

# **Winbond Electronics Corporation**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Winbond Electronics Corporation

### Opinion

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

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Occurrence of Sales Revenue from Specific Series of Flash Memory Products

The sales revenue of Winbond Electronics Corporation is mainly from the sale of DRAM IC products and Flash Memory products.

As the gross profit margin and the proportion of sales revenue from the specific series of flash memory products are higher than that of other product series, and given that the gross profit of the specific series is significant to the net income of the year, we considered the occurrence of sales revenue from specific series of products as a key audit matter of the Company's financial statements for the year ended December 31, 2022.

The audit procedures that we performed in response to the abovementioned key audit matter included understanding the design and implementation of the key internal controls and testing the effectiveness of the relevant controls over sales revenue, and selecting samples of revenue items to verify the occurrence of the transactions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Kuo-Tyan Hong and Wen-Yea Shyu.

The image shows two handwritten signatures in black ink. The signature on the left is 'Kuo-Tyan Hong' and the signature on the right is 'Wen-Yea Shyu'. Both signatures are written in a cursive, flowing style.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 16, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# WINBOND ELECTRONICS CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,684,164	6	\$ 20,226,289	16
Current financial assets at fair value through profit or loss (Notes 4 and 7)	48,712	-	50,057	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	14,587,832	9	10,977,904	9
Accounts receivable, net (Notes 4 and 9)	3,588,202	2	5,556,897	4
Accounts receivable due from related parties, net (Note 26)	1,179,039	1	1,944,639	2
Other receivables (Note 26)	256,731	-	283,312	-
Inventories (Notes 4, 5 and 10)	13,044,368	8	9,195,814	7
Other current assets	861,614	1	680,687	1
Total current assets	<u>42,250,662</u>	<u>27</u>	<u>48,915,599</u>	<u>39</u>
<b>NON-CURRENT ASSETS</b>				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	579,064	-	29,086	-
Investments accounted for using equity method (Notes 4 and 11)	20,926,478	14	18,878,347	15
Property, plant and equipment (Notes 4 and 12)	87,575,274	56	55,352,300	44
Right-of-use assets (Notes 4 and 13)	1,562,419	1	1,558,921	1
Investment properties (Notes 4 and 14)	275,254	-	285,814	-
Intangible assets (Notes 4 and 15)	18,158	-	43,999	-
Deferred income tax assets (Notes 4 and 21)	810,000	1	445,000	1
Other non-current assets (Notes 6 and 26)	2,009,285	1	435,513	-
Total non-current assets	<u>113,755,932</u>	<u>73</u>	<u>77,028,980</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 156,006,594</u>	<u>100</u>	<u>\$ 125,944,579</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ -	-	\$ 1,430,417	1
Notes payable	102,011	-	61,648	-
Accounts payable	2,691,742	2	3,520,195	3
Accounts payable due to related parties (Note 26)	462,039	-	913,581	1
Payables on machinery and equipment	3,382,521	2	4,393,748	3
Other payables (Note 26)	5,423,560	4	5,157,125	4
Current tax liabilities (Notes 4 and 21)	1,386,821	1	2,256,788	2
Lease liabilities - current (Notes 4 and 13)	87,383	-	75,578	-
Long-term borrowings - current portion (Note 16)	3,100,000	2	785,000	1
Other current liabilities	75,372	-	93,942	-
Total current liabilities	<u>16,711,449</u>	<u>11</u>	<u>18,688,022</u>	<u>15</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 17)	9,968,462	7	9,956,086	8
Long-term borrowings (Notes 16 and 23)	32,849,502	21	11,848,865	9
Lease liabilities - non-current (Notes 4 and 13)	1,541,922	1	1,535,495	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	379,105	-	944,555	1
Other non-current liabilities (Note 26)	393,158	-	527,443	1
Total non-current liabilities	<u>45,132,149</u>	<u>29</u>	<u>24,812,444</u>	<u>20</u>
Total liabilities	<u>61,843,598</u>	<u>40</u>	<u>43,500,466</u>	<u>35</u>
<b>EQUITY (Note 19)</b>				
Share capital	39,800,002	25	39,800,002	32
Capital surplus	7,785,918	5	7,786,124	6
Retained earnings				
Legal reserve	3,434,165	2	2,074,570	2
Unappropriated earnings	28,780,952	19	20,733,450	16
Exchange differences on translation of the financial statements of foreign operations	(654,652)	(1)	(861,389)	(1)
Unrealized gains on financial assets measured at fair value through other comprehensive income	15,016,611	10	12,911,356	10
Total equity	<u>94,162,996</u>	<u>60</u>	<u>82,444,113</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 156,006,594</u>	<u>100</u>	<u>\$ 125,944,579</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)	\$ 51,139,171	100	\$ 57,532,802	100
OPERATING COSTS (Notes 10 and 26)	<u>27,181,153</u>	<u>53</u>	<u>32,775,614</u>	<u>57</u>
GROSS PROFIT	<u>23,958,018</u>	<u>47</u>	<u>24,757,188</u>	<u>43</u>
OPERATING EXPENSES (Note 26)				
Selling expenses	1,229,028	3	1,200,719	2
General and administrative expenses	4,672,592	9	2,756,183	5
Research and development expenses	6,610,718	13	6,088,149	10
Expected credit (gain) loss (Note 9)	<u>(39,000)</u>	<u>-</u>	<u>34,000</u>	<u>-</u>
Total operating expenses	<u>12,473,338</u>	<u>25</u>	<u>10,079,051</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>11,484,680</u>	<u>22</u>	<u>14,678,137</u>	<u>26</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	59,527	-	25,480	-
Dividend income (Note 26)	551,906	1	336,520	-
Other income (Notes 23 and 26)	164,340	-	87,948	-
Share of profit (loss) of subsidiaries and associates	2,925,842	6	1,985,911	3
Gains (losses) on disposal of property, plant and equipment (Note 26)	53,438	-	41,973	-
Gains (losses) on disposal of non-current held for sale assets	36,181	-	30,371	-
Gains (losses) on foreign exchange (Note 29)	809,964	2	(109,015)	-
Gains (losses) on financial instruments at fair value through profit or loss	(822,862)	(2)	48,733	-
Interest expense (Notes 13, 23 and 26)	(59,527)	-	(136,158)	-
Other expenses	(159,052)	-	(165,769)	-
Gains (losses) on disposal of investments	-	-	(436)	-
Impairment loss recognized on property, plant and equipment (Note 12)	<u>(112,266)</u>	<u>-</u>	<u>(782,949)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>3,447,491</u>	<u>7</u>	<u>1,362,609</u>	<u>2</u>
INCOME BEFORE INCOME TAX	14,932,171	29	16,040,746	28
INCOME TAX EXPENSE (Notes 4 and 21)	<u>2,005,006</u>	<u>4</u>	<u>2,446,103</u>	<u>4</u>
NET INCOME	<u>12,927,165</u>	<u>25</u>	<u>13,594,643</u>	<u>24</u>

(Continued)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
Gains (losses) on remeasurement of defined benefit plans (Note 18)	\$ 92,216	-	\$ (51,661)	-
Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	2,857,430	6	2,176,120	4
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(384,459)	(1)	2,646,694	4
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(43,322)	-	(22,955)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>250,059</u>	<u>1</u>	<u>(567,106)</u>	<u>(1)</u>
Other comprehensive income (loss)	<u>2,771,924</u>	<u>6</u>	<u>4,181,092</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 15,699,089</u>	<u>31</u>	<u>\$ 17,775,735</u>	<u>31</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.25</u>		<u>\$ 3.42</u>	
Diluted	<u>\$ 3.23</u>		<u>\$ 3.41</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings		Other Equity		Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 39,800,002	\$ 7,770,865	\$ 1,913,317	\$ 8,094,753	\$ (271,328)	\$ 8,141,510	\$ 65,449,119
Appropriation of 2020 earnings (Note 19)							
Legal reserve appropriated	-	-	161,253	(161,253)	-	-	-
Cash dividends	-	-	-	(796,000)	-	-	(796,000)
Total appropriations	-	-	161,253	(957,253)	-	-	(796,000)
Net income for the year ended December 31, 2021	-	-	-	13,594,643	-	-	13,594,643
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	(92,951)	(590,061)	4,864,104	4,181,092
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	13,501,692	(590,061)	4,864,104	17,775,735
Changes in ownership interests in subsidiaries	-	15,259	-	-	-	-	15,259
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Note 19)	-	-	-	94,258	-	(94,258)	-
BALANCE AT DECEMBER 31, 2021	39,800,002	7,786,124	2,074,570	20,733,450	(861,389)	12,911,356	82,444,113
Appropriation of 2021 earnings (Note 19)							
Legal reserve appropriated	-	-	1,359,595	(1,359,595)	-	-	-
Cash dividends	-	-	-	(3,980,000)	-	-	(3,980,000)
Total appropriations	-	-	1,359,595	(5,339,595)	-	-	(3,980,000)
Net income for the year ended December 31, 2022	-	-	-	12,927,165	-	-	12,927,165
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	159,408	206,737	2,405,779	2,771,924
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	13,086,573	206,737	2,405,779	15,699,089
Changes in ownership interests in subsidiaries	-	8	-	-	-	-	8
Changes in equity of associates accounted for using equity method	-	(214)	-	-	-	-	(214)
Disposal of investments in equity instruments designated at fair value through other comprehensive income (Note 19)	-	-	-	300,524	-	(300,524)	-
BALANCE AT DECEMBER 31, 2022	\$ 39,800,002	\$ 7,785,918	\$ 3,434,165	\$ 28,780,952	\$ (654,652)	\$ 15,016,611	\$ 94,162,996

The accompanying notes are an integral part of the financial statements.



# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 14,932,171	\$ 16,040,746
Adjustments for:		
Depreciation expense	8,113,063	10,231,678
Amortization expense	52,841	53,712
Expected credit (gain) loss recognized on accounts receivable	(39,000)	34,000
(Gains) losses on financial assets and liabilities at fair value through profit or loss	7,525	(11,677)
Interest expense	59,527	136,158
Interest income	(59,527)	(25,480)
Dividend income	(551,906)	(336,520)
Share of (profit) loss of subsidiaries and associates	(2,925,842)	(1,985,911)
(Gains) losses on disposal of investments	-	436
(Gains) losses on disposal of property, plant and equipment	(53,438)	(41,973)
(Gains) losses on disposal of non-current held for sale assets	(36,181)	(30,371)
Impairment loss on property, plant and equipment	112,266	782,949
Unrealized profit (loss) on the transactions with subsidiaries	(66,340)	93,720
Carbon offset	174	-
Gains on lease modification	-	(15)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets and liabilities at fair value through profit or loss	45,778	-
(Increase) decrease in accounts receivable	2,007,695	(1,762,452)
(Increase) decrease in accounts receivable due from related parties	765,600	(867,138)
(Increase) decrease in other receivables	30,252	(56,187)
(Increase) decrease in inventories	(3,848,554)	(1,276,190)
(Increase) decrease in other current assets	(180,927)	(204,647)
(Increase) decrease in other non-current assets	(1,761,996)	-
Increase (decrease) in notes payable	40,363	(124,081)
Increase (decrease) in accounts payable	(827,941)	158,062
Increase (decrease) in accounts payable due to related parties	(451,542)	35,621
Increase (decrease) in other payables	256,911	2,804,097
Increase (decrease) in other current liabilities	(18,570)	22,589
Increase (decrease) in other non-current liabilities	(516,481)	27,238
Cash flows generated by (used in) operations	15,085,921	23,698,364
Interest received	58,914	23,337
Dividends received	1,718,099	1,081,156
Interest paid	(518,173)	(374,197)
Income taxes paid	(3,243,031)	(109,456)
Net cash flows generated by (used in) operating activities	<u>13,101,730</u>	<u>24,319,204</u>

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# WINBOND ELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of investments accounted for using equity method	\$ (400,070)	\$ (357,898)
Acquisitions of financial assets at fair value through profit or loss	(51,958)	-
Acquisitions of financial assets at fair value through other comprehensive income	(1,321,011)	(10,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	18,535	-
Proceeds from capital reduction of investments accounted for using equity method	-	16,116
Proceeds from disposal of non-current held for sale assets	55,200	279,897
Acquisitions of property, plant and equipment	(40,798,805)	(9,292,410)
Proceeds from disposal of property, plant and equipment	53,660	61,082
Acquisitions of right-of-use assets	(2,167)	-
(Increase) decrease in refundable deposits	167,545	(81,309)
Acquisitions of intangible assets	(937)	(6,070)
Acquisitions of investment properties	(572)	(2,712)
Net cash flows generated by (used in) investing activities	<u>(42,280,580)</u>	<u>(9,393,304)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(1,430,417)	1,430,417
Proceeds from long-term borrowings	23,150,000	4,931,600
Repayments of long-term borrowings	-	(5,000,000)
Cash dividends paid	(3,980,000)	(796,000)
Repayments of lease liabilities	(102,858)	(83,965)
Net cash flows generated by (used in) financing activities	<u>17,636,725</u>	<u>482,052</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,542,125)</b>	<b>15,407,952</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>20,226,289</u></b>	<b><u>4,818,337</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 8,684,164</u></b>	<b><u>\$ 20,226,289</u></b>

The accompanying notes are an integral part of the financial statements.

(Concluded)

# WINBOND ELECTRONICS CORPORATION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Winbond Electronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) in September 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications.

The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995.

The financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 16, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of the above standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company used equity method to account for its investment in subsidiaries and associates for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

## **Foreign Currencies**

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the financial statements, the assets and liabilities of foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The exchange differences arising are recognized in other comprehensive income.

## **Cash Equivalents**

Cash equivalents include time deposits and investments, which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## **Financial Instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are included in the initially recognized amount of the financial assets or financial liabilities.

### **a. Financial assets measurement category**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 25 to the financial statements.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable selection to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types and calculated separately by repurchase category. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

e. Financial liabilities

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designed as at FVTPL. Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Other financial liabilities are measured at amortized cost using the effective interest method.

f. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

g. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

## **Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

## **Investments Accounted for Using Equity Method**

Investment accounted for using equity method include investments in subsidiaries and associates.

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.



When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests, that in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Before reaching its intended use, such assets are measured at the lower of cost or net realizable value, and any proceeds from selling those assets and the cost of those assets are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Company's property, plant and equipment with residual values were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	10-50 years
Machinery and equipment	3-14 years
Other equipment	3-5 years

### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 to 50 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

## **Intangible Assets**

### a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

### b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Property, Plant and Equipment, Right-of-use Asset, Investment Properties, Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset and cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Non-current Assets Classified as Held for Sale**

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

## **Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. For potential product risk, the Company accrues reserve for products guarantee based on commitment to specific customers.

## Revenue Recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision.

## Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

### a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

### b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, and there is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Other than state above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **Government Grants**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

Government grants that take the form of a transfer of a non-monetary asset for the use of the entity are recognized and measured at the fair value of the non-monetary asset.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

## **Employee Benefits**

### a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### a. Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is rereasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in the world and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

The Company's critical accounting judgments and key sources of estimation uncertainty is valuation of inventory. Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Cash and deposits in banks	\$ 6,974,164	\$ 17,161,232
Repurchase agreements collateralized by bonds	<u>1,710,000</u>	<u>3,065,057</u>
	<u>\$ 8,684,164</u>	<u>\$ 20,226,289</u>

The Company has time deposits pledged to secure land and building leases and customs tariff obligations which are reclassified to "other non-current assets". The amounts were as follows:

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Time deposits	<u>\$ 129,711</u>	<u>\$ 127,101</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets at FVTPL - current</u>		
Derivative financial assets		
Forward exchange contracts	\$ 4,279	\$ 50,057
Non-derivative financial assets		
Domestic listed and emerging stocks	<u>44,433</u>	<u>-</u>
	<u>\$ 48,712</u>	<u>\$ 50,057</u>

At the date of balance sheet, the outstanding derivative foreign exchange contracts not under hedge accounting were as follows:

	<b>Currencies</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2022</u>			
Sell forward exchange contracts	USD to NTD	2023.01.06-2023.03.17	USD214,500/NTD6,577,149
Buy forward exchange contracts	NTD to USD	2023.01.13-2023.02.17	NTD1,552,375/USD50,500
<u>December 31, 2021</u>			
Sell forward exchange contracts	USD to NTD	2022.01.07-2022.03.04	USD268,000/NTD7,449,265
Sell forward exchange contracts	RMB to NTD	2022.01.14-2022.01.21	RMB75,000/NTD325,655
Buy forward exchange contracts	NTD to USD	2022.02.17-2022.02.25	NTD965,550/USD35,000

The Company entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The derivative financial instruments contracts entered into by the Company did not meet the criteria of hedge accounting; therefore, the Company did not apply hedge accounting treatment.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Domestic listed and emerging stocks	\$ 14,587,832	\$ 10,977,904
Domestic unlisted stocks	<u>579,064</u>	<u>29,086</u>
	<u>\$ 15,166,896</u>	<u>\$ 11,006,990</u>
Current	\$ 14,587,832	\$ 10,977,904
Non-current	<u>579,064</u>	<u>29,086</u>
	<u>\$ 15,166,896</u>	<u>\$ 11,006,990</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

For the year ended December 31, 2022, the Company disposed partial shares for the investment position adjustment. The unrealized gain and loss on financial assets at fair value through other comprehensive income of NT\$12,179 thousand were transferred to retained earnings, please refer to Note 19 to financial statements for related information. For the year ended December 31, 2021, the Company did not dispose the shares for the adjustment of the investment position.



## 9. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
At amortized cost		
Gross carrying amount	\$ 3,664,202	\$ 5,671,897
Less: Allowance for impairment loss	<u>(76,000)</u>	<u>(115,000)</u>
	<u>\$ 3,588,202</u>	<u>\$ 5,556,897</u>

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company estimates expected credit losses based on past due days. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the overdue aging ratio and individual customer evaluation method.

### December 31, 2022

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 3,485,544	\$ 174,934	\$ 3,724	\$ -	\$ -	\$ 3,664,202
Loss allowance (Lifetime ECL)	<u>(72,129)</u>	<u>(3,499)</u>	<u>(372)</u>	<u>-</u>	<u>-</u>	<u>(76,000)</u>
Amortized cost	<u>\$ 3,413,415</u>	<u>\$ 171,435</u>	<u>\$ 3,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,588,202</u>

December 31, 2021

	<b>Not Overdue</b>	<b>Overdue under 30 Days</b>	<b>Overdue 31-90 Days</b>	<b>Overdue 91-180 Days</b>	<b>Overdue Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	\$ 5,464,287	\$ 201,323	\$ 6,287	\$ -	\$ -	\$ 5,671,897
Loss allowance (Lifetime ECL)	<u>(110,345)</u>	<u>(4,026)</u>	<u>(629)</u>	<u>-</u>	<u>-</u>	<u>(115,000)</u>
Amortized cost	<u>\$ 5,353,942</u>	<u>\$ 197,297</u>	<u>\$ 5,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,556,897</u>

The movements of loss allowance of accounts receivable were as follows:

	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 115,000	\$ 81,000
Recognized (reversal of) impairment loss	<u>(39,000)</u>	<u>34,000</u>
Balance at December 31	<u>\$ 76,000</u>	<u>\$ 115,000</u>

**10. INVENTORIES**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 1,293,029	\$ 1,847,501
Work-in-process	10,367,859	6,656,812
Raw materials and supplies	1,383,231	691,445
Inventories in transit	<u>249</u>	<u>56</u>
	<u>\$ 13,044,368</u>	<u>\$ 9,195,814</u>

The detail of the operating costs related to inventories was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The operating cost of goods sold	\$ 24,440,083	\$ 32,875,431
Unallocated production overhead	2,291,982	543,075
Recognition of inventory write-downs (reversed) and scrap of inventories, etc.	<u>449,088</u>	<u>(642,892)</u>
Operating costs	<u>\$ 27,181,153</u>	<u>\$ 32,775,614</u>

**11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investments in subsidiaries	\$ 12,665,907	\$ 10,591,884
Investments in associates	<u>8,260,571</u>	<u>8,286,463</u>
	<u>\$ 20,926,478</u>	<u>\$ 18,878,347</u>

a. Investments in subsidiaries

Name of Subsidiaries	December 31			
	2022		2021	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Listed companies				
Nuvoton Technology Corporation (“NTC”)	\$ 8,941,174	51%	\$ 7,844,763	51%
Unlisted companies				
Winbond International Corporation (“WIC”)	2,067,211	100%	1,666,124	100%
Winbond Electronics (H.K.) Limited (“WEHK”)	581,154	100%	435,975	100%
Winbond Electronics Corporation Japan (“WECJ”)	312,463	100%	-	-
Miraxia Edge Technology Corporation (“METC”)	234,733	100%	168,518	100%
Landmark Group Holdings Ltd. (“Landmark”)	185,332	100%	151,284	100%
Great Target Development Ltd. (“GTD”)	132,048	100%	132,662	100%
Callisto Holding Limited (“Callisto”)	95,763	100%	103,563	100%
Winbond Technology Ltd. (“WTL”)	87,383	100%	62,301	100%
Winbond Electronics Germany GmbH (“WEG”)	25,717	100%	23,791	100%
Pine Capital Investment Limited (“PCI”)	<u>2,929</u>	100%	<u>2,903</u>	100%
	<u>\$ 12,665,907</u>		<u>\$ 10,591,884</u>	

Refer to Table 7 for information of above subsidiaries’ company name, main business and products, and registered location.

