



alchip

Stock Code: 3661



Alchip Technologies, Limited

2021 Annual Report

Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>
Alchip Annual Report is available at: <https://www.alchip.com/>

Printed on April 12, 2022

I. Name, Title and Contact Information for Company's Spokesperson, Acting Spokesperson, Litigious and Non-litigious Agent

| Spokesperson | Deputy Spokesperson | Litigious and Non-litigious Agent |
|---------------------------------|----------------------------|--|
| Name : Daniel Wang | Name : Johnny Shen | Name : Daniel Wang |
| Title : Chief Financial Officer | Title : CEO | Title : Chief Financial Officer |
| Tel : 886-2-2659-9357 | Tel : 886-2-2799-2318 | Tel : 886-2-2659-9357 |
| E-mail : IR@alchip.com | E-mail : IR@alchip.com | E-mail : IR@alchip.com |

II. Contact Information of Company's Headquarters, Branches and Plant

| Office | Address | Tel. |
|--|---|------------------|
| (I) The Company | | |
| Alchip Technologies, Ltd. | PO Box 309, Ugland House, Grand Cayman, KY-1104, Cayman Islands | 886-2-2799-2318 |
| (II) Subsidiaries | | |
| 1. The subsidiary in Taiwan: Alchip Technologies, Inc. | 9F., No.12, Wenhua St., Neihu Dist., Taipei, Taiwan 114 | 886-2-2799-2318 |
| 2. The branch in Taiwan: Alchip Technologies, Ltd. Taiwan Branch | 9F., No.12, Wenhua St., Neihu Dist., Taipei, Taiwan 114 | 886-2-2799-2318 |
| 3. The subsidiary in Hong Kong: Alchip Technologies, Ltd. | Bank of America Tower, 12 Harcourt Road Central, Hong Kong | 852-2522-2922 |
| 4. The sub-subsidiary in Shanghai: Alchip Technologies(Shanghai), Ltd. | Registered Address: Room 632-19, 2 F., No. 351, Guoshoujing Rd., Zhangjiang Hi-Tech Park, Shanghai Business Address: 11F, East tower Greenland Center, 596 Middle Longhua Road, Shanghai, China 200032 | 86-21-5235-0999 |
| 5. The subsidiary in Japan: アルチップ・テクノロジーズ Co., Ltd. (Alchip Technologies, K.K.) | 10F Shin-Yokohama Square Bldg, 2-3-12 Shin-Yokohama, Kouhoku Yokohama Kanagawa Japan, 222-0033 | 81-45-470-1090 |
| 6. The subsidiary in U.S.: AlChip Technologies, Inc. | 2107 N 1st St., Suite 570, San Jose, CA 95131 | 1-408-320-2223 |
| 7. The sub-subsidiary in Wuxi: Alchip Technologies (Wuxi) Inc. | 4F, Building A5, No.777, Jianzhuxi Road, Binhu District, Wuxi, Jiangsu, China | 86-510-8512-0332 |
| 8. Alchip's BVI incorporated subsidiary: Alchip Investment Inc. | Portcullis TrustNet Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110 | 886-2-2799-2318 |
| 9. The sub-subsidiary in Hefei: Alchip Technologies (Hefei) Inc. | 6F, Building C4, No.800, Wangjiang West Road, Gaoxin District, Hefei City, Anhui Province, China 230088 | 86-551-65655001 |
| 10. The sub-subsidiary in Jinan: Alchip Technologies (Jinan) Inc. | 1F, Building B, Qilu Software Park, No.1000 ShunHua Road, High-tech Development Zone, Jinan City, Shandong Province, China 250101 | 86-531-89017990 |
| 11. The sub-subsidiary in Guangzhou: Alchip Technologies (Guangzhou) Inc. | Room 01, 12F, Building A, Grandtek, No.18 Science Avenue, Huangpu District, Guangzhou, China | 86-20-89819302 |

III. Members of the Board of Directors

| Title | Name | Nationality | Academic Qualifications and Principal Work Experience | |
|----------------------|------------------------|-----------------|---|---|
| Chairman | Kinying Kwan | U.S., R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • B.S. in Electronic Engineering, University of Illinois, U.S. |
| | | | Work Experience | <ul style="list-style-type: none"> • CEO of the Company • Founder of Altius Solutions |
| Director | Herbert Chang | R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • M.S. in Management Science, National Chiao Tung University |
| | | | Work Experience | <ul style="list-style-type: none"> • General Manager of Mutto Optronics Corporation |
| Director | Johnny Shyang-Lin Shen | U.S., R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • B.S. of Electronic Engineering, University of California, Los Angeles, U.S. |
| | | | Work Experience | <ul style="list-style-type: none"> • COO of the Company • GM of China Business Unit and VP of SoC Design Div. of the Company |
| Director | Daniel Wang | R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • MBA of Baruch College-The City University of New York, U.S. |
| | | | Work Experience | <ul style="list-style-type: none"> • Representative of Fubon Securities Co., Ltd. Shanghai Representative Office |
| Independent Director | Mao-Wei Hung | R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • Ph.D., Finance, Northwestern University, U.S. |
| | | | Work Experience | <ul style="list-style-type: none"> • Professor, Department of International Business, National Taiwan University • Chairman of Board, Taiwan Academy of Banking and Finance |
| Independent Director | Brian Chiang | R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • Master of Business Administration, University of Southern California, U.S. |
| | | | Work Experience | <ul style="list-style-type: none"> • Managing Director of Walden International Taiwan Co., Ltd. |
| Independent Director | Binfu Chuang | U.S., R.O.C. | Academic Qualifications | <ul style="list-style-type: none"> • M.S. in Electrical Engineering, Oregon State University, U.S. |
| | | | Work Experience | <ul style="list-style-type: none"> • Director and General Manager of Shanghai SyncMOS Semiconductor Co., Ltd. |

IV. Contact information of Share Transfer Agent

Name: Transfer Agent Department of CTBC Bank
Address: 5F., No. 83, Section 1, Chongqing S. Rd., Zhongzheng District, Taipei City 100, Taiwan
Tel: 886-2-6636-5566 Website: <https://www.ctcbank.com>

V. Contact information of Auditing CPA

CPA Firm: Deloitte & Touche
Name of CPA: Yi-Wen Wang and Li-Chun Chang
Address: 20F., No. 100, Songren Rd., Xinyi District, Taipei 11073, Taiwan
Tel: 886-2-2725-9988 Website: <https://www.deloitte.com.tw>

VI. Names of stock exchanges where foreign securities are listed and inquiry on the information of foreign securities:

Name of stock exchanges: Luxembourg Stock Exchange
Inquiry on the Information: <https://www.bourse.lu/security/US0137412021/327168>

VII. The Company's web address: <https://www.alchip.com>

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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I. Letter to Shareholders

Dear Shareholders,

As one of the leading High-performance Computing ASIC companies, Alchip is positioned to provide cutting edge, large scale, and complicated SoC design solutions. We are devoted to becoming the best, most trustworthy silicon design service partner to our customers through our unique design methodology and flow, coupled with our turnkey design-to-manufacturing capabilities. Our goal is to ensure first-time silicon success and fast time-to-market for our customers.

Although the COVID-19 pandemic hampered the global economy in 2021, strong growth in high-performance computing (HPC) and artificial intelligence (AI) market remained constant. As a result, Alchip's focus on HPC delivered a promising operating performance for the year. In addition to our organization expansion and record-breaking profits, the company's share price hit a record-high. Alchip believes by exercising our four core values, teamwork & dedication, innovation, integrity, and quality. We will continue to deliver ever increasing value to our shareholders.

Despite fierce competition in the global semiconductor industry over the past two years, Alchip has delivered record-setting operating results, thanks to our strong position and advanced technology capabilities within the HPC, AI, and IoT market segments, where we continue to see very strong demand. In response, Alchip has completed a significant number of leading-edge design projects. A select number of large production-quantity high performance computing chips, the majority of which target the 7nm process technology node, entered mass production in 2021, accounting for a large part, of the company's record performance. Continued demand from high-performance computing customers in China and North America led this growth. In 2021, Alchip also taped-out a significant number of 16nm, 12nm and 7nm designs. Several of the 7nm designs involved CoWoS and InFO advanced packaging technology. A number of the 5nm designs will tape-out in 2022 and a 3nm test chip is under development, with expected tape-out in late 2022.

On the R&D front, Alchip strengthened its position as a leading high-performance computing ASIC company. Approximately 93% of the Company's revenue came from advanced process (28nm and below) designs and the mass production of highly complex packages. In addition, the Company successfully partnered with tier-one systems and cloud service customers to complete a number of challenging 12nm and 7nm SoC designs, featuring the most advanced CoWoS technology. These devices targeted high-end, complex artificial intelligence, networking, and high-performance computing applications.

Looking at results from geographic perspective, China accounted for the largest percentage of revenue. With continued support from the system customers, Japan was the second largest source of revenue. North America emerged as Alchip's third largest source of revenue, generated by high demand for AI application.

Financial Performance

Alchip's 2021 operating revenue reached NTD10,428 million, a 47.32% increase year-on-year (YoY) from NTD7,079 million in 2020. Net profit was NTD1,490 million, a 78.43% increase YoY from NTD835 million in 2020. On a US Dollar (\$) basis, the 2021 operating revenue equaled \$372 million, a 55.41% increase YoY, with net profit of \$53 million, a 88.24% increase YoY. Gross Margin for 2021 was 34.16%, with an operating margin of 17.53%. The 2021 Return on Assets and Return on Equity were 13.34% and 20.93%, respectively.

Technological Developments

Alchip continued to heavily invest in advanced technology design and customized IP during 2021, in response to customer demand. Building on the successful implementation of multiple 7nm and 5nm designs, Alchip will fortify its position as an advanced technology leader as it moves into 3nm designs and advanced 2.5D/3D packaging technology in 2022.

Corporate Developments

To further enhance our engineering resources and business development initiatives, Alchip continued to expand its global influence in North America and Great China region. Alchip is dedicated to staying ahead of the significant increase in customers demand in these two markets and will develop more advanced process design technology to meet these needs. With our advanced technology and design capability, our goal is to become a leading brand in the ASIC industry.

Outlook for the future

Going forward, Alchip will continue to capitalize on those market opportunities best suited to its advanced technology strengths and its enhanced strategic alliances with major IP partners. We will continue to focus on new applications in high growth artificial intelligence, high-performance computing, and IoT market segments. In addition, plans are in place and strategic initiatives are under way to expand our North America market share. Last but not least, we believe that, through our core competence of providing industry-leading service for advanced technologies, Alchip will again post strong revenue and profit growth in 2022, as we continue to create value for both customers and shareholders.

Best wishes for good health and prosperity!



Kinying Kwan
Chairman

II. Company Profile

2.1 Date of Establishment and Company Introduction

Founded in the British Cayman Islands on February 27, 2003 by the core technical team of a well-known Silicon Valley System-on-Chip company under the leadership of Chairman Kinying Kwan, Alchip Technologies, Limited (hereinafter referred to as the “Company” or “Alchip”) is a leading provider of silicon design and manufacturing services for system companies developing high-complexity and high-volume application-specific integrated circuit (ASIC) and System-on-Chip (SoC) integrated circuits (IC’s).

Headquartered in Taipei, Taiwan, Alchip has established an ASIC manufacturing center in Hsinchu. Based on its global development policy, the Company has established subsidiaries in China, Japan, and North America (hereinafter referred to as the “Group”). The Company had a total of 466 employees in December 2021. The Group’s management team possesses many years of in-depth IC design service experience. The team is composed of SoC design experts from Silicon Valley and Japan, with an average of over 20 years of semiconductor industry management experience. Their capability for high-end process and chip design has proven to superior to that of industry competitors. Three years after starting business, the Company completed many ASIC designs, ranging from 0.13-microns down to 65nm and moved them into mass production. In 2009, it started mass-production of 40nm designs and, in 2013, started designing at the 28nm node. By 2014, Alchip was providing customers 16nm design services and took its first 14nm designs to wafer start in September 2015. By 2017, the Company successfully completed several super-computer 28nm and 16nm designs and, from 2018 to 2020, completed several 7nm high-performance design projects. At the end of 2021, Alchip completed, prototyped, and began volume production of its first 7nm designs targeting artificial intelligence and high-performance computing applications. Several 5nm designs will tape out in 2022, and a 3nm test chip is under development.

Alchip focuses on ASIC and SoC designs that target 7nm and below deep submicron manufacturing processes. The Company helps ASIC and SoC customers complete low-cost and highly complex IC design in the shortest time and to speed their time-to-market. The Company has completed more than 470 designs. Alchip focuses on three main market segments: Artificial Intelligence and High-performance Computing; Communication Network Equipment; and other consumer and medical businesses covering products high- definition television, digital cameras, entertainment systems, mobile broadband, medical devices, and medical monitoring systems.

2.2 Company Milestones

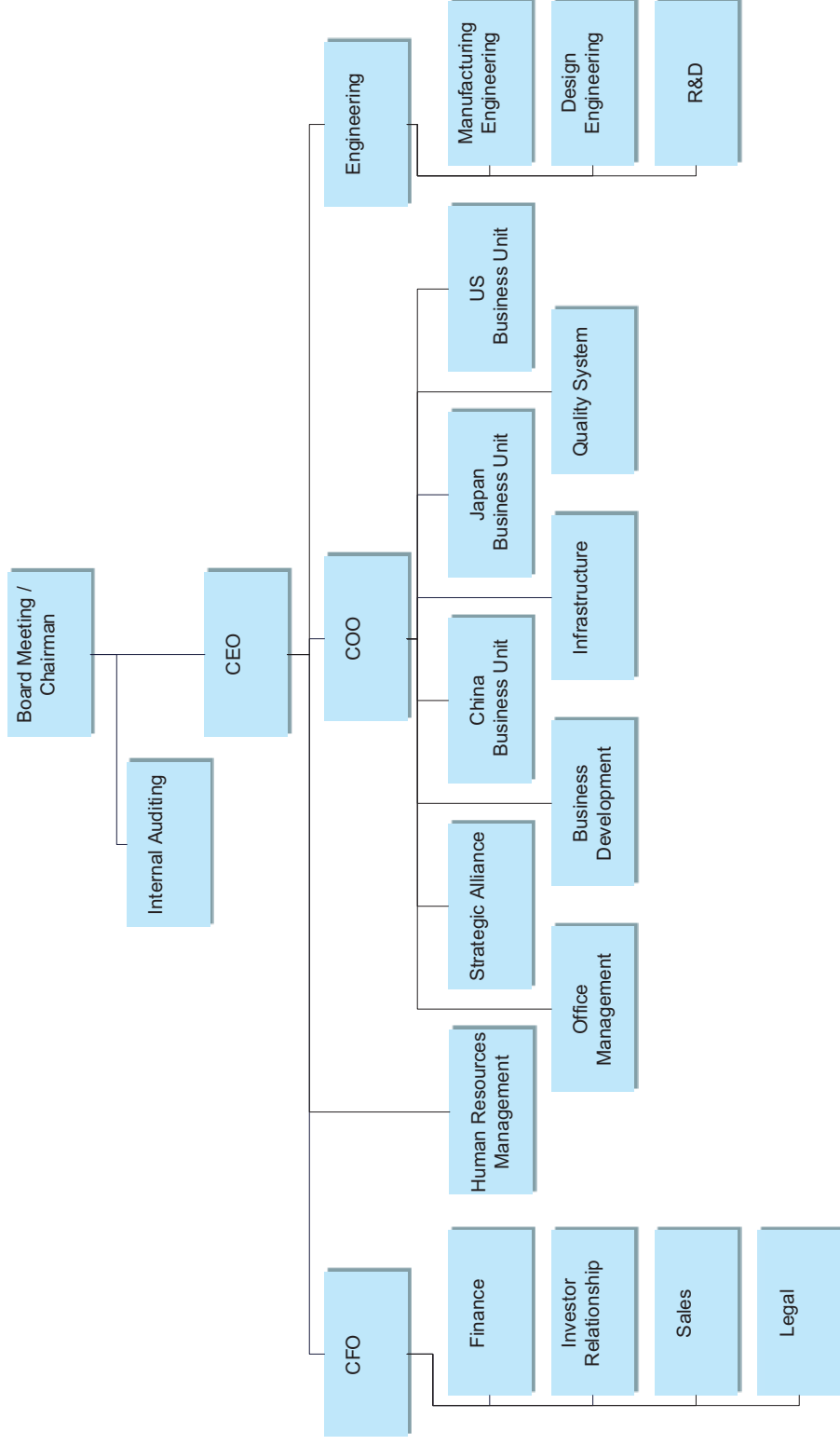
| | |
|-----------|--|
| Aug. 2002 | Company established in Hong Kong. |
| Sep. 2002 | Company established in Shanghai. |
| Feb. 2003 | Established an exempted company in the Cayman Islands. |
| Apr. 2003 | Alchip Technologies (Cayman) invested in the Hong Kong and Shanghai companies through stock exchanges. |
| May 2003 | Established a U.S subsidiary. |
| Aug. 2003 | Completed the first 0.13-micron chip design. |
| Feb. 2004 | Established a subsidiary in Japan. |
| Jul. 2004 | Joined TSMC's Design Center Alliance (DCA). |
| Sep. 2004 | Obtained milestone 0.13-micron, 16M gate design from Japanese company. |
| Nov. 2004 | Completed the company's first 90nm SoC design that entered mass production in 2005. |
| Jan. 2005 | Established Taiwan subsidiary. |
| Apr. 2005 | Won the order for 90nm, 500MHz high-speed calculation SoC design that became the first product to enter 90G mass production at TSMC. |
| Aug. 2005 | Monthly shipments for SoCs reached 1 million units. |
| Jun. 2006 | Developed the 65nm ARM 1176 embedded multi-core application processor. |
| Sep. 2006 | Won the order for digital cameras SoC design from a major Japan systems house. |
| Nov. 2006 | Passed ISO9001 certification. |
| Dec. 2006 | Monthly SoC shipments reached 2 million units. |
| Feb. 2007 | Won order for 65nm SoC design. |
| May 2007 | Won order for HDTV SoC design from a major Japan systems house. |
| Jun. 2007 | The monthly SoC shipments reached 2.5 million units. |
| Jul. 2007 | Adopted the Verigy V93000 Pin-Scale 800 system as new-generation chip testing machine. |
| Jan. 2008 | Won order for mobile communication devices SoC design from a major systems house. |
| Feb. 2008 | Achieved ARM authorization. |
| Mar. 2008 | Won order for digital TV SoC design from a major Japan system house. |
| Mar. 2008 | Joined the Cadence (Power Forward Initiative, PFI) Alliance. |
| Apr. 2008 | Joined the ARM Connected Community to become an ARM partner. |
| May 2008 | Became packaging technology partner with SONY Semiconductor Group. |
| Jun. 2008 | Named as one of "China's 10 Best Service IC Design House" by <i>Electronic Engineering Times</i> . |
| Aug. 2008 | Adopted the Synopsys Eclipse's low-power design solution. |
| Oct. 2008 | Mass-produced 65nm turnkey solution. |
| Nov. 2008 | Won the first 65nm design case for turnkey solution. |
| Dec. 2008 | Awarded the special honor as a "Green Partner" by a major Japan systems house. |
| Dec. 2008 | Added heat flow and automated sorting machine. |
| Feb. 2009 | Took part in the e-beam Initiative. |
| Apr. 2009 | Named one of TSMC's global top 10 global VCA members. |
| Dec. 2009 | Mass-produced 55nm turnkey solution. |
| Dec. 2009 | Completed 40nm design case for major mobile game system. |
| Mar. 2010 | Monthly SoC shipments reached 2.5 million units. |
| Oct. 2010 | Completed 32nm HDTV design. |
| Dec. 2010 | Accumulated shipment of 55nm SoC exceeded 10 million units. |
| Jan. 2011 | Added a UF3000 Wafer Prober. |
| Mar. 2011 | Completed 55nm design for Tablet PC application. |
| Apr. 2011 | Accumulated 55nm SoC shipments exceeded 18 million units. |
| Jul. 2011 | Alchip's Headquarters moved to Solar Technology Square, Taipei Neihu Technology Park. |
| Sep. 2011 | Completed 40nm imaging equipment design. |
| Feb. 2012 | Awarded the special honor as a "2011 Best Supplier of the Year Award" by a major Japanese client. |
| Mar. 2012 | Won a 28nm SoC design. |
| May 2012 | Alchip's shipments in cooperation with ASE Group hit 50 million SoC units. |
| Aug. 2012 | Established a subsidiary in Wuxi, China. |
| Sep. 2012 | Completed 28nm design for mobile game system. |
| Dec. 2012 | Awarded the special honor as "Fast 500 Asia Pacific" by Deloitte Technology. |
| Dec. 2012 | Japan subsidiary passed ISO9001 certification. |
| Jun. 2013 | Won No. 1 in the partner's annual evaluation by a major Japan systems house. |
| Jul. 2013 | Completed 28nm Bitcoin mining machine design. |
| Aug. 2013 | Completed 40nm high-efficiency imaging equipment design. |

| | |
|-----------|--|
| Sep. 2013 | Completed 28nm supercomputer processor design. |
| Feb. 2014 | Completed 20nm Bitcoin mining machine design. |
| May 2014 | Completed 28nm medical device design. |
| Jun. 2014 | Completed 28nm Litecoin mining machine design. |
| Oct. 2014 | The Company's shares publicly listed on the Taiwan Stock Exchange. |
| Jan. 2015 | Alchip's BVI incorporated and Alchip's Taiwan Branch established. |
| Feb. 2015 | Completed 16nm Bitcoin mining machine design. |
| Jul. 2015 | Completed 28nm high-efficiency imaging equipment design for Korea market. |
| Sep. 2015 | Completed 14nm Bitcoin mining machine design. |
| Feb. 2016 | Completed 28nm Japanese imaging equipment design. |
| Jul. 2016 | Completed 28nm networking equipment design. |
| Oct. 2016 | Established a subsidiary in Hefei, China. |
| Dec. 2016 | Completed 16nm HPC equipment design. |
| Jan. 2017 | Completed 16nm networking equipment design. |
| Feb. 2017 | Completed 16nm high performance computing design. |
| Jan. 2018 | Completed 7nm Bitcoin Mining Machine SoC Design. |
| Jan. 2018 | Completed 16nm Artificial Intelligence SoC Design. |
| Oct. 2018 | Completed 12nm AI SoC Design. |
| Jun. 2019 | Opened new North America office. |
| Sep. 2019 | Completed 16nm high performance CPU design. |
| Dec. 2019 | Completed 16nm consumer automotive SoC design. |
| Jan. 2020 | Completed 7nm AI design. |
| Feb. 2020 | Completed 12nm networking application design. |
| Jun. 2020 | Completed 7nm HPC design. |
| Sep. 2020 | Completed 6nm AI design. |
| Dec. 2020 | Taped out first 5nm test chip. |
| Jan.2021 | Issuance of GDR listed on the Luxembourg Stock Exchange |
| Jan. 2021 | Established office in Beijing, China. |
| Feb. 2021 | Completed first 7nm design for a high-performance computing application. |
| Feb. 2021 | Completed first 12nm design for an AI application for a major Chinese company. |
| Apr. 2021 | Completed first 7nm design AI application for a major North American company. |
| Jun. 2021 | Completed first 7nm design AI application for a major Japanese company. |

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational chart



3.1.2 Major corporate functions

| Department Name | Responsibilities |
|----------------------------|---|
| Finance | Responsible for the Company's fund allocation and accounting treatments. |
| Investor Relationship | <ol style="list-style-type: none"> 1. Handling all matters relating to the Taiwan Stock Exchange. 2. Make routine communications with investors (natural persons and juridical persons). 3. Hold Investment Conferences for potential investors. 4. Invite investors to participate in conferences. |
| Legal | Corporate legal affairs including regulatory compliance, commercial transactions and litigation. |
| Strategy Alliance | <ol style="list-style-type: none"> 1. Develop and maintain partnerships with strategic suppliers. 2. Negotiate the target price with suppliers to provide pre-sales support for relevant departments. 3. Develop new suppliers or introduce competitive / high-end technologies from current suppliers to achieve the cost-effectiveness. 4. Develop and implement all procurement policies and ensure efficient operations of procurement and organizational interests. |
| Business Development | <ol style="list-style-type: none"> 1. Develop business growth strategy. 2. New high growth application market development along with its solution preparation. 3. Brand development in global markets. |
| Design Engineering | Complete the design realization from RTL or netlist to GDSII for customers. |
| R&D | <ol style="list-style-type: none"> 1. Provide design SOP, flow & methodology. Establish SoC design platform. 2. Circuit & customization. Define and optimize design SOP, flow & methodology. 3. Develop analog/mixed-signal silicon intellectual property. Customize high-performance/low-power digital circuit. 4. Provide customized circuit design services and technical support for business units. Develop analog/mixed-signal silicon intellectual property. 5. Provide 2.5D/3D chip design solution and technical support to business units. |
| Manufacturing Engineering | <ol style="list-style-type: none"> 1. Develop and complete R&D direction and objectives of the Company's production technologies. 2. Provide advanced testing and packaging and solutions for product / component engineering. |
| Japan Business Unit | Japan Business development, customer services and project management of business units. |
| US Business Unit | US Business development, customer services and project management of business units. |
| China Business Unit | China Business development, customer services and project management of business units. |
| Sales | Business development and customer services. |
| Quality System | Responsible for the planning, implementation and management of the Company's quality policy. |
| Infrastructure | Responsible for the planning, implementation and management of information operations. |
| Internal Auditing | Assist the Board of Directors, CEO, and management in the examination and assessment for the internal control system, measure the efficiency and effectiveness of operations, and provide timely proposals for improvement as the basis for amendment on the internal control systems so as to ensure its sustainable and effective operation. |
| Human Resources Management | Human Resources management and development. |
| Office Management | Control the whole administrative management such as the Company's administration & general affairs, and safety & hygiene. |

3.2 Information on the Company's Directors, Supervisors, General Managers, Vice Presidents, Deputy Managers and Heads of All the Company's Divisions and Branches

3.2.1 Information on Directors

April 12, 2022

| Title | Nationality | Name | Gender Age | Date Elected | Term of Office | Date of First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Academic Qualifications & Major Experience | Other Position | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | Remark |
|----------|----------------|------------------------------|------------------------|-----------------|----------------------|-----------------------------|------------------------------|-------|-------------------------|-------|-----------------------------------|----|---|----|--|--|--|------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | |
| Chairman | U.S.A., R.O.C. | Kinying Kwan | Male 61~70 Years | 06/21/ 2019 | 3 | 02/27/ 2003 | 680,000 | 1.13% | 431,000 | 0.60% | 0 | 0% | 0 | 0% | Academic Qualifications: <ul style="list-style-type: none"> ■ B.S. in Electronic Engineering, University of Illinois, U.S. Work Experience: <ul style="list-style-type: none"> ■ CEO of the Company ■ Founder of Altius Solutions | <ul style="list-style-type: none"> ■ Director of the Company's subsidiary in Taiwan ■ Director of the Company's subsidiary in Japan ■ Director of the Company's subsidiary in U.S. ■ Director of the Company's subsidiary in Hong Kong | None | None | None |
| Director | U.S.A., R.O.C. | Johnny Shyang-Lin Shen | Male 41~50 Years | 06/21/ 2019 | 3 | 05/18/ 2011 | 1,041,652 | 1.73% | 1,441,652 | 2.02% | 0 | 0% | 0 | 0% | Academic Qualifications: <ul style="list-style-type: none"> ■ B.S. in Electronic Engineering, University of California, Los Angeles, U.S. Work Experience: <ul style="list-style-type: none"> ■ COO of the Company ■ GM of China Business Unit and VP of SoC Design Div. of the Company | <ul style="list-style-type: none"> ■ GM of the Company's subsidiary in Taiwan ■ Managerial Officer of the Company's branch in Taiwan ■ Supervisor of the Company's sub-subsubsidiary in Wuxi ■ Supervisor of the Company's sub-subsubsidiary in Hefei ■ Supervisor of the Company's sub-subsubsidiary in Jman ■ Supervisor of the Company's sub-subsubsidiary in Guangzhou | None | None | None |

| | | | | | | | | | | | | | | | | | |
|----------|--------|--|------------------------|----------------|---|----------------|---|----|---|---|---|----|---|----|---|------|------|
| Director | R.O.C. | Herbert Chang | Male 51-60 Years | 06/21/ 2019 | 3 | 04/09/ 2003 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | None | None | None |
| | | | | | | | | | | | | | | | <ul style="list-style-type: none"> ■ Director of Monolithic Power Systems, Inc. ■ Chairman of Cheng-Hsin Consultant, Co, Ltd. ■ Director of Trompy Co., Ltd ■ Director of TCERA CO., LTD. ■ Supervisor of Offerme2 Media Limited ■ Director of JINHER INFO CO., LTD. ■ Director (Legal Representative) /Chairman of Midastek ■ Microelectronics Inc. ■ Director (Legal Representative) of Moregeek ■ Entertainment, Inc. ■ Director of Yu2 Digital Entertainment Co., LTD ■ Chairman of Gutschsemi, Inc. ■ Director of vTradEx Information Technology (Shanghai) Co., Ltd ■ General Partner of GrowStar Partners Group Limited ■ Director of Moregeek Technology Holding, Inc. ■ Director of The News Lens Co., Ltd. ■ Director of Walden Greater China Ventures, Ltd. | | |
| | | Academic Qualifications: <ul style="list-style-type: none"> ■ M.S. in Management Science, National Chiao Tung University | | | | | | | | | | | | | | | |
| | | | | | | | | | | Work Experience: <ul style="list-style-type: none"> ■ General Manager of Muto Optronics Corporation | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | |
|-------------------------|--------|-------------------------|------------------------|----------------|---|----------------|--------|-------|---------|-------|---|----|---|----|---|----|---|---|------|------|
| Director | R.O.C. | Daniel Wang (Note 2) | Male 41~50 Years | 06/21/ 2019 | 3 | 06/21/ 2019 | 50,000 | 0.08% | 200,000 | 0.28% | 0 | 0% | 0 | 0% | 0 | 0% | Academic Qualifications: <ul style="list-style-type: none"> ■ MBA of Baruch College-The City University of New York, U.S. Work Experience: <ul style="list-style-type: none"> ■ Representative of Fubon Securities Co., Ltd. Shanghai Representative Office | <ul style="list-style-type: none"> ■ Director of Alchip's BVI incorporated subsidiary ■ Director of the Company's sub-subsiary in Wuxi ■ Director of the Company's sub-subsiary in Hefei ■ Director of the Company's sub-subsiary in Jinan ■ Director of the Company's sub-subsiary in Guangzhou | None | None |
| Independent Director | R.O.C. | Mao-Wei Hung | Male 61~70 Years | 11/05/ 2010 | 3 | 06/21/ 2019 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Academic Qualifications: <ul style="list-style-type: none"> ■ Ph.D., Finance, Northwestern University, U.S. ■ M.A., Economics, University of Wisconsin-Madison, U.S. ■ B.A., Economics, National Taiwan University Work Experience: <ul style="list-style-type: none"> ■ Professor, Department of International Business, National Taiwan University ■ Dean of College of Management, National Taiwan University ■ Chairman of Board, Taiwan Academy of Banking and Finance | <ul style="list-style-type: none"> ■ Professor, Department of International Business, National Taiwan University ■ Independent Director of Fubon Securities Co., Ltd. ■ Independent Director of Jih Sun Financial Holding Co., Ltd. ■ Independent Director of Jih Sun Securities Co., Ltd. | None | None |
| Independent Director | R.O.C. | Brian Chiang | Male 51~60 Years | 11/05/ 2010 | 3 | 06/21/ 2019 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Academic Qualifications: <ul style="list-style-type: none"> ■ M.S. in Business Administration, University of Southern California, U.S. Work Experience: <ul style="list-style-type: none"> ■ Managing Director of Walden International Taiwan Co., Ltd. | <ul style="list-style-type: none"> ■ Managing Director of Walden International Taiwan Co., Ltd. | None | None |

| | | | | | | | | | | | | | | | | | | | |
|----------------------|----------------------------|------------------------|----------------|---|----------------|----|----|----|----|----|----|----|----|----|---|------|------|------|------|
| Independent Director | U.S.A, R.O.C, Binfu Chuang | Male 71-80 Years | 06/21/ 2019 | 3 | 11/25/ 2010 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | Academic Qualifications: ■ M.S., Oregon State University, U.S. ■ B.S., National Chiao Tung University Work Experience: ■ Director and General Manager of Shanghai SynemOS Semiconductor Co., Ltd. | None | None | None | None |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |
| | | | | | | 0% | | | | | | | | | | | | | |

