</u>	
January 1, 2022	\$4,162
Additions – Separate	-
Derecognition	-
2022.12.31	<u>\$4,162</u>
January 1, 2022	\$4,162
Additions – Separate	-
Derecognition	-
2022.12.31	<u>\$4,162</u>
<u>Amortization and impairment</u>	
January 1, 2022	\$(3,469)
Amortization	(693)
Derecognition	-
2022.12.31	<u>\$(4,162)</u>
January 1, 2022	\$(2,636)
Amortization	(833)
Derecognition	-
2021.12.31	<u>\$(3,469)</u>
<u>Net book value</u>	
2022.12.31	<u>\$ -</u>
2021.12.31	<u>\$693</u>

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(2)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>

(3)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>\$87,636</u>	<u>\$41,885</u>
Refundable deposits	<u>—</u>	<u>17</u>
Total	<u>\$87,636</u>	<u>\$41,902</u>

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

10. Short-Term Loans

Nature of Loans	<u>As of December 31, 2022</u>	<u>As of December 31, 2021</u>
Unsecured loans	<u>\$85,264</u>	<u>\$28,085</u>
Maturity date	2023/1/11~2023/7/14	2022/07/16
Interest rate	2.425%~5.70%	0.93%
Unused portion	\$—	\$28,085

11. Long-Term Loans

As of December 31, 2022, the details of long-term loans are as follows:

Creditor	As of December 31, 2022	Annual Interest Rate(%)	Loan Content
Secured loans by First Bank	\$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.
Secured loans by First Bank	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>		

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

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12. Retirement Benefits Plan

Defined contribution plans

The employee retirement plan established by the Group is a defined contribution plan under the "Labor Pension Act". Pursuant to the Act, the Group 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 Group 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 Group recognized retirement benefit plan expenses of NT\$ 1,394 thousand and NT\$ 1,329 thousand, respectively.

13. Provision for Liabilities

	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	\$10,411	\$ –	\$10,411
Noncurrent – December 31, 2022	\$10,411	\$ –	\$10,411
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 Group, 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 Group.

14. Equity

(1) Common stock

- 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.
- 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 NT\$276,300

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- thousand (NT\$42,439 thousand after reducing capital to offset accumulated losses).
3. 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).
  4. 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).
  5. 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).
  6. 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%.
  7. 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.
  8. 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.
  9. 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	2022.12.31	2021.12.31
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 incorporation, if there are profits in the annual financial statements, they shall be distributed in the following order:

- A. Payment of taxes and other government charges.
- B. Offset of accumulated losses.
- C. Appropriation of at least 10% of the net income for the legal reserve.
- D. Appropriation or transfer to other special reserves as required by laws and regulations.
- E. Other remaining profits shall be proposed by the Board of Directors for distribution as dividends, subject to the approval of the shareholders at the shareholders' meeting.

The Company's dividend policy takes into consideration the current and future development

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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

	2022	2021
Revenue from customer contracts	<u>                    </u>	<u>                    </u>
Net revenue from sale of goods	<u>\$91,870</u>	<u>\$135,366</u>

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

Revenue breakdown:

	2022	2021
	<u>Semiconductor</u>	<u>Semiconductor</u>
Sales of Goods	<u>\$91,870</u>	<u>\$135,366</u>

Revenue recognition timing:

At a certain time	<u>\$91,870</u>	<u>\$135,366</u>
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16. Expected credit gain(loss)

	2022	2021
Operation expense – Expected credit gain(loss)	<u>                    </u>	<u>                    </u>
Accounts receivable	<u>\$63</u>	<u>\$3,413</u>

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For information related to credit risk, please refer to Note 12 in the financial statements.