- 1) The fair value of investment in subsidiaries for which there are published price quotations, based on closing price of those investments at the balance sheet date, are summarized as follows:

Name of Subsidiary	December 31	
	2022	2021
NTC	<u>\$ 24,719,783</u>	<u>\$ 30,308,604</u>

- 2) The Company acquired 100% ownership interest of METC from the sub-subsidiary NTCJ on November 1, 2021 and the transaction was a reorganization under common control. The Company has provided the financial information of the subsidiaries acquired in the consolidated financial statements. Such information is not provided in the standalone financial statements.
- 3) The Company acquired 100% ownership interest of WECJ from the subsidiary Landmark on November 30, 2022 and the transaction was a reorganization under common control. The Company has provided the financial information of the subsidiaries acquired in the consolidated financial statements. Such information is not provided in the standalone financial statements.

- 4) For the years ended December 31, 2022 and 2021 the Company recognized shares of subsidiaries' profit in the amounts of NT\$2,540,408 thousand and NT\$1,788,003 thousand, respectively.

b. Investments in associates

- 1) Aggregate information of associates that are not individually material

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	\$ 7,996,268	\$ 8,257,867
Hwa Bao Botanic Conservation Corp.	<u>264,303</u>	<u>28,596</u>
	<u>\$ 8,260,571</u>	<u>\$ 8,286,463</u>

On May 27, 2022, the board of directors of Hwa Bao Botanic Conservation Corp. ("Hwa Bao") resolved to issue 60,000 thousand ordinary shares. In addition to subscribing in the proportion of share ownership, the Company is also a specified subscriber. The Company subscribed for 21,000 thousand ordinary shares in total with a par value of NT\$10. As of December 31, 2022, the Company held 24,000 thousand shares of Hwa Bao, which equals to 30% ownership interest, and Hwa Bao was accounted for using the equity method.

As of December 31, 2022 and 2021, the Company held 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

- 2) Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
The Company's share of:		
Profit from continuing operations for the year	\$ 385,434	\$ 197,908
Other comprehensive income (loss)	<u>(529,691)</u>	<u>1,901,619</u>
Total comprehensive income	<u>\$ (144,257)</u>	<u>\$ 2,099,527</u>

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' and associates' financial statements audited by independent auditors.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,049,445	\$ 1,012,705
Buildings	8,134,135	9,571,018
Machinery and equipment	23,695,491	27,329,533
Other equipment	1,230,745	741,850
Construction in progress and equipment under installation	<u>53,465,458</u>	<u>16,697,194</u>
	<u>\$ 87,575,274</u>	<u>\$ 55,352,300</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
<b>Cost</b>						
Balance at January 1, 2022	\$ 1,012,705	\$ 26,560,502	\$ 122,077,668	\$ 4,086,583	\$ 16,697,194	\$ 170,434,652
Additions	36,740	102,149	9,101,228	749,421	30,326,169	40,315,707
Disposals	-	-	(1,388,709)	(4,724)	-	(1,393,433)
Reclassified	-	51,818	(6,487,389)	(4,521)	6,442,095	2,003
Balance at December 31, 2022	<u>\$ 1,049,445</u>	<u>\$ 26,714,469</u>	<u>\$ 123,302,798</u>	<u>\$ 4,826,759</u>	<u>\$ 53,465,458</u>	<u>\$ 209,358,929</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2022	\$ -	\$ 16,989,484	\$ 94,748,135	\$ 3,344,733	\$ -	\$ 115,082,352
Depreciation expense	-	1,590,850	6,135,393	256,005	-	7,982,248
Disposals	-	-	(1,388,487)	(4,724)	-	(1,393,211)
Impairment loss	-	-	112,266	-	-	112,266
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 18,580,334</u>	<u>\$ 99,607,307</u>	<u>\$ 3,596,014</u>	<u>\$ -</u>	<u>\$ 121,783,655</u>
<b>Cost</b>						
Balance at January 1, 2021	\$ 977,945	\$ 26,197,116	\$ 118,930,247	\$ 3,770,476	\$ 9,466,347	\$ 159,342,131
Additions	34,760	246,696	3,818,896	320,930	7,450,872	11,872,154
Disposals	-	-	(771,690)	(7,943)	-	(779,633)
Reclassified	-	116,690	100,215	3,120	(220,025)	-
Balance at December 31, 2021	<u>\$ 1,012,705</u>	<u>\$ 26,560,502</u>	<u>\$ 122,077,668</u>	<u>\$ 4,086,583</u>	<u>\$ 16,697,194</u>	<u>\$ 170,434,652</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2021	\$ -	\$ 15,514,679	\$ 86,280,990	\$ 3,147,282	\$ -	\$ 104,942,951
Depreciation expense	-	1,474,805	8,436,818	205,353	-	10,116,976
Disposals	-	-	(752,622)	(7,902)	-	(760,524)
Impairment loss	-	-	782,949	-	-	782,949
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 16,989,484</u>	<u>\$ 94,748,135</u>	<u>\$ 3,344,733</u>	<u>\$ -</u>	<u>\$ 115,082,352</u>

- a. As of December 31, 2022 and 2021, the carrying amounts of NT\$50,648,364 thousand and NT\$9,507,995 thousand of property, plant and equipment were pledged to secure long-term borrowings and corporate bonds.
- b. Information about capitalized interest

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Capitalized interest amounts	\$ 528,129	\$ 252,668
Capitalized interest rates	1.89%-1.92%	1.79%-1.89%

- c. For the years ended December 31, 2022 and 2021 the Company recognized an impairment loss of NT\$112,266 thousand and NT\$782,949 thousand for certain machinery and equipment which will not be used in the future after evaluation, respectively.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Land	\$ 1,517,392	\$ 1,544,632
Buildings	31,676	4,454
Other equipment	<u>13,351</u>	<u>9,835</u>
	<u>\$ 1,562,419</u>	<u>\$ 1,558,921</u>
	<b>For the Year Ended December 31</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Additions to right-of-use assets	<u>\$ 123,273</u>	<u>\$ 13,306</u>
Depreciation charge for right-of-use assets		
Land	\$ 85,726	\$ 82,323
Buildings	23,619	9,944
Other equipment	<u>10,430</u>	<u>11,431</u>
	<u>\$ 119,775</u>	<u>\$ 103,698</u>

#### b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Current	<u>\$ 87,383</u>	<u>\$ 75,578</u>
Non-current	<u>\$ 1,541,922</u>	<u>\$ 1,535,495</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Land	2.37%-2.47%	2.47%
Buildings	0.90%-1.60%	0.90%-1.60%
Other equipment	1.04%-1.86%	0.90%-1.86%

For the years ended December 31, 2022 and 2021, the interest expense under lease liabilities amounted to NT\$39,502 thousand and NT\$39,538 thousand, respectively.

#### c. Material lease-in activities and terms

The Company leased lands from Science Park Bureau, and the lease term will expire in 2023 and 2037, respectively, which can be extended after the expiration of the lease periods.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ <u>2,750</u>	\$ <u>1,885</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>6,929</u>	\$ <u>13,569</u>
Total cash outflow for leases	\$ <u>154,222</u>	\$ <u>139,461</u>

The Company leases certain building qualify as short-term leases and certain other equipment qualify as low-value lease. The Company has selected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INVESTMENT PROPERTIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investment properties, net	\$ <u>275,254</u>	\$ <u>285,814</u>

The Company has been subleasing its offices located in Hsinchu to its subsidiary, NTC, since November 2019, which was classified as operating lease with lease terms of 5 years and with an extension option. As of December 31, 2022, the fair value of such investment properties was approximately NT\$417,675 thousand, which was referred by the neighborhood transactions.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Cost</u>		
Balance at January 1	\$ 305,053	\$ 302,341
Additions	572	2,712
Reclassified	<u>(2,003)</u>	<u>-</u>
Balance at December 31	\$ <u>303,622</u>	\$ <u>305,053</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 19,239	\$ 10,146
Depreciation expense	<u>9,129</u>	<u>9,093</u>
Balance at December 31	\$ <u>28,368</u>	\$ <u>19,239</u>

#### 15. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred technical assets, net	\$ 8,124	\$ 16,248
Other intangible assets, net	9,271	27,751
Carbon credits	<u>763</u>	<u>-</u>
	\$ <u>18,158</u>	\$ <u>43,999</u>

	<b>Deferred Technical Assets</b>	<b>Other Intangible Assets</b>	<b>Carbon Credits</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2022	\$ 17,900,729	\$ 41,741	\$ -	\$ 17,942,470
Additions	-	-	937	937
Carbon offset	-	-	(174)	(174)
Reclassified	-	(763)	-	(763)
Balance at December 31, 2022	<u>\$ 17,900,729</u>	<u>\$ 40,978</u>	<u>\$ 763</u>	<u>\$ 17,942,470</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2022	\$ 17,884,481	\$ 13,990	\$ -	\$ 17,898,471
Amortization expenses	8,124	17,717	-	25,841
Balance at December 31, 2022	<u>\$ 17,892,605</u>	<u>\$ 31,707</u>	<u>\$ -</u>	<u>\$ 17,924,312</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 17,900,729	\$ 35,670	\$ -	\$ 17,936,399
Additions	-	6,071	-	6,071
Balance at December 31, 2021	<u>\$ 17,900,729</u>	<u>\$ 41,741</u>	<u>\$ -</u>	<u>\$ 17,942,470</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2021	\$ 17,872,891	\$ 5,945	\$ -	\$ 17,878,836
Amortization expenses	11,590	8,045	-	19,635
Balance at December 31, 2021	<u>\$ 17,884,481</u>	<u>\$ 13,990</u>	<u>\$ -</u>	<u>\$ 17,898,471</u>

The amounts of deferred technical assets were the technical transfer fees in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production or over the estimated useful lives of the assets. The estimated useful lives of technical assets were based on the economic benefits generated from the assets or the terms of the technical asset contracts.

The Company's carbon credits were purchased from the CIX platform in Singapore, which was certified by third-party regarding forest carbon rights. The carbon credits will be used to offset carbon emission from fabs and employee transportation, etc. On November 3, 2022, the Company acquired the certificate which containing 1,000 tonnes of carbon credits from the platform, and offset 194 tonnes of carbon emissions on the Company's Family Day.