1. Professional qualifications of Directors and independence information of Independent Directors

April 12, 2022

| Criteria Name | Professional Qualification and Work Experience | Independence Criteria | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director |
|------------------|---|-----------------------|--|
| Kinying Kwan | Kinying Kwan holds a Bachelor's degree in Electronic Engineering in University of Illinois. He founded Altius Solutions in Silicon Valley, U.S. which was acquired with Simplex Solutions, a well-known EDA company. The company listed on the stock exchange in 2001. Then he founded Alchip Technologies in 2002 and brought his successful experience to Alchip. Kinying Kwan is not under any conditions defined in Article 30 of the Company Law. | Not applicable | 0 |
| Herbert Chang | Herbert Chang holds a Master degree in Management Science in National Chiao Tung University (It's called National Yang Ming Chiao Tung University since 2021). He has over 25 years investment experiences, with focus on companies in IC design, semiconductor, telecommunications, internet, hardware/ software, and other technology industries. Herbert Chang has led several portfolios listing in Taiwan and U.S. capital market and is/has been the board director of Taiwan/U.S.- listed technology companies. He had been the President of InveStar Capital Inc. from 1996 to 2015 and has been the general partner of GrowStar Partners Group Limited since 1998. Herbert Chang is not under any conditions defined in Article 30 of the Company Law. | Not applicable | 0 |

| | | | |
|------------------------|--|---|---|
| Johnny Shyang-Lin Shen | Johnny Shyang-Lin Shen has a Bachelor's degree in Electronic Engineering in University of California, Los Angeles. He has experiences in IC industry and management for over 25 years. He joined Alius Solutions which was set up by Mr. Kinying Kwan. Johnny Shyang-Lin Shen co-founded Alchip Technologies with Kinying Kwan in 2002 and was appointed as CEO of Alchip. He has excellent experience and abilities in operation, business, Finance and management in IC industry. Johnny Shyang-Lin Shen is not under any conditions defined in Article 30 of the Company Law. | Not applicable | 0 |
| Daniel Wang | Daniel Wang holds a MBA of Baruch College, The City University of New York and has a master degree in Information Management in California Polytechnic State University. He was a representative of Fubon Securities Co., Ltd. Shanghai Representative Office before he joined Alchip Technologies. With the experience as a profession, Daniel Wang has expertise in finance analysis, investment, investor relationship and management. Daniel Wang is not under any conditions defined in Article 30 of the Company Law. | Not applicable | 0 |
| Mao-Wei Hung | Mao-Wei Hung holds a B.A. in Economics in National Taiwan University, a M.A. in Economics in University of Wisconsin-Madison and a PhD in Finance, Northwestern University. He taught in Northwestern University and McGill University. He is a Chair Professor in National Taiwan University. He has expertise in finance, accounting and corporate governance. Hence, he supports corporate governance for Board, Audit Committee and Remuneration Committee. Mao-Wei Hung is not under any conditions defined in Article 30 of the Company Law. | Mao-Wei Hung is an independent director who is in compliance with the criteria for independence, not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives; not holding shares of the Company; not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years. | 3 |
| Brian Chiang | Brian Chiang holds a Master degree in Business Administration in University of Southern California. He was Marketing Director in New Idea Electronic Corporation. He is currently a Managing Director of Walden International Taiwan Co., Ltd. and in charge of business in electronic and semiconductor industry. With expertise in the field of corporate governance, finance and accounting, business and technology, Brian Chiang supports corporate governance for Board, Audit Committee and Remuneration Committee. Brian Chiang is not under any conditions defined in Article 30 of the Company Law. | Brian Chiang is an independent director who is in compliance with the criteria for independence, not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives; not holding shares of the Company; not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years. | 0 |
| Binfu Chuang | Binfu Chuang has a M.S. degree in Oregon State University. He worked as Director and General Manager of Shanghai SyncMOS Semiconductor Co., Ltd. in past years. Binfu Chuang focused on the management and strategy in Semiconductor industry for years. With expertise in the field of corporate | Binfu Chuang is an independent director who is in compliance with the criteria for independence, not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives; | 0 |

| | | |
|--|--|--|
| | <p>governance, business and technology, he supports corporate governance for Board, Audit Committee and Remuneration Committee. Binfu Chuang is not under any conditions defined in Article 30 of the Company Law.</p> | <p>not holding shares of the Company; not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.</p> |
|--|--|--|

2. Diversity and independence of Board

- (1) Diversity of Board: The Company has stated the diversification policy for composition of the Board members in Corporate Governance Best Practice Principles and adopted the policy. To achieve the better corporate governance, each Board member has his own specialized field and knowledge of industry. The Board of Directors shall possess the ability to make operational judgements, ability to perform accounting and financial analysis, ability to conduct management administration, ability to conduct crisis management, knowledge of the industry, an international market perspective, ability to lead and ability to make policy decisions. The Board consists of seven Directors, in which three of them are Independent Directors and two of them are employed by the Company (It is about 28.6%). There is no female in the Board of the Company currently. In order to achieve the goal of diversity, the female Board Director will be considered when the re-election of Board is taken for the gender equality. Two of Board Directors are in the age range 41~50. Others are over 50 years old. Please refer to II. The information of Board of Directors in Corporation Governance section for the Board Director's gender, professional qualification and experience..etc..
- (2) Independence of Board: The Board consists of seven Directors, in which three of them are Independent Directors (It is about 42.9%). A spousal relationship and a familial relationship within the second degree of kinship are not exist among the Independent Directors based on 3 and 4 in Article 26-3 of the Securities and Exchange Act. Independent Directors all comply with the relevant regulations which are set by Securities and Futures Bureau.

3.2.2 Inforamtion of General Managers, VPs, Deputy General Managers and Heads of All the Company's Divisions and Branches

April 12, 2022

| Title | Nationality | Name | Gender | Date of Inauguration | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Academic Qualifications & Major Experience | Position(s) Held Concurrently in any Other Company | With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer | | Remark |
|---------------------------|-----------------|-----------------------------|--------|----------------------|--------------|--------------------|-----------------------------|--------------------|-------------------------------------|--------------------|---|---|---|----------|--------|
| | | | | | Shares | Holding Percentage | Shares | Holding Percentage | Shares | Holding Percentage | | | Title | Relation | |
| CEO | U.S., R.O.C. | Johnny Shyang-Lin Shen | Male | 01/01/2010 | 1,441,652 | 2.02% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> ■ B.S. in Electronic Engineering, University of California , Los Angeles, U.S. Work experience: <ul style="list-style-type: none"> ■ COO of the Company ■ GM of China Business Unit and VP of SoC Design Div., the Company | <ul style="list-style-type: none"> ■ GM of the Company's subsidiary in Taiwan ■ Managerial Officer of the Company's branch in Taiwan ■ Supervisor of the Company's sub-subsiidiary in Wuxi ■ Supervisor of the Company's sub-subsiidiary in Hefei ■ Supervisor of the Company's sub-subsiidiary in Jinan ■ Supervisor of the Company's sub-subsiidiary in Guangzhou | None | None | |
| GM of China Business Unit | R.O.C. | Andy Lin | Male | 11/11/2016 | 219,167 | 0.31% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> ■ MBA, University of Oxford ■ B.S. in Business Administration, National Taiwan University Work experience: <ul style="list-style-type: none"> ■ VP of China Business Unit, the Company ■ Sales Manager of Logitech International S.A. | <ul style="list-style-type: none"> ■ Chairman and GM of the Company's sub-subsiidiary in Wuxi ■ Chairman and GM of the Company's sub-subsiidiary in Hefei ■ Chairman and GM of the Company's sub-subsiidiary in Jinan ■ Chairman and GM of the Company's sub-subsiidiary in Shanghai ■ Chairman and GM of the Company's sub-subsiidiary in Guangzhou | None | None | |
| GM of Japan Business Unit | Japan | Hiroyuuki Furuzono (Note 1) | Male | 2022/03/04 | 40,000 | 0.06% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> - B.S., Science and Engineering, Waseda University Work experience: <ul style="list-style-type: none"> - Deputy GM of the Company - SoC design engineer in Cadence | <ul style="list-style-type: none"> ■ Supervisor of the Company's subsidiary in Japan | None | None | |

| Title | Nationality | Name | Gender | Date of Inauguration | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Academic Qualifications & Major Experience | Position(s) Held Concurrently in any Other Company | With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer | | Remark |
|------------------------------|-------------|--------------|--------|----------------------|--------------|--------------------|-----------------------------|--------------------|-------------------------------------|--------------------|--|---|---|------|--------|
| | | | | | Shares | Holding Percentage | Shares | Holding Percentage | Shares | Holding Percentage | | | Title | Name | |
| Sr. VP of Design Engineering | R.O.C. | Leo Cheng | Male | 08/15/2012 | 52,026 | 0.07% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> M.S. in Electronic Engineering, University of Southern California, U.S. Work experience: <ul style="list-style-type: none"> Director, Design Engineering Div. of the Company | <ul style="list-style-type: none"> Director of the Company's sub-sub-sidiary in Wuxi Director of the Company's sub-sub-sidiary in Hefei Director of the Company's sub-sub-sidiary in Jinan Director of the Company's sub-sub-sidiary in Guangzhou | None | None | None |
| Sales VP | R.O.C. | Robert Chang | Male | 11/03/2017 | 113,750 | 0.16% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> B.S. in Business Administration, Soochow University Work experience: <ul style="list-style-type: none"> AP BU Director of the Company | None | None | None | None |
| CFO | R.O.C. | Daniel Wang | Male | 12/29/2011 | 113,000 | 0.16% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> MBA of Baruch College-The City University of New York, U.S. Work experience: <ul style="list-style-type: none"> Representative of Fubon Securities Co., Ltd. Shanghai Representative Office | <ul style="list-style-type: none"> Director of Alchip's BVI incorporated subsidiary Director of the Company's sub-sub-sidiary in Wuxi Director of the Company's sub-sub-sidiary in Hefei Director of the Company's sub-sub-sidiary in Jinan Director of the Company's sub-sub-sidiary in Guangzhou | None | None | None |
| Financial Controller | R.O.C. | Nancy Chan | Female | 09/18/2004 | 200,000 | 0.12% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> M.S. in Risk Management, University of Reading, U.K. B.S. in Accounting, National Taiwan University Work experience: <ul style="list-style-type: none"> Deputy Manager of Deloitte & Touche | <ul style="list-style-type: none"> Director of Alchip's BVI incorporated subsidiary | None | None | None |
| VP of Strategy Alliance | R.O.C. | Peter Teng | Male | 03/15/2019 | 91,005 | 0.13% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> B.S in Computer Science, University of Toronto Work experience: <ul style="list-style-type: none"> Sr. Director of Strategic Alliance of the Company | None | None | None | None |

| Title | Nationality | Name | Gender | Date of Inauguration | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Academic Qualifications & Major Experience | Position(s) Held Concurrently in any Other Company | With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer | | | Remark |
|--------------------------------|-------------|-----------------------------|--------|----------------------|--------------|--------------------|-----------------------------|--------------------|-------------------------------------|--------------------|--|--|---|------|----------|--------|
| | | | | | Shares | Holding Percentage | Shares | Holding Percentage | Shares | Holding Percentage | | | Title | Name | Relation | |
| Sr. VP of Business Development | R.O.C. | Dave Hwang (Note 2) | Male | 03/05/2021 | 150,000 | 0.21% | 0 | 0% | 0 | 0% | Academic qualifications: <ul style="list-style-type: none"> ■ Ph.D. in Materials Science and Engineering, North Carolina State ■ MS., Virginia Tech Work experience: <ul style="list-style-type: none"> ■ Senior Manager of TSMC Marketing and Business Development Division ■ Sales and Marketing Vice President of GUC | None | None | None | None | |
| GM of Japan Business Unit | Japan | Junichiro Hosaka (Note 3) | Male | - | - | - | - | - | - | - | - | - | - | - | - | - |
| GM of US Business Unit | Japan | Hiroyuki Nagashima (Note 4) | Male | - | - | - | - | - | - | - | - | - | - | - | - | - |

Note 1 : Mr. Hiroyuki Furuzono was promoted as the GM of Japan Business Unit on March 4, 2022.

Note 2 : Mr. Dave Hwang was promoted as the GM of US Business Unit on March 4, 2022.

Note 3 : Mr. Junichiro Hosaka stepped down as Executive on March 4, 2022.

Note 4 : Mr. Hiroyuki Nagashima stepped down as Executive on March 4, 2022.

3.2.3 Remuneration of Directors, Supervisors, General Managers and Vice Presidents in the most recent year

A. Remuneration of Directors

December 31, 2021; Unit : NT\$ thousand

| Title | Name | Director's Remuneration | | | | Total Remuneration (A+B+C+D) | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | Compensation Received by Directors Who are Also Employees | | | | Total Compensation (A+B+C+D+E+F+G) | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent company | |
|----------------------|------------------------|-------------------------|-------------------|--|----------------|------------------------------|---|---|-------------------|-----------------------------|--|------------------------------------|---|---|-------------|
| | | Base Compensation (A) | Severance Pay (B) | Compensation to Directors (C) (Note 1) | Allowances (D) | | | Salary, Bonuses and Allowances (E) | Severance Pay (F) | Employees' Compensation (G) | Companies in the consolidated financial statements | | | | The company |
| Chairman | Kinying Kwan | | | | | | | | | | | | | | |
| Director | Herbert Chang | | | | | | | | | | | | | | |
| Director | Johnny Shyang-Lin Shen | | | | | | | | | | | | | | |
| Director | Daniel Wang | 7,232 | - | 31,333 | 2,016 | 40,581 | 2.72% | | | | | | | | |
| Independent Director | Mao-Wei Hung | | | | | | | | | | | | | | |
| Independent Director | Brian Chiang | | | | | | | | | | | | | | |
| Independent Director | Binfu Chuang | | | | | | | | | | | | | | |

1. Please describe the policy, system, standard and structure of remuneration paid for Individual Director and also describe the relevance between the relevance between the responsibility, risk and engaged time of Individual Director...etc. and the amount of remuneration: The remuneration paid for directors of the Company is set aside no more than 2% of its annual profits as bonus to Directors according to the Memorandum and Articles of Association of the Company. The remuneration paid as allowances to Directors is approved by the Board and paid monthly.

2. Except the above table, the remuneration gained by the Directors of Company for the service provided to all companies is stated in financial report in the most recent year : None.

Note 1 : On March 4, 2022, the Board of the Company approved that compensation distribution to directors is NT\$31,333 thousand.

| Range of Remuneration | Name of Directors | | | | | |
|--|--|--|---|---|--|--|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | | Companies in the Consolidated Financial Statements | Companies in the Consolidated Financial Statements |
| | The Company | Companies in the Consolidated Financial Statements | The Company | Companies in the Consolidated Financial Statements | | |
| Under NT\$ 1,000,000 | - | - | - | - | - | - |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive) | - | - | - | - | - | - |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive) | - | - | - | - | - | - |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive) | Herbert Chang, Mao-Wei Hung, Brian Chiang, Binfu Chuang, Johnny Shyang-Lin Shen, Daniel Wang | Herbert Chang, Mao-Wei Hung, Brian Chiang, Binfu Chuang, Johnny Shyang-Lin Shen, Daniel Wang | Herbert Chang, Mao-Wei Hung, Brian Chiang, Binfu Chuang | Herbert Chang, Mao-Wei Hung, Brian Chiang, Binfu Chuang | | |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive) | - | - | - | - | - | - |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive) | Kinying Kwan | Kinying Kwan | Kinying Kwan | Kinying Kwan | Kinying Kwan | |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive) | - | - | - | - | - | - |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive) | - | - | - | Daniel Wang | Daniel Wang | |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive) | - | - | - | Johnny Shyang-Lin Shen | Johnny Shyang-Lin Shen | |
| Over NT\$100,000,000 | - | - | - | - | - | - |
| Total | 7 | 7 | 7 | 7 | 7 | 7 |

B. Remuneration to Supervisors: It is not applicable as the Company does not have supervisors.

C. Remuneration to General Managers and Vice Presidents

December 31, 2021; Unit : NT\$ thousand

| Title | Name | Salary(A) | | Severance Pay and Pensions (B) | | Bonuses and Allowance (C) | | Employees' Compensation (D) | | | | total compensation (A+B+C+D) | | Ratio of total compensation (A+B+C+D) to net income after tax(%) | | Compensation Received from Non-consolidated subsidiary | | |
|--------------------------------|-----------------------------|-------------|--|--------------------------------|--|---------------------------|--|-----------------------------|------|-------|-------------|--|-------------|--|--------|--|-----|--|
| | | The Company | Companies in the Consolidated Financial Statements | The Company | Companies in the Consolidated Financial Statements | The Company | Companies in the Consolidated Financial Statements | The Company | Cash | Stock | The Company | Companies in the Consolidated Financial Statements | The Company | 20.08% | 20.08% | | | |
| CEO | Johnny Shyang-Lin Shen | | | | | | | | | | | | | | | | | |
| GM of Japan Business Unit | Junichiro Hosaka (Note 1) | | | | | | | | | | | | | | | | | |
| GM of China Business Unit | Andy Lin | | | | | | | | | | | | | | | | | |
| GM of US Business Unit | Hiroyuki Nagashima (Note 2) | | | | | | | | | | | | | | | | | |
| Sr. VP of Design Engineering | Leo Cheng | 298,371 | 298,371 | 728 | 728 | - | - | | | | | | 299,099 | 299,099 | 20.08% | 20.08% | N/A | |
| Sales VP | Robert Chang | | | | | | | | | | | | | | | | | |
| CFO | Daniel Wang | | | | | | | | | | | | | | | | | |
| Financial Controller | Nancy Chan | | | | | | | | | | | | | | | | | |
| VP of Strategy Alliance | Peter Teng | | | | | | | | | | | | | | | | | |
| Sr. VP of Business Development | Dave Hwang (Note 3) | | | | | | | | | | | | | | | | | |

Note 1: Mr. Junichiro Hosaka stepped down as Executive on March 4, 2022.

Note 2: Mr. Hiroyuki Nagashima stepped down as Executive on March 4, 2022.

Note 3: Mr. Dave Hwang was promoted as the GM of US Business Unit on March 4, 2022.

Remuneration Scale Table

| Remuneration Scale to the Company's General Managers and VPs | Name of General Managers and VPs | |
|---|---|---|
| | The company | Companies in the Consolidated Financial Statements |
| Under NT\$ 1,000,000 | - | - |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive) | - | - |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive) | - | - |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive) | - | - |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive) | - | - |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive) | Junichiro Hosaka | Junichiro Hosaka |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive) | Hiroyuki Nagashima , Andy Lin, Nancy Chan, Peter Teng , Dave Hwang | Hiroyuki Nagashima , Andy Lin, Nancy Chan, Peter Teng , Dave Hwang |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive) | Daniel Wang , Robert Chang , Leo Cheng | Daniel Wang , Robert Chang , Leo Cheng |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive) | Johnny Shyang-Lin Shen | Johnny Shyang-Lin Shen |
| Over NT\$100,000,000 | - | - |
| Total | 10 | 10 |

D. Employees' bonus paid to Managerial Officers

December 31, 2021; Unit: NT\$ thousand

| | Title | Name | Stock Dividend(Note1) | Cash Dividend(Note1) | Total | Percentage of the Total Amount to the Net Income After Tax (%) |
|--------------------|--------------------------------|-----------------------------|-----------------------|----------------------|-------|--|
| Executive Officers | CEO | Johnny Shyang-Lin Shen | | | | |
| | GM of Japan Business Unit | Junichiro Hosaka (Note 1) | | | | |
| | GM of China | Andy Lin | | | | |
| | GM of US Business Unit | Hiroyuki Nagashima (Note 2) | | | | |
| | Sr. VP of Design Engineering | Leo Cheng | | | | |
| | Sales VP | Robert Chang | 0 | 0 | 0 | 0% |
| | CFO | Daniel Wang | | | | |
| | Financial Controller | Nancy Chan | | | | |
| | VP of Strategy Alliance | Peter Teng | | | | |
| | Sr. VP of Business Development | Dave Hwang (Note 3) | | | | |

Note 1: Mr. Junichiro Hosaka stepped down as Executive on March 4, 2022.

Note 2: Mr. Hiroyuki Nagashima stepped down as Executive on March 4, 2022.

Note 3: Mr. Dave Hwang was promoted as the GM of US Business Unit on March 4, 2022.

3.2.4 Comparison of the remunerations to Directors, General Managers, and VPs in proportion to the net income after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, packages, procedures for determining remunerations and correlation with business performance and future risks

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent years to Directors, General Managers, and VPs of the Company to the net income

| Title | Ratio of the Total Remuneration Amount to the Net Income After Tax (%) | | | |
|--------------|--|--|-------------|--|
| | 2020 | | 2021 | |
| | The Company | Companies in the Consolidated Financial Statements | The Company | Companies in the Consolidated Financial Statements |
| Directors | 4.04% | 4.04% | 2.72% | 2.72% |
| GMs, and VPs | 18.98% | 18.98% | 20.08% | 20.08% |

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance

- (1) Remuneration to Directors are determined by the position at the Company, participation and contribution.
- (2) Remuneration to General Managers and VPs are determined according to the Company's regulations and HR policies, while taking into account each individual's position, performance and contribution, and industry standards.
- (3) Correlation between the business performance and future risk exposure

We have established a Remuneration Committee to pay remuneration to directors and managerial officers (including president and vice president). Remuneration is determined by the Remuneration Committee based on the individual's education and experience, the general pay levels in the industry, the individual's degree of contribution to the Company and operational performance, while taking into account the operational risks, transaction risks and financial risks that the Company may face in the future and in accordance with the relevant management regulations. The Remuneration Committee meets at least once a year to review the performance assessment of the directors and managerial officers as well as the remuneration policy, system, standards and structure of the remuneration. The Remuneration Committee assesses and determines remuneration for directors and managerial officers and propose recommendations on assessment results, which are submitted to the Board meeting for discussion. Therefore, there are no significant future risks.

3.3 Implementation Status of Corporate Governance

3.3.1 Operations of the Board

A total of nine (A) meetings of the Board of Directors were held in 2021 and the current year up to the date of publication of the annual report with their attendance shown as follows.

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) 【B/A】 | Remarks |
|----------------------|------------------------|--------------------------|----------|---------------------------|---------|
| Chairman | Kinying Kwan | 9 | 0 | 100% | |
| Director | Herbert Chang | 9 | 0 | 100% | |
| Director | Johnny Shyang-Lin Shen | 9 | 0 | 100% | |
| Director | Daniel Wang | 9 | 0 | 100% | |
| Independent Director | Mao-Wei Hung | 9 | 0 | 100% | |
| Independent Director | Brian Chiang | 9 | 0 | 100% | |
| Independent Director | Binfu Chuang | 9 | 0 | 100% | |

Other mentionable items :

1. The operation of the Board with any of the following conditions, the date of Board meeting, term, agenda items, all opinions of Independent Directors, and how the company handles opinions of Independent Directors should be stated clearly :

(1) For matters specified in Article 14-3 of the Securities Exchange Act.

| Date of Board meeting | Term | Agenda items | Opinions of from Independent Directors | The Company's Conduct for the opinions of Independent Directors |
|-----------------------|-----------------------------|---|--|---|
| 03/05/2021 | The 1 st in 2021 | <ul style="list-style-type: none"> The bonus scheme for the employees and Directors for the year of 2020 was approved. The amendments to the "Memorandum and Articles of Association of the Company" was approved. The remuneration packages for the senior managers (executives) for the year of 2021 was approved. The grant list of 2020 Employee Stock Option Plan was approved. 2021 Employee Stock Option Plan was approved. | None | None |

| | | | | |
|------------|-----------------------------|--|------|------|
| | | <ul style="list-style-type: none"> The prohibition on Directors to be released from Participation in Competitive Business was approved and adopted. | | |
| 05/10/2021 | The 3 rd in 2021 | <ul style="list-style-type: none"> The change of the entity for the Investment of ASICLAND Co., Ltd. was approved. The subsequently ratification for the amendments of 2021 Employee Stock Option Plan was approved. The grant list of 2021 Employee Stock Option Plan was approved. | None | None |
| 08/20/2021 | The 5 th in 2021 | <ul style="list-style-type: none"> The grant list of 2021 Employee Stock Option Plan was approved. The capital increase to the subsidiary in Guangzhou was approved. The establishment of a subsidiary through the subsidiary in Guangzhou was approved. | None | None |
| 10/14/2021 | The 6 th in 2021 | <ul style="list-style-type: none"> The Investment of Uniconn Interconnections Technology Co., Ltd. was approved. | None | None |
| 10/29/2021 | The 7 th in 2021 | <ul style="list-style-type: none"> The change of Certified Public Accountant was approved. The evaluation and appointment of Certified Public Accountant was approved. The grant list of 2021 Employee Stock Option was approved. | None | None |
| 12/10/2021 | The 8 th in 2021 | <ul style="list-style-type: none"> The investment of Kun Qiao (Suzhou) Semiconductor Industry Equity Investment Fund II (Limited Partnership) was approved. The investment of ACHI CAPITAL PARTNERS FUND LP was approved. The establishment of a subsidiary in Chongqing through the subsidiary in Shanghai was approved. | None | None |
| 03/04/2022 | The 1 st in 2022 | <ul style="list-style-type: none"> The bonus scheme for the employees and Directors for the year of 2021 was approved. The change of the entity for the investment of Uniconn | None | None |

| | | | | | |
|--|--|--|---|--|--|
| | | | <p>Interconnections Technology Co., Ltd. was approved.</p> <ul style="list-style-type: none"> • The change of the fund using plan for the issuance of common shares on January 13, 2021 for participating in issuance of GDR • The monthly remuneration scheme for the Directors for the year of 2022 attached was approved. • The grant list of 2021 Employee Stock Option Plan was approved. • The amendments to the “Guideline for Acquisition and Disposal of Assets” was approved. • The election of seven newly Directors (including three Independent Directors) at the upcoming Annual General Meeting was approved. • The prohibition on newly Directors elected at the Annual General Meeting to be released from the participation in competitive business was approved. | | |
|--|--|--|---|--|--|

(2) Except the former item, other Board resolutions where Independent Directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing.

2. If there are Directors’ avoidance of motions in conflict of interest, the Directors’ names, contents of motion, causes for avoidance and voting should be specified : Director, Johnny Shyang-Lin Shen and Director, Daniel Wang did not participate in the meeting of the Board of Directors held on March 5, 2021 and March 4, 2022 for discussion and voting on bonuses paid to Executives due to avoidance of conflict of interest.

3. The information of the Evaluation cycles, evaluation periods, scope and method of evaluation for the Self-evaluation(or Peer evaluation) of the Board of Directors:

| Evaluation cycles | Evaluation periods | Scope of Evaluation | Method of Evaluation | Content of Evaluation |
|-------------------|---------------------|---------------------------------|---|--|
| Once a year | 1/1/2021~12/31/2021 | The Board and each board member | The evaluation of the board as a whole and the Self-evaluation of Board members | The evaluation was completed by the end of first quarter of 2022. The criteria for the evaluation of the board as a whole covers Participation in the operation of the company; Improvement of the quality of the board of directors' decision making; Composition and structure of the board of directors; Election and continuing education of the directors; and Internal |

| | | | | | |
|--|--|--|--|--|---|
| | | | | | control. Moreover, the criteria for the self-evaluation of board members covers Alignment of the goals and missions of the company; Awareness of the duties of a director; Participation in the operation of the company; Management of internal relationship and communication; The director's professionalism and continuing education; and Internal control. The results for the evaluations are both between 5 (Strongly agree) and 4 (Agree). The board members all agree the operation of board was good. |
|--|--|--|--|--|---|

4. Measures taken to strengthen the functions of the Board (such as the establishment of audit committee,enhancement on information transparency) during the current year and past year and evaluation of measures :

The Audit Committee and Remuneration Committee were established on Oct. 29, 2010 and May 18, 2011 respectively and have assisted the Board in fulfilling its responsibilities in accordance with the Audit Committee Charter and Remuneration Committee Charter.

In order to improve the operation efficiency of the board of directors, we have established “Regulations Governing the Board Performance Evaluation” in March 6, 2020 to enhance the company’s board functions.

5. The attendance of Independent Directors

◎:Attend in Person; ☆:Proxy; * :Absent

| Term Name | The 1 st in 2021 | The 2 nd in 2021 | The 3 rd in 2021 | The 4 th in 2021 | The 5 th in 2021 | The 6 th in 2021 | The 7 th in 2021 | The 8 th in 2021 | The 1 st in 2022 |
|--------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Mao-Wei Hung | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Brian Chiang | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Binfu Chuang | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |

3.3.2 Operation of Audit Committee

A total of seven (A) Audit Committee meetings were held in 2021 and the current year up to the date of publication of the annual report. Records of attendance by independent directors are shown as follows :

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) 【 B/A 】 | Remarks |
|----------------------|--------------|--------------------------|----------|-----------------------------|---------|
| Independent Director | Mao-Wei Hung | 7 | 0 | 100% | |
| Independent Director | Brian Chiang | 7 | 0 | 100% | |
| Independent Director | Binfu Chuang | 7 | 0 | 100% | |

Other mentionable items :

1. The main function of the Committee is to supervise the following matters :

- (1)The reliability and integrity of the financial report of the Company.
- (2)Appointment(and dismissal), independence and performance of certified public accountants of the Company.
- (3)The effective implementation of the internal control system of the Company.
- (4)Compliance with relevant laws and regulations of the Company.
- (5)Management of the existing or potential risks of the Company.