The accounts receivable of the Group (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 of accounts receivable showed no significant difference in loss patterns among different customer groups. Therefore, a non-segmented approach was adopted using the provision matrix to measure the allowance for impairment. The related information is as follows:

December 31, 2022	Not Overdue	Days Past Due				Total
		Within 90	181-365	Over 366		
	(Note)	days	91-180 days	days	days	
Total book value	\$115	\$17,908	\$1,154	\$-	\$-	\$19,177
Loss rate	0%	0.78%	0.78%	50%	100%	
Lifetime expected credit losses	-	(140)	(9)	-	-	(149)
Subtotal	\$115	\$17,768	\$1,145	\$-	\$-	\$19,028
Book value						\$19,028

December 31, 2021	Not Overdue	Days Past Due				Total
		Within 90	181-365	Over 366		
	(Note)	days	91-180 days	days	days	
Total book value	\$1,502	\$18,861	\$7,826	\$-	\$-	\$28,189
Loss rate	0%	0.78%	0.78%	50%	100%	
Lifetime expected credit losses	-	(149)	(61)	-	-	(210)
Subtotal	\$1,502	\$18,712	\$7,765	\$-	\$-	\$27,979
Book value						\$27,979

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

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

	Accounts Receivable
January 1, 2022	\$210
Addition (Reversal)	(63)
Effect of exchange rate changes	2
December 31, 2022	\$149
January 1, 2021	\$6,201
Addition (Reversal)	(3,413)
Write-off due to uncollectible	(2,535)
Effect of exchange rate changes	(43)
December 31, 2021	\$210

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17. Lease

(1) As a lessee

The lease term for the real estate (land) contract that the company leased is 50 years.

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

A. The amount recognized on the balance sheet

The carrying amounts of the right-of-use asset

	2022.12.31	2021.12.31
Land	\$3,300	\$3,320

B. The amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2022	2021
Land	\$69	\$68

C. 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)	\$933	\$958

D. Cash outflows related to the lessee and leasing activities

The total cash outflows related to leasing activities for the Group were NT\$933 thousand and NT\$958 thousand for the years ended December 31, 2022 and 2021, respectively.

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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	\$20,449	\$21,502	\$1,314	\$19,773	\$21,087
Health and Labor Insurance	141	1,929	2,070	141	1,853	1,994
Pensions	69	1,325	1,394	69	1,260	1,329
Others	60	1,108	1,168	62	676	738
Depreciation(Note)	6,935	10,970	17,905	7,449	9,657	17,106
Amortization	69	624	693	83	936	1,019

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

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.

For the fiscal years 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	\$1,059	\$100

(2) Other Income

	2022	2021
Other Income - Others	\$5,453	\$12,126
Dividend	387	-
Total	\$5,840	\$12,126

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(3) Other income and expenses

	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$(4,037)	\$1,400
Net foreign exchange gain (loss)	233	(1,652)
Gain on financial assets at fair value through profit or loss (Note)	45,288	–
Other expenses - Depreciation of solar power equipment	(4,256)	(4,256)
Other expenses - Others	(4,005)	(119)
Total	<u>\$33,223</u>	<u>\$(4,627)</u>

Note: This is generated by the financial assets mandatorily measured at fair value through profit or loss.

(4) Financial Cost

	2022	2021
Interest on bank loans	\$(2,409)	\$(248)
Interest on related party loans	–	(376)
Interest on lease company loans	–	(248)
Total	<u>\$(2,409)</u>	<u>\$(872)</u>

20. Components of Other Comprehensive Income

	2022				
	Current period generated	Reclassification 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
Total other comprehensive income for the period	<u>\$5,156</u>	<u>\$–</u>	<u>\$5,156</u>	<u>\$–</u>	<u>\$5,156</u>
	2021				
	Current period generated	Reclassification 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)
Total other comprehensive income for the period	<u>\$(1,644)</u>	<u>\$–</u>	<u>\$(1,644)</u>	<u>\$–</u>	<u>\$(1,644)</u>

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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

	<u>2022</u>	<u>2021</u>
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	<u>\$ –</u>	<u>\$(79)</u>