## 16. BORROWINGS

### a. Short-term borrowings

	December 31			
	2022		2021	
	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	-	\$ <u>-</u>	0.30-0.48	\$ <u>1,430,417</u>

### b. Long-term borrowings

	Period	Interest Rate	December 31	
			2022	2021
<u>Secured borrowings</u>				
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	2.43 %	\$ 31,000,000	\$ 7,850,000
<u>Unsecured borrowings</u>				
Government grants (Note 23)	2020.12.28-2028.11.15	1.13%-1.33%	<u>5,131,600</u>	<u>5,131,600</u>
			36,131,600	12,981,600
Less: Current portion			(3,100,000)	(785,000)
Less: Syndication agreement management fee			(47,250)	(74,250)
Less: Government loan discount (Note 23)			<u>(134,848)</u>	<u>(273,485)</u>
			<u>\$ 32,849,502</u>	<u>\$ 11,848,865</u>

- Bank of Taiwan Syndicated Loan (V)

- 1) On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for fab. The credit line amounted to NT\$42 billion. The principal will be repaid every six months from September 19, 2023 until maturity.
- 2) Refer to Note 12 to the financial statements for collateral of 12-inch building, fab facilities, machinery and equipment and related ancillary equipment on corporate bonds.
- 3) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and total equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans. The Company was in compliance with the agreed financial ratio requirements. The computations of financial ratios mentioned above are done based on the audited (reviewed) consolidated financial statements.

## 17. BONDS PAYABLE

	December 31	
	2022	2021
Domestic secured bonds	\$ 10,000,000	\$ 10,000,000
Less: Discounts on bonds payable	<u>(31,538)</u>	<u>(43,914)</u>
	<u>\$ 9,968,462</u>	<u>\$ 9,956,086</u>

On July 10, 2018, the Company was approved by the FSC to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of NT\$10 billion. The terms of issuance, amounts and interest rate as follows:

<b>Issuance Date</b>	<b>Period</b>	<b>Amount</b>	<b>Coupon Rate</b>	<b>Repayment and Interest Payment</b>
2018.07.17	7 years	\$10 billion	1%	The principal will be repaid upon maturity. The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 12 to the financial statements for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amount included in the balance sheet in respect of the Company's obligation to its defined benefit plan was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of the defined benefit obligation	\$ 1,440,800	\$ 1,522,597
Fair value of the plan assets	<u>(1,061,695)</u>	<u>(578,042)</u>
Net defined benefit liabilities, non-current	<u>\$ 379,105</u>	<u>\$ 944,555</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2022	\$ <u>1,522,597</u>	\$ <u>(578,042)</u>	\$ <u>944,555</u>
Service cost			
Current service cost	23,368	-	23,368
Net interest expense (income)	<u>12,028</u>	<u>(4,548)</u>	<u>7,480</u>
Recognized in profit or loss	<u>35,396</u>	<u>(4,548)</u>	<u>30,848</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(1,456)	(1,456)
- changes in financial assumptions	(125,498)	-	(125,498)
- changes in demographic assumptions	(28,724)	-	(28,724)
- experience adjustments	<u>63,462</u>	<u>-</u>	<u>63,462</u>
Recognized in other comprehensive income	<u>(90,760)</u>	<u>(1,456)</u>	<u>(92,216)</u>
Contributions from the employer	-	(504,082)	(504,082)
Benefits paid	<u>(26,433)</u>	<u>26,433</u>	<u>-</u>
Balance at December 31, 2022	\$ <u>1,440,800</u>	\$ <u>(1,061,695)</u>	\$ <u>379,105</u>
Balance at January 1, 2021	\$ <u>1,525,037</u>	\$ <u>(595,493)</u>	\$ <u>929,544</u>
Service cost			
Current service cost	25,883	-	25,883
Net interest expense (income)	<u>6,028</u>	<u>(2,346)</u>	<u>3,682</u>
Recognized in profit or loss	<u>31,911</u>	<u>(2,346)</u>	<u>29,565</u>
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(8,116)	(8,116)
- changes in financial assumptions	(61,284)	-	(61,284)
- changes in demographic assumptions	41,795	-	41,795
- experience adjustments	<u>79,266</u>	<u>-</u>	<u>79,266</u>
Recognized in other comprehensive income	<u>59,777</u>	<u>(8,116)</u>	<u>51,661</u>
Contributions from the employer	-	(37,306)	(37,306)
Benefits paid	(65,219)	65,219	-
Settlements	<u>(28,909)</u>	<u>-</u>	<u>(28,909)</u>
Balance at December 31, 2021	\$ <u>1,522,597</u>	\$ <u>(578,042)</u>	\$ <u>944,555</u>

Amounts recognized in profit or loss in respect of these defined benefit plans analyzed by function were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 12,491	\$ 12,901
Selling expenses	1,906	1,902
General and administrative expenses	6,536	5,043
Research and development expenses	<u>9,915</u>	<u>9,719</u>
	<u>\$ 30,848</u>	<u>\$ 29,565</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.90%	0.80%
Expected rates of salary increase	1.00%-3.00%	1.00%-3.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.5% increase	<u>\$ (51,884)</u>	<u>\$ (71,998)</u>
0.5% decrease	<u>\$ 55,012</u>	<u>\$ 77,146</u>
Expected rates of salary increase/decrease		
0.5% increase	<u>\$ 54,278</u>	<u>\$ 75,229</u>
0.5% decrease	<u>\$ (51,716)</u>	<u>\$ (70,991)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contribution to the plan for the next year	<u>\$ 19,802</u>	<u>\$ 19,088</u>
The average duration of defined benefit obligation	7.5 years	10.1 years

## 19. EQUITY

### a. Share capital

#### Common stock

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>
Shares authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>
Shares issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of December 31, 2022 and 2021, the balance of the Company's capital account amounted to NT\$39,800,002 thousand, divided into 3,980,000 thousand common shares with a par value of NT\$10.

### b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of share capital	\$ 4,787,673	\$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352
Arising from exercised employee share options	208,451	208,451
Overdue employee stock options	30,749	30,749
<u>May only be used to offset a deficit</u>		
Arising from changes in percentage of ownership interest in subsidiaries	251,734	251,726
Arising from share of changes in capital surplus of associates	<u>28,923</u>	<u>29,137</u>
	<u>\$ 7,785,918</u>	<u>\$ 7,786,124</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, the Company's dividend distribution policy is as follows:

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the board of directors.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonuses and dividends to shareholders.

The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends (The Company shall not issue dividends if the dividend is less than NT\$0.1.), which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The business report, the financial statements, and the proposal for distribution of earnings or making up loss shall be prepared by and then resolved by the board of directors.

The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with the law; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the board of directors, but where the profit is distributed in the form of newly issued shares, such distribution shall be resolved by the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of shareholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain (loss) from available-for-sale financial assets, net amount of fair value below the cost of the Company's ordinary shares held by subsidiaries, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings and cash dividends per share for 2021 and 2020 were as follows:

	<b>Appropriation of Earnings</b>		<b>Cash Dividends Per Share</b>	
	<b>For Year 2021</b>	<b>For Year 2020</b>	<b>(NT\$)</b>	
			<b>For Year 2021</b>	<b>For Year 2020</b>
Legal reserve appropriated	\$ 1,359,595	\$ 161,253		
Cash dividends	<u>3,980,000</u>	<u>796,000</u>	\$ 1.0	\$ 0.2
	<u>\$ 5,339,595</u>	<u>\$ 957,253</u>		

The above cash dividends were resolved by the board of directors on March 15, 2022 and March 16, 2021, respectively; the other proposed appropriations were resolved by the shareholders meetings on May 31, 2022 and August 12, 2021, respectively.

As of the date of the Company's board meeting (February 16, 2023), the appropriation of earnings for 2022 has not been finalized.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (861,389)	\$ (271,328)
Exchange differences arising on translating the financial statements of foreign operations	(43,322)	(22,955)
Share of exchange differences of subsidiaries and associates accounted for using equity method	<u>250,059</u>	<u>(567,106)</u>
Balance at December 31	<u>\$ (654,652)</u>	<u>\$ (861,389)</u>

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

2) Unrealized gains (losses) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 12,911,356	\$ 8,141,510
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	2,857,430	2,176,120
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of subsidiaries and associates accounted for using equity method	(451,651)	2,687,984
Disposal of investments in equity instruments designated at FVTOCI of subsidiaries and associates accounted for using equity method	(288,345)	(94,258)
Disposal of investments in equity instruments designated at FVTOCI	<u>(12,179)</u>	<u>-</u>
Balance at December 31	<u>\$ 15,016,611</u>	<u>\$ 12,911,356</u>

Unrealized gains (losses) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

**20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION**

	<b>For the Year Ended December 31, 2022</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Income and Losses</b>	<b>Total</b>
Short-term employee benefits				
Salary	<u>\$ 3,063,946</u>	<u>\$ 4,991,257</u>	<u>\$ -</u>	<u>\$ 8,055,203</u>
Insurance	<u>\$ 185,738</u>	<u>\$ 258,344</u>	<u>\$ -</u>	<u>\$ 444,082</u>
Board compensation	<u>\$ -</u>	<u>\$ 162,940</u>	<u>\$ -</u>	<u>\$ 162,940</u>
Post-employment benefits				
Pension	<u>\$ 114,509</u>	<u>\$ 146,270</u>	<u>\$ -</u>	<u>\$ 260,779</u>
Depreciation	<u>\$ 7,377,599</u>	<u>\$ 724,424</u>	<u>\$ 11,040</u>	<u>\$ 8,113,063</u>
Amortization	<u>\$ -</u>	<u>\$ 25,841</u>	<u>\$ 27,000</u>	<u>\$ 52,841</u>
	<b>For the Year Ended December 31, 2021</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Non-operating Income and Losses</b>	<b>Total</b>
Short-term employee benefits				
Salary	<u>\$ 3,201,718</u>	<u>\$ 4,338,035</u>	<u>\$ -</u>	<u>\$ 7,539,753</u>
Insurance	<u>\$ 158,572</u>	<u>\$ 176,911</u>	<u>\$ -</u>	<u>\$ 335,483</u>
Board compensation	<u>\$ -</u>	<u>\$ 173,929</u>	<u>\$ -</u>	<u>\$ 173,929</u>
Post-employment benefits				
Pension	<u>\$ 106,604</u>	<u>\$ 115,800</u>	<u>\$ -</u>	<u>\$ 222,404</u>
Depreciation	<u>\$ 9,246,634</u>	<u>\$ 974,041</u>	<u>\$ 11,003</u>	<u>\$ 10,231,678</u>
Amortization	<u>\$ -</u>	<u>\$ 19,635</u>	<u>\$ 34,077</u>	<u>\$ 53,712</u>



There were 3,582 and 3,257 employees in the Company as of December 31, 2022 and 2021, respectively. There were 8 full time board directors as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the average employee benefits and average salaries and wages were NT\$2,451 thousand and NT\$2,492 thousand, NT\$2,254 thousand and NT\$2,321 thousand, respectively. The average salaries and wages decrease 3%.