2.The operation of the Audit Committee with any of the following conditions, the dates of Audit Committee, sessions, contents of motion, the content of objection, reservation or major suggestion provided by Independent Director, resolutions of the Audit Committee and the company's response to the Audit Committee's opinion should be specified :

(1) For matters specified in Article 14-5 of the Securities and Exchange Act.

| Date of Audit Committee | Term | Contents of Motion | Content of objection, reservation or major suggestion provided by Independent Director | Resolutions of Audit Committee | The conduct of the Company for the comments from Audit Committee |
|-------------------------|-----------------------------|--|--|--|--|
| 03/05/2021 | The 1 st in 2021 | <ul style="list-style-type: none"> • The consolidated financial statement for the year ended December 31, 2020 of the Company was approved • The proposal of 2020 Dividend Distribution was approved. • The business report of 2020 was approved. • The Internal Control System Statement for the year ended December 31, 2020 of the Company was approved. • 2021 Employee Stock Option Plan was approved. | None. | They were approved by Audit Committee. | None. |
| 05/10/2021 | The 2 nd in 2021 | <ul style="list-style-type: none"> • The consolidated financial statements for the period ended March 31, 2021 of the Company was approved. | None. | They were approved by Audit Committee. | None. |

| | | | | | |
|------------|-----------------------------|---|-------|--|-------|
| | | <ul style="list-style-type: none"> The change of the entity for the Investment of ASICLAND Co., Ltd. was approved. | | | |
| 08/20/2021 | The 3 rd in 2021 | <ul style="list-style-type: none"> The consolidated financial statement for the year ended June 30, 2021 of the Company was approved. The grant list of 2021 Employee Stock Option Plan was approved. The capital increase to the subsidiary in Guangzhou was approved. The establishment of a subsidiary through the subsidiary in Guangzhou was approved. | None. | It was approved by Audit Committee. | None. |
| 10/14/2021 | The 4 th in 2021 | <ul style="list-style-type: none"> The Investment of Uniconn Interconnections Technology Co., Ltd. was approved. | None. | They were approved by Audit Committee. | None. |
| 10/29/2021 | The 5 th in 2021 | <ul style="list-style-type: none"> The change of Certified Public Accountant was approved. The evaluation and appointment of Certified Public Accountant was approved. The consolidated financial statement for the period ended September 30, 2021 of the Company was approved. The 2022 Audit Plan of the Company was approved. The grant list of 2021 Employee Stock Option was approved. | None. | They were approved by Audit Committee. | None. |

| | | | | | |
|------------|-----------------------------|--|-------|--|-------|
| 12/10/2021 | The 6 th in 2021 | <ul style="list-style-type: none"> • The investment of Kun Qiao (Suzhou) Semiconductor Industry Equity Investment Fund II (Limited Partnership) was approved. • The investment of ACHI CAPITAL PARTNERS FUND LP was approved. • The establishment of a subsidiary in Chongqing through the subsidiary in Shanghai was approved. | None. | They were approved by Audit Committee. | None. |
| 03/04/2021 | The 1 st in 2022 | <ul style="list-style-type: none"> • The consolidated financial statement for the year ended December 31, 2021 of the Company was approved • The proposal of 2021 Dividend Distribution was approved. • The business report of 2021 was approved. • The Internal Control System Statement for the year ended December 31, 2021 of the Company was approved. • The change of the entity for the investment of Uniconn Interconnections Technology Co., Ltd. was approved. • The change of the fund using plan for the issuance of common shares for participating in issuance of GDR offering approved by the Financial | None. | They were approved by Audit Committee. | None. |

| | | | | | |
|--|--|--|--|--|--|
| | | <p>Supervisory Commission on January 13, 2021.</p> <ul style="list-style-type: none"> • The grant list of 2021 Employee Stock Option Plan was approved. • The amendments to the “Guideline for Acquisition and Disposal of Assets” was approved. | | | |
|--|--|--|--|--|--|

(2) Except the former item, other resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors : None.

3. If there are Independent Directors’ avoidance of motions in conflict of interest, the Directors’ names, contents of motion, causes for avoidance and voting should be specified : None.

4. Communication between Independent Directors and Internal Auditors and Accounts (including major items, methods, and results that were communicated concerning the company’s financial and business situations) :

The Internal Auditor submits the Internal Audit Report to each Independent Director monthly for review and reports in Board meeting quarterly for the audit operations and the implementation status. If there are any special circumstances, the Internal Auditors will immediately notify the audit committee.

| Date | Communication material | Result of Communication |
|-------------------------------------|------------------------|--|
| March 5, 2021 Audit Committee | 2020 Q4 Audit report | The communication between Independent Director and Internal Auditor is well. |
| May 10, 2021 Audit Committee | 2021 Q1 Audit report | The communication between Independent Director and Internal Auditor is well. |
| August 20, 2021 Audit Committee | 2021 Q2 Audit report | The communication between Independent Director and Internal Auditor is well. |
| October 29, 2021 Audit Committee | 2021 Q3 Audit report | The communication between Independent Director and Internal Auditor is well. |
| March 4, 2022 Audit Committee | 2021 Q4 Audit report | The communication between Independent Director and Internal Auditor is well. |

The Company’s Certified Public Accountant reported the audit results on 2020 financial statements and other communication matters required by relevant laws and regulations in the meeting of the audit committee on March 4, 2022. The communication between the Audit Committee and the CPAs has been good.

| Date | Communication material | Result of Communication |
|---------------|---|--|
| March 5, 2021 | <p>1. Reported the audit result for 2020 financial statements and had discussion for the adoption of accounting principal and the influence of the updated regulations.</p> <p>2. Reported the Internal audit result.</p> | The communication between Independent Directors and CPAs was well. |

| | | |
|---------------|--|--|
| March 4, 2022 | 1. Reported the audit result for 2021 financial statements and had discussion for the adoption of accounting principal and the influence of the updated regulations. 2. Reported the Internal audit result. | The communication between Independent Directors and CPAs was well. |
|---------------|--|--|

3.3.3 Corporate governance implementation status and deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reason for any such deviation

| Item | Implementation Status | | Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| I. Does the company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”? | V | | No material difference. |
| II. Shareholding Structure & Shareholders’ rights | | | |
| 1. Does the company have an Internal Operation procedures for appropriate handling shareholders’ suggestions, inquiries, disputes and litigation matters, and implement them in accordance with the procedures? | V | | No material difference. |
| 2. Does the company possess a list of major shareholders and beneficial owner of these major shareholders? | V | | No material difference. |
| 3. Has the company built and executed a risk management system and firewall between and the Company and its affiliates? | V | | No material difference. |

| Item | Implementation Status | | Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|-----------------------|---|--|
| | Yes | No | |
| 4. Has the company establish internal rules prohibiting insiders trading on undisclosed information? | V | <p>risk control and firewalls mechanism through the internal audit system.</p> <p>4. The Company has formulated the “Procedures for Internal Material Information Handling and the Prevention of Insider Trading” and regularly provided training or relevant information on this issue to the insiders.</p> | No material difference. |
| <p>III. Composition and Responsibilities of the Board of Directors</p> <p>1. Has the Board established a diversification policy, the specific management goals and has it been implemented accordingly?</p> | V | <p>1. The Board consists of seven directors, in which three of them are Independent Directors as adopted in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. The Company has stated the diversification policy for composition of the Board members in Corporate Governance Best Practice Principles and adopted the policy. To achieve the better corporate governance, each Board member has his own specialized field and knowledge of industry. The specific goal for the diversification policy on the Board members of the Company and the achievement in 2021 are stated below. (1) Basic requirements and values: The board members are all Taiwanese, and three of them are also U.S. citizen. There is no female in the board of the Company currently. In order to achieve the goal of diversity, the female board director will be considered when the re-election of board is taken for the gender equality. (2) Professional knowledge and skills: It will be the best practice when the board members have the financial,</p> | No material difference. |

| Item | Implementation Status | | Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|------------|--|---|---------|-------------------|--|--|--|--|--|-------------|------------|------------|----------|---------|--|--------------|---------------|---|---|---|--|--|---------------|-------|---|---|---|--|--|------------------------|---------------|---|---|---|--|--|-------------|-------|---|---|---|---|--|--------------|-------|---|---|--|---|--|--------------|-------|---|---|---|--|--|--------------|---------------|---|
| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>2. Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?</p> <p>3. Does the company establish methodology for evaluating the performance of its Board Directors, on an annual basis and submit the results of performance</p> | V | V | <p>The Company has not set up other various functional committees.</p> <p>No material difference.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | <p>accounting, management and industry background. The board members of the Company all have the required professional knowledge and skills. The items of diversity in the board members of the Company are shown as follows:</p> <p>The industry experience and professional distribution of the directors are shown as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="6">Item of Diversity</th> </tr> <tr> <th>Nationality</th> <th>Management</th> <th>Leadership</th> <th>Industry</th> <th>Finance</th> <th></th> </tr> </thead> <tbody> <tr> <td>Kinying Kwan</td> <td>U.S.A 、 R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Herbert Chang</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Johnny Shyang-Lin Shen</td> <td>U.S.A 、 R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Daniel Wang</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>Mao-Wei Hung</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td></td> <td>√</td> <td></td> </tr> <tr> <td>Brian Chiang</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Binfu Chuang</td> <td>U.S.A 、 R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> <td></td> </tr> </tbody> </table> <p>2.Other various functional committees have not been set up under the law by the Company in addition to the remuneration committee and audit committee.</p> <p>3.The Board of the Company always conducts the matters in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”.Moreover, the</p> | Name | Item of Diversity | | | | | | Nationality | Management | Leadership | Industry | Finance | | Kinying Kwan | U.S.A 、 R.O.C | √ | √ | √ | | | Herbert Chang | R.O.C | √ | √ | √ | | | Johnny Shyang-Lin Shen | U.S.A 、 R.O.C | √ | √ | √ | | | Daniel Wang | R.O.C | √ | √ | √ | √ | | Mao-Wei Hung | R.O.C | √ | √ | | √ | | Brian Chiang | R.O.C | √ | √ | √ | | | Binfu Chuang | U.S.A 、 R.O.C | √ |
| Name | Item of Diversity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Nationality | Management | Leadership | Industry | Finance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Kinying Kwan | U.S.A 、 R.O.C | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Herbert Chang | R.O.C | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Johnny Shyang-Lin Shen | U.S.A 、 R.O.C | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Daniel Wang | R.O.C | √ | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mao-Wei Hung | R.O.C | √ | √ | | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Brian Chiang | R.O.C | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Binfu Chuang | U.S.A 、 R.O.C | √ | √ | √ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Implementation Status | | Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| assessments to the Board of Directors and use them as reference in determining compensation for individual Directors, their nomination and additional office term.? | | | |
| 4. Does the company regularly evaluate its independence of CPAs? | V | | No material difference. |
| IV. Does the company an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handle matters relating to board meetings and shareholders meetings according to laws)? | V | | No material difference. |
| V. Has the company established a means of communicating with its stakeholders (including but not | V | | No material difference. |

| Item | Implementation Status | | Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|
| | Yes | No | |
| limited to shareholders, employees, customers and suppliers) or created a Stakeholders Section on its company website? Does the company respond to stakeholders’ questions on corporate responsibilities? | | | |
| VI.Has the company appointed a professional registrar for its Shareholders’ meetings? | V | | No material difference. |
| VII.Information disclosure 1. Has the company set up a website to disclose information regarding its finances, operations, and corporate governance status? | V | | No material difference. |
| 2. Does the company use other information disclosure channels (e.g. maintaining an English-language website, assigning staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? | V | | No material difference. |
| 3. Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline? | | V | The Company has no plan to early publish annual financial report as well as report operating status. |
| VIII.Does the company have other information that would help better understand the Company’s implementation of corporate governance? (including but not limited to employee rights and benefits, employees caring, investor relations, supplier relationship, the rights of related parties, continuing education for directors and | V | | No material difference. |

| Item | Implementation Status | | Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|---|--|
| | Yes | No | |
| <p>supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance purchased by the Company directors and supervisors)?</p> | | <p>2. In accordance with applicable public company rules, the Company discloses the Company’s business operations and financial status for investors, and maintains investor relations by properly dealing with inquiries from investors.</p> <p>3. The Company arranges the training institutions specified by the competent authority to provide further training for Directors every year.</p> <p>4. The Company annually purchases D&O Insurance for Directors and Independent Directors to reduce risks.</p> | |
| <p>IX. In terms of the corporate governance evaluation results which has been disclosed by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, describe the improved items and present the actions and amendment for unimproved items.</p> <p>1. Improved items : The Company has disclosed the English version of Material information on MOPS simultaneously from Year 2021.</p> <p>2. Remedy for unimproved items : The Company will conducts performance evaluation of Remuneration Committee and the Audit Committee in accordance with “the Regulations Governing the Board Performance Evaluation” every year.</p> | | | |

3.3.4 Composition, responsibilities and operations of the Remuneration Committee shall be disclosed if the company has a Remuneration Committee in place

The purpose of the Company's compensation committee is to assist the Board of Directors in implementation and evaluation of the Company's overall compensation and benefits policies and remuneration to managerial officers.

A. Information on members of Remuneration Committee

| Identity | Criteria | Professional Qualifications and Work Experience | Independence Criteria | Number of Other Taiwanese Public Companies Concurrently Serving as a Member of the Remuneration Committee | Remarks |
|------------------|--------------|--|--|---|----------|
| | Name | | | | |
| Convener | Mao-Wei Hung | The Committee consists of three independent directors. Please refer to page 12~13 for their professional qualification and work experience | Please refer to page 12~13 in this report. | 3 | (Note 1) |
| Committee Member | Brian Chiang | | | 0 | |
| Committee Member | Binfu Chuang | | | 0 | |

Note 1 : The Committee shall faithfully perform the following duties and present its recommendations to the board of directors for discussion.

- (1) Periodically reviewing this Charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the annual and long-term performance goals for the directors, supervisors, and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.
- (3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, and setting the types and amounts of their individual compensation.

B. Operations of the Remuneration Committee

- (1) The Company's remuneration committee consists of three members.
- (2) The members' term of office for this session : From June 21, 2019 to June 20, 2022. Mr. Mao-Wei Hung, the remuneration committee chair convened the regular meeting twice in Year 2021. The records of attendance of members are shown as follows :

| Title | Name | Attendance in Person(B) | By Proxy | Actual Attendance Rate (%) (B/A)(Note) | Remarks |
|--|--------------|-------------------------|----------|--|---------|
| Convener | Mao-Wei Hung | 2 | 0 | 100% | |
| Committee Member | Brian Chiang | 2 | 0 | 100% | |
| Committee Member | Binfu Chuang | 2 | 0 | 100% | |
| Other mentionable items : | | | | | |
| 1. The resolutions of Remuneration Committee : | | | | | |

| The date of Remuneration Committee | The Committee | Motions | Resolutions | The conduct of the Company for the comments from Audit Committee |
|------------------------------------|-----------------------------|---|--|---|
| 03/05/2021 | The 1 st in 2021 | <ul style="list-style-type: none"> • The bonus scheme for the employees and directors for the year of 2020. • The remuneration packages for the senior managers (executives) for the year of 2021. • The monthly remuneration scheme for the Directors for the year of 2021. • The grant list of 2020 Employee Stock Option Plan. | They were approved by Remuneration Committee | They were all submitted to Board and approved by Directors of Board |
| 05/10/2021 | The 2 nd in 2021 | The grant list of 2021 Employee Stock Option Plan. | It was approved by Remuneration Committee | It was submitted to Board and approved by Directors of Board |

2. If the Board of Directors declines to adopt, or modifies a recommendation of the remuneration committee, the date of board meeting, term, agenda items, results of resolutions of the remuneration committee, and how the company handles opinions of the remuneration committee should be stated clearly (If the remuneration approved by the Board of Directors is better than the recommendation of the remuneration committee, the difference and the reason should be stated clearly.) : No such situation occurred.
3. If resolutions of the remuneration committee are objected by members or become subject to a qualified opinion, which have been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinion should be specified : No such situation occurred.

3.3.5 Sustainable Development and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Systems and measures that the company has adopted with respect to environmental protection, community participation, contributions to society, services to society, social and public interests, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the state of implementation.

| Item | Status of Implementation | | Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|--------------------------|----|---|
| | Yes | No | |
| I. Does the company establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development, have top management be authorized to handle it by the Board of Directors, and to report to the Board of Directors on a periodic basis? | V | V | The company has not established an unit to be in charge of proposing and enforcing the sustainable development yet. |
| II. Does the company, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance? | V | | No material difference. |

| Item | Status of Implementatiocn | | Deviations from the“Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, and Reasons |
|---|---------------------------|----|---|
| | Yes | No | |
| | | | |
| | | | |
| III. Environmental issues | | | |
| 1. Does the company establish a proper environment management system based on the characteristics of its industry? | V | | No material difference. |
| 2. Does the company endeavor to raise energy efficiency and use renewable materials that have a low impact on the environment? | V | | No material difference. |
| 3. Does the company evaluate the climate change on its the profencial risk and chance for now and future and take action which is related to the issues of climate? | V | | No material difference. |
| 4. Does the company count the emissions of greenhouse-gas, water consumption and total weight of wastewater in the past two years and set the policies for energy | V | | No material difference. |

| Item | Status of Implementatioon | | Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|---|---|---|
| | Yes | No | |
| conservation and carbon reduction, greenhouse-gas reduction and water or other waste management? | | | |
| <p>IV. Social issues</p> <p>1. Does the company adopt relevant management policies and processes in compliance with relevant laws and regulations, and the International Bill of Human Rights?</p> <p>2. Does the company set and implement a reasonable employee benefit plan(including remuneration, leaves and other benefits) and reflect the corporate business performance or achievements in the employee remuneration?</p> <p>3. Does the company provide safe and healthful work environments for its employees, organize training on safety, and health for its employees on a regular basis?</p> <p>4. Does the company establish effective training programs to foster career skills for its employees?</p> <p>5. Does the company follow relevant laws, regulations, and international guidelines for the customer’s health and safety, customer’s privacy, marketing and labeling of its products and services and also establish relevant policies on consumer rights and interests and procedure for accepting consumer complaints?</p> <p>6. Does the company establish the supplier Management Policy for asking the suppliers to follow the relevant regulations and practice in the issues of environmental</p> | <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p> | <p>keep an eye on carbon reduction and other waste management, and plan to have 3% of carbon reduction per head by 2030.</p> <p>1. The Company deals with matters related to employee benefits and formulates management procedures in accordance with relevant labor laws where subsidiaries are located to protect legitimate rights and interests of employees.</p> <p>2. The Company has set and implemented a employee benefit plan and issued profit sharing to employees in accordance with the regulations of dividend distribution of the company.</p> <p>3. The Company provides safe and healthful work environments for our employees, conducts health examination, and organizes training on safety of working environment on a regular basis to prevent occupational accidents.</p> <p>4. The Company’s HR departments are in charge of career planning and implementation of the relevant training based on each employee’s job attributes and skills.</p> <p>5. The Company’s unit of Quality System has established “Procedures for Customer Satisfaction and Complaint” and set an avenue for complaint at the Stakeholders Section on the Company website to protect consumer rights and interests.</p> <p>6. The Company assesses whether there is any record of a supplier’s impact on the environmental protection, occupational safety and health or Labor rights and has included such record in the supplier</p> | <p>No material difference.</p> <p>No material difference.</p> <p>No material difference.</p> <p>No material difference.</p> <p>No material difference.</p> <p>No material difference.</p> |

| Item | Status of Implementation | | Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|--------------------------|----|---|
| | Yes | No | |
| protection, occupational safety and health or Labor rights? | | | assessment. If the supplier violates the related regulations, the Company will give a warning and ask for improvement within a limited period of time, and those who are in serious circumstances will no longer cooperate. |
| V. Does the company prepare the Corporate Sustainability Report and disclose non-financial information by referring to the internationally-used governing preparation or guide ? Has the report disclosed been assured, verified or certified by a third party. | | V | The Company does not prepare the Corporate Sustainability Report. |
| VI. If the company promulgates its own corporate social responsibility principles in accordance with the “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” , please state clearly the discrepancy in the operation thereof and the principles : The Company has established the “Sustainable Development Best Practice Principles” and followed such principles to handle relevant matters on the Company’s sustainable development. | | | The Company deals with corporate sustainability related matters based on the “Sustainable Development Best Practice Principles” . |
| VII. Other significant information which would help better understand the implementation of Sustainable Development (such as environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the state of implementation. (1) The Company received Green Partner certification from a world-class company in 2008 as its partner in green supply chain. The Company continues to make efforts to provide excellent quality of environmentally friendly products and fulfills environmental responsibility as a citizen of the world. (2) The Company launches fundraising activities and donations of materials from time to time for socially disadvantaged minorities and objects affected. | | | |

3.3.6 Implementation of Ethical Corporate Management and Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons : The Company has formulated the “Operational Procedures and Guidelines for Ethical Management” to foster a corporate culture of ethical management and sound development and offer to establish good commercial practices, and follow them to handle relevant matters

| Item | Status of Implementation | | Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons |
|--|--------------------------|----|--|
| | Yes | No | |
| <p>I. Establishment of ethical corporate management policies and programs</p> <p>1. Does the company set the ethical management policy which has approved by the Board and clearly specify the ethical management policies, action in the rules and external documents of the Company and the commitment by the Board of Directors and Executives for implementing the policies actively?</p> <p>2. Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within the business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs and also adopt preventive measures which are at least included any matter set forth in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook”?</p> <p>3. Does the company set implementation procedures, guidelines, consequence of violation and complaint procedures in relevant policies which are duly enforced to prevent unethical conduct?</p> | V | V | <p>No material difference.</p> <p>The Company has not set a risk assessment mechanism against unethical conduct.</p> <p>No material difference.</p> |
| | V | V | <p>1. The Company has established the “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and disclosed the Company’s ethical corporate management policies in internal rules, annual reports, company website, or other propaganda.</p> <p>2. The Company has not set a risk assessment mechanism against unethical conduct, but has stipulated prevention programs.</p> <p>3. The Company has stipulated “prohibition of offering or acceptance of any improper benefits”, “prohibition of facilitating payments”, “prohibition of offering of illegal political donations”, “prohibition of improper charitable donations or sponsorship” in the “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook” to ensure that our conduct meets the highest legal and ethical standards, the Company periodically organizes training courses to enhance employees’ concepts of ethics and self-discipline, and carry them out. If any personnel of this</p> |

| Item | Status of Implementation | | Discrepancy from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and the Reasons |
|---|--------------------------|----|---|
| | Yes | No | |
| | | | |
| <p>Corporation seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of Corporation.</p> | | | |
| <p>II. Implementation of ethical management</p> <p>1. Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p> | V | | No material difference. |
| <p>2. Does the company establish a dedicated unit that is under the Board of Directors and responsible for promoting the ethical management, and report its ethical management policy, the prevention programs for misconduct and the status of supervision to the Board of Directors on a regular basis (at least once a year)?</p> <p>3. Does the company adopt policies for preventing conflicts of interest, offer appropriate means, and carry them out?</p> | | V | <p>The Company reports to the Board aperiodically.</p> <p>No material difference.</p> |

| Item | Status of Implementation | | Discrepancy from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and the Reasons |
|---|--------------------------|----|--|
| | Yes | No | |
| <p>4. Does the company establish effective accounting systems and internal control systems to facilitate ethical corporate management, and have the internal audit unit to set the related audit plan based on the assessment result of misconduct's risk and then examine the situation of compliance for preventing the case of unethical conduct or have a certified public accountant to carry out the audit?</p> | V | | <p>proposal. If a personnel of the Company discovers that a potential conflict of interest exists involving himself/herself and the company that he/she represents when conducting the Company business, the personnel shall report the relevant matters to both her or his immediate supervisor and the Audit Dept., and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>4. The Company's accounting system is established referring to applicable laws and regulations the Company Act, Securities Exchange Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC), as recognized by the Financial Supervisory Commission (FSC) and the Company's actual business situations. The Company's internal control has established and executed according to the Regulations Governing Establishment of Internal Control Systems by Public Companies. The Internal Auditor formulates annual audit plans and subsequently reports its audit findings and remedial issues to the Board and Management team on a regular basis. In addition, all departments and subsidiaries are also required to conduct Control Self-Assessment annually to review the effectiveness of the internal control system.</p> <p>No material difference.</p> |

| Item | Status of Implementation | | Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons |
|---|--------------------------|----|---|
| | Yes | No | |
| 5.Does the company periodically organize training internally and externally on the ethical management? | V | | No material difference. |
| III.State of implementation of the company’s whistle - blowing system? 1.Does the company adopt a concrete whistle-blowing system and incentive measures, establish convenient whistle-blowing channels, and appoint appropriate dedicated personnel to handle whistle-blowing system? | V | | 1.The Company has established the “Reporting Regulations of Irregular, Immoral and Dishonest Conducts”. The employee or any whistleblower can report through phone or E-mail (IR@alchip.com) with relevant evidence to the dedicated personnel. |
| 2.Does the company adopt standard operating procedures for the investigation of reported misconduct, the follow-up after the investigation and relevant confidentiality mechanism? | V | | 2.The Company has established the “Reporting Regulations of Irregular, Immoral and Dishonest Conducts” which included a whistle-blowing system to protect personal information and privacy for related parties. |
| 3.Does the company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing? | V | | 3.The Company adopts the confidentiality mechanism for whistle-blowers and prohibits from disclosure of any information related to whistle-blowers to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing. |
| IV.Enhancing Disclosure of Information 1.Does the company disclose its ethical corporate management best practice principles and the effectiveness of promotion on the company website and the Market Observation Post System? | V | | The Company has set up a website (http://www.alchip.com) and continued to disclose the information regarding the latest financial statements, implementation of corporate governance, other statutory public disclosure, etc. |
| V. If the company has established its own ethical corporate management policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” , please state clearly the discrepancy in the operation thereof and the principles : Details are shown as above. | | | No material difference. |
| VI.Other significant information which would help better understand the implementation of ethical corporate management (such as the companies’ resolve and policies to advocate the ethical corporate management to business transaction suppliers, invitation to them to participate the training, review and improvement for adoption of the company’s own ethical corporate management best practice principles) : | | | No material difference. |

| Item | Status of Implementation | | Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons |
|--|--------------------------|----|---|
| | Yes | No | |
| The Company always keeps a close eye on the development of relevant local and international regulations concerning ethical corporate management in order to ensure the Company’s “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook” is being kept progressed and up-to-date, aiming to enhance and achieve the Company’s better implement of ethical management. | | | |

3.3.7 If the company has adopted corporate governance best-practice principles or related bylaws, disclose the methods of inquiry for such principles or bylaws

Principles or bylaws can be referred through the Market Observatory Post System.

3.3.8 Other significant information that will provide a better understanding of the company's implementation of corporate governance, if any, such information may also be disclosed

None.

3.3.9 The section on the implementation of the company's internal control systems shall disclose as follows

A. A Statement on Internal Control : Details are shown on pages 56 and 57.

B. Where a CPA has been engaged to carry out a special audit of the internal control systems, disclose the CPA audit report : None.

3.3.10 The penalties delivered to the company and the staffs of the company, or the penalties delivered by the company to the staffs for violations of internal control system, if the shareholders' equity or the stock price of the company would be impacted by the penalties, the content of penalties, the major nonconformity, and the corrective action should be stated in the most recent years and up to the date of the annual report

None.

3.3.11 Major resolutions of Board Meetings and Shareholders' Meeting during the most recent year and the current year up to the date of publication of the annual report

A. Board Meeting :

| Date | Term | Major Resolutions |
|------------|-----------------------------|---|
| 03/05/2021 | The 1 st in 2021 | <ol style="list-style-type: none"> 1. The consolidated financial statement for the year ended December 31, 2020 of the Company was approved. 2. The proposal of 2020 Dividend Distribution was approved. 3. The bonus scheme for the employees and Directors for the year of 2020 was approved. 4. The business report of 2020 was approved. 5. The Internal Control System Statement for the year ended December 31, 2020 of the Company was approved. 6. The amendments to the "Memorandum and Articles of Association of the Company" was approved. 7. The amendments to the "Rules Governing the Procedures for Meetings of Shareholders " was approved. 8. The amendments to the "Rules Governing Procedures for Meetings of Board of Director " was approved. 9. The appointment for senior manager (executive) of the Company was approved. 10. The remuneration packages for the senior managers (executives) for the year of 2021 was approved. 11. The monthly remuneration scheme for the Directors for the year of 2021 attached was approved. 12. The grant list of 2020 Employee Stock Option Plan was approved. 13. 2021 Employee Stock Option Plan was approved. 14. The prohibition on Directors to be released from participation in competitive business was approved. |

| | | |
|------------|-----------------------------|---|
| | | <p>15. The date and meeting agenda of 2021 Annual General Meeting of the Company were approved.</p> <p>16. The period and place for shareholders who holding 1% or more of the total number of outstanding shares of the company to submit proposals to be discussed at the Annual General Meeting of the Company was approved.</p> |
| 04/13/2021 | The 2 nd in 2021 | 1. The impact of recent news on the company's finance and business and countermeasures |
| 05/10/2021 | The 3 rd in 2021 | <p>1. The consolidated financial statements for the period ended March 31, 2021 of the Company was approved.</p> <p>2. The supplemental agreement with the lead securities underwriter, Horizon Securities for the issuance of GDR was approved.</p> <p>3. The change of the entity for the Investment of ASICLAND Co., Ltd. was approved.</p> <p>4. The subsequently ratification for the amendments of 2021 Employee Stock Option Plan was approved.</p> <p>5. The grant list of 2021 Employee Stock Option Plan was approved.</p> <p>6. The share buyback program with the declaration was approved.</p> |
| 06/07/2021 | The 4 th in 2021 | 1. The meeting time and venue for the postponed Annual General Meeting was approved. |
| 08/20/2021 | The 5 th in 2021 | <p>1. The consolidated financial statement for the year ended June 30, 2021 of the Company was approved.</p> <p>2. The record date of distribution of cash dividend was approved.</p> <p>3. The amendments to the Management of Buyback Treasury Stocks was approved.</p> <p>4. The replacement of Litigation Agent and Non-Litigation Agent be approved.</p> <p>5. The grant list of 2021 Employee Stock Option Plan was approved.</p> <p>6. The capital increase to the subsidiary in Guangzhou was approved.</p> <p>7. The establishment of a subsidiary through the subsidiary in Guangzhou was approved.</p> |
| 10/14/2021 | The 6 th in 2021 | <p>1. The Investment of Uniconn Interconnections Technology Co., Ltd. was approved.</p> <p>2. The advance payment and the agreement for the reservation of substrate production capacity with Siliconware Precision Industries Co., Ltd.</p> <p>3. The capital reduction via buyback shares nullifying was approved.</p> |
| 10/29/2021 | The 7 th in 2021 | <p>1. The change of Certified Public Accountant was approved.</p> <p>2. The evaluation and appointment of Certified Public Accountant was approved.</p> <p>3. The consolidated financial statement for the year ended September 30, 2021 of the Company was approved.</p> <p>4. The 2022 Audit Plan of the Company was approved.</p> <p>5. The grant list of 2021 Employee Stock Option was approved.</p> |
| 12/10/2021 | The 8 th in 2021 | <p>1. The investment of Kun Qiao (Suzhou) Semiconductor Industry Equity Investment Fund II (Limited Partnership) was approved.</p> <p>2. The investment of ACHI CAPITAL PARTNERS FUND LP was approved.</p> <p>3. The establishment of a subsidiary in Chongqing through the subsidiary in Shanghai was approved.</p> |
| 03/04/2022 | The 1 st in 2022 | <p>1. The consolidated financial statement for the year ended December 31, 2021 of the Company was approved</p> <p>2. The proposal of 2021 Dividend Distribution was approved.</p> <p>3. The bonus scheme for the employees and Directors for the year of 2021 was approved.</p> <p>4. The business report of 2021 was approved.</p> |

| | | |
|--|--|--|
| | | <ol style="list-style-type: none"> 5. The Internal Control System Statement for the year ended December 31, 2021 of the Company was approved. 6. The application for a credit line from Standard Chartered Bank was approved. 7. The change of the entity for the investment of Uniconn Interconnections Technology Co., Ltd. was approved. 8. The change of the fund using plan for the issuance of common shares for participating in issuance of GDR offering approved by the Financial Supervisory Commission on January 13, 2021 was approved. 9. The change of the senior managers (executives) of the Company was approved. 10. The remuneration packages for the senior managers (executives) for the year of 2022 was approved. 11. The monthly remuneration scheme for the Directors for the year of 2022 attached was approved. 12. The grant list of 2021 Employee Stock Option Plan was approved. 13. The amendments to the “Corporate Governance Best Practice Principles” ,“Regulations Governing the Board Performance Evaluation” , “Corporate Social Responsibility Best Principles” and “Guideline for Acquisition and Disposal of Assets” were approved. 14. The election of seven newly Directors (including three Independent Directors) at the upcoming Annual General Meeting was approved. 15. The prohibition on newly Directors elected at the Annual General Meeting to be released from the participation in competitive business was approved. 16. The date and meeting agenda of 2022 Annual General Meeting of the Company were approved. 17. The period and place for shareholders who holding 1% or more of the total number of outstanding shares of the company to submit proposals to be discussed at the Annual General Meeting of the Company and submit the nomination of director candidates was approved. |
|--|--|--|

B. Shareholders’ Meeting :

| Date | Major Resolutions | Implementation |
|------------|--|--|
| 07/30/2021 | <ol style="list-style-type: none"> 1. 2020 Business Report and the Consolidated Financial Statements for the year ended December 31, 2020 of the Company. 2. 2020 Dividend Distribution Proposal. 3. Amendments to the Memorandum and Articles of Association of the Company. 4. Amendments to the “Rules of Procedure for Shareholders Meetings of the Company”. 5. Release the Prohibition on Directors from Participation in Competitive Business. | <ol style="list-style-type: none"> 1. Approved and adopted. 2. Approved. (1)The Company distributed 2020 dividend, US\$16,810,076 to shareholders of the Company. (2)The Record date was set on September 17, 2021 and the dividend distribution was completed on October 14 , 2021. 3. Approved and adopted. 4. Approved and adopted. 5. Approved. |

3.3.12 Major issues of record or written statements made by any Director or Independent Directors dissenting to important resolutions passed by the Board of Directors during the most recent year and the current year up to the date of publication of the annual report

None.