Income tax recognized in other comprehensive profit or loss

	<u>2022</u>	<u>2021</u>
Deferred income tax expense:		
Foreign exchange differences arising from the translation of financial statements of foreign operating entities	<u>\$ –</u>	<u>\$ –</u>
Income tax related to other components of comprehensive income	<u>\$ –</u>	<u>\$ –</u>

(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:

	<u>2022</u>	<u>2021</u>
Pretax gain/loss from continuing operations	<u>\$(34,955)</u>	<u>\$(18,922)</u>
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	<u>\$ –</u>	<u>\$(79)</u>

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

	2022			Ending balance
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	
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)

	2021			Ending balance
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	
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)

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(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	2022
2013	30,324	30,324	30,324	2023
2016	42,651	42,651	42,651	2026
2017	90,089	90,089	90,089	2027
2018	86,733	86,733	86,733	2028
2019	81,565	81,565	81,565	2029
2020	129,886	129,886	129,886	2030
2021	37,065	37,065	37,065	2031
2022	35,821	35,821	—	2032
		<u>\$629,007</u>	<u>\$593,186</u>	

(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.

## 22.Earnings(loss) 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.

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(1) Basic earnings per share

	As of December 31, 2022	As of December 31, 2021
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
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

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

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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 Group.

Significant related-party transactions

1. Other accounts receivable – related party

	111.12.31	110.12.31
Yajixin	\$ –	\$5,390(Note)

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 2022.

2. Financing Status

The related party financing arrangements of the Group are as follows:

As of December 31, 2022: there were no such transactions.

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.

3. The Remuneration of the Major Management Personnel of the Group

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

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8. Pledged Assets

The Group 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

9. Significant Contingencies and Unrecognized Contractual Commitments

	2022	2021
Inventory purchases ordered but not yet received	\$469	\$118,516
Acquisition of property, plant and equipment	\$29,341	\$48,887

10. Significant losses caused by major disasters.

None.

11. Significant subsequent events

None.

12. Others

1. Categories of financial instruments

Financial assets

	2022.12.31	2021.12.31
FVTPL:		
MFVTPL	\$52,084	\$6,796
Amortized cost		
Cash and cash equivalent(not including cash on hand)	72,550	97,646
Notes and accounts receivable	19,028	27,979
Other receivables	1,061	5,521
Refundable deposits(including those classified under other noncurrent assets)	–	17
Subtotal	92,639	131,163
Total	\$144,723	\$137,959

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<u>Financial liabilities</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Amortized cost:		
Short-term loans	\$85,264	\$28,085
Accounts payable	15,051	32,344
Long-term loans(including current portion)	19,889	—
Total	<u>\$120,204</u>	<u>\$60,429</u>

## 2. Financial risk management and policy

The primary objective of financial risk management for the Group 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 Group 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 Group must strictly comply with the relevant regulations for financial risk management that have been established.

## 3. Market risk

The market risk of the Group 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.

### (1) Currency risk

The Group'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 Group 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 Group does not hedge against it.

The sensitivity analysis of the Group'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 Group's income and equity. The Group's currency risk is mainly affected by fluctuations in the US

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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\$ 34 thousand and 647 thousand in the net income of the Group for the fiscal year 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\$ 10 thousand and 282 thousand in the net income of the Group for the fiscal year 2022 and 2021, respectively.

(2)Interest rate risk

The market risk of the Group 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.

The sensitivity analysis of interest rate risk mainly focuses on the interest rate sensitive items as of the end of the financial reporting period, including floating rate investments and floating rate borrowings. Assuming a one-year accounting period, when the interest rate rises/falls by 10 reference points, the impact on the profit or loss of the Group for the years ended December 31, 2022 and 2021 will be a decrease of NT\$327 thousand and NT\$59 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 this Group 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 Group 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 Group. The Group 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 Group's total accounts receivable was 77.7% and 97.2%, respectively. The credit concentration risk of other accounts receivable is relatively low.