The Company has established the Audit Committee. There was neither supervisors nor remuneration to supervisors.

The remuneration policies of the Company were as follows:

a. Directors

In accordance with the Article 22 of the Company's Articles of Incorporation, the distribution of the remuneration of directors shall be appropriated at the rates no more than 1% of net profit before income tax before deducting remuneration to employees and directors. The Remuneration Committee will recommend remuneration to directors in accordance with the Company's Articles of Incorporation, the internal Rules for Remuneration of Directors and Performance Assessment of The Board of Directors, board members' self-assessment results, and annual profit deduct the accumulative losses. The remuneration was resolved by the board of directors and reported to the shareholders' meeting.

b. Managers

The remuneration of the managers, which depends on responsibilities and performance of individuals to encourage managers to take responsibilities and achieve performance, shall be competitive to attract external talent and stabilize internal talent. The managers have the responsibilities for operating performance, the encouragement shall be taken both short-term and long-term performance into account.

c. Employees

Employees' compensation, including fixed and variable compensation, was taken both internal fairness and external competitiveness into consideration. The Company gives bonus immediately and shares operating performance with the employees to attract, encourage and retain the talent. In accordance with the Articles of Incorporation, it stipulates distribution of the compensation of employees at the rates no less than 1% of net profit before income tax before deducting remuneration to employees and directors. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors and reported to the shareholders' meeting. Personal salary is determined by responsibilities and professional skills. Bonus and compensation are in relation to individual's performance and contribution.

For the years ended December 31, 2022 and 2021, the employees' compensation and remuneration of directors were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Amounts</b>	<b>Accrual Rate</b>	<b>Amounts</b>	<b>Accrual Rate</b>
Employees' compensation	<u>\$ 307,880</u>	2%	<u>\$ 330,737</u>	2%
Remuneration of directors	<u>\$ 153,940</u>	1%	<u>\$ 165,369</u>	1%

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The compensation to employees and remuneration to the directors of 2021 and 2020 were approved by the Company's board of directors on March 15, 2022 and March 16, 2021, respectively, were as below:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	<u>\$ 330,737</u>	<u>\$ 27,831</u>
Remuneration of directors	<u>\$ 165,369</u>	<u>\$ 13,916</u>

There was no difference between the actual amounts of employees' compensation of and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation to employees and remuneration to the directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current income tax expense		
Current tax expense	\$ 2,368,000	\$ 2,356,684
Adjustment for prior years	2,006	16,419
Deferred income tax		
Change in current year	<u>(365,000)</u>	<u>73,000</u>
Income tax expense recognized in profit or loss	<u>\$ 2,005,006</u>	<u>\$ 2,446,103</u>

Reconciliation of accounting profit and income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Income tax expense from continuing operations at the statutory rate	\$ 2,986,000	\$ 3,208,000
Tax effect of adjustment item		
Permanent differences	<u>(782,000)</u>	<u>(422,316)</u>
Current income tax expense	2,204,000	2,785,684
Loss carryforwards, investment credits and deductible temporary differences	(201,000)	(356,000)
Adjustment for prior years' income tax expense	<u>2,006</u>	<u>16,419</u>
Tax expense recognized in profit or loss	<u>\$ 2,005,006</u>	<u>\$ 2,446,103</u>

Based on the Income Tax Act in the ROC, the corporate income tax rate is 20%.

b. Current tax assets and liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Current income tax assets		
Income tax refund receivable (recorded as “other receivables”)	\$ <u>5,395</u>	\$ <u>2,337</u>
Current income tax liabilities		
Income tax payable	\$ <u>1,386,821</u>	\$ <u>2,256,788</u>

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2022

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
Temporary differences			
Idle capacity	\$ 32,000	\$ 312,000	\$ 344,000
Allowance for loss on inventories	172,000	63,000	235,000
Allowance for impairment loss	157,000	(37,000)	120,000
Others	<u>84,000</u>	<u>27,000</u>	<u>111,000</u>
	<u>\$ 445,000</u>	<u>\$ 365,000</u>	<u>\$ 810,000</u>

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
Operating loss carryforwards	\$ 109,000	\$ (109,000)	\$ -
Temporary differences			
Idle capacity	307,000	(135,000)	172,000
Allowance for impairment loss	-	157,000	157,000
Others	<u>102,000</u>	<u>14,000</u>	<u>116,000</u>
	<u>\$ 518,000</u>	<u>\$ (73,000)</u>	<u>\$ 445,000</u>

d. Tax return assessments

The tax returns of the Company through 2020 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

	For the Year Ended December 31					
	2022			2021		
	Amounts (Numerator) Net Income	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) Net Income	Amounts (Numerator) Net Income	Shares (Denominator) (In Thousands)	Earnings Per Share (NT\$) Net Income
Basic earnings per share						
Net income attributed to common shareholders	\$ 12,927,165	3,980,000	<u>\$ 3.25</u>	\$ 13,594,643	3,980,000	<u>\$ 3.42</u>
Effect of dilutive potential common shares						
Employees' compensation	<u>-</u>	<u>17,642</u>		<u>-</u>	<u>9,930</u>	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 12,927,165</u>	<u>3,997,642</u>	<u>\$ 3.23</u>	<u>\$ 13,594,643</u>	<u>3,989,930</u>	<u>\$ 3.41</u>

If the Company offered to settle the compensation or bonuses paid to employees by cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share (EPS), if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

## 23. GOVERNMENT GRANTS

As of December 31, 2022, the Company received government loan of NT\$5,131,600 thousand at a below-market interest rate. It will be used in the purchase of machinery and equipment and for supporting working capital. The first installment will be made in the 36th-37th month of the principal, and each month thereafter, the principal will be repaid in 48-49 equal installments. Using the prevailing market interest rates of 1.79%-1.89% for an equivalent loan, the fair value of the loan was estimated at NT\$4,837,630 thousand on initial recognition. The difference of NT\$293,970 thousand between the proceeds and the fair value of the loan is the benefit derived from the below-market rate of interest which has been recognized as deferred revenue. The deferred revenue will be recognized as other income during the loan period accordingly. For the years ended December 31, 2022 and 2021, the other income under government grants were amounts of NT\$47,599 thousand and NT\$20,485 thousand, respectively, and the interest expense under loans were amounts of NT\$94,824 thousand and NT\$30,781 thousand, respectively.

## 24. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development activities, debt repayments and dividends payments.

## 25. FINANCIAL INSTRUMENT

### a. Fair value of financial instruments

#### 1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stock and mutual funds).

- The fair values of derivative foreign exchange contracts are measured using quoted middle and discount rates of foreign exchange contracts matching the foreign exchange rate on the maturity date of the contracts.
- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the balance sheets

The fair value of financial instruments are grouped into Levels 1 to 3 based on the degree to observability of inputs.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are unobservable inputs for an asset or liability.

3) Fair value of financial instruments that are not measured at fair value

Fair value hierarchy as at December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable (secured)	\$ 9,968,462	\$ -	\$ 9,968,462	\$ -	\$ 9,968,462

Fair value hierarchy as at December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable (secured)	\$ 9,956,086	\$ -	\$ 9,956,086	\$ -	\$ 9,956,086

4) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy as at December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 4,279	\$ -	\$ 4,279
Non-derivative financial assets				
Domestic listed and emerging securities	<u>44,433</u>	<u>-</u>	<u>-</u>	<u>44,433</u>
	<u>\$ 44,433</u>	<u>\$ 4,279</u>	<u>\$ -</u>	<u>\$ 48,712</u>
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 14,587,832	\$ -	\$ -	\$ 14,587,832
Domestic unlisted securities	<u>-</u>	<u>22,560</u>	<u>556,504</u>	<u>579,064</u>
	<u>\$ 14,587,832</u>	<u>\$ 22,560</u>	<u>\$ 556,504</u>	<u>\$ 15,166,896</u>

Fair value hierarchy as at December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>Financial assets at FVTPL</u>				
Derivative financial assets	<u>\$ -</u>	<u>\$ 50,057</u>	<u>\$ -</u>	<u>\$ 50,057</u>
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 10,977,904	\$ -	\$ -	\$ 10,977,904
Domestic unlisted securities	<u>-</u>	<u>21,010</u>	<u>8,076</u>	<u>29,086</u>
	<u>\$ 10,977,904</u>	<u>\$ 21,010</u>	<u>\$ 8,076</u>	<u>\$ 11,006,990</u>

5) Reconciliation of Level 3 fair value measurements of financial instruments

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 8,076	\$ 107
Additions	555,000	10,000
Recognized in other comprehensive income	<u>(6,572)</u>	<u>(2,031)</u>
Balance at December 31	<u>\$ 556,504</u>	<u>\$ 8,076</u>

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	December 31			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Measured at amortized cost				
Cash and cash equivalents	\$ 8,684,164	\$ 8,684,164	\$ 20,226,289	\$ 20,226,289
Notes and accounts receivable (included related parties)	4,767,241	4,767,241	7,501,536	7,501,536
Other receivables	256,731	256,731	283,312	283,312
Refundable deposits (recorded in other non-current assets)	212,710	212,710	380,255	380,255
Financial assets at fair value through profit or loss	48,712	48,712	50,057	50,057
Financial assets at fair value through other comprehensive income (current and non-current)	15,166,896	15,166,896	11,006,990	11,006,990
<u>Financial liabilities</u>				
Measured at amortized cost				
Short-term borrowings	-	-	1,430,417	1,430,417
Notes and accounts payable (included related parties)	3,255,792	3,255,792	4,495,424	4,495,424
Payable on equipment and other payables	8,806,081	8,806,081	9,550,873	9,550,873
Bonds payable	9,968,462	9,968,462	9,956,086	9,956,086
Long-term borrowings (included current portion)	35,949,502	35,949,502	12,633,865	12,633,865
Guarantee deposits (recorded in other non-current liabilities)	1,810	1,810	1,810	1,810

c. Financial risk management objectives and policies

The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts to hedge the foreign currency risk on export.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity. For a 1% depreciation of New Taiwan dollars against U.S. dollars, there would be impact on net income increase in the amounts of NT\$60,201 thousand and NT\$71,384 thousand for the years ended December 31, 2022 and 2021, respectively.

b) Interest rate risk

The Company's interest rate risk arises primarily from floating rate borrowings.

The carrying amount of the Company's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash flow interest rate risk		
Financial liabilities	\$ 36,131,600	\$ 14,199,041

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by 1%, the Company's cash flows would increased by NT\$361,316 thousand and NT\$141,990 thousand for the years ended December 31, 2022 and 2021, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk was significantly reduced.



### 3) Liquidity risk

The Company has enough operating capital to comply with loan covenants; liquidity risk is low.