3.3.13 A summary of resignations and dismissals of persons connected with the company's financial report (including the chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Research and Development Officer, etc.) during the most recent year and the current year up to the date of the publication of the annual report

None.

3.4 Information on Company's Independent Auditors

3.4.1 Informaiton of Certified Public Accountant

Unit: NT\$ thousand

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Audit Fee | Non-audit Fee | Total | Remarks |
|-------------------|---------------|-------------------------------|-----------|---------------|--------|---|
| Deloitte & Touche | Yi-Wen Wang | 2021 | 6,162 | 4,093 | 10,255 | Non-audit fee includes tax return and GDSs offering |
| | Li-Chun Chang | | | | | |

3.4.2 The company changes its accounting firm and the audit fees paid to new accounting firm was less than the payment of previous year : Not applicable.

3.4.3 Audit fees paid for the current year was less than 10 % of the previous year : Not applicable.

3.5 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of its Finance and Accounting Matters Has Held a Position at the Accounting Firm or its Affiliates in 2021

None.

3.6 Information on Change of Accountant

Due to relevant regulatory requirements on rotation, Deloitte & Touche has rotated audit partners for Alchip in 2021, Accountant Yi-Wen Wang and Accountant Shih-Tsung Wu were replaced by Accountant Yi-Wen Wang and Accountant Li-Chun Chang.

3.7 Any Transfer, Pledge, or Other Change of Hands Involving the Equity Interests of a Director, Managerial Officer, or Shareholders Holding More Than 10% of the Shares of the Company during the Most Recent Year and the Current Year Up to the Date of the Publication of the Annual Report

3.7.1 Change in equity interests by Directors, managerial officers, or major shareholders

Unit: Shares

| Title | Name | 2021 | | As of Apr. 12, 2022 | |
|------------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Kinying Kwan | (61,000) | 0 | (9,000) | 0 |
| Director | Herbert Chang | 0 | 0 | 0 | 0 |
| Director/ CEO | Johnny Shyang-Lin Shen | 150,000 | 0 | 0 | 0 |
| Director/ CFO | Daniel Wang | 137,000 | 0 | 0 | 0 |
| Independent Director | Mao Wei Hung | 0 | 0 | 0 | 0 |
| Independent Director | Brian Chiang | 0 | 0 | 0 | 0 |
| Independent Director | Binfu Chuang | 0 | 0 | 0 | 0 |
| GM of China Business Unit | Andy Lin | 100,000 | 0 | (8,000) | 0 |
| GM of Japan Business Unit | Hiroyuki Furuzono (Note 1) | 0 | 0 | 0 | 0 |
| Sr. VP of Design Engineering | Leo Cheng | (57,000) | 0 | 0 | 0 |
| VP of Sales | Rober Chang | (30,000) | 0 | 63,750 (10,000) | 0 |
| VP of Strategic Alliance | Peter Teng | 82,505 | 0 | 60,005 | 0 |
| GM of US Business Unit | Dave Hwang (Note 2) | 0 | 0 | 150,000 | 150,000 |
| Financial Controller | Nancy Chan | 60,000 (32,000) | 0 | 0 | 0 |
| GM of US Business Unit | Hiroyuki Nagashima (Note 3) | 0 | 0 | 0 | 0 |
| GM of Japan Business Unit | Junichiro Hosaka (Note 4) | 0 | 0 | 0 | 0 |

Note 1 : Mr. Hiroyuki Furuzono was promoted as GM of Japan Business Unit on March 4, 2022.

Note 2 : Mr. Dave Hwang was promoted as GM of US Business Unit on March 4, 2022.

Note 3 : Mr. Hiroyuki Nagashima stepped down as Executive on March 4, 2022.

Note 4 : Mr. Junichiro Hosaka stepped down as Executive on March 4, 2022.

3.7.2 Information where the counterparty in any transfer of equity interests is a related party

None.

3.7.3 Information where the counterparty in any pledge of equity interests is a related party

None.

3.8 Relationship among the Top Ten Shareholders

Unit: shares

| Name | Shareholding | | Spouse's/minor's Shareholding | | Shareholding by Nominee Arrangement | | Relationship between any of the Company's Top Ten Share holders | | Remarks |
|---|--------------|-------|-------------------------------|---|-------------------------------------|---|---|----------|---------|
| | Shares | % | Shares | % | Shares | % | Name | Relation | |
| Government of Singapore – GOS – EFMC | 2,572,696 | 3.61% | 0 | 0 | 0 | 0 | - | - | |
| Allianz Global Investors Taiwan Technology Fund | 2,340,000 | 3.28% | 0 | 0 | 0 | 0 | - | - | |
| Citibank Hosting Swiss Bank European SE Investment Account | 2,280,682 | 3.20% | 0 | 0 | 0 | 0 | - | - | |
| Allianz Global Investors Taiwan Fund | 1,808,000 | 2.54% | 0 | 0 | 0 | 0 | - | - | |
| Allianz Global Investors Taiwan Intelligence Trends Fund | 1,600,000 | 2.25% | 0 | 0 | 0 | 0 | - | - | |
| PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund(U8T8) | 1,503,000 | 2.11% | 0 | 0 | 0 | 0 | - | - | |
| Allianz Global Investors Fund - Allianz Oriental Income(AD69) | 1,445,000 | 2.03% | 0 | 0 | 0 | 0 | - | - | |
| Johnny Shyang-Lin Shen | 1,441,652 | 2.02% | 0 | 0 | 0 | 0 | - | - | |
| Mitsubishi UFJ Morgstan Securities Co., Ltd— Equity Trading Division (Proprietary Trading Desk) | 1,419,000 | 1.99% | 0 | 0 | 0 | 0 | - | - | |
| GAOLING FUND, L.P. | 1,192,500 | 1.67% | 0 | 0 | 0 | 0 | - | - | |

3.9 Long-Term Investment Ownership

December 31, 2021; Unit: shares

| Company Name | Investment by the Company | | Investments Directly or Indirectly Controlled by Directors and Managers of the Company | | Total Investment | |
|------------------|---------------------------|-----|--|---|------------------|-----|
| | Shares | % | Shares | % | Shares | % |
| Alchip Hong Kong | 12,230,170,100 | 100 | - | - | 12,230,170,100 | 100 |
| Alchip US | 391,000,000 | 100 | - | - | 391,000,000 | 100 |
| Alchip Japan | 1,000 | 100 | - | - | 1,000 | 100 |
| Alchip Taiwan | 10,000 | 100 | - | - | 10,000 | 100 |
| Alchip BVI | 50,000 | 100 | - | - | 50,000 | 100 |
| Alchip Shanghai | (Note) | 100 | - | - | (Note) | 100 |
| Alchip Wuxi | (Note) | 100 | - | - | (Note) | 100 |
| Alchip Hefei | (Note) | 100 | - | - | (Note) | 100 |
| Alchip Jinan | (Note) | 100 | - | - | (Note) | 100 |
| Alchip Guangzhou | (Note) | 100 | - | - | (Note) | 100 |

Note : No shares issued.

Alchip Technologies, Limited
Statement on Internal Control System

Date: March 4, 2022

Based on the results of self assessment of the internal control system conducted by the Company for the fiscal year 2021, we hereby declare as follows:

- I. The company acknowledges and understands that the establishment, enforcement and preservation of the internal control system are the responsibility of the Board, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately.
- III. The Company determines the effectiveness of the internal control system in design and enforcement in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”). The Regulations are instituted for judging the effectiveness of the design and enforcement of the internal control system. There are five components of effective internal control as specified in the Regulations with which the procedure for effective internal control is measured, namely: (1) Control environment, (2) Risk assessment, (3) Control activities, (4) Information and Communications, and (5) Monitoring activities. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
- IV. The Company has adopted the aforementioned internal control system for an internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the aforementioned with the internal control system as of December 31, 2021 (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.

- VI. This statement of declaration shall form an integral part of the annual report and prospectus of the company and will be publicly announced. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board on March 4, 2022 in the presence of seven (7) directors, who concurred unanimously.

Alchip Technologies, Limited



Kinying Kwan
Chairman



Johnny Shyang-Lin Shen
CEO

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Capitalization

A. Issued shares

Unit:share/NT\$

| Month/ Year | Par Value (NT\$) | Authorized Capital | | Paid-in capital | | Remark | | |
|----------------|------------------------|--------------------|---------------|-----------------|------------------------------|--|--|-------|
| | | Shares | Amount | Shares | Amount (NT\$ thousand) | Sources of Capital | Capital Increased by Assets Other than Cash | Other |
| 2010.07 | 10 | 100,000,000 | 1,000,000,000 | 52,420,842 | 523,364,710 | Capital surplus transferred to capital | None | - |
| 2010.07 | 10 | 100,000,000 | 1,000,000,000 | 53,871,342 | 538,713,420 | New shares issued upon the exercise of share options | None | - |
| 2013.11 | 10 | 100,000,000 | 1,000,000,000 | 53,947,342 | 539,473,420 | New Shares issued upon the exercise of share options | None | - |
| 2014.10 | 10 | 100,000,000 | 1,000,000,000 | 61,628,342 | 616,283,420 | New shares issued through capital increase by cash | None | - |
| 2014.01-12 | 10 | 100,000,000 | 1,000,000,000 | 63,481,815 | 634,818,150 | New Shares issued upon the exercise of share options | None | - |
| 2015.01-03 | 10 | 100,000,000 | 1,000,000,000 | 63,766,815 | 637,668,150 | New Shares issued upon the exercise of share options | None | - |
| 2015.08 | 10 | 100,000,000 | 1,000,000,000 | 61,567,815 | 615,678,150 | Cancellation of Treasury Stocks | None | - |
| 2016.11 | 10 | 100,000,000 | 1,000,000,000 | 60,702,815 | 607,028,150 | Cancellation of Treasury Stocks | None | - |
| 2017.07-12 | 10 | 100,000,000 | 1,000,000,000 | 61,001,038 | 610,010,380 | New Shares issued upon the exercise of share options | None | - |
| 2018.01-11 | 10 | 100,000,000 | 1,000,000,000 | 61,698,098 | 616,980,980 | New Shares issued upon the exercise of share options | None | - |
| 2018.12 | 10 | 100,000,000 | 1,000,000,000 | 59,773,098 | 597,730,980 | Cancellation of Treasury Stocks | None | - |
| 2019.01-12 | 10 | 100,000,000 | 1,000,000,000 | 60,612,932 | 606,129,320 | New Shares issued upon the exercise of share options | None | - |
| 2020.01-12 | 10 | 100,000,000 | 1,000,000,000 | 62,028,463 | 620,284,630 | New Shares issued upon the exercise of share options | None | - |
| 2021.01 | 10 | 100,000,000 | 1,000,000,000 | 69,628,463 | 696,284,630 | New shares issued through capital increase by cash | None | - |
| 2021.10 | 10 | 100,000,000 | 1,000,000,000 | 69,206,463 | 692,064,630 | Cancellation of Treasury Stocks | None | - |
| 2021.01-12 | 10 | 100,000,000 | 1,000,000,000 | 70,687,604 | 706,876,040 | New Shares issued upon the exercise of share options | None | - |

| | | | | | | | | |
|------------|----|-------------|---------------|------------|------------|--|------|---|
| 2022.01-04 | 10 | 100,000,000 | 1,000,000,000 | 71,242,454 | 71,242,454 | New Shares issued upon the exercise of share options | None | - |
|------------|----|-------------|---------------|------------|------------|--|------|---|

B. Capital and Shares

April 12, 2022; Unit: Share

| Type of Stock | Authorized Capital | | | Remark |
|---------------|--------------------|------------------|--------------|--------|
| | Oustanding Shares | Un-issued Shares | Total Shares | |
| Common Stock | 71,242,454 | 28,757,546 | 100,000,000 | - |

Offering and issuance of securities subject to aggregate reporting:None.

C. Information for shelf registration : Not applicable.

| Securities Type | Volume to be issued | | Issued Amount | | Purpose of Issuance and Expected Benefits for Securities Issued | Scheduled Issuance Period for Securities Unissue | Remarks |
|-----------------|---------------------|-------------------|---------------|--------------|---|--|---------|
| | Total Shares | Authorized Amount | Shares | Price (NT\$) | | | |
| N/A | | | | | | | |

4.1.2 Status of shareholders

April 12,2022

| Item | Government Agencies | Financial Institutions | Treasury Stocks | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|-------------------------|---------------------|------------------------|-----------------|-------------------------|--------------------------|--|------------|
| Number of Shareholders | 0 | 18 | 0 | 214 | 8,266 | 301 | 8,799 |
| Shareholding (shares) | 0 | 1,013,942 | 0 | 15,812,218 | 11,762,645 | 42,653,649 | 71,242,454 |
| Shareholding Percentage | 0% | 1.42% | 0% | 22.19% | 16.51% | 59.88% | 100.00% |

Note: The percentage of shareholding for the capital investment from China is 0.4%.

4.1.3 Shareholding distribution status

With par value of \$10 per share;April 12,2022;Unit:shares/%

| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999 | 5,585 | 218,351 | 0.31% |
| 1,000 ~ 5,000 | 2,599 | 4,025,284 | 5.65% |
| 5,001 ~ 10,000 | 188 | 1,467,373 | 2.06% |
| 10,001 ~ 15,000 | 75 | 938,089 | 1.32% |
| 15,001 ~ 20,000 | 47 | 834,282 | 1.17% |
| 20,001 ~ 30,000 | 56 | 1,432,507 | 2.01% |
| 30,001 ~ 40,000 | 23 | 823,496 | 1.16% |
| 40,001 ~ 50,000 | 23 | 1,065,757 | 1.50% |
| 50,001 ~ 100,000 | 79 | 5,739,201 | 8.06% |
| 100,001 ~ 200,000 | 48 | 6,833,074 | 9.59% |
| 200,001 ~ 400,000 | 33 | 9,253,574 | 12.99% |
| 400,001 ~ 600,000 | 16 | 7,917,101 | 11.11% |
| 600,001 ~ 800,000 | 9 | 6,278,034 | 8.81% |
| 800,001 ~ 1,000,000 | 8 | 7,177,453 | 10.07% |
| 1,000,001 or over | 10 | 17,238,878 | 24.19% |
| Total | 8,799 | 71,242,454 | 100.00% |

4.1.4 List of major shareholders: List all shareholders with a stake of 5 percent or rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list

April 12, 2022; Unit: shares/%

| Shareholder's Name | Shareholding | |
|--|--------------|------------|
| | Shares | Percentage |
| Government of Singapore – GOS – EFMC | 2,572,696 | 3.61% |
| Allianz Global Investors Taiwan Technology Fund | 2,340,000 | 3.28% |
| Citibank Hosting Swiss Bank European SE Investment Account | 2,280,682 | 3.20% |
| Allianz Global Investors Taiwan Fund | 1,808,000 | 2.54% |
| Allianz Global Investors Taiwan Intelligence Trends Fund | 1,600,000 | 2.25% |
| PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund(U8T8) | 1,503,000 | 2.11% |
| Allianz Global Investors Fund - Allianz Oriental Income(AD69) | 1,445,000 | 2.03% |
| Johnny Shyang-Lin Shen | 1,441,652 | 2.02% |
| Mitsubishi UFJ Morgstan Securities Co., Ltd—Equity Trading Division (Proprietary Trading Desk) | 1,419,000 | 1.99% |
| Gaoling Fund, L.P. | 1,192,500 | 1.67% |

4.1.5 Market price, net worth, earnings, dividends per common share

Unit: NT\$; Thousand of Shares

| Items | 2020 | 2021 | As of April 12, 2022 |
|--|--------|----------|----------------------|
| Market Price per Share | | | |
| Highest Market Price | 702 | 1,325 | 1,230 |
| Lowest Market Price | 148.5 | 363.5 | 875 |
| Average Market Price | 419.17 | 781.19 | 1,024.18 |
| Net Worth per Share | | | |
| Before Distribution | 62.69 | | - |
| After Distribution | 55.18 | (Note 1) | - |
| Earnings per Share | | | |
| Weighted Average Shares(thousand shares) | 61,340 | 69,817 | - |
| Basic Earnings Per Share | 13.61 | 21.34 | - |
| Dividends per Share | | | |
| Cash Dividends | 6.6 | (Note 1) | - |
| Stock Dividends | | | |
| Dividends from Retained Earnings | - | - | - |
| Dividends from Capital Surplus | - | - | - |
| Accumulated Undistributed Dividends | - | - | - |
| Return on Investment | | | |
| Price / Earnings Ratio (Note 2) | 30.80 | 36.61 | - |
| Price / Dividend Ratio (Note 3) | 63.51 | (Note 1) | - |
| Cash Dividend Yield Rate (Note 4) | 0.0157 | (Note 1) | - |

Note 1 : Pending on the approval of 2022 shareholders' meeting.

Note 2 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3 : Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4 : Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Company's Dividend Policy and Status

A. The Company's Dividend Policy: The regulations of dividend distribution are shown below in accordance to the Memorandum and Articles of Association of the Company.

- (1) The Company shall set aside no less than 1% of its annual profits (the annual profits specified in this Article refers to the annual income before tax and before bonuses are set aside for employees and Directors) as bonus to employees of the Company and set aside no more than 2% of its annual profits as bonus to Directors, provided however that the Company shall first offset its losses in previous years that have not been previously offset. The distribution of bonus to employees may be made by way of cash or Shares, which may be distributed under an incentive programme approved pursuant to Article 11.1 above. The employees under Article 34.1 may include certain employees of the Subsidiaries who meet the conditions prescribed by the Company. The distribution of bonus to employees and to Directors shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors and shall be reported to the Members at the general meeting. A Director who also serves as an executive officer of the Company and/or its Subsidiaries may receive a bonus in his capacity as a Director and a bonus in his capacity as an employee.
- (2) As the Company is in the growing stage, the dividend distribution may take the form of a cash dividend and/or stock dividends and shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure and funds requirement for sustainable development needs etc. The Company may distribute profits in accordance with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution at any general meeting. The Directors shall prepare such proposal as follows: the proposal shall begin with the Company's Annual Net Income after tax and offset its losses in previous years that have not been previously offset, and set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. Except otherwise stipulated by the applicable laws and the Applicable Public Company Rules, the Company may take into consideration the circumstances and development stage of the Company, in response to any future funding requirement and long term financial planning, while satisfying the shareholders expectation in respect of cashflow, propose profit distribution plan in connection with the retained earnings for approval at the meetings of the shareholders; the distribution of retained earnings may proceed by way of cash dividend or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rate to the Members, and the total amount of Dividends shall not be lower than 10% of the profit of the then current year after deducting the aforementioned amounts, and provided the total amount of cash dividend to be distributed shall be no lower than 10% of the aggregate dividend distributed to shareholders and no more than 100% of the aggregate dividend distributed to shareholders.
- (3) Subject to the Statute, the Articles and the Applicable Public Company Rules, the Directors may declare Dividends and distributions on Shares in issue and authorise payment of the Dividends or distributions out of the funds of the Company lawfully available therefor. No Dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Statute.

- (4) Except as otherwise provided by the rights attached to Shares, all Dividends shall be declared and paid in proportion to the number of Shares that a Member holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date that Share shall rank for Dividend accordingly.
- (5) The Directors may deduct from any Dividend or distribution payable to any Member all sums of money (if any) then payable by him to the Company on any account.
- (6) The Directors may, after obtaining an Ordinary Resolution, declare that any distribution other than a Dividend be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.
- (7) Any Dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
- (8) No Dividend or distribution shall bear interest against the Company.
- (9) Any Dividend which cannot be paid to a Member and/or which remains unclaimed after six months from the date of declaration of such Dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend shall remain as a debt due to the Member. Any Dividend which remains unclaimed after a period of six years from the date of declaration of such Dividend shall be forfeited and shall revert to the Company.

B. Proposed Distribution of 2021 Profits

The Board adopted a proposal for 2021 profit distribution as follows:

Cash dividends to common shareholders is US\$26,772,486 (US\$0.37736 per share). The proposal is subject to shareholders' approval at the 2022 Annual Shareholders' Meeting.

4.1.7 Effect of stock dividend distribution to the Company's operating performance and EPS

Not applicable.

4.1.8 Directors' Remuneration and Employees' Compensation

A. The percentages or ranges with respect to Directors' Remuneration and Employees' Compensation as set forth in the company's Articles of Incorporation:

The Company will allocate no less than 1% as employees' compensation and no more than 2% as directors' remuneration of its profits before tax prior to the deduction of compensation to employees and Directors for the year, respectively.

B. The basis for estimating the amount of Directors' Remuneration and Employees' Compensation, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company accrued employees' compensation and directors' remuneration are US\$6,339,119 and US\$1,118,668 respectively. If there is discrepancy between the actual distribution and the estimated amount, the Company will recognize the difference as an adjustment to income of next year.

C. Information on the distribution of compensation approved by the Board of Directors:

- (1) Distribution in cash or shares of compensation to employees and Directors. If there are any discrepancies between such an amount and the estimated figure for the year these expenses are recognized, the discrepancy, reasons therefor, and how it is treated shall be disclosed: None.
- (2) The amount of distribution in shares of compensation to employees, and as a percentage of the sum of the current after-tax net income on individual or separate financial statements and total compensation to employees: None.

D. The actual distribution of Directors' Remuneration and Employees' Compensation for the previous year (including the share number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized compensation to employees and directors, additionally the discrepancy, reasons therefor, and how it is treated: There is no discrepancy between the actual distribution and recognized compensation to employees and directors.

4.1.9 List of Share Buyback as of April 12, 2022

| Batch Order | 1 st Batch | 2 nd Batch | 3 rd Batch | 4 th Batch | 5 th Batch | 6 th Batch |
|---|---|---|---|---|---|---|
| Purpose of the Buyback | Maintain the company's credibility and shareholders' equity | Maintain the company's credibility and shareholders' equity | Maintain the company's credibility and shareholders' equity | Maintain the company's credibility and shareholders' equity | Maintain the company's credibility and shareholders' equity | Maintain the company's credibility and shareholders' equity |
| Actual Buyback period | 2015/03/06~2015/05/05 | 2015/05/15~2015/06/12 | 2016/8/26~2016/9/26 | 2017/3/13~2017/5/9 | 2018/9/12~2018/10/30 | 2021/5/12~2021/7/6 |
| Price range for Buybacks | NT\$50.05 to NT\$123.82 | NT\$35.91 to NT\$87.58 | NT\$19.01~ NT\$41.21 | NT\$28.88 ~NT\$57.54 | NT\$64.26 ~NT\$167.94 | NT\$280 ~NT\$720 |
| Number of shares bought back | 1,015 thousand shares of common stock | 1,184 thousand shares of common stock | 865 thousand shares of common stock | 0 shares of common stock | 1,925 thousand shares of common stock | 422 thousand shares of common stock |
| Total Value of Shares bought back | NT\$60,917,192 | NT\$52,462,561 | NT\$21,692,815 | NT\$0 | NT\$157,947,222 | NT\$206,571,586 |
| The ratio of number of shares buyback to number of expected shares buyback | 50.75% | 59.20% | 86.50% | 0% | 96.25% | 42.2% |
| Number of shares that have already been canceled and transferred | 1,015 thousand shares of common stock | 1,184 thousand shares of common stock | 865 thousand shares of common stock | 0 shares of common stock | 1,925 thousand shares of common stock | 422 thousand shares of common stock |
| Accumulated number of shares held by the Company | 0 share of common stock | 0 share of common stock | 0 share of common stock | 0 share of common stock | 0 shares of common stock | 0 shares of common stock |
| Ratio of the accumulated number of shares held by the Company to the total number of ordinary shares issued | 0% | 0% | 0% | 0% | 0% | 0% |

4.1.10 Information on the Company's issuance of bonds

None.

4.1.11 Information on issuance of preferred shares

None.

4.1.12 Information on issuance of global depository receipts

| Item | Issue Date | January 20, 2021 | |
|---|--|------------------|-------|
| Issuance and listing | Luxembourg Exchange | | |
| Total amount | US\$195,548,000 | | |
| Unit offering price | US\$25.73 | | |
| Number of GDS to be issued: | 7,600,000 units | | |
| Sources of the securities underlying the GDS | Issuance of new common shares by cash capital increase for sponsoring GDS issuance | | |
| Number of shares represented by each GDS | Each GDS represents 1 common share | | |
| Rights and obligations of GDS holders | The new common shares have the same rights and obligations as the Company's existing issued and outstanding common shares. | | |
| Trustee | None | | |
| Depository bank | Citibank, N.A. | | |
| Custodian bank | Citibank Taiwan Limited | | |
| Outstanding balance | 365,091 units | | |
| Treatment of expenses incurred at issuance and thereafter | Borne by the issuing company | | |
| Important conventions about depository and escrow agreement | Please refer to the depository and custodian contract. | | |
| Market price per unit (US\$) | Current year to April 12, 2022 | Highest | 43.4 |
| | | Lowest | 31.6 |
| | | Average | 36.84 |

4.1.13 Employee Stock Options

A. Issuance of Employee Stock Options

March 31, 2021

| Types of Employee Stock Options | Employee Stock Options in 2015 | | Employee Stock Options in 2016 | |
|--|--|---------------|--|----------------|
| Approval date | March 30, 2015 | | April 26, 2016 | |
| Issue date | April 24, 2015 | March 4, 2016 | November 11, 2016 | March 10, 2017 |
| Units issued | 864,000 | 1,136,000 | 1,200,000 | 800,000 |
| Shares of stock options to be issued as a percentage of outstanding shares | 1.21% | 1.59% | 1.68% | 1.12% |
| Period | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | |
| Method of performance | Issuance of new shares | | Issuance of new shares | |
| Period and percentage in which subscription is restricted (%) | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | |
| Exercised shares | 643,500 | 843,244 | 898,000 | 519,300 |
| Amount of the shares exercised | 35,778,600 | 30,862,730 | 22,090,800 | 20,979,720 |
| Unexercised shares | 165,500 | 105,250 | 77,000 | 102,450 |
| Price per share of the unexercised shares | 55.60 | 36.60 | 24.60 | 40.40 |
| Percentage of unexercised shares to total issued shares | 0.23% | 0.15% | 0.11% | 0.14% |
| Number of invalid shares (Note) | 55,000 | 187,506 | 225,000 | 178,250 |
| Impact on possible dilution of shareholdings | Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. The influence on shareholders' interests will be gradually diluted. | | | |

Note : The number of invalid shares were from employees' turnover and expired employee stock options.

| Types of Employee Stock Options | Employee Stock Options in 2017 | | | | | |
|--|--|------------------|-----------------|------------------|----------------|----------------|
| Approval date | April 25, 2017 | | | | | |
| Issue date | November 28, 2017 | December 5, 2017 | January 5, 2017 | February 7, 2018 | March 30, 2018 | April 18, 2018 |
| Units issued | 330,000 | 500,000 | 329,000 | 95,000 | 250,000 | 200,000 |
| Shares of stock options to be issued as a percentage of outstanding shares | 0.46% | 0.70% | 0.46% | 0.13% | 0.35% | 0.28% |
| Period | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | | | | | |
| Method of performance | Issuance of new shares | | | | | |
| Period and percentage in which subscription is restricted (%) | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | | | | | |
| Exercised shares | 271,500 | 67,500 | 183,000 | 50,250 | 160,500 | 122,875 |
| Amount of the shares exercised | 22,208,700 | 5,096,250 | 17,586,300 | 4,713,450 | 18,585,900 | 14,941,600 |
| Unexercised shares | 38,500 | 352,500 | 80,000 | 19,750 | 65,750 | 48,750 |
| Price per share of the unexercised shares | 81.80 | 75.50 | 96.10 | 93.80 | 115.80 | 121.60 |
| Percentage of unexercised shares to total issued shares | 0.05% | 0.49% | 0.11% | 0.03% | 0.09% | 0.07% |
| Number of invalid shares (Note) | 20,000 | 80,000 | 66,000 | 25,000 | 23,750 | 28,375 |
| Impact on possible dilution of shareholdings | Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. The influence on shareholders' interests will be gradually diluted. | | | | | |

Note : The number of invalid shares were from employees' turnover and expired employee stock options.

| Types of Employee Stock Options | Employee Stock Options in 2018 | | | |
|--|--|--------------------|----------------|--------------|
| Approval date | May 21, 2018 | | | |
| Issue date | August 10, 2018 | September 20, 2018 | March 19, 2019 | May 20, 2019 |
| Units issued | 500,000 | 500,000 | 500,000 | 500,000 |
| Shares of stock options to be issued as a percentage of outstanding shares | 0.70% | 0.70% | 0.70% | 0.70% |
| Period | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | | | |
| Method of performance | Issuance of new shares | | | |
| Period and percentage in which subscription is restricted (%) | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | | | |
| Exercised shares | 136,750 | 246,462 | 116,000 | 179,000 |
| Amount of the shares exercised | 16,355,300 | 21,195,732 | 8,572,400 | 13,102,800 |
| Unexercised shares | 318,250 | 185,388 | 357,000 | 291,000 |
| Price per share of the unexercised shares | 119.60 | 86.00 | 73.90 | 73.20 |
| Percentage of unexercised shares to total issued shares | 0.45% | 0.26% | 0.50% | 0.41% |
| Number of invalid shares (Note) | 45,000 | 68,150 | 27,000 | 30,000 |
| Impact on possible dilution of shareholdings | Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. The influence on shareholders' interests will be gradually diluted. | | | |

Note : The number of invalid shares were from employees' turnover and expired employee stock options.

| Types of Employee Stock Options | Employee Stock Options in 2019 | | | | |
|--|--|------------------|-------------------|-------------------|----------------|
| Approval date | May 21, 2019 | | | | |
| Issue date | August 7, 2019 | November 7, 2019 | November 22, 2019 | February 18, 2020 | April 28, 2020 |
| Units issued | 500,000 | 40,000 | 160,000 | 150,000 | 150,000 |
| Shares of stock options to be issued as a percentage of outstanding shares | 0.70% | 0.06% | 0.22% | 0.21% | 0.21% |
| Period | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | | | | |
| Method of performance | Issuance of new shares | | | | |
| Period and percentage in which subscription is restricted (%) | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | | | | |
| Exercised shares | 190,000 | 10,000 | 55,250 | 8,750 | 0 |
| Amount of the shares exercised | 17,879,000 | 1,825,000 | 11,193,650 | 1,790,250 | 0 |
| Unexercised shares | 295,000 | 10,000 | 84,750 | 131,250 | 140,000 |
| Price per share of the unexercised shares | 94.10 | 182.50 | 202.60 | 204.60 | 264.60 |
| Percentage of unexercised shares to total issued shares | 0.41% | 0.01% | 0.12% | 0.18% | 0.20% |
| Number of invalid shares (Note) | 15,000 | 20,000 | 20,000 | 10,000 | 10,000 |
| Impact on possible dilution of shareholdings | Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. The influence on shareholders' interests will be gradually diluted. | | | | |

Note : The number of invalid shares were from employees' turnover and expired employee stock options.

| Types of Employee Stock Options | Employee Stock Options in 2020 | | | |
|--|--|---------------|-------------------|---------------|
| Approval date | April 28, 2020 | | | |
| Issue date | June 15, 2020 | July 31, 2020 | December 15, 2020 | March 8, 2021 |
| Units issued | 400,000 | 200,000 | 800,000 | 600,000 |
| Shares of stock options to be issued as a percentage of outstanding shares | 0.56% | 0.28% | 1.12% | 0.84% |
| Period | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | | | |
| Method of performance | Issuance of new shares | | | |
| Period and percentage in which subscription is restricted (%) | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | | | |
| Exercised shares | 0 | 0 | 0 | 0 |
| Amount of the shares exercised | 0 | 0 | 0 | 0 |
| Unexercised shares | 400,000 | 149,000 | 638,000 | 564,000 |
| Price per share of the unexercised shares | 331.20 | 579.40 | 572.00 | 820.80 |
| Percentage of unexercised shares to total issued shares | 0.56% | 0.21% | 0.90% | 0.79% |
| Number of invalid shares (Note) | 0 | 51,000 | 162,000 | 36,000 |
| Impact on possible dilution of shareholdings | Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. The influence on shareholders' interests will be gradually diluted. | | | |

Note : The number of invalid shares were from employees' turnover and expired employee stock options.

| Types of Employee Stock Options | Employee Stock Options in 2021 | | | |
|--|--|-----------------|------------------|---------------|
| Approval date | May 5, 2021 | | | |
| Issue date | May 17, 2021 | August 20, 2021 | October 29, 2021 | March 9, 2022 |
| Units issued | 800,000 | 50,000 | 50,000 | 200,000 |
| Shares of stock options to be issued as a percentage of outstanding shares | 1.12% | 0.07% | 0.07% | 0.28% |
| Period | The stock options shall be valid for 10 years from the Grant date and shall expire after such period | | | |
| Method of performance | Issuance of new shares | | | |
| Period and percentage in which subscription is restricted (%) | After two full years, 50% of stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. | | | |
| Exercised shares | 0 | 0 | 0 | 0 |
| Amount of the shares exercised | 0 | 0 | 0 | 0 |
| Unexercised shares | 742,000 | 37,000 | 45,000 | 200,000 |
| Price per share of the unexercised shares | 411.40 | 579.50 | 1030.00 | 983.00 |
| Percentage of unexercised shares to total issued shares | 1.04% | 0.05% | 0.06% | 0.28% |
| Number of invalid shares (Note) | 58,000 | 13,000 | 5,000 | 0 |
| Impact on possible dilution of shareholdings | Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised. After three full years, 75% of stock options can be exercised. After four full years, 100% of stock options can be exercised. The influence on shareholders' interests will be gradually diluted. | | | |

Note : The number of invalid shares were from employees' turnover and expired employee stock options.