The finance department of the Group manages the credit risk of bank deposits and other financial instruments in accordance with the Group's policy. The Group's counterparties are well-established domestic and foreign financial institutions, so there is no significant credit risk. The Group uses IFRS 9 to evaluate expected credit losses, and the relevant information on credit risk assessment is as follows:

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Category	Indicator	The method for measuring expected credit losses	Total Carrying Amount	
			2022.12.31	2021.12.31
Simplified method(Note)	–	Expected credit losses during the remaining term	\$19,177	\$28,189

Note: Include notes and accounts receivable.

5. Liquidity risk management

The Group maintains financial flexibility through cash and cash equivalents, highly liquid marketable securities, bank borrowings, and financing leases. The table below summarizes the contractual maturities of non-derivative financial liabilities of the Group as of the reporting date, based on the earliest date on which the payments are due and using undiscounted cash flows, including the agreed interest. For interest cash flows paid at floating rates, the undiscounted interest amount is derived based on the implied yield curve as of 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
2022.12.31					
Loans	\$89,912	8,286	7,589	–	\$105,787
Accounts payable	\$14,417	–	–	–	\$14,417

Non-derivative financial liabilities

	Less than 1 year	2-3 years	4-5 Years	More Than 5 Years	Total
2021.12.31					
Loans	\$28,085	–	–	–	\$28,085
Accounts payable	\$32,344	–	–	–	\$32,344

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	\$28,085	\$ –	\$28,085
Cash flow	57,179	19,889	77,068
Non-cash change	–	–	–
As of December 31, 2022	\$85,264	\$19,889	\$105,153

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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)	(1,915)	(91,230)	(93,145)
Non-cash change	—	—	—
As of December 31, 2021	\$28,085	\$—	\$28,085

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

## 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 Group 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).

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- 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 Group.

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

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Transition between Level 1 and Level 2 of the 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.

Details of changes in fair value measurements categorized within Level 3 of the fair value

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 Group are presented below:

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

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

9. Information on Financial Assets and Liabilities in Foreign Currencies with Significant Effect

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

	<u>As of December 31, 2022</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollar</u>
<u>Financial asset</u>			
Currency:			
US dollar	\$1,992	30.7100	\$61,174
Chinese Yuan	\$231	4.4080	\$1,018
<u>Financial liability</u>			
Currency:			
US dollar	\$1,880	30.7100	\$57,735

Mospec Semiconductor Corp. and subsidiaries

Notes to the Consolidated Financial Statements

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

	As of December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial asset</u>			
Currency:			
US dollar	\$2,337	27.6800	\$64,695
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 book amounts (converted to the functional currency).

Due to the wide variety of functional currencies used in foreign currency transactions by the Group, it is not feasible to disclose the impact of each significant foreign currency separately. Therefore, the gains and losses on exchange of each currency are aggregated and disclosed. In 2022 and 2021, the Group had gains of 233 thousand and losses of 1,652 thousand, respectively, on the exchange of 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;

Mospec Semiconductor Corp. and subsidiaries

Notes to the Consolidated Financial Statements

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

- (8)Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- (9)Information about the derivative financial instruments transaction: None.
- (10)The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 4 attached.

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 5 for details.

3. Investment information in Mainland China:

- (1)Investment information in Mainland China: please refer to Table 6.
- (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 7 for details.
  - b Sales amount and percentage, as well as the year-end balance and percentage of related receivables: please refer to Table 7 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 8.

14. Operational Segment Information

- 1.The operational segment information is provided to the main operational decision-makers for resource allocation and performance evaluation purposes. The primary operational decision-maker of the Group considers the Group as a single operational segment and uses Group-wide information for resource allocation and performance evaluation, hence there is no need to disclose the profit or loss, assets, and liabilities information of operational segments.

Mospec Semiconductor Corp. and subsidiaries

Notes to the Consolidated Financial Statements

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

2. Geographic information

(1) Revenue from external customers: Revenue is classified based on the country where the customer is located.