The Company's non-derivative financial liabilities and their agreed repayment period were as follows:

	<b>December 31, 2022</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
Non-interest bearing	\$ 12,061,873	\$ 1,810	\$ -	\$ 12,063,683
Lease liabilities	124,925	123,455	1,753,894	2,002,274
Variable interest rate liabilities	3,100,000	6,637,327	26,394,273	36,131,600
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 15,286,798</u>	<u>\$ 6,762,592</u>	<u>\$ 38,148,167</u>	<u>\$ 60,197,557</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Over 15 Years</b>
Lease liabilities	<u>\$ 248,380</u>	<u>\$ 346,692</u>	<u>\$ 548,748</u>	<u>\$ 548,748</u>	<u>\$ 309,706</u>

	<b>December 31, 2021</b>			
	<b>Within 1 Year</b>	<b>1-2 Years</b>	<b>Over 2 Years</b>	<b>Total</b>
Non-interest bearing	\$ 14,046,296	\$ 1,810	\$ -	\$ 14,048,106
Lease liabilities	114,444	108,298	1,789,192	2,011,934
Variable interest rate liabilities	2,002,441	1,570,000	10,626,600	14,199,041
Fixed interest rate liabilities	<u>212,976</u>	<u>-</u>	<u>10,000,000</u>	<u>10,212,976</u>
	<u>\$ 16,376,157</u>	<u>\$ 1,680,108</u>	<u>\$ 22,415,792</u>	<u>\$ 40,472,057</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 2 Years</b>	<b>2-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Over 15 Years</b>
Lease liabilities	<u>\$ 222,742</u>	<u>\$ 320,784</u>	<u>\$ 528,984</u>	<u>\$ 528,890</u>	<u>\$ 410,534</u>

## 26. RELATED PARTY TRANSACTIONS

- a. The names and relationships of related parties are as follows:

<b>Related Party</b>	<b>Relationship with the Company</b>
Walsin Lihwa Corporation	Investor that exercises significant influence over the Company
WEHK	Subsidiary
WEG	Subsidiary
WTL	Subsidiary
Callisto	Subsidiary

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Winbond Electronics (Suzhou) Limited (“WECN”)	Subsidiary
Winbond Electronics Corporation America (“WECA”)	Subsidiary
WECJ	Subsidiary
Landmark	Subsidiary
NTC	Subsidiary
METC	Subsidiary
Nuvoton Technology Corporation Japan (“NTCJ”)	Sub-subsiidiary
Hwa Bao Botanic Conservation Corp.	Associate
Chin Xin Investment Co., Ltd.	Associate
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Walsin Technology Corporation	Related party in substance
Hannstar Display Corporation	Related party in substance
CHIA-HO Green Energy Corporation	Related party in substance
Taiwan Cement Corporation	Related party in substance

(Concluded)

b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
1) Operating revenue		
Subsidiaries		
WEHK	\$ 7,349,083	\$ 9,936,348
WECJ	5,640,271	5,884,031
WECN	2,914,234	4,022,285
Others	1,835,428	1,979,585
Sub-subsiidiary	15,549	4,186
Related party in substance	<u>294</u>	<u>114</u>
	<u>\$ 17,754,859</u>	<u>\$ 21,826,549</u>

Price and terms were determined in accordance with mutual agreements.

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 2,942,876	\$ 3,244,368
Others	<u>469,952</u>	<u>570,694</u>
	<u>\$ 3,412,828</u>	<u>\$ 3,815,062</u>

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
3) Selling expenses		
Subsidiaries		
WECA	\$ 254,693	\$ 229,478
Others	68,199	73,887
Related party in substance	<u>363</u>	<u>335</u>
	<u>\$ 323,255</u>	<u>\$ 303,700</u>
4) General and administrative expenses		
Investor that exercises significant influence over the Company	\$ 14,078	\$ 13,788
Subsidiaries	3,779	3,977
Related party in substance	<u>675</u>	<u>-</u>
	<u>\$ 18,532</u>	<u>\$ 17,765</u>
5) Research and development expenses		
Subsidiaries	<u>\$ 912,513</u>	<u>\$ 853,873</u>
6) Dividend income		
Investor that exercises significant influence over the Company		
Walsin Lihwa Corporation	\$ 355,200	\$ 199,800
Related party in substance		
HannStar Display Corporation	149,330	75,000
Walsin Technology Corporation	38,780	51,707
Others	<u>6,508</u>	<u>10,013</u>
	<u>\$ 549,818</u>	<u>\$ 336,520</u>
7) Other income		
Subsidiaries		
NTC	\$ 48,613	\$ 26,282
Associate	71	64
Related party in substance	<u>328</u>	<u>971</u>
	<u>\$ 49,012</u>	<u>\$ 27,317</u>

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
8) Accounts receivable		
Subsidiaries		
WEHK	\$ 553,174	\$ 840,586
WECJ	461,590	703,787
WECA	140,764	303,816
Others	<u>23,511</u>	<u>96,450</u>
	<u>\$ 1,179,039</u>	<u>\$ 1,944,639</u>
9) Accounts payable		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 376,135	\$ 814,340
Others	<u>85,904</u>	<u>99,241</u>
	<u>\$ 462,039</u>	<u>\$ 913,581</u>
10) Other receivables and other current assets		
Subsidiaries	\$ 52,073	\$ 21,817
Related party in substance	<u>1,653</u>	<u>154</u>
	<u>\$ 53,726</u>	<u>\$ 21,971</u>
11) Other payables		
Subsidiaries	\$ 263,149	\$ 207,530
Related party in substance	17,723	31,922
Investor that exercises significant influence over the Company	<u>-</u>	<u>4</u>
	<u>\$ 280,872</u>	<u>\$ 239,456</u>
12) Refundable deposits (recorded in “other non-current assets”)		
Subsidiaries	\$ 545	\$ 545
Investor that exercises significant influence over the Company	<u>203</u>	<u>203</u>
	<u>\$ 748</u>	<u>\$ 748</u>
13) Guarantee deposits (recorded in “other non-current liabilities”)		
Subsidiaries	<u>\$ 1,780</u>	<u>\$ 1,780</u>

The Company’s transactions with the related party were conducted under normal terms.

c. Disposal of property, plant and equipment

	<u>Disposal Price</u>		<u>Gain (Loss) on Disposal</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associate				
Hwa Bao Botanic Conservation Corp.	\$ 55,200	\$ -	\$ 36,181	\$ -
Related party in substance	<u>68</u>	<u>479</u>	<u>68</u>	<u>479</u>
	<u>\$ 55,268</u>	<u>\$ 479</u>	<u>\$ 36,249</u>	<u>\$ 479</u>

The price of above transaction were determined based on the original acquisition cost of the machinery and equipment and reference to the recent quoted market price.

d. Lease arrangements - the Company is lessee

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
1) Acquisition of right-of-use assets		
Investor that exercises significant influence over the Company	\$ 1,033	\$ -
Subsidiaries	-	197
Related party in substance	<u>-</u>	<u>1,350</u>
	<u>\$ 1,033</u>	<u>\$ 1,547</u>
	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
2) Lease liabilities		
Investor that exercises significant influence over the Company	\$ 5,845	\$ -
Subsidiaries	-	3,867
Related party in substance	<u>-</u>	<u>678</u>
	<u>\$ 5,845</u>	<u>\$ 4,545</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
3) Interest expense		
Investor that exercises significant influence over the Company	\$ 89	\$ 19
Subsidiaries	28	91
Related party in substance	<u>3</u>	<u>9</u>
	<u>\$ 120</u>	<u>\$ 119</u>

- e. Lease arrangements - the Company is lessor/sublease arrangements

Refer to Note 14 to the financial statement.

- f. Acquisition of shares

For the year ended December 31, 2022

<b>Related Party Category/Name</b>	<b>Line Item</b>	<b>Number of Shares</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Investor that exercises significant influence over the Group Walsin Lihwa Corporation	Current financial assets at FVTOCI	25,527,493	Ordinary shares of Walsin Lihwa Corporation	\$ 765,825
Related party in substance CHIA-HO Green Energy Corporation	Non-current financial assets at FVTOCI	55,500,000	Ordinary shares of CHIA-HO Green Energy Corporation	555,000
Associate Hwa Bao Botanic Conservation Corp.	Investments accounted for using equity method	21,000	Ordinary shares of Hwa Bao Botanic Conservation Corp.	210,000
Subsidiaries Landmark	Investments accounted for using equity method	2,970	Shares of WECJ	<u>190,070</u>
				<u>\$ 1,720,895</u>

For the year ended December 31, 2021

<b>Related Party Category/Name</b>	<b>Line Item</b>	<b>Number of Shares</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Sub-subsidiary NTCJ	Investments accounted for using equity method	4,000 shares	Shares of METC	<u>\$ 357,898</u>

- g. Endorsements and guarantees

Endorsements and guarantees provided by the Group

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Sub-subsidiary		
Amount endorsed	<u>\$ 6,972,000</u>	<u>\$ 11,080,076</u>
Amount utilized	<u>\$ 952,840</u>	<u>\$ -</u>

h. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employment benefits	\$ 510,698	\$ 334,753
Post-employment benefits	<u>689</u>	<u>18,154</u>
	<u>\$ 511,387</u>	<u>\$ 352,907</u>

The remuneration of directors and key management personnel was determined by the remuneration committee having regard to the performance of individuals and market trends. And the remuneration was resolved by the board of directors.