B. List of executives and the top ten employees receiving Employee Stock Options

March 31, 2022; Unit : share thousand / NT\$ thousand

| Title | Name | No. of Subscribed Shares | Ratio of Subscribed Shares to Total Issued Shares | Exercised | | | Unexercised | | | | |
|------------------------------|-----------------------------|--------------------------|---|---------------|-----------------|-----------|--|---------------|-----------------|------------|--|
| | | | | No. of Shares | Price Per share | Amount | Ratio of Shares to Total Issued Shares | No. of Shares | Price Per share | Amount | Ratio of Shares to Total Issued Shares |
| CEO | Johnny Shyang-Lin Shen | | | 430.00 | 55.60 | 23,908.00 | 0.60% | 150.00 | 55.60 | 8,340.00 | 0.21% |
| GM of Japan Business Unit | Hiroyuki Furuzono (Note1) | | | 320.00 | 36.60 | 11,712.00 | 0.45% | 77.00 | 36.60 | 2,818.20 | 0.11% |
| | | | | 657.00 | 24.60 | 16,162.20 | 0.92% | 43.00 | 24.60 | 1,057.80 | 0.06% |
| GM of US Business Unit | Andy Lin | | | 22.00 | 40.40 | 888.80 | 0.03% | 50.00 | 40.40 | 2,020.00 | 0.07% |
| GM of China Business Unit | Dave Hwang (Note2) | | | 180.00 | 81.80 | 14,724.00 | 0.25% | 25.00 | 81.80 | 2,045.00 | 0.04% |
| Sr. VP of Design Engineering | Leo Cheng | | | 67.50 | 75.50 | 5,096.25 | 0.09% | 352.50 | 75.50 | 26,613.75 | 0.49% |
| VP of Sales | Robert Chang | | | 23.00 | 96.10 | 2,210.30 | 0.03% | 15.00 | 96.10 | 1,441.50 | 0.02% |
| CFO | Daniel Wang | | | 10.00 | 115.80 | 1,158.00 | 0.01% | 0.00 | 115.80 | 0.00 | 0.00% |
| Financial Controller | Nancy Chan | | | 68.50 | 119.60 | 8,192.60 | 0.10% | 271.50 | 119.60 | 32,471.40 | 0.38% |
| VP of Strategic Alliance | Peter Teng | | | 13.95 | 86.00 | 1,199.70 | 0.02% | 4.60 | 86.00 | 395.60 | 0.01% |
| | Doni Ding | | 6.89% | 81.25 | 73.90 | 6,004.38 | 0.11% | 328.75 | 73.90 | 24,294.63 | 0.46% |
| | Kozo Fujita | | | 65.00 | 73.20 | 4,758.00 | 0.09% | 85.00 | 73.20 | 6,222.00 | 0.12% |
| | Junichiro Hosaka (Note 3) | | | 150.00 | 94.10 | 14,115.00 | 0.21% | 170.00 | 94.10 | 15,997.00 | 0.24% |
| | James Huang | | | 10.00 | 202.60 | 2,026.00 | 0.01% | 10.00 | 202.60 | 2,026.00 | 0.01% |
| Employee | Vincent Ku | | | 0.00 | 204.60 | 0.00 | 0.00% | 65.00 | 204.60 | 13,299.00 | 0.09% |
| | Yuntao Liao | | | 0.00 | 331.20 | 0.00 | 0.00% | 375.00 | 331.20 | 124,200.00 | 0.53% |
| | Allan Lin | | | 0.00 | 572.00 | 0.00 | 0.00% | 40.00 | 572.00 | 22,880.00 | 0.06% |
| | Hiroyuki Nagashima (Note 4) | | | 0.00 | 820.80 | 0.00 | 0.00% | 402.00 | 820.80 | 329,961.60 | 0.56% |
| | Feiwei Wu | | | 0.00 | 411.40 | 0.00 | 0.00% | 313.00 | 411.40 | 128,768.20 | 0.44% |
| | Jokie Zhou | | | 0.00 | 983.00 | 0.00 | 0.00% | 36.00 | 983.00 | 35,388.00 | 0.05% |

Executives and Top Ten Employees

Note 1 : Mr. Hiroyuki Furuzono was promoted as GM of US Business Unit on March 4, 2022.

Note 2 : Mr. Dave Hwang was promoted as GM of US Business Unit on March 4, 2022.

Note 3 : Mr. Junichiro Hosaka stepped down as Executive on March 4, 2022.

Note 4 : Mr. Hiroyuki Nagashima stepped down as Executive on March 4, 2022.

C. Status of any private placement of employee stock warrants during the 3 most recent years and up to the date of the publication of the Annual Report:
None.

4.1.14 Issuance of New Restricted Employee Shares

None.

4.1.15 Status of mergers or acquisitions

None.

4.1.16 Issuance of new shares for merging and transferring the stocks of other companies

None.

4.2 Implementation of Company's Capital Allocation Plans

Year 2021 issued new common shares to be offered in the form of Global Depository Shares.

1. Description of Plan

(1) Original Plan

- ① Proceeds Needed from the Plans : US\$183,000 thousand, converting to NT\$5,124,000 thousand.
- ② Sources of Proceeds : Issued new common shares to be offered in the form of Global Depository Shares.
- ③ Use of Proceeds Plan and Schedule :

Unit : thousand

| Plan | Expected Date of Completion | Required Amount | | Use of Proceeds Plan | | | | | |
|-----------------------|-----------------------------|-----------------|-----------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | | Year 2021 | | | | Year 2022 | |
| | | | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter | 1 st Quarter | 2 nd Quarter |
| Purchase of Equipment | June 30, 2022 | US\$ | 183,000 | 26,200 | 19,400 | 29,000 | 25,600 | 37,800 | 45,000 |
| | | NT\$ | 5,124,000 | 733,600 | 543,200 | 812,000 | 716,800 | 1,058,400 | 1,260,000 |

④ Estimated Benefits

The Company dedicates on cost down, lower power consumption and optimizing yield and die size of advanced process node SoC. To fulfill customized product demands, the Company plans to purchase mask equipment to react to the rapid growth trend of SoC market in the future. Expected benefits are as below:

Unit : pcs thousand / NT\$ thousand

| Year | Product | Increase of Production Quantity | Increase of Selling Quantity | Increase of Revenues | Increase of Gross Profits | Increase of Operating Profits |
|------|--------------------------|---------------------------------|------------------------------|----------------------|---------------------------|-------------------------------|
| 2021 | ASIC and chip production | 665 | 665 | 1,330,000 | 174,400 | 83,731 |
| 2022 | ASIC and chip production | 1,110 | 1,110 | 3,003,482 | 411,539 | 197,539 |
| 2023 | ASIC and chip production | 11,625 | 11,625 | 4,539,575 | 689,955 | 331,178 |
| 2024 | ASIC and chip production | 22,629 | 22,629 | 6,174,399 | 930,499 | 446,639 |
| 2025 | ASIC and chip production | 22,629 | 22,629 | 5,929,893 | 893,651 | 428,953 |

(2) Plan after change

- ① Reason for the change : The execution progress of purchase of machinery and equipment is delayed due to the change of project schedule, and in order to respond to the growth of ASIC Market and effectively utilize working capital to increase shareholders' equity, the Board of the Company approved to change the fund using plan to purchase raw materials on March 4, 2022.
- ② Proceeds Needed from the Plans : US\$192,833 thousand, converting to NT\$5,396,032 thousand.
- ③ Sources of Proceeds : Form of rest of fund of GDR offering US\$96,805 thousand, converting to NT\$2,707,248 thousand.
- ④ Use of Proceeds Plan and Schedule :

Unit: thousand

| Plan | Expected Date of Completion | Required Amount | | Use of Proceeds Plan | | | | | |
|-----------------------|-----------------------------|-----------------|-----------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | | Year 2021 | | | | Year 2022 | |
| | | | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter | 1 st Quarter | 2 nd Quarter |
| Purchase of Equipment | June 30, 2022 | US\$ | 96,028 | 9,830 | 10,679 | 24,260 | 17,007 | 34,252 | - |
| | | NT\$ | 2,688,784 | 275,240 | 299,012 | 679,280 | 476,196 | 959,056 | - |
| US\$ | | 86,972 | - | - | - | - | 29,071 | 57,901 | |
| NT\$ | | 2,435,216 | - | - | - | - | 813,988 | 1,621,228 | |

⑤ Estimated Benefits

a. Purchase of Equipment

In order to respond to the growth of Mass production and effectively utilize working capital. As a result, the Company reduced amount from US\$183,000 thousand to US\$ 96,028 thousand in purchase of machinery and equipment, and raised amount of US\$86,972 thousand in purchase of raw materials. Expected benefits are as below:

Unit : pcs thousand / NT\$ thousand

| Year | Product | Increase of Production Quantity | Increase of Selling Quantity | Increase of Revenues | Increase of Gross Profits | Increase of Operating Profits |
|------|--------------------------|---------------------------------|------------------------------|----------------------|---------------------------|-------------------------------|
| 2022 | ASIC and chip production | 1,075 | 1,075 | 2,881,822 | 389,934 | 187,168 |
| 2023 | ASIC and chip production | 4,045 | 4,045 | 3,525,132 | 526,306 | 252,627 |
| 2024 | ASIC and chip production | 16,929 | 16,929 | 4,604,613 | 699,468 | 335,745 |
| 2025 | ASIC and chip production | 22,389 | 22,389 | 5,398,505 | 801,830 | 384,879 |

b. Purchase of Raw Materials

The amount of US\$86,972 thousand for purchase of raw material from GDR offering will save interest expense US\$ 1,652 thousand per year.

2. Status of Implementation

Unit: thousand

| Plan | Status of Implementation | | Amount As of March 31, 2022 | | Reason of schedule changed and improvement plan |
|---------------------------|--------------------------|-----------|-----------------------------|-----------|---|
| Purchase of Equipment | Amount to be used | Estimated | US\$ | 96,028 | The delay of implement was mainly due to the schedule change in projects of SoC design and result in adjustment of equipment purchase schedule. The projects will complete design in 2 nd quarter 2022 and will execute equipment purchase plan. |
| | | | NT\$ | 2,688,784 | |
| | | Actual | US\$ | 88,574 | |
| | | | NT\$ | 2,480,076 | |
| | % of execution` | Estimated | 100.00 | | |
| | | Actual | 92.23 | | |
| Purchase of Raw Materials | Amount to be used | Estimated | US\$ | 29,071 | The delay of implement was mainly due to tight of wafer capacity and result in delay of wafer delivery. |
| | | | NT\$ | 813,986 | |
| | | Actual | US\$ | 19,329 | |
| | | | NT\$ | 541,212 | |
| | % of execution` | Estimated | 33.43 | | |
| | | Actual | 22.22 | | |

| | | | | | |
|-------|-------------------|-----------|-------|-----------|--|
| Total | Amount to be used | Estimated | US\$ | 125,099 | |
| | | | NT\$ | 3,502,770 | |
| | | Actual | US\$ | 107,903 | |
| | | | NT\$ | 3,021,284 | |
| | % of execution` | Estimated | 68.36 | | |
| | | Actual | 58.96 | | |

V. Overview of Business Operations

5.1 Business Activities

5.1.1 Business scope

A. Main areas of business operations

Alchip engages in Application Specific IC (ASIC) and System-on-Chip (SoC) design, manufacturing and production, and is especially adept at deep-submicron, complex high-end processing devices.

B. Revenue by service category

Unit: NT\$ thousand

| Category | 2020 | | 2021 | |
|--------------------------|-----------|--------|------------|--------|
| | Amount | % | Amount | % |
| ASIC and Chip production | 6,903,529 | 97.52 | 10,241,686 | 98.21 |
| NRE | 169,578 | 2.40 | 176,002 | 1.69 |
| Others | 5,812 | 0.08 | 10,588 | 0.10 |
| Total | 7,078,919 | 100.00 | 10,428,276 | 100.00 |

C. Main products and Services

- (1) ASIC and chip production: Provide customers with Non-Recurring Engineering (NRE) of Application Specific Integrated Circuits (ASICs) and System on Chips (SoCs); and mass production management of wafer manufacturing, packaging, and testing.
- (2) Non-Recurring Engineering (NRE): Primarily providing the circuit design component database and the Silicon Intellectual Property (SIP) required by product design to produce circuit diagrams for the mask-making process, manufacture masks, wafer, cutting, and packaging on a consign basis and then delivering trial production samples after product testing.
- (3) Others: Provide customers with only back-end wafer fabrication, packaging, and testing.

D. New products development

The Company is committed to the research, development, and manufacturing of leading-edge integrated circuit, including custom design utilities and design methodologies that ensure quality services. It also provides a chiplet technology platform; a high-performance computing IP portfolio, including DDR/PCIE/HBM/SERDES and Alchip's D2D APLINK IP; and the latest 2.5D heterogeneous packaging capabilities to establish corresponding designs for AI/HPC market demands.

5.1.2 Industry overview

A. Current status and Development of the Industry

With the great leap forward in semiconductor process technology, ICs are becoming more and more complex, driving semiconductor enter an era of deeper specialization. Within this environment, Alchip provides design and manufacturing services for highly complex Application Specific Integrated Circuits (ASICs) and Systems-on-Chip (SoCs). The current status and development of the industry is described as follows:

(1) Rise of fabless ASIC

In the past, a system company could choose to develop its own ASIC/SoC to take advantage of differentiation and stay competitive; or to entrust the turnkey production process, including design, manufacturing, packaging, and testing to reliable ASIC partners (such as IBM and LSI Logic).

However, with the advent of deep submicron process technologies, expenditures on R&D in technology, investments in machinery, equipment, and factories rose rapidly. The existing Integrated Design Manufacturers (IDMs) were unable to afford the investment in the infrastructure and were overtaken by pure-play foundries. As a result, more system companies concentrated resources on product specifications and front-end design, choosing to outsource the back-end design and production of products to fabless ASIC companies.

Through collaboration with strategic partners (including wafer fabrication, packaging, and testing house), fabless ASIC companies provides complete solutions, from RTL/Netlist to chip manufacturing, packaging, and testing. System companies, consequently, now enjoy faster time-to-market, lower costs, and more professional design capability.

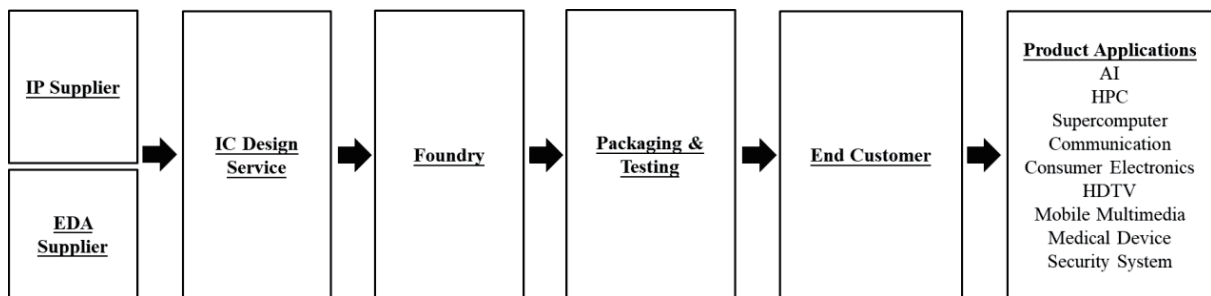
(2) Overview of System on Chip (SoC)

With the evolution of IC manufacturing process and electronic component miniaturization, the market demand for thin, short, power-saving multifunction ICs increased dramatically, paving the way to the development of the system-on-chip (SoC) integrated circuit. SoC generally refers to the integration of a core processor, logic unit, memory unit, and a variety of I/O interfaces onto a single chip. One chip can function as a complete system leaving space for chips to perform a variety of specific functions, such as GPS positioning, WiMax, Audio/Video, cameras, and TV receivers.

As foundry processes move toward nanoscale nodes and external IP becomes broadly adopted, SoC designers face design validation and analysis challenges. Growing SoC integration complexity has led to a surge of investment and with it, risk in an SoC project. By offering a total design solution tightly coupled with manufacturing processes, Alchip provides substantial added value to its customers. Very few fabless ASIC companies can provide high-end SoC design. The Company’s design capacity is, therefore fully occupied most of time. Plenty of future growth can be expected as big system companies will outsource more and more SoC designs.

B. The upper-stream, mid-stream and down-stream semiconductor value chain

The fabless ASIC industry has driven the development of system applications, silicon intellectual property (SIP), manufacturing, packaging, and testing; forming an industry value chain characterized by specialization and a division of labor. The diagram below defines, in a general way, functions performed by each link in the value chain.



C. Product Development Trends

(1) ASIC: Application Specific Integrated Circuit (ASIC) refers to an integrated circuit used in a particular application and on any random circuit board, its design, more than likely, includes at least one ASIC. Over the past few years, some of the more newsworthy technology breakthroughs in AI, big data and AI algorithms are ASICs. These applications are now key ASIC markets. Artificial intelligence has established a rapidly expanding presence in cloud computing, deep learning, security monitoring, intelligent manufacturing, and automatic driving applications, which are some of the most active

semiconductor target industries. The total ASIC application market is broadly defined as including six discrete segments: Computers and Peripherals, Wired Communications, Wireless Communications, Consumer, Automotive, and Industrial/Others. Consumer electronics is the largest ASIC market, with the growth coming primarily from mobile communications and high-definition TV applications. Wireless communications and the computers, and peripherals segments are tied as the second most active segments.

- (2) System-on-Chip (SoC): With the evolution of process technology and platform-based design methodologies, an entire system of heterogeneous functions can now be integrated into a single chip. A platform-based design method effectively solves issues such as complexity and time-to-market for different grades of products. In the future, Alchip sees that a variety of consumer electronics can be “platformed” as a result of SoC integrated chips.

D. Market competition

Fabless ASIC companies’ primary competitors are Integrated Design Manufacturer (IDM) and other Fabless ASIC companies. With the shift to deep submicron, large IDMs have entered a decline and find themselves unable to compete with fabless ASIC companies because of the high cost of production. Currently, most IDMs are gradually moving to a Fab-lite or Fabless model. With regards to competing with other Fabless ASIC companies, time-to-market is becoming a significant point of differentiation. With continuous processing speed improvement, and modulation/demodulation algorithms becoming more complex, designers are minimizing power consumption across the entire chip in the shortest design cycle. Conversely, other designers are investigating how package design can tolerate the ultra-high power consumption to ensure high-speed interface signal quality. Alchip is successfully responding to both challenges and, in doing so is today considered a leading fabless ASIC company in this competitive global semiconductor market.

5.1.3 Research and Development

A. In 2021 and 2020, the Company invested NT\$989,405 thousand and NT\$784,117 thousand in R&D respectively.

B. Successful technology development

Alchip combines the software tools for design (EDA) and design technologies that are researched and developed internally, including circuits, physical design, and unique software tools for design, to provide customers with services that improve efficiency, reduce size, lower power consumption, and speed deployment. Technologies that are researched and developed internally are listed below:

- (1) Hierarchical physical design and timing budgeting method: Through this method, chip design is divided into multiple parts that can be designed at the same time, controlling the timing of each part to meet a chip’s overall timing requirements.
- (2) Physical design method: Through this method, various types of Silicon Intellectual Property (IP) are used in the high-density chip design to reduce the chip size and achieve cost cutting goals.
- (3) Timing and electrical design method: This method improves the defect-free rate by adjusting several parameters.
- (4) Power consumption distribution method: This method reduces power consumption and enhances electrical efficiency.
- (5) Design for Testability (DFT): This method maximizes the scope of testability, while eliminating unnecessary tests to reduce the testing time and cost.

- (6) Product planning and specification development technology: Alchip conducts cost planning, including the selection of System-on-Chip (SoC) or System in Package (SiP), planning of system cost and bill of material (BOM) costs, consideration of process maturity and Silicon Intellectual Property (IP) stability, feasibility of next-generation process (half node), and evaluation on Static Random Access Memory (SRAM) repair. It also specifies testing of finished products and solutions, including the joint development of test solutions with IP vendors, establishment of built-in test module (DFT, BIST), and with testing machines to achieve mass production; adoption of two sets, four sets, or even eight sets of circuit boards being tested simultaneously in mass production to save testing cost. Finally, it develops the most appropriate packaging approach and builds partnerships with packaging houses to maximize finished product quality and market efficiency.
- (7) SoC and 2.5D/3D package co-design: Emerging chiplet and 2.5D/3D packaging technologies are reshaping the ASIC landscape. New technologies, such as silicon interposer and silicon bridge, allow a chip architect to construct an SoC with extremely high computing power, memory capacity and interconnect bandwidth. Alchip is investing in chip-package co-design methodologies and 2.5D/3D test chips to offer complete solutions to our customers.
- (8) Prototype and production technology: During device prototyping and production stages, Alchip works closely with suppliers via professional equipment and technology (built-in testing machines and test grips) to reduce the time taken to enter mass production, while analyzing product characteristics and sensitivity. They then formulate process conditions and test specifications for the mass production. The company also provides a small number of prototypes. During the final acceptance inspection process, Alchip prepares the mass production of chips, including reliability/qualification analysis. Upon entering production, it continues to improve the defect-free rate and shortens testing time to reduce production costs.

C. Latest successful technologies

- (1). Completed multiple 7nm designs with CoWoS and InFO advanced packaging technology with customer products entering mass production.
- (2). Taped-out several 7nm designs for artificial intelligence application in the first half of 2021.
- (3). Taped-out 6nm designs for artificial intelligence application in the second half of 2021.
- (4). Completed 5nm test chip designs with expected tape-out in 2022.
- (5). Completed 5nm APLink IP testing flow.
- (6). Developed 3nm customer design plans with test chip tape-out expected in the second half of 2022.
- (7). Tier-one system company successes
 - A. AC Company: One of the Top Green500 HPC supercomputer system Japanese firms collaborated with Alchip in 2019 to produce devices.
 - B. AE Company: A North America company collaborated with Alchip in 2019 to produce 7nm artificial intelligence devices.
 - C. AB Company: A Japanese company collaborated with Alchip in 2020 to produce 7nm niche devices.
 - D. AF Company: A North America company collaborated with Alchip in 2021 to produce 6nm artificial intelligence device.

5.1.4 Short- and long-term and short-term business development plans

Going forward, Alchip will continue focusing on its core businesses – research, development, design and manufacturing of high-end processing SoC, and working closely with world-class manufacturing suppliers through leading technologies to improve Taiwan’s international status in the chip design industry. The

Company's short- and long-term business development plans are described through R&D, business, and production initiatives.

| Item | Short-term business development plan | Long-term business development plan |
|------------|---|---|
| R&D | <ol style="list-style-type: none"> 1. Enable customer's early adoption of advanced 3nm/4nm process technology. 2. Invest in a 3nm/4nm test chip to validate silicon data and design methodology. 3. Design and verify high-speed D2D (die-to-die) interface IP to facilitate customer 2.5D/3D SoC designs at 5nm and below. 4. Invest in a 2.5D/3D a test chip by working with major foundry and OSAT supplier to ensure 2.5D/3D packaging readiness. 5. Extend the low-power and low-voltage custom digital cell portfolio for 5nm and below. | <ol style="list-style-type: none"> 1. Establish a SoC design infrastructure to support leading edge semiconductor process node. 2. Enable SoC designs with a 2.5D/3D chiplet solution platform. 3. Expand Silicon Intellectual Property library by investing in R&D of high-end custom digital/analog circuit. 4. Improve performance and energy saving by introducing a new SoC design methodology and custom circuit. 5. Enable system-level design services by offering SI/PI/Thermal and IP-sub-system design/verification. |
| Business | <ol style="list-style-type: none"> 1. Focus on system customers, and choose products with a large market potential, especially in HPC/AI fields. 2. Introduce the existing products of system customers into the advanced process to reduce costs and power consumption. 3. Increase the system integration such as SoC or SiP. 4. Develop customers through market orientation, find customers with development potential, and focus on customers within the three domains of the Company. | <ol style="list-style-type: none"> 1. Build services for major global customers thorough long-term partnerships and core technologies, creating visibility and expanding market share. 2. Strengthen strategic alliances and long-term partnerships with silicon intellectual property suppliers. 3. Work with customers to develop application platform architectures, establish cooperative alliances, and increase competitiveness of system integration, such as SoC or SiP. 4. Enhance cooperation between upstream and downstream firms, and broaden the scope to include market information. |
| Production | <ol style="list-style-type: none"> 1. Enhance integration of upstream, midstream, and downstream processes. 2. Provide customers with high-quality supply chain management to create added value. 3. Build long-term foundry partnerships. | <ol style="list-style-type: none"> 1. Strengthen the link between design and production; continuously reduce production costs, and improve the defect-free rate. 2. Provide higher-quality supply chain management and more professional back-end consulting capabilities to create added values production. 3. Build long-term close partnerships with foundries, including verification and R&D in the Silicon Intellectual Property. |

5.2 Market and Sales Overview

5.2.1 Market analysis

A. The scale of IC industry is growing

Unit: NT\$Billion

| IC Industry \ Year | 2018 | 18/17 | 2019 | 19/18 | 2020 | 20/19 | 2021 | 21/20 | 2022 (Note) | 22(Note) /21 |
|--------------------------------|----------|-------|---------|--------|---------|-------|---------|-------|-------------|--------------|
| Industry Revenue | 2,619.9 | 6.4% | 2,665.6 | 1.7% | 3,222.2 | 20.9% | 4,082.0 | 26.7% | 4,806.2 | 17.7% |
| IC Design | 641.3 | 3.9% | 692.8 | 8.0% | 852.9 | 23.1% | 1,214.7 | 42.4% | 1,384.8 | 14.0% |
| IC Manufacturing | 1,485.6 | 8.6% | 1,472.1 | -0.9% | 1,820.3 | 23.7% | 2,228.9 | 22.4% | 2,726.4 | 22.3% |
| Foundry | 1,285.1 | 6.6% | 1,312.5 | 6.6% | 1,629.7 | 24.2% | 1,941.0 | 19.1% | 2,407.6 | 24.0% |
| € Memory & Other Manufacturing | 200.5 | 23.7% | 159.6 | -20.4% | 190.6 | 19.4% | 287.9 | 51.0% | 318.8 | 10.7% |
| IC Packaging | 344.5 | 3.5% | 346.3 | 0.5% | 377.5 | 9.0% | 435.4 | 15.3% | 475.0 | 9.1% |
| IC Testing | 148.5 | 3.1% | 154.4 | 4.0% | 171.5 | 11.1% | 203.0 | 18.4% | 220.0 | 8.4% |
| Product Revenue | 841.8 | 8.0% | 852.4 | 1.3% | 1,043.5 | 22.4% | 1,502.6 | 44.0% | 1,703.6 | 13.4% |
| WW Revenue Growth (%) | 13,730.9 | 13.7% | 12,076 | -12.0% | 12,899 | 6.8% | 16,282 | 26.2% | 17,708.4 | 8.8% |

Note: numbers in 2022 are estimated.

Source: TSIA, ISTI-ITRI (February 2022)

A TSIA (Taiwan Semiconductor Industry Association) Survey shows that the strong demand in the global IC market in 2021 is because of the “stay-at-home economy” caused by the COVID-19 pandemic, and the benefit from the international transfer orders due to the trade war between US and China. In 2021, the IC design industry benefitted from an increase in the price of IC products as reflected in record high domestic IC design of NTD\$1,214.7 billion and a 20-year high annual growth rate of 42.4%.

Companies are looking capitalize on continued strong demand in 5G, high performance computing, automotive electronics, and data center segments, and growing demand in emerging topics Metaverse and 6G segments. It’s expected that the operating performance of the IC design industry will continue to rise in 2022, due in part to the impact of capacity shortage and price increases. The estimated revenue of the domestic IC design industry in 2022 is expected to be NT\$1,384.8 billion, with a 14% year-on year increase over 2021.