Nation	2022	2021
China	\$47,533	\$90,206
Taiwan	44,337	45,160
Total	\$91,870	\$135,366

(2) Non-Current Assets:

Nation	As of December 31, 2022	As of December 31, 2021
China	\$138,697	\$123,480
Taiwan	325,988	313,651
Total	\$464,685	\$437,131

Non-current assets do not include financial instruments and deferred tax assets.

3. Major Customers Information

The sales amounts to a single customer, which accounted for more than 10% of the net revenue in the fiscal years 2022 and 2021, are as follows:

Customer	2022		2021	
	Amount	Percentage of sales(%)	Amount	Percentage of sales(%)
Company A	\$18,024	20%	\$ -	-

Mospec Semiconductor Corp. and subsidiaries' notes to the Consolidated Financial Statements  
(Expressed in thousands of NT\$, 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	Interest 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	The Company	H&M Semiconductor (Sichuan) Co., Ltd.	Receivables from related parties	Y	\$55,392	\$88,160	\$52,423	—	2	—	Working capital requirement	—	—	—	\$200,239	\$200,239	(Note 7, 9)

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

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2022

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 shares.

For a single company, loans shall not exceed 40% of the Company's net equity.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration that they could be loaned again thereafter.

Note 9: This transaction was written off when the consolidated financial statements were prepared.

Mospec Semiconductor Corp. and subsidiaries' notes to the Consolidated 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, 2021(Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarante e amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsement s/guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary(Note 7)	Provision of endorsements/ guarantees 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/guara ntor(Note 2)										
0	Mospec Semiconductor Corp.	H&M Semiconductor(Sichua n) 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: According to the operational procedures for endorsement guarantee, when the Company directly or indirectly holds more than 90% of the ordinary voting shares, it may provide endorsement guarantee up to 10% of the Company's latest net worth in order to ensure the amount of money. However, there is no such limit for endorsement guarantee between companies in which the Company directly or indirectly holds 100% of the voting shares. However, the amount of endorsement guarantees shall not exceed 20% of the net worth of the latest financial statements of the Company. Based on the net value of the Company as of December 31, 2022, which is NT\$ 500,598,000, the limit for endorsing guarantees to a single enterprise is NT\$ 100,119,000 or 20% of the net value, whichever is lower. The maximum limit for endorsing 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 Consolidated 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	Taiwan Speciality Chemicals Corporation	—	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 Consolidated Financial Statements  
(Expressed in thousands of NT\$, unless otherwise indicated)  
Significant inter-company transactions during the reporting periods

Table 4

For the year ended December 31, 2022

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction(Note 4)			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets(Note 3)
0	Mospec Semiconductor Corp.	H&M Semiconductor(Sichuan) Co., Ltd.	1	Sale	3,666	There is no comparable transaction with unrelated parties for the sales price. Net 4 to 10 months from the end of the month upon issuance of invoice.	4%
				Purchase	33,055	There is no comparable transaction with unrelated parties for the purchase price. Net 4 to 10 months from the end of the month upon issuance of invoice.	36%
				Other receivables	52,423	Fund financing	8%

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

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

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

Note 4: This transaction was written off when the consolidated financial statements were prepared.

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

Table 5

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 4)

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.

Note 4: This transaction was written off when the consolidated financial statements were prepared.

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

Table 6

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 or 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.

Note 4: This transaction was written off when the consolidated financial statements were prepared.

Mospec Semiconductor Corp. and subsidiaries' notes to the Consolidated 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 7

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	—	—	(Note)
			Purchase	\$33,055	62%		Not applicable	Not applicable	—	—	

Note: This transaction was written off when the consolidated financial statements were prepared.

Mospec Semiconductor Corp. and subsidiaries' notes to the Consolidated Financial Statements

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

Major shareholders information

Table 8

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.