## 27. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6 and 12 to the financial statements.

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2022 and 2021 were approximately US\$3,957 thousand and US\$75,493 thousand, JPY321,200 thousand and JPY310,190 thousand and EUR0 thousand and EUR550 thousand, respectively.

b. The Company's unrecognized commitments were as follows:

	<b>December 31, 2022</b>
Acquisition of property, plant and equipment	<u>\$ 23,102,440</u>

## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

	<b>December 31</b>					
	<b>2022</b>			<b>2021</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (In Thousands)</b>	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (In Thousands)</b>
<u>Financial assets</u>						
Monetary items						
USD	\$ 265,826	30.71	\$ 8,163,510	\$ 356,115	27.68	\$ 9,857,260
EUR	1,483	32.72	48,517	1,202	31.32	37,645
JPY	3,433,010	0.2324	797,831	1,850,370	0.2405	445,014
RMB	10,647	4.408	46,934	124,519	4.344	540,912

(Continued)

	<b>December 31</b>					
	<b>2022</b>			<b>2021</b>		
	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (In Thousands)</b>	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (In Thousands)</b>
<b>Non-monetary items</b>						
USD	\$ 22,042	30.71	\$ 676,914	\$ 19,492	27.68	\$ 539,527
EUR	786	32.72	25,717	760	31.32	23,791
JPY	985,033	0.2324	228,922	700,608	0.2405	168,518
ILS	10,009	8.7301	87,382	7,007	8.8912	62,301
<b>Financial liabilities</b>						
<b>Monetary items</b>						
USD	69,795	30.71	2,143,412	98,224	27.68	2,718,845
EUR	3,365	32.72	110,094	48,935	31.32	1,532,653
JPY	3,559,564	0.2324	827,243	2,704,144	0.2405	650,347
ILS	3,514	8.7301	30,675	2,098	8.8912	18,654
						(Concluded)

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>Foreign Currencies</b>	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
USD	\$ 591,600	\$ (131,846)
JPY	183,009	6,961
RMB	<u>26,157</u>	<u>14,699</u>
	<u>\$ 800,766</u>	<u>\$ (117,147)</u>

### 30. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions for the Company:

1)	Financings provided	None
2)	Endorsements/guarantees provided	Table 1
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 2
4)	Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital	Table 3
5)	Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital	Table 4
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	Table 5
8)	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital	Table 6
9)	Information about the derivative financial instruments transaction	Note 7

b. Information on investments: Refer to Table 7 attached.



c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 8
2)	<p>Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.</p> <p>a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.</p> <p>b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.</p> <p>c) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.</p> <p>f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.</p>	Table 8

d. Information on major shareholders: Refer to Table 9 attached.

**31. SEGMENT INFORMATION**

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	WEC	NTCJ	NTC's indirect subsidiary with 100% ownership	\$ 17,103,199 (Note 1)	\$ 10,706,900 (JPY 46,071,000) (Note 3)	\$ 6,972,000 (JPY 30,000,000) (Note 3)	\$ 952,840 (JPY 4,100,000)	\$ -	7.40	\$ 47,081,498 (Note 5)	Y	N	N	
1	NTC	NTCJ	Subsidiary	17,565,938 (Note 2)	2,080,810 (JPY 5,650,000) and (USD 25,000) (Note 4)	2,080,810 (JPY 5,650,000) and (USD 25,000) (Note 4)	659,040 (JPY 287,980) and (USD 19,281)	-	11.85	17,565,938 (Note 6)	Y	N	N	

Note 1: WEC's maximum amount endorsed are limited to 30% of the net equity in latest financial statements of WEC or 150% of the net value of the endorsee company, whichever is lower. WEC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold 100% of voting shares.

Note 2: NTC's maximum amount endorsed are limited to 20% of the net equity in latest financial statements of NTC or the net value of the endorsee company, whichever is lower. NTC's limitation of maximum endorse amount as described are not limited to subsidiaries that directly or indirectly hold more than 50% of voting shares.

Note 3: The ending balance is approved by the boards of directors of WEC.

Note 4: The ending balance is approved by the boards of directors of NTC.

Note 5: WEC's total maximum amount endorsed are limited to 50% of the net equity in the latest financial statements of WEC.

Note 6: NTC's maximum amount endorsed are based on the net equity in the latest financial statements of NTC.

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WEC	<u>Shares</u> Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22.20% ownership interest in WEC.	Current financial assets at fair value through other comprehensive income	247,527,493	\$ 11,683,298	7	\$ 11,683,298	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	150,000,210	1,672,502	5	1,672,502	
	Walsin Technology Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	8,400,117	663,609	2	663,609	
	Walton Advanced Engineering Inc.	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	"	50,062,641	568,211	10	568,211	
	Cathay Financial Holdings Co., Ltd.	None	"	5,305	212	-	212	
	<u>Shares</u> Hsin Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	12,450	-	12,450	
	Linkou Golf Course Corporation	None	"	1	10,110	-	10,110	
	Intellectual Property Innovation Corporation	WEC as the investee's director	"	1,000,000	7,671	10	7,671	
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	124	5	124	
	Smart Catch International Co., Ltd.	None	"	4,000,000	-	16	-	
	CHIA-HO Green Energy Corporation	WEC's chairman as an independent director of the investee's parent company	"	55,500,000	548,709	15	548,709	
	<u>Preferred stocks</u> Fubon Financial Holding Co., Ltd. Preferred Shares B (2881A)	None	Current financial assets at fair value through profit or loss	182,000	10,993	-	10,993	
	Cathay Financial Holding Co., Ltd. Preferred Stock B (2882A)	None	"	65,000	3,679	-	3,679	
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B (2888B)	None	"	829,000	29,761	-	29,761	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WECA	<u>Shares</u> Kneron Holding Company	None	Current financial assets at fair value through profit or loss	377,808	USD 2,000	1	USD 2,000	
	<u>Funds</u> Vanguard Short-Term Corporate Bond ETF (VCSH)	None	Current financial assets at fair value through profit or loss	24,000	USD 1,804	-	USD 1,804	
	iShares National Muni Bond ETF (MUB)	None	"	17,000	USD 1,794	-	USD 1,794	
	JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 25,191	7	USD 25,191	
	JVP X Funds	None	"	-	USD 14,922	4	USD 14,922	
WECJ	<u>Shares</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -	
GLMTD	<u>Shares</u> TEGNA Electronics Private Limited	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	3,001,000	INR 30,010	10	INR 30,010	
NTC	<u>Shares</u> Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	575,000	9,844	5	9,844	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	919	-	919	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	492,800	4	492,800	
	Autotalks Ltd. - Preferred E. Share	None	"	3,932,816	614,200	9	614,200	
	<u>Warrants</u> Autotalks Ltd.	None	Non-current financial assets at fair value through profit or loss	-	76,775	-	76,775	
	Allxon Inc.	None	"	-	45,000	-	45,000	
SYI	<u>Shares</u> Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	116,985	5	116,985	
NTCJ	<u>Shares</u> Symetrix Corporation	None	Non-current financial assets at fair value through other comprehensive income	50,268	-	1	-	

Note: Refer to Tables 7 and 8 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Cost Amount	Number of Shares	Cost Amount	Number of Shares	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Number of Shares	Cost Amount
WEC	Walsin Lihwa Corporation	Current financial assets at FVTOCI	Issuance of ordinary shares in cash	Investor that exercises significant influence over the Group	222,000,000	\$ 2,082,335	25,527,493	\$ 765,825	-	\$ -	\$ -	\$ -	247,527,493	\$ 2,848,160
	CHIA-HO Green Energy Corporation	Non-current financial assets at FVTOCI	Issuance of ordinary shares in cash	Related party in substance	-	-	55,500,000	555,000	-	-	-	-	55,500,000	555,000
NTCJ	TPSCo.	Investments accounted for using equity method	TPSCo.	Parent company	14,700 (Note)	1,289,679	30,919	358,772	-	-	-	Share of profit (loss) 126,861 Cumulative transition differences 3,326 Unrealized profits and losses on transactions with associates (67,769)	45,619	1,710,869

Note: Under the business acquisition agreement, if TPSCo. turns a net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, NTC is required to pay Panasonic Corporation the net profit based on its ownership proportion. Thus, NTC has no significant influence over TPSCo. during the period aforementioned. TPSCo. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the restriction has been waived for NTC, and NTC has significant influence over TPSCo.; accordingly, TPSCo. has been accounted for using the equity method. Share of profit (loss) was recognized as from April 2022 for the period.

**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

Company Name	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
WEC	Buildings	2022.01.23-2022.12.08	\$ 425,823	Monthly settlement by the construction progress and acceptance	L&K Engineering Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2022.01.23-2022.12.22	638,728	Monthly settlement by the construction progress and acceptance	Wholtech System Hitech Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2022.01.23-2022.12.22	454,092	Monthly settlement by the construction progress and acceptance	Jer Yih Electrical Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2022.06.16-2022.12.18	331,348	Monthly settlement by the construction progress and acceptance	Mega Union Technology Incorporated	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2022.01.23-2022.12.22	341,842	Monthly settlement by the construction progress and acceptance	Rayzher Industrial Co., Ltd.	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 5

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	\$ 7,349,083	14	Net 90 days from invoice date	N/A	N/A	\$ 553,174	12	
	WECJ	Direct subsidiary with 100% ownership	Sales	5,640,271	11	Net 90 days from invoice date	N/A	N/A	461,590	10	
	WECN	Indirect subsidiary with 100% ownership	Sales	2,914,234	6	Net 90 days from invoice date	N/A	N/A	1,135	-	
	WECA	Indirect subsidiary with 100% ownership	Sales	1,661,541	3	Net 90 days from invoice date	N/A	N/A	140,764	3	
	NTC	Direct subsidiary with 51% ownership	Sales	173,887	-	Net 30 days from invoice date	N/A	N/A	21,464	-	
WEHK	WEC	Parent company	Purchases	USD 249,304	100	Net 90 days from invoice date	N/A	N/A	USD (18,013)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 24,946,747	97	Net 90 days from invoice date	N/A	N/A	JPY (1,994,248)	(93)	
	NTC	Direct subsidiary with 51% ownership	Purchases	JPY 659,811	3	Net 90 days from invoice date	N/A	N/A	JPY (142,480)	(7)	
WECN	WEC	Parent company	Purchases	RMB 662,557	100	Net 90 days from invoice date	N/A	N/A	RMB (257)	(100)	
WECA	WEC	Parent company	Purchases	USD 56,502	100	Net 90 days from invoice date	N/A	N/A	USD (4,584)	(95)	
NTC	NTHK	NTC's direct subsidiary with 100% ownership	Sales	8,079,378	41	Net 90 days from invoice date	N/A	N/A	141,110	12	
NTC	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	1,961,416	24	Net 15 days end of the month	N/A	N/A	(158,632)	(10)	
NTC	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Purchases	1,045,764	13	Net 15 days end of the month	N/A	N/A	(448,177)	(28)	
NTC	NTSG	NTC's direct subsidiary with 100% ownership	Purchases	335,654	4	Net 15 days end of the month	N/A	N/A	(84,359)	(5)	
NTC	NTCA	NTC's direct subsidiary with 100% ownership	Sales	262,269	1	Net 90 days from invoice date	N/A	N/A	108,679	9	
NTC	WEC	Parent company	Purchases	173,354	2	Net 30 days from invoice date	N/A	N/A	(20,828)	(1)	
NTC	WECJ	Direct subsidiary with 100% ownership	Sales	149,214	1	Net 90 days from invoice date	N/A	N/A	33,052	3	
NTC	Nyquest Technology Co., Ltd.	Related party in substance	Sales	229,401	1	Net 45 days from invoice date	N/A	N/A	15,704	1	