(1) Trend I: An industry with specialization and a division of labor

Until the early 1980’s, the semiconductor industry was characterized as a closed production system that vertically integrated upstream, midstream, and downstream processes through system companies who took on everything under a single enterprise. The pure play foundry business model was formally established by TSMC and UMC in 1987 changed all of that. After 2000, the specialization and division of labor in the semiconductor industry became increasingly apparent, with the exception a few large IDMs who owned both IC design and foundry capabilities. Today, system companies concentrate on R&D in core technology and brand marketing, outsourcing back-end design and production supply chain management to fabless ASIC companies. The fabless ASIC companies have allied with strategic partners to form an industry characterized by specialization and a division of labor.

(2) Trend II: High-end processes take the place of low-end process

ASIC design seeks to reduce the cost of high-end processes, lower power consumption and shrink device size. According to a recent Allied Market Research report, the global ASIC market was valued at \$14.87 billion in 2018, and is projected to reach \$28.05 billion by 2026, a CAGR of 8.61% from 2019 to 2026.

- (3) Trend III: System integration gradually moves to SoC (system design)/SiP (Packaging technology) System products are facing intense market competition. Shorter development times and more efficient designs are primary customer requirements. ASIC design covers both SoC and SiP system level integration. To pursue high-end processes, Alchip provides chip packaging and testing technology to gain competitive cost, power consumption, and volume advantages. Compared with traditional IC packaging, SiP package stacking technology reduces design time, increases packaging density, lowers risks, and saves system costs. In the future, SoCs will gradually move towards cross-platform collaboration to make the most of competitive integration through SiP/ SoC integration mode.
- (4) Trend IV: System manufacturers gradually move toward outsourcing ASIC design and production. Major system products manufacturers serving markets, such as cameras, tablet PCs, and smart phones, are under the twin pressures of providing more functional diversity and cost competitive prices. Increasingly, these companies are investigating the adoption of an ASIC strategy to gain differentiation and competitiveness advantages. System manufactures will concentrate more on keeping core firmware in-house and gradually move toward outsourcing ASIC design and production.

B. Sales by region

Unit:NT\$thousand

| Regions of sales | 2020 | | 2021 | |
|------------------|-----------|--------|------------|--------|
| | Amount | % | Amount | % |
| Taiwan | 290,651 | 4.11 | 308,092 | 2.95 |
| Japan | 1,041,424 | 14.71 | 914,507 | 8.77 |
| Mainland China | 4,563,634 | 64.47 | 7,455,270 | 71.49 |
| Europe | 505,645 | 7.14 | 328,472 | 3.15 |
| United States | 672,600 | 9.50 | 1,421,935 | 13.64 |
| Others | 4,965 | 0.07 | - | - |
| Total | 7,078,919 | 100.00 | 10,428,276 | 100.00 |

C. Market share

As a global ASIC/SoC design service leader, Alchip drives its business with scale and uniqueness. It is one of the Top 10 IC design companies in Taiwan.

D. Future Demand/Supply Conditions and Potential Market Growth

With SoC's driving a wide and diverse array of end products, IC manufacturers and IC design companies are constantly striving to increase productivity through faster time-to-market and lower IC design costs. More and more, system manufacturers prefer to work with fabless ASIC companies who provide the proven capability to integrate various silicon macros, or IP, into their design and manufacturing output.

Across all geographic regions, Asia-Pacific remains the center of future growth, driven by momentum coming from the huge domestic market in Mainland China. In addition, Alchip endeavors to expand its share of the North America market. On the technology front, the Company constantly improves its advanced technology (7nm and below) methodologies, improves its use of general commercial software for R&D design (EDA), and enhances its supplier chain management to make its customers' products market leaders.

E. Competitive Niche

- (1) Advance process technology experience:

Currently the technical experience of most fabless ASIC companies remains at the 90nm node and above. Alchip, however, is known for its leading-edge, advanced technology capability. It focuses primarily on highly complex designs of over 20 million gates manufactured on advanced process technologies of 7nm and below for world-class system companies. It has effectively overcome challenges electrical closure (including power management, timing convergence, system interface, and signal completeness), design-for-test (DFT), design-for-manufacturing (DFM), and other system-level

challenges. It has responded by reducing design time and increasing chip efficiency to reduce costs, increase production efficiency, decrease power consumption, and optimize chip size.

(2) Customization service:

To satisfy individual and diverse customer needs, the Company provides moderate flexibility and creates customized design. Alchip strives to first understand the customer's requirement, then offers all-round services from design to mass production.

(3) Quality Assurance:

Alchip's goal is to provide the highest-quality solutions that reflect the highest standard of excellence, and creativity. It is in that spirit that the Company inserts Design-for-Test (DFT) capabilities into the design stage. Also, a hardware circuit is also installed on a chip to allow facilitate an early detection of faults and manufacturing defects, thereby reducing testing costs and improving the defect-free rate in mass production. These steps are part of Alchip's strict quality policies that call for continuously reviewing and enhancing services. The quality service goal is to complete tasks in a time-sensitive, highly cost-effective manner that ensures products and performance that meet customer requirements.

(4) Master the advanced process design technologies:

Alchip engineers have mastered a vast area of design capabilities covering both mature and of advanced process technologies. With this comes an in-depth understanding of the variability across advanced processes. As a result, they can minimize design risk by predicting and preventing resulting from variability. In the chip design and packaging, their system analysis capabilities and experience ensures the predictability of system factors, such as: Signal Integrity (SI) and Power Integrity (PI). Alchip's advanced process design solutions have achieved empirical results from more than 200 million mass-production chips. After adopting Alchip's design programs, customers complete product design goals in the shortest possible time and gain significant the cost-effectiveness when their devices reach mass production.

(5) Reliability:

High-complexity SoCs face a plethora of reliability, quality, cost, and time for products to market challenges. The Company has completed more than 470 design projects since it started business in 2003 and has earned a number of industry and system company quality certifications. Regardless of complexity, Alchip has achieved first time silicon success on all its wafer starts. Alchip has accumulated this enviable record because it carefully considers all environment variation factors that can occur during early circuit design stages to eliminate the time and reduce the costs associated with re-designs and re-spins. Alchip achieves a high degree of reliability assurance through careful planning and implementation, concentration on reliability, pre-sale support, and continuous reliability improvement in related products.

(6) Long-term customer relationships and strategic alliance partners:

The Company has long-term relationships with all customers, and pursues shared goals for better, faster results and lower costs. Through its supply chain management practices, it also maintains strong relationships with upstream and downstream strategic partners, to provide customers with complete solutions and more competitive products.

F. Advantages, disadvantages and responsive strategies in the development of perspective

(1) Advantageous factors:

- i. A complete Taiwan semiconductor industry supply chain: The semiconductor industry is characterized by a division of labor based on specialization and close relationship between upstream and downstream partners. The Republic of Taiwan has advanced-process wafer fabs, packaging, and testing houses and complete set of satellite suppliers, who offer a comparative

advantage in the development of IC design services. Furthermore, Taiwan's convenient location attracts business from around the globe because of its first-class international competitiveness.

- ii. Heavy demand for semiconductor products from Taiwan: Taiwan's OEM/ODM businesses are known for their sub-contract manufacturing high production efficiency and economies of scale semiconductors and other electronic system products. This is reflected in the large demand for Taiwan's domestic market to support foreign manufacturers. On the whole, Taiwan's semiconductor industry is driven largely by demand for high-performance computing, artificial intelligence, 5G networks, self-driving cars. With the strong demands in high-end devices, industry prospects offer a promising outlook.
 - iii. Support by government policy: The electronics industry has been strongly supported by the government of Taiwan through investments in the semiconductor OEM/ODM sector, and by fostering information technology, consumer electronics, and IC manufacturing industries. Talented people and industrial structure are viewed by the government as beneficial for long-term development.
- (2) Disadvantageous factors and responsive measures:
- i. Since there are few engineers with advanced-process experience, talented people are difficult to find and develop. Retaining professional personnel has become increasingly competitive because of the flourishing of IC industry. Companies often pay a high price to recruit and train outstanding talents. As a result, The Company invests heavily in human resources to obtain, train and retain employees by strengthen their sense of belonging and loyalty.

【Responsive Measure】

- ① The Company develops its own talents over a long period through internal and external professional education and training, as well as on-the-job training, and improves employee benefits to reduce the turnover rate.
 - ② Adoption of employee stock options structured to retain talent.
- ii. In light of the fact that the semiconductor industry looks promising short term and long term, the demands for design resource will be extensive. In this environment, the Company needs to steadily expand its resources to improve service quality. In addition, IDM business model is fast becoming non-competitive and system customers are aggressively looking for long-term business partners. Currently, the design service industry is limited in size, and requires expanding its scale to gain larger orders from world-class system companies.

【Responsive Measure】

- ① Simplify the development and design process to improve productivity.
- ② Build application specific Silicon Intellectual Property platforms to shorten design time and reduce resource requirements.

5.2.2 Main Product Application and Production Flow

A. Main product application

Alchip's major products are divided into three categories:

- (1) Artificial Intelligence/High-Performance Computing/Communication market: The market for network, storage, and computing devices is growing. To meet higher standards for performance, these devices must use increasingly complex high-efficiency and high-density systems-on-chips (SoCs). Alchip has completed several high-performance computing (HPC) devices that are ranked at the top of the Green500 ratings for a Japanese system company. In addition, the Company has also completed a number of high-performance computing projects for CPU manufacturers in China. In the U.S. and

Europe regions, Alchip has provided advanced process design and mass production for several high-profile high-performance computing and artificial intelligence customers.

- (2) Consumer electronics products: Alchip's consumer electronics experience includes designs for applications such as HD-TV, mobile phones, digital still and video cameras, entertainment systems, portable media players, and tablet PCs. Mobile communication devices applications cover MP3, camera, GPS, mobile TV, wireless, and gaming. The semiconductor consumer sector is the fastest growing segment. In response to the fierce competition in the market, Alchip provides predictable chip realization time, adopts applied efficiency circuits with empirical experiences, completes prototype chips and enters mass production in the shortest possible time to help customers achieve maximum returns on their investments.
- (3) Niche market products: These include ASIC designs for special applications such as surveillance systems, entertainment machines, and medical equipment and instruments.

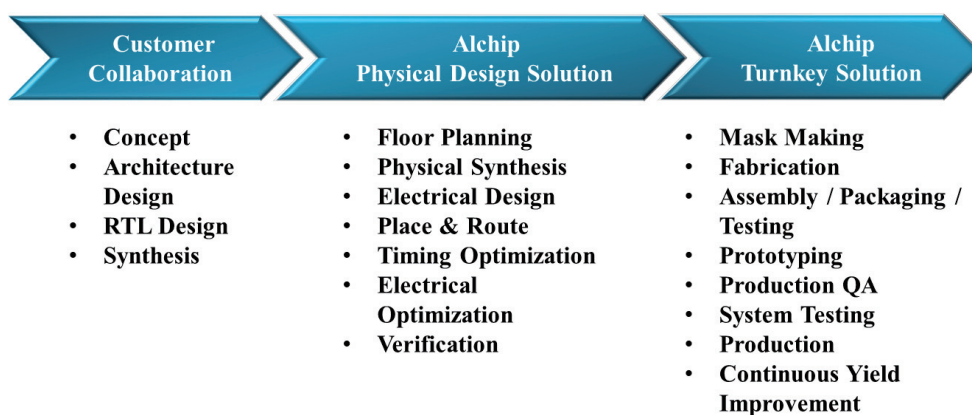


B. Production process of major products:

Chip design is composed of front-end design and back-end design. The front-end design is provided by the system company, and back-end design, production, and manufacturing are subcontracted to Alchip.

At the front-end, the system company defines the product concept. RTL (Register Transform Level) is used to describe functions required by the IC and determines the operating speed of the product. Finally, the target database containing all the details (basic functional logic) is established. Through synthesis software, RTL is converted into a Netlist, where electronic circuits are converted to logic gates, functions are defined, and the operating clock is optimized. The completed front-end design is then given to a fabless ASIC company like Alchip for back-end design.

Back-end design is divided into two phases. The first phase begins with the initialization of the design case and ends in receipt of customer's final Netlist. In the second phase, engineers use physical design software to convert the Netlist into the actual device layout, and generate what is called a GDSII file that is used to print the manufacturing masks. This is commonly known as tape-out.



Alchip provides both back-end design and complete “turnkey” services that also cover wafer fabrication, packaging, and testing. In Alchip’s service process, the wafer fabrication phase begins after delivery of the GDSII file to foundries for manufacturing. The chip manufacturing process is roughly divided into the following steps: wafer fabrication, wafer probe, assembly, initial test and final test. Alchip has built close working relationships with its suppliers so that it can provide complete back-end design and production.

- (1) Silicon intellectual property suppliers: Alchip works closely with silicon intellectual property suppliers and seeks the most appropriate capacity/price ratio. Alchip provides products from select IP suppliers around the globe. Customers can adopt their own IP and then combine them flexibly with IP provided by Alchip.
- (2) Foundries: Alchip chooses cooperative firms based on customer’s needs. Alchip operates an open foundries business model that it does not depend on the limited design capability and development of a fixed foundry. The Company keeps good partnerships with most foundries (such as: TSMC, Samsung, SMIC, and Global Foundries). It also cooperates closely with TSMC in back-end design research and development for deep-submicron and high-end processing SoCs.
- (3) Packaging/testing house: Alchip works with the engineering teams of both its customer and its packaging/testing house partners early in the back-end design stage for design accuracy and state-of-the industry manufacturing yields. Later in the process, Alchip logistics group assures timely production and device delivery through sound production planning, and tight interaction with all supply chain companies.

5.2.3 Raw Material Supply

| Main raw material | Main source | Supply status |
|-------------------|-------------|---------------|
| Wafer | Taiwan | Good |

5.2.4 Major suppliers and customers

A. Major suppliers accounting for more than 10% of total purchase amount in years 2021 and 2020

Unit: NT\$ thousand

| Item | 2020 | | | | 2021 | | | |
|------|----------|-----------|--|------------------------------|----------|-----------|--|------------------------------|
| | Supplier | Amount | Percentage of full-year net purchase (%) | Relationship with the issuer | Supplier | Amount | Percentage of full-year net purchase (%) | Relationship with the issuer |
| 1 | TSMC | 1,949,391 | 100.00 | None | TSMC | 2,136,872 | 100.00 | None |

Explanation: Alchip is a professional IC design company, and its main purchase item is wafer. Alchip pursues quality and ensures delivery time, and has the long-term cooperation and builds stable partnership with wafer foundries.

B. Major customers contributing more than 10% of total sales amount in years 2021 and 2020

Unit: NT\$ thousand

| Item | 2020 | | | | 2021 | | | |
|------|-----------|-----------|---------------------------------------|------------------------------|------------|-----------|---------------------------------------|------------------------------|
| | Customer | Amount | Percentage of full-year net sales (%) | Relationship with the issuer | Customer | Amount | Percentage of full-year net sales (%) | Relationship with the issuer |
| 1 | S Company | 2,791,567 | 39.43 | None | AD Company | 2,613,937 | 25.07 | None |
| 2 | - | - | - | - | S Company | 2,226,455 | 21.35 | None |

Note: Revenue from the customer for the indicated period was less than 10% of the Company's revenue.

Explanation: The increase in the sales amount of AD Company was resulting from the increase of chip production. The decrease in the sales amount of S Company was resulting from the decrease of chip production in 2021.

5.2.5 Production output in years 2021 and 2020

Unit: thousand; NT\$ thousand

| Output | Year | 2020 | | 2021 | |
|--------------------------|------|----------|-----------|----------|-----------|
| | | Quantity | Value | Quantity | Value |
| Major Products | | | | | |
| ASIC and Chip production | | 9,947 | 4,297,871 | 16,637 | 7,282,317 |
| NRE | | (Note) | 32,892 | (Note) | 61,700 |
| Others | | 329 | 3,130 | 953 | 6,741 |
| Total | | 10,276 | 4,333,893 | 17,590 | 7,350,758 |

Note: Alchip is a professional IC design company, and has no its own wafer fabrication capacity. The capacity of general manufacturing industry is not applicable. NRE refers to IC design services coming into contract. Since contract for cost input is different to each project, it is not applicable to calculation of quantity and value.

5.2.6 Sales amount in years 2021 and 2020

Unit: NT\$ thousand

| Shipments & Sales | Year | 2020 | | | | 2021 | | | |
|--------------------------|------|----------------|---------|----------------|-----------|----------------|---------|----------------|------------|
| | | Domestic sales | | Overseas sales | | Domestic sales | | Overseas sales | |
| | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Major Products | | | | | | | | | |
| ASIC and Chip production | | 2,876 | 290,651 | 6,880 | 6,612,878 | 3,616 | 275,630 | 11,506 | 9,966,056 |
| NRE | | - | - | (Note) | 169,578 | (Note) | 32,462 | (Note) | 143,540 |
| Others | | - | - | 332 | 5,812 | | | 953 | 10,588 |
| Total | | 2,876 | 290,651 | 7,212 | 6,788,268 | 3,616 | 308,092 | 12,459 | 10,120,184 |

Note: NRE refers to IC design services coming into contract. Since contract for cost input is different to each project, it is not applicable to calculation of quantity and value.

5.3 Information on Employees

The Company's number of employees employed, their average years of service, average age, the percentage of employees at each education level for the two most recent years:

| Year | | 2020 | 2021 | The Current Year up to March 31, 2022 |
|---|--|------|------|---------------------------------------|
| Number of Employees | Supervisor of Managerial Level or Above | 131 | 139 | 137 |
| | General staff | 295 | 327 | 325 |
| | Total | 426 | 466 | 462 |
| Average age | | 33.5 | 33.5 | 33.9 |
| Average years of service | | 6.5 | 6.2 | 6.2 |
| Percentage of Employees at Each Education Level | Ph.D. | 1% | 1% | 1% |
| | Master | 35% | 38% | 38% |
| | College | 62% | 60% | 60% |
| | Senior High School and below (inclusive) | 2% | 1% | 1% |

5.4 Expenditure on Environmental Protection

Disbursements for environmental protection: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.5 Labor Relations

5.5.1 Describe employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and labor-management agreements and measures for upholding employees' rights and interests

A. Employee benefit plans

The Group's employee benefit plans are implemented in accordance with relevant laws and regulations where subsidiaries are located, including labor and health insurance, group insurance, pension distribution, and annual physical examination. The subsidiaries of the Group also establish employee welfare committees responsible for planning and handling employees' welfare matters including cash gifts for holidays and festivals, outing and related activities and year-end party.

B. Continuing education and training

To enhance employees' professional capabilities and achieve the company's goals in cultivation of talent, the Company makes annual training programs for employees based on the Company's development strategy and employees' needs, scrupulously implements training, and conducts reviews and auditing on training performance in accordance with ISO Standard for Training Management and Process.

C. Retirement systems and status of their implementation

Alchip's retirement systems are implemented in accordance with Labor Standards Act and Labor Pension Act of the republic of China to provide protection for employees' security.

D. Labor-management agreements and measures for upholding employees' rights and interests

The Group has always valued employees' rights and interests as well as their opinions. We keep labor relations harmonious, and employees may make communications and submit their suggestions on the company's operations through regular labor-management conference.

E. Employee safety and environment management

The Company fulfills the social responsibility and provides a safe working environment to the employees. The Company not only complies with the related regulations of occupational health and safety, but also sets health and safety rules such as prevention of sexual harassment. The Company also pays attention to the following matters.

- Safe working environment
In order to ensure the safety of the working environment, the employee of the Company has to use a key card to access the office, elevator and parking areas. Visitor of the Company should register and be led by the staff into the office. The main entrance of the office is monitored by a security system.
- Regular fire safety inspection
In order to ensure that all fire equipment and sensors are maintained, the Company arranges yearly fire safety inspection. Moreover, the Company also arranges a yearly fire drill.
- Maintaining a hygienic environment
 - (1) Annual air conditioner maintenance.
 - (2) Bi-annual checking of carbon dioxide level.

5.5.2 Describe any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided

In 2021 and 2022 as of the date of this annual report publication, there have been no losses resulting from labor disputes. However, the company was issued a fine due to violate labor law. Below is detailed information.

Violation of the provisions: Paragraph 1 of Article 24 of Labor Standards Act., Disposition Date: 13th January, 2021, Disposition Reference Number.: Taipei-Labor-10961190211, Contents of the Violation: Overtime work without paying overtime wages, Contents of the Disposition: Administrative fine of NT\$20,000. The Company has reviewed the working hour management and continuously communicated with department managers and employees to improve the overtime management.

5.6 IT Security Management

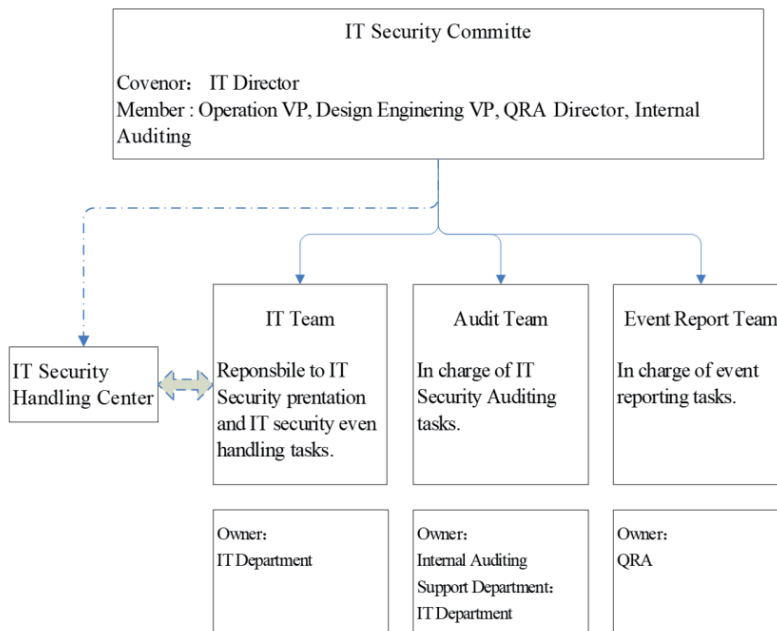
5.6.1 Structure, Policy and Resource

A. Information Security and Risk Management Structure

- Alchip has established "Information Security Management Committee" in 2021, divided into IT Team, Audit Team and Event Report Team, to be accountable for information security and protection related policy compilation, implementation, compliance audit, and risk management. Alchip Information Security Management Committee is responsible for managing enterprise information security, while the VP of Strategic Alliance supervises the overall information security management mechanism and direction.

In order to implement the information security strategy formulated by the committee and ensure internal compliance with security policy and instruction, IT Department is responsible for IT security precaution and security event handling. Meanwhile, Internal Auditing team is in charge of IT security audit and QA department is in charge of event reporting to external parties, such as suppliers.

- Organizational Structure of Information Security Management Committee



B. Information Security Policy

To effectively implement information security management, Information Security Management teams regularly reviews the applicability of measures based on the feedback from members across all branches. The implementation results of information security measures will be organized into different phases per below and report to Information Security Management Committee regularly.

- Planning Phase:** Focus on information security risk management and establish a comprehensive management system. Create and provide the confidential information security protection service with a high standard that fulfils customers' needs, after considering potential threats from the system, technical and program perspective
- Execution Phase:** Build multi-layer information security protection measures, continue to introduce innovative information security defense technology, and integrate the information security control mechanism into daily software and hardware maintenance, supplier security management and other operations. The key is to maintain the confidentiality, completeness and availability of our important assets, through systematic monitoring of information security.

3. Audit Phase: Actively monitor the output of information security management measures and quantify the indicators based on the results of the audit. Meanwhile, evaluate the information security maturity through regular analog drills of information security attacks.
4. Action Phase: Ensure supervision and audit on information security are implemented through continuous reviews and goals for improvement. If any employee violates relevant norms, consequences will be decided based on the information security violation processing procedures, and depending on each violation circumstance, might affect individuals' annual performance appraisal result or other necessary legal actions. In addition, regular reviews and improvement on information security measures, training and announcement broadcast will be updated, according to performance indicator and maturity test.

C. Management Strategy

1. Multi-layer Information Security Protection

- Physical Security: Control entry to the data center and core storage area to prevent unauthorized access.
- Network Security: Introduce advanced technology to perform computer scanning, system and software updates. Strengthen the network firewall and network control to prevent computer virus spread to internal network.
- Device Security: Build instant endpoint antivirus measures to enhance malware detection. Control the access and permissions of device to prevent access to undetected hardware devices and installation of unauthorized software.
- Application Security: Establish application development safety self-check list, evaluation criteria and goals for improvement.
- Supply Chain Data Security: Develop supplier information security data protection self-check mechanism and update latest corporate information security regulations and notice.
- Information Security Enhancement: Encrypt company confidential files. Control and track outgoing emails and files. Refine data access rights to prevent unauthorized data access.

2. Review and Continuous Improvement

- Strengthen employees' awareness of cyberattack through email and instant messaging tools and implement phishing email prevention and detection.
- Implement firewall policy and log check periodically to optimize vulnerabilities timely.
- Improve disaster recovery measures for critical business systems and strengthen recovery backup.

3. Information Security Monitoring

- Assign external experts to conduct regular network and information security examination
- Integrate information security vulnerability assessment reports from partner vendors and conduct risk analysis.

D. Resources for Information Security Management

- Deployed PC and server antivirus endpoint protection to protect endpoint security.
- The external network firewall device has application identification ability, intrusion prevention and advanced threat prevention mechanisms, to strengthen the defense of external cyberattack.
- Use Identity Services Engine to differentiate the identity of employees and visitors, isolating access paths.
- In addition to basic spam identification, deploy advanced threat learning protection module to strengthen the ability of identifying phishing mail to prevent data theft.
- Vulnerability scanning system keeps track and improves vulnerabilities found in the system continuously.

- Key application login authentication require OTP authentication to reduce the risk of breaches login.
- Organize rehearsal and training to enhance staff awareness of information security.

5.6.2 Damage and Impact

Alchip mail system is under attack by unknown external users who try to log in on a weekly basis. So far, the email system has never been hacked, since protection mechanism is already setup for precaution.

5.7 Material Contracts

Supply and sales contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts are either still effective as of the date of the publication of annual report, or expired in the most recent year are listed as follows:

5.7.1 Alchip Technologies, Limited,Alchip(Holdco)

| Agreement | Counterparty | Start/end Dates of contracts | Major content | Restrictive clauses |
|----------------------|--------------|---|--|---------------------|
| Partner | F Company | One year from March 13, 2009 (automatically extended for one year annually) | F Company appointed Alchip (Holdco) as its "Value Chain Aggregator". | None |
| Software licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Holdco), Alchip (TW), Alchip (JP), Alchip (Wuxi), and Alchip (Shanghai) on October 31, 2019. G Company licensed Alchip (Holdco), Alchip (TW), Alchip (JP), Alchip (Wuxi), and Alchip (Shanghai) the right to use Licensed Products and patented technologies with expiration date on October 30, 2022). | None |
| Technology licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Holdco) and Alchip(Shanghai) on May 6, 2019. G Company licensed relevant patents on technologies to Alchip (Holdco) and Alchip(Shanghai) for use with expiration date on May 5,2022). | None |
| Technology licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Holdco) and Alchip(Shanghai) on October 28, 2019. G Company licensed relevant patents on technologies to Alchip (Holdco) and Alchip(Shanghai) for use with expiration date on October 27, 2022). | None |
| Technology licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it | None |

| Agreement | Counterparty | Start/end Dates of contracts | Major content | Restrictive clauses |
|----------------------|--------------|--|---|---------------------|
| | | | signed an amendment to the contract of software license with Alchip(TW Branch) and Alchip(Shanghai) on April 29, 2020. G Company licensed relevant patents on technologies to Alchip(TW Branch) and Alchip(Shanghai) for use with expiration date on May 5, 2023). | |
| Technology licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Jinan) and Alchip(Shanghai) on April 29, 2021. G Company licensed relevant patents on technologies to Alchip(Jinan) and Alchip (Shanghai) for use with expiration date on May 6, 2024). | None |
| Technology licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Hefei) and Alchip(Shanghai) on November 26, 2021. G Company licensed relevant patents on technologies to Alchip(Hefei) and Alchip (Shanghai) for use with expiration date on November 30, 2024). | None |
| Technology licensing | G Company | From April 1, 2003 to this day | G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Guangzhou) and Alchip(Shanghai) on November 26, 2021. G Company licensed relevant patents on technologies to Alchip (Guangzhou) and Alchip (Shanghai) for use with expiration date on November 30,2024). | None |
| Software licensing | H Company | From June 29, 2006 to the termination by H Company as agreed in the contract | H Company licensed Alchip (Holdco) the right to use Licensed Materials. | None |

5.7.2 Alchip Technologies, Limited, TW Branch

| Agreement | Counterparty | Start/end dates of contracts | Major content | Restrictive clauses |
|-----------------------|--------------|--|--|---------------------|
| Design and production | AD Company | Five years from September 19, 2019 | Alchip (TW Branch) provides product R&D services, manufactures, and sells integrated circuit products to AD Company based on the Statement of Work attached with the contract. | None |
| Design and production | S Company | Five years from April 10, 2015 (auto-renew for additional 5 years) | Alchip (TW Branch) provides product R&D services, manufactures, and sells integrated circuit products to S Company based on the Statement of Work attached with the contract. | None |

VI. Financial Highlights

6.1 Consolidated Balance Sheets

Unit: NT\$ thousand

| Item | | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------------|-----------|-----------|-----------|-----------|------------|
| Current assets | | 2,332,005 | 2,883,785 | 4,108,247 | 7,693,440 | 11,557,631 |
| Property, Plant and Equipment | | 269,326 | 316,836 | 389,422 | 814,549 | 884,334 |
| Intangible assets | | 87,192 | 146,759 | 221,553 | 123,696 | 37,887 |
| Other Non-Current assets | | 16,800 | 16,326 | 14,987 | 15,968 | 71,940 |
| Total assets | | 3,115,918 | 3,717,404 | 5,225,066 | 9,112,980 | 13,257,637 |
| Current liabilities | Before distribution | 358,056 | 768,574 | 1,815,666 | 5,131,391 | 2,839,007 |
| | After distribution | 422,064 | 859,259 | 2,029,777 | 5,596,778 | (Note) |
| Non-current liabilities | | 43,417 | 27,931 | 107,655 | 93,347 | 70,426 |
| Total liabilities | Before distribution | 401,473 | 796,505 | 1,923,321 | 5,224,738 | 2,909,433 |
| | After distribution | 465,481 | 887,190 | 2,137,432 | 5,690,125 | (Note) |
| Equity attributable to owner of the company | | 2,714,445 | 2,920,899 | 3,301,745 | 3,888,242 | 10,348,204 |
| Share capital | | 610,010 | 597,731 | 606,129 | 620,285 | 706,876 |
| Capital surplus | | 1,425,312 | 1,456,360 | 1,534,620 | 1,684,359 | 7,292,281 |
| Retained earnings | Before distribution | 730,175 | 821,922 | 1,164,749 | 1,785,555 | 2,696,969 |
| | After distribution | 666,167 | 731,237 | 950,638 | 1,320,168 | (Note) |
| Other equity | | (51,052) | 44,886 | (3,753) | (201,957) | (347,922) |
| Treasury stock | | - | - | - | - | - |
| Non-controlling interest | | - | - | - | - | - |
| Total equity | Before distribution | 2,714,445 | 2,920,899 | 3,301,745 | 3,888,242 | 10,348,204 |
| | After distribution | 2,650,437 | 2,830,214 | 3,087,634 | 3,422,855 | (Note) |

Note: Pending on the approval of 2022 shareholders' meeting.

6.2 Consolidated Statements of Comprehensive Income

Unit: NT\$ thousand

| Item | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-----------|-----------|-----------|-----------|------------|
| Operating revenues | 4,265,643 | 3,450,678 | 4,331,956 | 7,078,919 | 10,428,276 |
| Gross profit | 1,201,130 | 1,291,441 | 1,611,042 | 2,307,267 | 3,562,565 |
| Profit (loss) from operations | 320,051 | 321,925 | 432,878 | 987,143 | 1,827,955 |
| Non-operating income & expenses | 38,934 | 12,880 | 92,405 | 98,647 | 73,110 |
| Profit(loss)before income tax | 358,985 | 334,805 | 525,283 | 1,085,790 | 1,901,065 |
| Net profit(loss) from operations of continued segments | 308,743 | 257,357 | 433,512 | 834,917 | 1,489,723 |
| Net profit(loss) | 308,743 | 257,357 | 433,512 | 834,917 | 1,489,723 |
| Other comprehensive income(loss) (net of income tax) | (191,937) | 81,936 | (48,639) | (198,204) | (98,020) |
| Total comprehensive income(loss) | 116,806 | 339,293 | 384,873 | 636,713 | 1,391,703 |
| Net income attributable to shareholders of the parent | 308,743 | 257,357 | 433,512 | 834,917 | 1,489,723 |
| Net income attributable to non-controlling interest | - | - | - | - | - |
| Comprehensive income attributable to Shareholders of the parent | 116,806 | 339,293 | 384,873 | 636,713 | 1,391,703 |
| Comprehensive income attributable to non-controlling interest | - | - | - | - | - |
| Earnings(loss) per share (NT\$) | 5.08 | 4.22 | 7.20 | 13.61 | 21.34 |

6.3 CPA opinions from 2017 to 2021

| Year | CPA | Accounting Firm | Auditor's Opinion |
|------|-----------------------------|-------------------|---------------------|
| 2017 | Cheng-Ming Lee, S.C. Huang | Deloitte & Touche | Unqualified opinion |
| 2018 | Yi-Wen Wang, Cheng-Ming Lee | Deloitte & Touche | Unqualified opinion |
| 2019 | Yi-Wen Wang, Cheng-Ming Lee | Deloitte & Touche | Unqualified opinion |
| 2020 | Yi-Wen Wang, Shih-Tsung Wu | Deloitte & Touche | Unqualified opinion |
| 2021 | Yi-Wen Wang, Li-Chun Chang | Deloitte & Touche | Unqualified opinion |

6.4 Five -Year Financial Analysis

| Item | | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------|--|----------|--------|--------|--------|----------|
| Financial structure | Debt ratio(%) | 12.88 | 21.43 | 36.81 | 57.33 | 21.95 |
| | Ratio of long-term capital to property, plant and equipment(%) | 1,023.99 | 930.71 | 875.50 | 488.81 | 1,178.13 |
| Liquidity | Current ratio (%) | 651.30 | 375.21 | 226.27 | 149.93 | 407.10 |
| | Quick ratio (%) | 603.09 | 322.36 | 189.67 | 111.00 | 329.26 |
| | Interest earned ratio (times) | 198.79 | 376.76 | 117.32 | 275.61 | 735.00 |
| Operating performance | Accounts receivable turnover (times) | 6.00 | 6.26 | 5.37 | 9.08 | 12.8 |
| | Days sales outstanding | 61 | 58 | 68 | 40 | 29 |
| | Inventory turnover (times) | 17.09 | 9.20 | 5.49 | 5.67 | 5.99 |
| | Accounts payable turnover (times) | 18.43 | 23.67 | 9.88 | 12.20 | 18.02 |
| | Average inventory turnover days | 21 | 40 | 66 | 64 | 61 |
| | Property, plant and equipment turnover (times) | 17.54 | 11.77 | 12.27 | 11.76 | 12.28 |
| | Total assets turnover (times) | 1.33 | 1.01 | 0.97 | 0.99 | 0.93 |
| Profitability | Return on total assets (%) | 9.69 | 7.55 | 9.78 | 11.69 | 13.34 |
| | Return on equity (%) | 11.71 | 9.13 | 13.93 | 23.22 | 20.93 |
| | Pre-tax income to paid-in capital (%) | 58.85 | 56.01 | 86.66 | 175.05 | 268.94 |
| | Net margin(%) | 7.24 | 7.46 | 10.01 | 11.79 | 14.29 |
| | Basic earnings per share (NT\$) | 5.08 | 4.22 | 7.20 | 13.61 | 21.34 |
| Cash flow | Cash flow ratio (%) | 347.00 | 132.66 | 91.67 | 88.75 | 12.17 |
| | Cash flow adequacy ratio (%) | 118.46 | 112.50 | 122.29 | 155.93 | 117.98 |
| | Cash reinvestment ratio (%) | 27.04 | 16.64 | 26.07 | 61.87 | (0.84) |
| Leverage | Operating leverage | 5.32 | 6.15 | 5.80 | 3.60 | 2.96 |
| | Financial leverage | 1.01 | 1.00 | 1.01 | 1.00 | 1.00 |

Analysis for the changes that exceed 20% in the past two years

- (1) Debt Ratio decreased by 61.71%, mainly due to the decrease in receive in advance from customer in 2021.
- (2) Ratio of long-term capital to property, plant and equipment increased 141.02%, mainly due to new shares issued through capital increase, increase in capital surplus in 2021.
- (3) Current Ratio, Quick Ratio increased by 171.53% and 196.63%, respectively, mainly due to increase in time deposits in 2021 .
- (4) Interest Coverage Ratio increased by 166.68%, mainly due to increase in net profit in 2021.
- (5) Accounts Receivable Turnover (times), Days sales outstanding increased 40.97% and decreased 27.50%, respectively, mainly due to increase in operating revenues in 2021.
- (6) Accounts Payable Turnover Rate increased by 47.70%, mainly due to increase in cost of good sold in 2021.
- (7) Pre-tax income to paid-in capital, Net Margin, EPS increased by 53.64%, 21.2% and 56.8% , respectively, mainly due to increase of net profit in 2021.
- (8) Cash flow ratio, Cash flow adequacy ratio ,Cash reinvestment ratio decreased by 86.29% , 24.34% and 101.36%, respectively, mainly due to decrease in receive in advance from customer , decrease in cash generated from operating activities in 2021.

Note1: Financial analysis equations:

1. Financial structure
 - (1) Ratio of liabilities to assets= Total liabilities/Total assets
 - (2) Ratio of long-term assets to Property, plant and equipment=(total equity+non-current liabilities)/ property, plant and equipment, net
2. Solvency
 - (1) Current ratio=Current assets/Current liabilities
 - (2) Quick ratio=(Current assets-inventory-prepaid expense)/Current liabilities
 - (3) Multiple of interest protection=income tax and interest expenses net income before income tax/interest expenses in the current period
3. Operating ability
 - (1) Account receivable turnover(times)=Net sales/Average accounts receivable and notes receivable(net)
 - (2) Days sales in account receivable=365/Account receivable turnover(times)
 - (3) Inventory turnover= Cost of goods sold/Average inventory
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
 - (5) Average days in sales=365/Inventory turnover
 - (6) Property, plant and equipment turnover(times)=Net sales/ net sales/average property, plant and equipment, net
 - (7) Total assets turnover=Net sales/Average assets
4. Profitability
 - (1) Ratio of return on total assets=[net income+interest expense(1-tax rate)/Average assets]
 - (2) Ratio of equity= Net income/Average total Equity
 - (3) Profit ratio=New income/Net sales
 - (4) Earnings per share=(Net income- preferred stock dividend)/Weighted average stock issued (Note 4)
5. Cash flow
 - (1) Cash flow ratio=Net cash flow from operating activity/Current liabilities
 - (2) Cash flow adequacy ratio=Net cash flow from operating activities in five years/(Capital expenditure+inventory increase+cash dividend) in five years
 - (3) Cash reinvestment ratio=(Net cash flow from operating activity –cash dividend)/ gross of property, plant and equipment+long-term investment+other non-current assets+working capital)(Note 5)
6. Leverage
 - (1) Operation leverage=(Net operating income-operating cost and expense)/Operating income (Note 6)
 - (2) Financial ratio= Operating income/(Operating income-Interest expense)

Note 2: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.

2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past year and the half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 3: Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross fixed assets value means the total value of fixed assets prior to the subtraction of accumulated depreciation.

Note 4: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 5: In the case of a company whose shares have no par value or have a par value other than NT\$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

6.5 Audit Committee's Review Report

Alchip Technologies, Limited AUDIT COMMITTEE'S REVIEW REPORT

To: Shareholders' Annual General Meeting for Year 2022, Alchip Technologies, Limited

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of Alchip Technologies, Limited 2021 Business Report, Consolidated Financial Statements and Dividend Distribution proposal. The Consolidated Financial Statements have been duly audited by Certified Public Accountants Yi-Wen Wang and Li-Chun Chang of Deloitte & Touche. The above Business Report, Consolidated Financial Statements and Dividend Distribution proposal have been examined and determined to be correct and accurate by the undersigned. This Report is duly submitted in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of the Company Law.

The Audit Committee, Chairman:

Mr. Mao-Wei Hung



6.6 Consolidated Financial Statement for the most recent year, Including an Auditor's Report Prepared by a CPA, and 2-year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Chart, and any Related Footnotes or Attached Appendices

Please refer to pages 139 to 197.

6.7 A Parent Company Only Financial Statement for the Most Recent Year, Certified by a CPA, but not Including the Statements of Major Accounting Items

Not applicable.

6.8 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report

None.

VII. Financial Status, Operating Results, and Risk Management

7.1 Financial Status

Unit: NT\$ thousand

| Item | 2020 | 2021 | Difference | |
|---|------------------|-------------------|--------------------|----------------|
| | | | Amount | % |
| Current Assets | 7,693,440 | 11,557,631 | 3,864,191 | 50.23 |
| Property, Plant and Equipment | 814,549 | 884,334 | 69,785 | 8.57 |
| Intangible Assets | 123,696 | 37,887 | (85,809) | (69.37) |
| Other Non-Current Assets | 15,968 | 71,940 | 55,972 | 350.53 |
| Total Assets | 9,112,980 | 13,257,637 | 4,144,657 | 45.48 |
| Current Liabilities | 5,131,391 | 2,839,007 | (2,292,384) | (44.67) |
| Non-Current Liabilities | 93,347 | 70,426 | (22,921) | (24.55) |
| Other Liabilities | - | - | - | - |
| Total Liabilities | 5,224,738 | 2,909,433 | (2,315,305) | (44.31) |
| Share Capital | 620,285 | 706,876 | 86,591 | 13.96 |
| Capital Surplus | 1,684,359 | 7,292,281 | 5,607,922 | 332.94 |
| Retained Earnings | 1,785,555 | 2,696,969 | 911,414 | 51.04 |
| Other Equity | (201,957) | (347,922) | (145,965) | 72.28 |
| Total Equity | 3,888,242 | 1,0348,204 | 6,459,962 | 166.14 |
| <p>1. Analysis for changes that exceed 20% and reached NT\$10 millionn in past the two years:</p> <p>(1) Current Assets : Mainly due to increase in time deposits in 2021.</p> <p>(2) Intangible Assets : Mainly due to decrease in purchase of intellectual property in 2021.</p> <p>(3) Other Non-Current Assets : Mainly due to increase in refundable deposits in 2021.</p> <p>(4) Current liabilities : Mainly due to decrease in receive in advance from customer in 2021.</p> <p>(5) Non-Current Liabilities : Mainly due to decrease in lease liabilities in 2021.</p> <p>(6) Capital Surplus : Mainly due to new shares issued through capital increase in 2021.</p> <p>(7) Retained Earnings : Mainly due to increase in net profit in 2021.</p> <p>(8) Other Equity : Mainly due to changes of Exchange differences arising on translation to the presentation currency.</p> <p>2. The changes had no major impact on Alchip's financial position.</p> | | | | |

7.2 Operating Results

7.2.1 Financial performance analysis for the previous 2 years

Unit: NT\$ thousand

| Item | 2020 | 2021 | Difference | |
|---|-----------|------------|------------|---------|
| | | | Amount | % |
| Operating revenues | 7,078,919 | 10,428,276 | 3,349,357 | 47.31 |
| Operating costs | 4,771,652 | 6,865,711 | 2,094,059 | 43.89 |
| Gross profit | 2,307,267 | 3,562,565 | 1,255,298 | 54.41 |
| Operating expenses | 1,320,124 | 1,734,610 | 414,486 | 31.4 |
| Profit from operations | 987,143 | 1,827,955 | 840,812 | 85.18 |
| Non-operating income and expenses | 98,647 | 73,110 | (25,537) | (25.89) |
| Profit before income tax | 1,085,790 | 1,901,065 | 815,275 | 75.09 |
| Income tax expense | 250,873 | 411,342 | 160,469 | 63.96 |
| Net profit | 834,917 | 1,489,723 | 654,806 | 78.43 |
| Other comprehensive income(loss) | (198,204) | (98,020) | 100,184 | 50.55 |
| Total comprehensive income(loss) for the year | 636,713 | 1,391,703 | 754,990 | 118.58 |

1. Analysis for changes that exceed 20% and reached NT\$10 million in the past two years:

- (1) Operating revenue : Mainly due to increase in the revenue of chip production in 2021.
- (2) Operating costs : Mainly due to increase in chip production business as well as increase in production cost in 2021.
- (3) Operating expenses : Mainly due to increase in pay raise in 2021.
- (4) Gross profit, Profit (loss) from operations : Mainly due to the increase in operating revenues in 2021.
- (5) Non-operating income and expenses : Mainly due to decrease in obtain China government subsidy in 2021.
- (6) Income tax expense : Mainly due to increase in profit before income tax in 2021.
- (7) Profit before income tax, Net profit) : Mainly due to increase in operating revenues in 2021.
- (8) Other comprehensive income(loss) : Mainly due to exchange differences arising on translation to the presentation currency.
- (9) Total comprehensive income(loss) for the year : Mainly due to aforementioned changes.

2. The changes had no major impact on Alchip's financial position.

7.2.2 Sales forecast and basis

The Company has secured its place as the industry leader. Based on assessment of market demand and customers' sales forecast, the Company expects sales volume and value to grow in the coming year. With the mass production of newly developed products and strengthened relationship with new and existing customers, the Company is optimistic about its profit growth.

7.2.2 Possible financial impacts and response plans

The Company has been able to maintain sound financial structure and rational control of operating costs. They provide the basis for future business growth.

7.3 Analysis of Cash Flow

7.3.1 Cash flow analysis

Unit: NT\$ thousand

| Item \ Year | 2020 | 2021 | Increase/Decrease | |
|----------------------|-------------|-------------|-------------------|----------|
| | | | Amount | % |
| Operating activities | 4,554,090 | 345,392 | (4,208,698) | (92.42) |
| Investing activities | (1,952,563) | (5,711,400) | 3,758,837 | 192.51 |
| Financing activities | (187,605) | 4,773,354 | 4,960,959 | 2,644.36 |

Analysis of changes:

- (1) Operating activities : A decrease in cash generated from operating activities is mainly due to decrease in receive in advance from customers in 2021.
- (2) Investing activities : A increase in cash used in investing activities is mainly due to increase in time deposits in 2021.
- (3) Financing activities : A increase in cash generated in financing activities is mainly due to capital increase from GDR offering in 2021.

7.3.2 Improvement plans for Cash Shortfall

The Company has ample cash on-hand , improvement plans are not required.

7.3.3 Analysis of cash liquidity for the next year

Unit: NT\$ thousand

| Cash balance, beginning of year (1) | Expected annual net cash inflow from operating activities (2) | Expected cash outflow from investing and financing activities(3) | Cash surplus (deficit) (1)+(2)-(3) | Remediation measures against expected cash flow deficits | |
|--|--|--|---------------------------------------|--|-------------------|
| | | | | Investment plans | Wealth management |
| 3,848,660 | 2,844,500 | 2,236,660 | 4,456,500 | None | None |

1. Cash liquidity analysis:

- (1) Operating activities: The 2022 net cash inflow is expected to come mainly from 2022 profit before tax.
- (2) Investing activities: The 2022 net cash outflow is expected for the purchase of equipment and intellectual property.
- (3) Financing activities: The 2022 net cash outflow is expected for the cash dividends payment.

2. Remediation measures against expected cash flow deficit and liquidity analysis:None

7.4 Major Capital Expenditure and its Effect on Finance and Business operations of the Company

None.

7.5 Investment Policies, Main Reasons for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Unit:NT\$thousand

| Item | Investment Profit (Loss) in 2021 | Investment Policy | Reasons for the Profits/Losses | Improvement Plan | Investment plan for the coming year |
|-------------------|----------------------------------|--|---|------------------|-------------------------------------|
| Alchip (HK) | 107,458 | Invest in subsidiaries in China | Investment profit from equity method investment | Not applicable | None |
| Alchip (US) | (1,071) | An office to develop U.S. market | Maintained a stable operating status | Not applicable | None |
| Alchip (JP) | 2,522 | An office to develop Japan market | Maintained a stable operating status | Not applicable | None |
| Alchip (TW) | (87,539) | Provide ASIC and SoC services | Maintained a stable operating status | Not applicable | None |
| Alchip BVI | 11,766 | General investment | Investment profit from bond investment | Not applicable | None |
| Alchip (SH) | 23,422 | An office to develop the China market, and provide sales and R&D support | Maintained a stable operating status | Not applicable | None |
| Alchip Wuxi) | 30,346 | Provide R&D support | Maintained a stable operating status | Not applicable | None |
| Alchip (Hefei) | 53,924 | Provide R&D support | Maintained a stable operating status | Not applicable | None |
| Alchip (Jinan) | (68,620) | Provide R&D support | Maintained a stable operating status | Not applicable | None |
| Alchip(Guangzhou) | 68,583 | Provide R&D support | Maintained a stable operating status | Not applicable | None |

7.6 Risk Management

7.6.1 Risks associated with interest rate fluctuation, foreign exchange volatility and inflation

A. Interest rate

The Company's interest expenses was NT\$2,590 thousand in 2021, accounted for 0.025% of annual operating income. Therefore, interest rate fluctuation in future have no material impact on the Company's operation and profit.

B. Foreign exchange rate

The Group has the U.S. Dollar and Japanese Yen as its functional currency, as the Group's sales and purchases were mainly settled in U.S. Dollar. It also holds other currencies to meet subsidiaries' working capital requirements. The Company's foreign exchange gains were NT\$14,600 thousand in 2021 and the foreign exchange losses were NT\$1,259 thousand in 2020, accounted for 0.14% and 0.02% of annual operating income, respectively, which have little impact on the Company's operations and profits.

The Group currently has no material risk of exchange rate fluctuations. However, it is anticipated that Cayman Holdings Company applying for listing on the Taiwan Stock Exchange may probably pay NTD dividends to domestic investors, or acquire NTD funding from domestic fundraising that will be required to convert it to USD for use in the future, the risk of changes in USD to NTD exchange rates in which may be incurred. Response measures will be possibly adopted by the financial department of the Company as follows:

- (1) Financial personnel maintain appropriate foreign exchange positions at the right time based on future foreign exchange rate trends required for operations of the Group's subsidiaries, and reduce the impact of exchange rate fluctuation on the listing company's profit ability.
- (2) Keep close contact with main banks and monitor changes in the foreign exchange market to provide relevant heads of divisions and branches with a full grasp of the trend in exchange rate fluctuation to make timely adjustments in response to contingent circumstances of change in the currency of collection and payment.
- (3) Adopt the natural write-off principle (namely, the whole overseas and domestic sales are quoted in Dollars) to external currency risks, and apply methods such as forward exchange agreements and taking foreign currency debts at the right as needed to reduce the impact of exchange rate fluctuation on the company's profit or loss.

C. Inflation/deflation

Prices of raw materials required by the Company remain stable. The Company's future profit or loss is not much affected by the short-term inflation.

7.6.2 Risks associated with high-risk, high-leveraged investments, lending, endorsements, and guarantees for other parties, and financial derivatives transactions

The Company's conservative financial management, and does not engaged in investmetns that are either high-risk or high-leveraged and derivatives transactionsr. Any lending or endorsement guarantees will be conducted in accordance with relevant requirements prescribed in the Company's "Guideline for Acquisition and Disposal of Assets", "The Guideline for Loaning Funds to Others", and "The Guideline For Endorsement and Guaranty". No loss has occurred by now.

7.6.3 Future research & development plans and expected spending

In response to future growth, the Company will continuously invest R&D resources in development of high-end System on Chip (SoC) for advanced processes (16, 12 and 7nm) and R&D in design for customized circuit

Silicon Intellectual Property (IP). Major R&D items include: Low Power Design Flow, Clocking Optimization technique, Signal Integrity management technology, design and development of customized circuit Silicon Intellectual Property, such as design and development of high-speed Mobile Industry Processor Interface (MIPI) circuit, performance enhancement of high-end microprocessor and peripheral Silicon Intellectual Property, high-end multi-chip packaging design technology, and so on.

In 2021 and 2020, the Company invested NT\$989,405 thousand and NT\$784,117 thousand in R&D, respectively, both reached hundred million NT dollars. It will continue to invest R&D resources in the future depending on the product development plan. However, if the Company does not continue to invest R&D in the future, products development and relevant R&D plans will be limited. Moreover the Company may be unable to meet customer needs or market trends and then even will loss orders. As a result, it will have a material adverse effect on the company's operations.

7.6.4 Risk associated with changes in foreign and domestic policy and regulatory

The country of registration place of the Company is Cayman Island whose principal economic activity is financial services with open economy, no foreign exchange controls, and stable political and economic environment. The major places of operation of the Company are Taiwan and China with businesses performed in accordance with relevant laws and regulations of competent authorities at major places of operation.

7.6.5 New technology change (including the risk of IT security) and industry change impact on the Company's finance and business operations

The Company has always emphasized the improvement of R&D capabilities. Currently the chips designed and produced by it are mostly products in 16nm and below processes. No material adverse effect of technological and industry changes on the company's finance and business operations in medium- and long-term is expected.

A. Information Technology Security Risks and Management Measures

Alchip has established comprehensive network and computer related information security protection measures, but it cannot guarantee that our systems that control or maintain the company's manufacturing, operation, accounting and other important functions can avoid cyberattacks from other third parties. These attacks once intrudes illegally into the internal network system of the Company might carry out behaviors that results in damages of our operation and goodwill. When under serious cyberattack, Alchip's systems may lose important information of the company. Through continuous review and evaluation on information security regulations and procedures, Alchip ensures the effectiveness of the measures in its best efforts. However, it cannot guarantee that the company will not be affected by the risks and evolving attacks from the rapidly changing information security area. Cyberattacks may also attempt to steal the company's commercial confidential and other confidential information, such as the proprietary information of customers or other stakeholders, or personal information of Alchip's employees.

Malicious hackers can also try to insert computer virus, malware or ransomware into the network system of Alchip to achieve their ill intentions, including interfering with our operation, seeking profits from the Company, obtaining control of the computer system, or prying into confidential information. These attacks may cause the company to compensate the customer for the loss due to the delay or interruption of the production or bear costs to implement improvement measures to further strengthen the company's network security system. It may also make Alchip bear major legal liabilities or regulatory investigations caused by the leakage of confidential information of its employees, customers or third-party manufacturers to which the Company has confidentiality obligations.

In order to prevent and reduce the damage caused by such attacks, Alchip implements relevant improvement measures and continuously updates them. First, conduct a weekly anti-virus scan to prevent machines containing malicious software from entering the company. Second, strengthen network firewall and network control to prevent computer virus to spread across internal network. Third, implement endpoint anti-virus measures according to computer type. Fourth, introduce advanced solutions to detect and deal with malware and strengthen protection for employees' computers. Fifth, develop cloud application security policies and introduce new technologies to strengthen data protection. Sixth, strengthen phishing email detection. Seventh, establish an integrated automatic information security maintenance platform. Lastly, carry out employee vigilance test and entrust external experts to carry out information security evaluation regularly. With all these measures above, Alchip hopes to lower the risks of cyberattack to the minimum.

In addition, the nature of our business requires Alchip to share highly sensitive and confidential information to the Company's worldwide third-party manufacturing partners to fulfill their service for Alchip. Although the service contract requires them to abide by the confidentiality and/or network security requirement, there is no guarantee that each partner will strictly abide by these obligations. The internal network systems and external cloud computing networks (such as servers) maintained by our partners and/or their contractors will also be at risk of cyberattacks. If Alchip or its partners fail to solve the technical problems caused by these cyberattacks in time, or unable to ensure the data completeness and availability of Alchip (including its customers or other third-party manufacturers), or take back control of the system of the company or its partners, it may seriously damage the commitment that Alchip promised to our customers and other related parties. The company's operating results, financial status, prospects and reputation may also be adversely affected.

7.6.6 The impact of changes in corporate image on company's crisis management

None.

7.6.7 Expected benefits and risks associated with mergers and acquisitions

Not applicable.

7.6.8 Expected benefits and risks associated with facility expansion

Not applicable.

7.6.9 Risks associated with purchase concentration and sales concentration

A. Concentration of purchasing

The Company's main raw material is wafer, and mainly purchased from Taiwan Semiconductor Manufacturing Company Limited (hereinafter referred to as "TSMC"). There has indeed been a concentration phenomenon in purchasing operations. Since the Company does not sign a long-term supply contract with the wafer foundry, once the wafer foundry does not give adequate support capacity, risks of shortage or interruptions may occur in the Company. However, the Company develops relationships of strategic alliance and business bond with suppliers for wafer capacity, and provides timely the latest application trends in products on the market and estimated sales of products in order for wafer foundries to support the capacity requirements. Meanwhile, it obtains TSMC's capacity plan for more than half a year to meet the demand for material preparation of production. In addition, the Company has built the second source of supply to increase the flexibility of source of supply and avoid any circumstance such as shortage or interruptions of supply.

B. Concentration of Sales

The top sales customer of the Company were the customer of AD Company and S Company, with proportion of 25.07% and 21.35%, respectively. The Company constantly endeavored to develop new customers and diversify customer base in the past year. The benefit thereof will be revealed in 2022.

7.6.10 Impact and risk associated with large share transfers or changes in shareholdings of Directors, or shareholders who hold more than 10% of the Company's shares, and countermeasures

There is no significant impact and risk on share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares up to the date of publication of the annual report.

7.6.11 Impact and risk associated with changes in management rights, and countermeasures

No such case during the most recent year and the current year up to the date of publication of the annual report.

7.6.12 Litigation or non-litigation matters

If the outcome of a concluded or pending litigious, non-litigious or administrative litigation event involving the company, director, general manager, de facto responsible person major shareholders holding more than 10% equity interest, or subsidiary of the company might have material impact on shareholders' equity or the prices of the company's securities, disclose the facts of dispute, amount of claim, lawsuit start date, main parties concerned and current status as of the date of the publication of annual report.

- A. For litigious or non-litigious proceedings or administrative disputes involving the company with respect to which a judgment has become final and unappealable in the most recent two years or in the current year up to the date of the publication of the annual report, and for any such matter still pending. If the outcome could materially impact shareholders' equity or the prices of the company's securities, the annual report shall list the facts of the dispute, amount of money at stake in the dispute, the date of commencement of proceedings, the main parties to the dispute, and current status of the dispute's handling:** None.
- B. For litigious or non-litigious proceedings or administrative disputes involving a company director, the general manager, a de facto responsible person, a 10 percent or greater major shareholder, or a controlled company, if a judgment has become final and unappealable in the most recent two years and the current year up to the date of the publication of the annual report, or if such a matter is still pending, if the outcome could materially impact shareholders' equity or the prices of the company's securities, the annual report shall list the facts of the dispute, amount of money at stake in the dispute, the date of commencement of proceedings, the main parties to the dispute, and current status of the dispute's handling:** None.
- C. Where any of the situations set out under Article 157 of the Securities and Exchange Act has occurred with respect to a company director, managerial officer, or 10 percent or greater major shareholder within the preceding two years, or in the current year up to the date of publication of the annual report, the prospectus shall indicate that fact and describe the current status of the company's handling of the matter:** One of the Company's shareholders, Morgan Stanley Co. International PLC already disgorged the realized profit and its interests on July 22, 2020. The payment had been received and confirmed by the Company.

7.6.13 Other Material Risks

None.

7.7 Other Material Matters

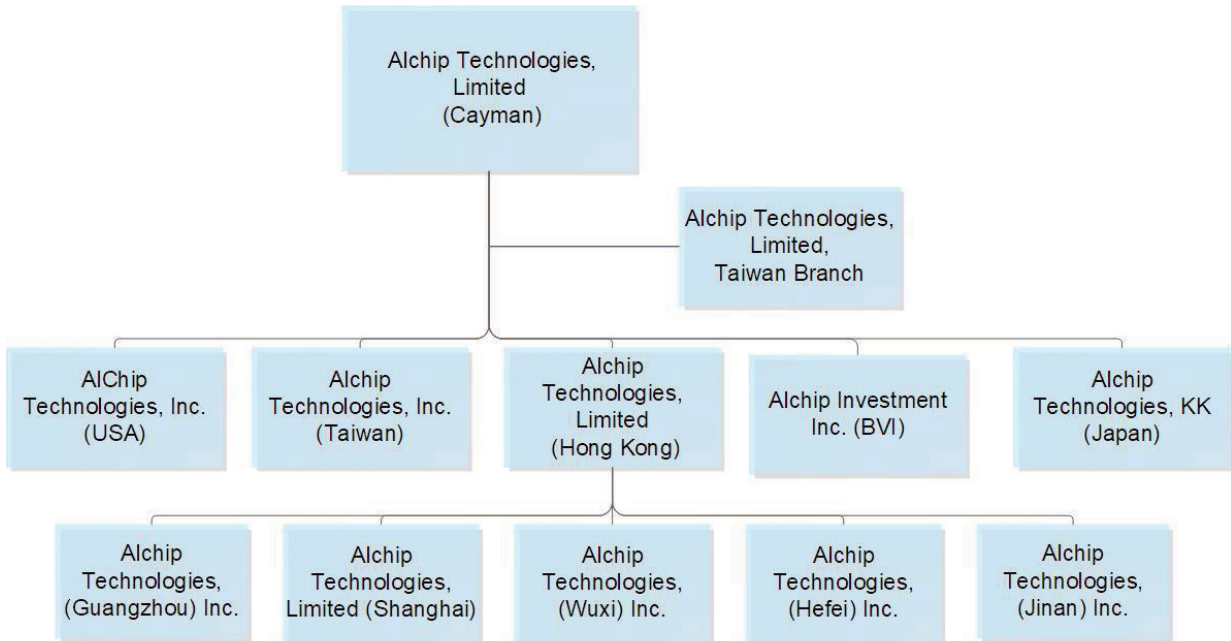
None.