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
NTHK	NTC	Parent company	Purchases	USD 271,014	100	Net 90 days from invoice date	N/A	N/A	USD (4,595)	(100)	
NTCA	NTC	Parent company	Purchases	USD 8,744	100	Net 90 days from invoice date	N/A	N/A	USD (3,539)	(100)	
NTCJ	NTC	Parent company	Sales	USD 65,019	8	Net 15 days end of the month	N/A	N/A	USD 5,165	5	
NTSG	NTC	Parent company	Sales	USD 10,791	3	Net 15 days end of the month	N/A	N/A	USD 2,741	9	
	NTCJ	NTC's indirect subsidiary with 100% ownership	Sales	USD 141,550	45	Net 10 days end of the month	N/A	N/A	USD 16,902	56	
NTCJ	NTSG	NTC's direct subsidiary with 100% ownership	Purchases	JPY 19,356,022	37	Net 10 days end of the month	N/A	N/A	JPY (2,233,479)	(25)	
	NTSG	NTC's direct subsidiary with 100% ownership	Sales	JPY 26,308,826	26	Net 10 days end of the month	N/A	N/A	JPY 1,871,831	14	
NTSG	NTCJ	NTC's indirect subsidiary with 100% ownership	Purchases	USD 202,508	69	Net 10 days end of the month	N/A	N/A	USD (14,165)	(71)	
NTCJ	TPSCo. Waltech Advanced Engineering (Suzhou) Ltd.	Associate	Purchases	JPY 20,139,308	39	Net 10 days end of the month	N/A	N/A	JPY (1,087,101)	(12)	
		Related party in substance	Sales	JPY 13,025,750	13	Net 10 days end of the month	N/A	N/A	JPY 2,864,430	21	
NTSG	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	Sales	USD 7,786	3	Net 10 days end of the month	N/A	N/A	USD 619	2	
AMTC	TPSCo.	Associate	Sales	JPY 1,305,035	50	Net 10 days end of the month	N/A	N/A	JPY 138,201	62	

(Concluded)



## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	\$ 553,174	10.55	\$ -	-	\$ 481,835	\$ -
	WECJ	Direct subsidiary with 100% ownership	461,590	9.68	-	-	-	-
	WECA	Indirect subsidiary with 100% ownership	140,764	7.47	-	-	-	-
WECA	WEC	Parent company	USD 5,591	(Note)	-	-	USD 1,571	-
NTC	NTHK	NTC's direct subsidiary with 100% ownership	141,110	91.16	-	-	141,110	-
	NTCA	NTC's direct subsidiary with 100% ownership	108,679	3.49	-	-	108,679	-
NTSG	NTCJ	NTC's indirect subsidiary with 100% ownership	USD 16,902	9.69	-	-	USD 16,902	-
NTCJ	NTSG	NTC's direct subsidiary with 100% ownership	JPY 1,871,831	14.11	-	-	JPY 1,871,831	-
	NTC	Direct subsidiary with 51% ownership	USD 5,165	17.08	-	-	USD 5,165	-
	Waltech Advanced Engineering (Suzhou) Ltd.	Related party in substance	JPY 2,864,430	4.91	-	-	JPY 2,864,430	-

Note: Other receivables are not applicable to calculation of turnover rate.

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, design, development, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	\$ 4,436,920	\$ 4,436,920	214,954,635	51.00	\$ 8,941,174	\$ 4,220,773	\$ 2,161,530	
	Winbond International Corporation	British Virgin Islands	Investment holding	2,758,517	2,758,517	87,960,000	100.00	2,067,211	30,439	30,439	
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100.00	581,154	129,345	129,338	
	Miraxia Edge Technology Corporation	Japan	Software and hardware integration design of semiconductor	167,660	167,660	4,000	100.00	234,733	69,921	69,921	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	168,755	5,343,000	100.00	185,332	51,954	51,954	
	Winbond Electronics Corporation Japan	Japan	Research, development, sales and after-sales service of semiconductor	190,070	-	2,970	100.00	312,463	147,128	101,815	(Note 1)
	Great Target Development Ltd.	Seychelles	Investment holding	155,663	155,663	4,470,000	100.00	132,048	(404)	(404)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100.00	95,763	(17,185)	(17,185)	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100.00	87,383	12,301	12,301	
	Winbond Electronics Germany GmbH	Germany	Marketing service of semiconductor	28,679	28,679	850,000	100.00	25,717	673	673	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100.00	2,929	26	26	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38.00	7,996,268	1,026,111	386,750	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	240,000	30,000	24,000,000	30.00	264,303	(5,630)	(1,316)	
Winbond International Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and service of semiconductor	1,683,207	1,683,207	3,067	100.00	2,097,702	30,487	30,487	
Landmark Group Holdings Ltd.	Winbond Electronics Corporation Japan	Japan	Research, development, sales and after-sales service of semiconductor	-	112,644	-	-	-	147,128	45,313	(Note 1)
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895	30,895	1,000,000	100.00	30,362	(192)	(192)	
				USD 1,000	USD 1,000			USD 989	USD (6)	USD (6)	
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	135,415	27,998,400	99.99	102,348	(524)	(524)	
Miraxia Edge Technology Corporation	Miraxia Technology Taiwan Corporation	Taiwan	Development of software and services for automotive and industrial control	3,000	-	300,000	100.00	3,000	-	-	(Note 2)
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100.00	611,146	66,834	66,834	
	Marketplace Management Limited	British Virgin Islands	Investment holding	274,987	274,987	8,897,789	100.00	285,197	(17,224)	(17,224)	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	590,953	17,960,000	100.00	368,652	(17,278)	(17,278)	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100.00	147,758	14,445	14,445	
	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor	30,211	30,211	600,000	100.00	21,647	1,186	1,186	
	Nuvoton Technology Corporation America	United States of America	Design, sales and service of semiconductor	190,862	190,862	60,500	100.00	210,631	10,280	10,280	
	Nuvoton Technology Singapore Pte. Ltd.	Singapore	Design, sales and service of semiconductor	1,319,054	1,319,054	45,100,000	100.00	1,959,771	168,131	168,131	
	Nuvoton Technology Korea Limited	Korea	Design, sales and service of semiconductor	30,828	30,828	125,000	100.00	12,708	907	907	
	Nuvoton Technology Holdings Japan	Japan	Investment holding	5,927,849	5,927,849	100	100.00	7,567,843	1,352,222	1,352,222	
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,473,559	1,473,559	-	100.00	285,197	(16,951)	(16,951)	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100.00	294,012	(3,737)	(3,737)	
Nuvoton Technology Holdings Japan	Nuvoton Technology Corporation Japan	Japan	Design, sales and service of semiconductor	111,520	111,520	9,480	100.00	11,402,133	1,352,086	1,352,086	
Nuvoton Technology Corporation Japan	Atfields Manufacturing Technology Corporation	Japan	Design and service of semiconductor	55,760	55,760	4,000	100.00	233,534	91,737	91,737	
	Tower Partners Semiconductor Co., Ltd.	Japan	Foundry and sales of semiconductor	1,648,451	-	45,619	49.00	1,710,869	493,050	126,861	(Notes 3 and 4)

Note 1: The acquisition of 100% ownership of WECJ from Landmark was approved by WEC's board meeting on August 4, 2022. The acquisition date was set on November 30, 2022.

Note 2: Miraxia Technology Taiwan Corporation was established in November 2022.

Note 3: Share of profit (loss) includes downstream and upstream transactions.

Note 4: Under the business acquisition agreement, if TPSCO. turns a net profit during the period of the effective date of the acquisition (September 1, 2020) to March 31, 2022, NTC is required to pay Panasonic Corporation the net profit based on its ownership proportion. Thus, NTC has no significant influence over TPSCO. during the period aforementioned. TPSCO. was recognized as non-current financial assets at fair value through other comprehensive income. Starting from April 2022, the restriction has been waived for NTC, and NTC has significant influence over TPSCO.; accordingly, TPSCO. has been accounted for using the equity method. Share of profit (loss) was recognized as from April 2022 for the period.

Note 5: Refer to Table 8 for information on investment in mainland China.

## WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars and Foreign Currencies)

1. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
						Outward	Inward						
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	\$ 276,435 (USD 9,000)	Through investing in WEHK in the third area, which then invested in the investee in Mainland China indirectly	\$ 276,435 (USD 9,000)	\$ -	\$ -	\$ 276,435 (USD 9,000)	\$ 38,278	100	\$ 38,278	\$ 419,622	\$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide projects for sale in China and repairing, testing, consulting of software and equipment lease of semiconductor	68,036 (USD 2,000)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	68,036 (USD 2,000)	-	-	68,036 (USD 2,000)	(16,630)	51	(8,516)	147,465	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 (USD 500)	Through investing in MML in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	16,429 (USD 500)	-	-	16,429 (USD 500)	-	51	-	(1,556) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 (USD 6,000)	Through investing in NTHK in the third area, which then invested in the investee in Mainland China indirectly	197,670 (USD 6,000)	-	-	197,670 (USD 6,000)	4,749	51	2,432	117,041	-
NTSH	Song Zhi Electronics Technology (Suzhou)	Provide development of semiconductor and technology, consult service and equipment leasing business	8,688 (CNY 2,000) (Note 3)	Through investing in NTSH in the third area, which then invested in the investee in Mainland China indirectly	- (Note 3)	-	-	- (Note 3)	(16)	51	(8)	4,203	-

Note 1: Investment profit or loss for the year ended December 31, 2022 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2022, which is reclassified to other non-current liabilities.

Note 3: NTSH directly injected the capital in Song Zhi Electronics Technology (Suzhou).

2. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
WEC	\$ 276,435 (USD9,000)	\$ 276,435 (USD9,000)	\$ 56,497,798
NTC	282,135 (USD8,500)	282,135 (USD8,500)	10,539,562

Note 4: Upper limit on the amount of 60% of the investee's net book value.

3. Refer to Table 5 for significant transactions with the investee in mainland China directly and indirectly through investing in companies in the third area.
4. Handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area: None.
5. Financing of funds to investee in mainland China directly and indirectly through investing in companies in the third area: None.
6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

**WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Lihwa Corporation	883,848,423	22.20
Chin Xin Investment Co., Ltd.	240,003,072	6.03

Note 1: Table 9 is based on the information on the last business day of the quarter provided by the Taiwan Depository & Clearing Corporation (TDCC). The TDCC calculate the total number of ordinary shares and preferred shares held by shareholders who retain more than 5% of the Company's share (including treasury shares) that have delivered without physical registration. The number of shares in the Company's consolidated financial report and the actual number of shares delivered without physical registration may differ due to the different calculation basis.

Note 2: As per information above, if the shareholder delivers the shares to the trust, shares will be disclosed based on the trustee's account. Additionally, according to the Securities and Exchange Act, internal stakeholder whom holds more than 10% of the Company's share, which includes shares held by the stakeholder and parts delivered to the trust that have decision making rights, should be declared. For information regarding internal stakeholder declaration, please refer to the Market Observation Post System website of the Taiwan Stock Exchange Corporation.