VIII. Special Disclosure

8.1 Information Related to the Company's Affiliated Companies

8.1.1 Consolidated Business Reports

8.1.1.1 Affiliated companies chart



8.1.1.2 Affiliated Companies

December 31, 2021;Unit: thousand

| Company Name | Major Businesses | Date of Incorporation | Place of Registration | Capital Stock |
|------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Alchip HongKong | General investment | 2002 | Hong Kong | US\$18,129 (Note2) |
| Alchip US | Sales | 2003 | USA | US\$3,910 |
| Alchip Japan | Sales and R&D | 2004 | Japan | YEN100,000 |
| Alchip Taiwan | ASIC and SoC services | 2005 | Taiwan | NT\$100 |
| Alchip BVI | General investment | 2015 | BVI | US\$15,100 (Note1) |
| Alchip Shanghai | R&D, ASIC and SoC service and sales | 2002 | Mainland China | US\$12,800 |
| Alchip Wuxi | R&D, ASIC and SoC service | 2012 | Mainland China | US\$2,000 |
| Alchip Hefei | R&D, ASIC and SoC service | 2016 | Mainland China | US\$500 |
| Alchip Jinan | R&D, ASIC and SoC service | 2018 | Mainland China | US\$784 |
| Alchip Guangzhou | R&D, ASIC and SoC service | 2020 | Mainland China | US\$1,600 |

Note1 : The amount of US\$15,050 thousand has been remitted.However, the procedure of capital-increase has not been completed.

Note2 : The amount of US\$2,420 thousand has been remitted.However, the procedure of capital-increase has not been completed.

8.1.1.3 For companies presumed to have a relationship of control and subordination and information on their shareholders in common: None.

8.1.1.4 Business Scope of the Company and its Affiliated Companies: The Company and its affiliates all engage in professional Application Specific IC (ASIC) and System-on-Chip (SoC) design, manufacturing and production.

8.1.1.5 List of Directors, Supervisors, and Presidents of Company's Affiliated Companies:

December 31, 2021

| Company Name | Title | Representative | Number of Shares | % of holding |
|------------------|------------|-------------------------|--|--------------|
| Alchip HongKong | Chairman | Kinying Kwan | Alchip Technologies (Cayman) holds 12,230,170 thousand shares | 100% |
| | Director | Kinying Kwan | | |
| Alchip US | Director | Kinying Kwan | Alchip Technologies (Cayman) holds 391,000 thousand shares | 100% |
| | GM | Hiroyuki Nagashima | | |
| Alchip Japan | Chairman | Junichiro Hosaka | Alchip Technologies (Cayman) holds 1 thousand shares | 100% |
| | GM | Junichiro Hosaka | | |
| | Director | Junichiro Hosaka | | |
| | Director | Kozo Fujita | | |
| | Supervisor | Hiroyuki Furuzono | | |
| Alchip Taiwan | Chairman | Kinying Kwan | Alchip Technologies (Cayman) holds 10 thousand shares | 100% |
| | CEO | Johnny Shyang-Lin Shen | | |
| | Director | Kinying Kwan | | |
| Alchip BVI | Director | Daniel Wang | Alchip Technologies (Cayman) holds 50 thousand shares | 100% |
| | Director | Nancy Chan | | |
| Alchip Shanghai | Chairman | Andy Lin | Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong | 100% |
| | GM | Andy Lin | | |
| Alchip Wuxi | Chairman | Andy Lin | Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong | 100% |
| | GM | Andy Lin | | |
| | Director | Daniel Wang | | |
| | Supervisor | Johnny Shyang- Lin Shen | | |
| Alchip Hefei | Chairman | Andy Lin | Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong | 100% |
| | GM | Andy Lin | | |
| | Director | Daniel Wang | | |
| | Supervisor | Johnny Shyang- Lin Shen | | |
| Alchip Jinan | Chairman | Andy Lin | Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong | 100% |
| | GM | Andy Lin | | |
| | Director | Daniel Wang | | |
| | Supervisor | Johnny Shyang- Lin Shen | | |
| Alchip Guangzhou | Chairman | Andy Lin | Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong | 100% |
| | GM | Andy Lin | | |
| | Director | Daniel Wang | | |
| | Supervisor | Johnny Shyang- Lin Shen | | |

8.1.1.6 Operation Highlights of Company's Affiliated Companies

December 31, 2021;Unit:NT\$thousand

| Company | Assets | Liabilities | Net Worth | Revenue | Operating Profit(Loss) | Net Profit(Loss) | EPS (NT\$) |
|------------------|-----------|-------------|-----------|---------|------------------------|------------------|------------|
| Alchip Hong Kong | 1,029,256 | 288 | 1,028,968 | 0 | (195) | 107,458 | - |
| Alchip US | 20,043 | 4,669 | 15,374 | 34,232 | (1,032) | (1,071) | - |
| Alchip Japan | 397,509 | 323,342 | 74,167 | 597,834 | 7,429 | 2,522 | - |
| Alchip Taiwan | 489,454 | 20,293 | 469,161 | 0 | (87,703) | (87,539) | - |
| Alchip BVI | 486,411 | 49 | 486,362 | 0 | (67) | 11,766 | - |
| Alchip Shanghai | 781,716 | 161,924 | 619,792 | 490,942 | 31,077 | 23,422 | - |
| Alchip Wuxi | 218,582 | 46,941 | 171,641 | 281,494 | 20,832 | 30,346 | - |
| Alchip Hefei | 152,119 | 24,222 | 127,897 | 223,501 | 49,897 | 53,924 | - |
| Alchip Jinan | 129,894 | 136,439 | (6,545) | 162,513 | (88,279) | (68,620) | - |
| Alchip Guangzhou | 258,654 | 145,212 | 113,442 | 276,518 | 67,250 | 68,583 | - |

8.1.2 Consolidated financial statements of subsidiaries

It is same as the consolidated financial statements of the Company. Please refer to page 139~199.

8.1.3 Reports on Subsidiaries

Not applicable.

8.2 Private Placement Securities

None.

8.3 Holding or Disposal of Company's Stock by Subsidiaries

None.

8.4 Other Necessary Supplements

None.

8.5 Major Difference Between The Company's Articles of Association and the Regulations on the Protection of Shareholders' Equity of Taiwan

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|---|---|--|---|
| <p>I. Formation and change of equity capital of a company</p> <p>1. A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata.</p> <p>2. A company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property.</p> <p>3. The Board of Directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited and certified by a Certified Public Accountant of the Republic of China before the shareholders' meeting.</p> | <p>Article 168 of the Company Act</p> | <p>1. The Company may, pursuant to Article 14 of the Company Law of Cayman Islands, reduce its capital previously issued only after a Special Resolution adopted by the shareholders' meeting and confirmed by the court of the Cayman Islands.</p> <p>2. Except as required by Article 14 of the Company Law of Cayman Islands, the Company's capital previously issued can be cancelled only when they are purchased, returned, or redeemed by the Company in accordance with Article 37 or Article 37B of the Company Law of Cayman Islands.</p> <p>3. Subject to Article 37 of the Company Law of Cayman Islands, the Company may purchase its own shares on such terms and in such manners as prescribed in the company's Articles of Association or resolved by the shareholders' meeting. Except as required by Article 37 of the Company Law of Cayman Islands, the following are not prescribed in the Company Law of Cayman Islands: (1) repurchase shall be effected based on the</p> | <p>There's a slight difference in the Article 10.7 of the company's Articles of Association and the matters of material significance on the protection of shareholders' rights and interests as stated left. Under the Company Law of Cayman Islands, the Company may reduce shares previously issued only after a Special Resolution adopted by the shareholders' meeting and confirmed by the court of the Cayman Islands. In view of this, as the procedure prescribed in Article 14.1 and Article 10.7 of the company's Articles of Association, the Company may reduce its capital through the purchase of shares. Reasons for such difference are due to the requirements in the Company Law of Cayman Islands. However, the company's Articles of Association does not set limits on the procedure for capital reduction. Therefore, such differences should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|--|---|--|--|
| <p>1. Procedures for the Company to enter into a stock option agreement with its employees or issue employee stock options.</p> <p>2. The stock option obtained by any employee of the issuing company shall be non-assignment, except to the heir(s) of the said employee.</p> | <p>Article 167-2 of the Company Act</p> | <p>percentage of shareholding of the shareholders pro rata, (2) return share prices (or the capital stock) to shareholders by properties other than cash shall require a prior approval, or (3) shall have the value of property returned assessed; however, it may be prescribed in the company's Articles of Association.</p> <p>There is no particular regulation in the Company Law of Cayman Islands for employee stock option agreement or procedures of employee stock options issuance. Issuance of employee stock options and whether the options can be assigned should be prescribed in the employees' stock option agreement or stock option plan.</p> | <p>Although there have been amendments to Articles 11.1 to 11.4 of the company's Articles of Association based on the matters of material significance on the protection of shareholders' rights and interests as stated left, any restriction on assignment of employee stock options should be prescribed in the employees' stock option agreement or stock option plan in accordance with the Company Law of Cayman Islands. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |
| <p>II. Procedure for convening a shareholders' meeting or the method of resolutions</p> | | | |
| <p>1. A regular meeting of shareholders shall be held at least once every year and convened within six months after close of each fiscal year. A shareholders meeting shall be convened by the Board of Directors. A company may explicitly provide for in its Articles of Incorporation that its shareholders' meeting can be held by means of visual</p> | <p>1. Article 170 of the Company Act 2. Article 172-1 of the Company Act 3. Article 172-2 of the Company Act 4. Paragraph 1 & 2, Article 173 of the Company Act 5. Article 172 of the Company Act, Article 26-1 & 43-6 of the Securities and Exchange Act 6. Article 173-1 of the Company Act</p> | <p>1. (a) Except for an exempted company, the shareholders' meeting shall be held by each company at least once every year as set forth in Article 58 of the Company Law of Cayman Islands. (b) An exempted company is not mandatorily required to convene the regular meeting of shareholders</p> | <p>For a foreign issuer being an exempted company under the Company Law of Cayman Islands, there is no need to hold an annual shareholders' meeting every year in accordance with the Company Law of the Cayman Islands provided that "The Company shall hold a general meeting as its annual general meeting within six months following the end of each fiscal year, and shall specify the</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|---|---|--|--|
| <p>communication network or other methods promulgated by the central competent authority. Under the circumstances of calamities, incidents, or force majeure, the central competent authority may promulgate a ruling that authorizes a company, which has no above provision in its Articles of Incorporation, within a certain period of time can hold its shareholders' meeting by means of visual communication network or other promulgated methods.</p> <p>3. In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</p> <p>4. The shareholders' meeting held by means of visual communication network shall be subject to prescriptions provided for by the competent authority in charge of securities affairs, including the prerequisites, procedures, and other compliance matters.</p> <p>5. A physical shareholders' meeting shall be convened within the territory of the Republic of China. Where a physical shareholders' meeting is to be convened outside</p> | | <p>by the Company Law of Cayman Islands. The Company may include the number of shareholders' meetings required to be convened by the company every year in its Articles of Association.</p> <p>2. The shareholders' meeting of an exempted company is not restricted to be convened at a specific place by the Company Law of Cayman Islands; however, it may be prescribed in the company's Articles of Association.</p> <p>3. The shareholders' meeting convened by shareholder(s) or shareholders' proposal right is not required by the Company Law of Cayman Islands; however, the relevant procedures may be prescribed in the Articles of Association.</p> <p>4. The contents of the shareholders' meeting notice is not required by the Company Law of Cayman Islands; however, it may be prescribed in the Company's Articles of Association.</p> <p>5. The detail of the convention of shareholders' meetings is not required by the Company Law of Cayman Islands; however, the relevant procedures may be prescribed in the Articles of Association.</p> | <p>meeting as such in the notices calling it. At these meetings, the report of the Directors (if any) shall be presented." as prescribed in Article 16.2 of the Company's Articles of Association.</p> <p>Other matters are prescribed respectively in Articles 16.2, 16.3, 16.4, 18.9, 16.5 to 16.8, and 17.5 of the company's Articles of Association.</p> <p>Per Letter Tai-Zheng-Shang-Zi No. 0991701319 filed on April 13, 2010 by the TWSE, "Explanation 2 (3): To the extent that the laws of the place of registration are not contradicted, a foreign issuer may remove the part of "obtaining an approval from the competent authority" from the clause on the right of minority shareholders to call a special shareholders' meeting in the articles of association." Therefore, subject to Article 16.8 of the company's Articles of Association, "If the board of Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules." Such difference should not have a material adverse effect on the</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|---|---|--|---|
| <p>the territory of the Republic of China, the Company shall apply for the approval of TWSE within two days after the Board resolution or obtaining the approval of the competent authority to convene the meeting by the shareholder(s).</p> <p>6. Shareholders holding 1% or more of the total issued shares may present to the foreign issuer a proposal at a shareholders' meeting in writing or electronically. The foreign issuer shall accept such proposals submitted by shareholders unless (i) the proposal involves matters which cannot be resolved at a shareholders' meeting (ii) the number of shares held by the shareholder is less than 1% of the total issued shares, (iii) the proposal was submitted not within the announced accepted period of time, or (iv) the proposal exceed 300 words or includes more than one proposal. For proposal urging the foreign issuer to promote public interests or fulfil its social responsibility, the board shall accept such proposal.</p> <p>7. Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by</p> | | | <p>Company's shareholders' rights and interests.</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|---|---|--|---|
| <p>filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special meeting of shareholders. If the Board of Directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.</p> <p>8. Shareholders continuously holding no less than 50% of the total issued shares for three months or longer are eligible to convene a special general meeting. The calculation of the holding period and holding number of shares shall be based on the holding at the time of share transfer suspension date.</p> <p>9. The following matters shall not shall be itemized in the causes or subjects to be described in the notice to convene a meeting of shareholders and explained about the important contents thereof, and shall not be brought up as extemporary motions; the main content can be announced at the website designated by Taiwan securities authority or by the foreign issuer, and the foreign issuer shall</p> | | | |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|--|---|--|---|
| <p>specify the link to the website on the notice</p> <ol style="list-style-type: none"> (1) Election or discharge of Directors and supervisors; (2) Alteration of the Articles of Association; (3) Capital reduction; (4) Application to terminate public offering; (5) Dissolution, merger, conversion of shares, spin-off of the company; (6) Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; (7) Transfer the whole or any essential part of its business or assets; (8) Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company; (9) Private placement of any equity-type securities; (10) Granting waiver to the Director's engaging in any business within the scope of business of the Company; (11) Distributing part or all of its dividends or bonus by way of issuance of new Shares; and (12) Distribution of legal reserve fund from profit and capital reserve | | | |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|---|---|---|---|
| <p>from share premium or gift, by means of rights issue or cash payment to existing shareholders.</p> <p>The company shall adopt electronic transmission as one of the methods for exercising the shareholders' voting power at a shareholders' meeting.</p> <p>The method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders if the voting power will be exercised in writing or by way of electronic transmission by the company. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.</p> <p>In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company two (2) days prior to the</p> | <p>1. Article 177-1 of the Company Act</p> <p>2. Article 177-2 of the Company Act</p> | <p>1. A shareholder shall not exercise his/her/its voting power in writing or by way of electronic transmission. Unless otherwise provided by the company's Articles of Association; however, a shareholder may authorize a proxy in writing or by way of electronic transmission to exercise the voting rights of his/her/its shares at the meeting.</p> <p>2. In case a shareholder exercises the voting power in his/her/its behalf through a proxy, he/she/it will not be deemed to have attended the shareholders' meeting in person.</p> <p>3. The Company's Articles of Association may prescribe the delivery of the power of attorney.</p> <p>4. There is no stipulation that a shareholder revokes the power of attorney in the Company Law of Cayman Islands. However, under principles of common law, notwithstanding anything in the Company's Articles of Association to the contrary, shareholders who attend the shareholders' meeting in person to exercise their voting power shall have the preemptive effect, provided that the Company's Articles of Association may prescribe the</p> | <p>As prescribed in Article 19.6 of the company's Articles of Association, "A Member exercising voting power by way of a written ballot or by way of an electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document." Although the Company Law of Cayman Islands considers a shareholder exercising the voting power in such manner not to be deemed to have attended the shareholders' meeting in person, such a shareholder is still entitled to all the rights of a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission in accordance with the applicable laws and regulations of the Republic of China. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |

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| <p>scheduled meeting date of the shareholders' meeting, whereas if two (2) or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.</p> <p>4. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.</p> <p>5. In case a shareholder has exercised his/her/its voting power in writing or by way of electronic transmission,</p> | | <p>revocation of the power of attorney when shareholders do not attend the shareholders' meeting in person.</p> | |

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| <p>and has also authorized a proxy to attend the shareholders' meeting in his/her/its behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.</p> | | | |
| <p>1. If any of the following proposal is adopted via the resolution of the shareholders' meeting, the dissenting Member shall execute the right of the redemption against the Company:</p> <p>(1). Any Spin-off, Merger, acquisition or Share Swap;</p> <p>(2). Enter into, amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others; Transfer the whole or any essential part of its business or assets; or Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company.</p> <p>2. The requesting Member, in the prior Section, shall provide the written notice to the Company within twenty days after the adoption of resolution made by Shareholders' meeting, stating therein the appraisal price of shares. In the event the requesting Member and the Company have reached an</p> | <p>1. Article § 186 and 317 of Company Act of Taiwan</p> <p>2. Article § 12 of Business Mergers And Acquisitions Act of Taiwan</p> | <p>According to Article § 238 of Companies Law of Cayman Islands, it sets forth the regulation with respect to the rights of dissenting Member, who execute the right of redemption against the Company.</p> | <p>There's a slight difference in the Article 22.3 of the Company's Articles of Association and the matters of material significance on the protection of shareholders' rights and interests as stated left. Under the Article § 238 of Companies Law of Cayman Islands, it has set forth the relevant regulations with respect to the rights of dissenting Member. The Article 22.2 and 22.3 of the Company's Articles of Association are amended in compliance with the protection of shareholders' rights and interests as stated left. In addition, the Article 22.3 of the Company's Articles of Association is also amended to specify that dissenting Member will reserve the right under the Article § 238 of Companies Law of Cayman Islands. Reasons for such difference are due to the requirements in the Company Law of Cayman Islands. Therefore, such differences should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |

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| <p>agreement in regard to the appraisal price of the Shares held by such requesting Member, the Company shall pay such price within ninety days after the date on which the resolution was adopted. In the event the requesting Member and the Company fail to reach any agreement with respect to the appraisal price, the Company shall pay the price to which the Company considers to be fair price, to the requesting Member within ninety days after the date of the relevant resolution. If the Company fails to pay the price to which the Company considers to be the fair price within ninety days after the date in which the resolution was adopted, the Company shall be deemed to have agreed to the appraisal price requested by the dissenting Member.</p> <p>3. In the event the Company and the requesting Member, who executes the right under the Paragraph I of Section I, fail to reach the agreement with respect to the appraisal price within sixty days after the resolution date, the Company shall, within thirty days after such sixty-day period, file a petition to Taipei District Court or a ruling on the appraisal price against all the</p> | | | |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
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| <p>requesting Members as the opposing party.</p> <p>Any of the following proposals involving material rights or interests of shareholders shall not be adopted without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the above mentioned, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> 1. A company enters into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others, transfer the whole or any essential part of its business or assets, accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company 2. Modification or alteration of the Articles of Association 3. Any modification or alteration in the Articles of Association prejudicial to the privileges of special | <ol style="list-style-type: none"> 1. Article 185 of the Company Act 2. Article 277 of the Company Act 3. Article 159 of the Company Act 4. Article 240 of the Company Act 5. Article 316 of the Company Act 6. Article 29 of Business Mergers And Acquisitions Act | <p>1. According to Article 60 of the Company Law of Cayman Islands, a special resolution means a resolution that has been passed by a majority of not less than two-thirds (where there is any higher percentage of the total number of the voting rights is required in the Articles of Association, such higher percentage shall prevail) of such members as, being entitled to do so, vote in person or, where a power of attorney is allowed, by a proxy at a shareholders' meeting. As usually prescribed by a general Cayman Company's Articles of Association, a special resolution by which such proposal should be adopted shall be specified in the shareholders' meeting notice. A written resolution signed by all shareholders, provided that it has been authorized by the company's Articles of Association, is also deemed as a special resolution made. When the number of votes is required in the manner for exercising the voting power to calculate whether it belongs to a majority of special resolution, the company's Articles of Association may specify the total number of votes entitled to each shareholder.</p> | <p>1. Article 1.1 of the Company's Articles of Association</p> <p>(a) Provisions of the Company's Articles of Association</p> <p>According to Article 1.1 of the Company's Articles of Association, a special resolution means "a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. means a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given." According to the Cayman Islands legal opinions, matters that require a special resolution include but are not limited to: (i) change the company name; (ii) alter or add to Articles of Association; (iii) alter or add to the memorandums of association with</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
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| <p>shareholders shall be adopted by a meeting of special shareholders additionally</p> <p>4. Have the whole or a part of the surplus profit distributable as dividends and bonuses distributed in the form of new shares to be issued by the company for such purpose</p> <p>5. A resolution for dissolution, consolidation or merger, or split-up of a company</p> <p>6. Share Swap</p> | | <p>2. According to the Company Law of Cayman Islands, matters that require a special resolution include: (i) change the company name (Article 31); (ii) alter or add to articles of association (Article 24); (iii) alter or add to the memorandums of association with respect to any objects, powers or other matters specified therein (Article 10); (iv) reduce share capital and any capital redemption reserve (Article 14 and 37(4)(d)); (v) wind up voluntarily for reasons other than that the company is unable to pay its debts as they fall due (Article 90(b)(i) and 116(c)); and (vi) merger or consolidation with other company.</p> <p>According to the Company Law of Cayman Islands, any resolution adopted by shareholders lower than the majority threshold for a matter that requires a special resolution is deemed invalid</p> <p>3. For matters other than those stated above, the Company Law of Cayman Islands does not require them to be adopted by a certain majority; however, it may be prescribed in the company's Articles of Association.</p> | <p>respect to any objects, powers or other matters specified therein; (iv) reduce share capital and any capital redemption reserve; (v) wind up voluntarily for reasons other than that the company is unable to pay its debts as they fall due; and (vi) merger or consolidation with other company. Additionally, according to Article 18.1 of the Company's Articles of Association, "No business shall be transacted at any general meeting unless a quorum is present. Unless otherwise provided in the Statute, the Articles and the Applicable Public Company Rules, Members present in person or by proxy, representing more than one-half of the total issued, outstanding Shares, shall constitute a quorum for any general meeting." That is, a special resolution may be adopted at a shareholders' meeting attended by shareholders representing the majority of shares issued and outstanding in person or by a proxy, and in which at least two-thirds of the votes cast by the shareholders present (including shareholders present by a proxy) are in favor of the resolution.</p> <p>(b) Reasons for discrepancy According to the Cayman Islands legal opinions, the special resolution</p> |

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| <p>Matters of material significance on the protection of shareholders' rights and interests</p> | | <p>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</p> | <p>Regulations relating to the laws of the foreign issuer's country of registration place</p> | <p>Provisions in the Company's Articles of Association and reasons for the discrepancy</p> |
| | | | | <p>is subject to the Company Law of Cayman Islands, and according to which, any resolution adopted by shareholders lower than the majority threshold for a matter that requires a special resolution is deemed invalid. And Article 1.1 of the company's Articles of Association defines separately "Supermajority Resolution" as "a resolution adopted by a majority vote of the Members present and entitled to vote on such resolution at a general meeting attended in person or by proxy by Members who represent two-thirds or more of the total issued, outstanding Shares of the Company or, (ii) if the total number of Shares represented by the Members present at the general meeting is less than two-thirds of the total issued, outstanding Shares of the Company, but more than half of the total issued, outstanding Shares of the Company, a resolution adopted at such general meeting by the Members who represent two-thirds or more of the Shares present and entitled to vote on such resolution."</p> <p>For any matter of material significance on the protection of shareholders' rights and interests as stated left, if it should be adopted by a special resolution pursuant to the</p> |

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| | | | <p>Company Law of Cayman Islands, it will be still listed as one of matters under "Special Resolution" in the company's Articles of Association; otherwise, it will be listed as one of matters under "Supermajority Resolution."</p> <p>2. Article 14.3 of the company's Articles of Association (moved to Article 14.4 if the proposed amendment to the Articles of Association is adopted at the annual general meeting of 2018)</p> <p>(a) Provisions of the company's Articles of Association: According to Article 14.3 of the company's Articles of Association, "Subject to the provisions of the Statute, the Articles, and the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass (a) Supermajority Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or (b) Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above." The slight difference between it and the matters of material significance on the</p> |

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| | | | <p>protection of shareholders' rights and interests as stated left lies in: based on the reasons for resolution to dissolve, the company's Articles of Association lists the resolution for dissolution as one of matters under "Supermajority Resolution" or "Special Resolution," respectively. In comparison, the matters of material significance on the protection of shareholders' rights and interests always require to be adopted by "Supermajority Resolution."</p> <p>(b) Reasons for discrepancy: According to the Cayman Islands legal opinions, the Company Law of Cayman Islands provides that a company shall resolve that it be wound up voluntarily for reasons other than being unable to pay its debts as they fall due by a special resolution. Thus the difference arises out of the laws of Cayman Islands. From the above, we can know that such difference comes from what is limited by law of Cayman Islands. Therefore, "if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due," a Supermajority Resolution shall be adopted at the shareholders' meeting as prescribed in the company's Articles of</p> |

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| <p>Matters of material significance on the protection of shareholders' rights and interests</p> | <p>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</p> | <p>Regulations relating to the laws of the foreign issuer's country of registration place</p> | <p>Provisions in the Company's Articles of Association and reasons for the discrepancy</p> |
| | | | <p>Association, while a company is being wound up voluntarily for reasons other than the reason stated in Article 14.3(a), it will be listed as one of matters under "Special Resolution" as required by the Company Law of Cayman Islands. Such difference comes from what is limited by law of Cayman Islands, which should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |
| <p>III. Authorities and responsibilities of directors and supervisors</p> | | | |
| <p>The remuneration of directors, if not prescribed in the Articles of Association, shall be determined by a meeting of shareholders and cannot be ratified by a meeting of shareholders.</p> | <p>Paragraph 1, Article 196 of the Company Act</p> | <p>The Company Law of Cayman Islands does not clearly specify how to determine remuneration of directors; however, it may be prescribed in the company's Articles of Association.</p> | <p>Although neither the remuneration of directors is clearly specified nor it shall be determined by a meeting of shareholders is specified in the company's Articles of Association, referring to per Explanation Shang-Zi No. 09302030870 filed on March 8, 2004 by the Ministry of Economic Affairs and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter," the Company's Board of Director has established a remuneration committee. Therefore, the provisions as stated left should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |
| <p>In case a director has, in the course of performing his/her duties, committed</p> | <p>Article 200 of the Company Act</p> | <p>1. The Company Law of Cayman Islands does not clearly specify that</p> | <p>(1)Provisions of the company's Articles of Association:</p> |

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| <p>Matters of material significance on the protection of shareholders' rights and interests</p> | <p>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</p> | <p>Regulations relating to the laws of the foreign issuer's country of registration place</p> | <p>Provisions in the Company's Articles of Association and reasons for the discrepancy</p> |
| <p>any act resulting in material damages to the company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the shareholders' meeting, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, institute a lawsuit in the court for a judgment in respect of such matter. The Taiwan Taipei District Court, R.O.C, may be the court of the first instance for this matter.</p> | | <p>the minority shareholders may institute a lawsuit in the court of Cayman Islands for discharge of directors.</p> <p>2. In general, the procedure for discharge of directors is prescribed in the company's Articles of Association, and that an ordinary resolution should be adopted at the shareholders' meeting is typically prescribed.</p> <p>3. According to shareholders' remedies required by the common law, in a lawsuit accusing a director of bringing about infringement to the company, the proper plaintiff in form should be the company per se and not an individual shareholder or minority shareholders. There are only a few of exceptions for the above principle, including that when the conduct of a director constitutes a fraud against the minority shareholders and the person who commits such fraud is a company's controller, the minority shareholders who have suffered the fraud may institute a lawsuit in the court.</p> <p>4. Since the court of the Cayman Islands cannot ratify and enforce foreign non-monetary judgments before re-examination on the legal basis of the said dispute, such stipulation added in the company's Articles of</p> | <p>According to Article 28.2 (j) of the company's Articles of Association, "Subject to the provisions of the Statute, and the Articles or the Applicable Public Company Rules, in the event that he has, in the course of performing his duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of issued, outstanding Shares shall have the right, within thirty days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgment by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (j), final judgment shall be given by such competent court." It is slightly different from the matters of material significance on the protection of shareholders' rights and interests as stated left.</p> |

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| <p>1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</p> <p>2. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election.</p> <p>3. In case all supervisors of a company are discharged, the Board of Directors shall, within sixty (60) days, convene a special meeting of shareholders to elect new supervisors.</p> | <p>Article 216 to 222 of the Company Act</p> | <p>Association may not be executed under the Company Law of Cayman Islands. Directors may be discharged according to the procedure prescribed in the Company's Articles of Association.</p> | <p>(2)Reasons for discrepancy: The Company Law of Cayman Islands does not clearly specify that the minority shareholders are allowed to enter a petition in the court of Cayman Islands for discharge of directors. Under the common law, the subrogation litigation of shareholders will be claimed only under rare circumstances. Thus the company's Articles of Association prescribes that a shareholder shall institute a lawsuit in a competent court. Since shareholders may discharge a directors according to the company's Articles of Association, it should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |
| | | <p>The Company Law of Cayman Islands has no corresponding concept of "Supervisor." The effect that supervisors are installed in accordance with the company's Articles of Association is not clear.</p> | <p>Article 32.6 of the company's Articles of Association</p> <p>As described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors". The Company has installed an audit committee by all independent directors (Article 32.6 of Articles of Association); therefore, supervisors are not required to be installed additionally. Such difference should not have a material</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
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| <p>4. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the meeting of shareholders.</p> <p>6. In performing their functional duties of auditing, the supervisors may appoint a certified public accountant to conduct the auditing in their behalf.</p> <p>7. Supervisors of a company may attend the meeting of the Board of Directors to give their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the</p> | | | <p>adverse effect on the Company's shareholders' rights and interests.</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
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| <p>Board of Directors or the Director, as the case may be, to cease such act.</p> <p>8. The supervisors may each exercise the supervision power individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.</p> | | | |
| <p>1. Shareholder(s) who has/have been continuously holding 1% or more of the total number of the outstanding shares of the company over six months may request in writing the supervisors of the company to institute, for the company, an action against a director of the company. The Taiwan Taipei District Court, R.O.C, may be the court of the first instance for this matter.</p> <p>2. In case the supervisors fail to institute an action within 30 days after having received the request made by shareholder(s), then the shareholders filing such request may institute the action for the company. The Taiwan Taipei District Court, R.O.C, may be the court of the first instance for this matter.</p> <p>3. In addition to the events that the board of directors does not or is unable to convene a shareholders meeting, the supervisors may, for the benefit of the company, convene</p> | <p>Article 200, 214, 220 and 227 of the Company Act</p> | <p>1. The Company Law of Cayman Islands has no corresponding concept of "Supervisor." The effect that supervisors are installed in accordance with the company's Articles of Association is not clear.</p> <p>2. According to shareholders' remedies required by the common law, in a lawsuit accusing a director of bringing about infringement to the company, the proper plaintiff in form should be the company per se and not an individual shareholder or minority shareholders. There are only a few of exceptions for the above principle, including that when the conduct of a director constitutes a fraud against the minority shareholders and the person who commits such fraud is a company's controller, the minority shareholders who have suffered the fraud may institute a lawsuit in the court.</p> <p>3. Since the court of the Cayman Islands cannot ratify and enforce foreign non-monetary judgments before re-</p> | <p>Article 25.6 of the company's Articles of Association</p> <p>As described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors." The Company has installed an audit committee by all independent directors; therefore, supervisors are not required to be installed additionally. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |

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| <p>shareholders meeting when necessary.</p> | | <p>examination on the legal basis of the said dispute, such stipulation added in the company's Articles of Association may not be executed under the Company Law of Cayman Islands. Directors may be discharged according to the procedure prescribed in the company's Articles of Association.</p> | |
| <p>In case a director or supervisor (applicable to companies who install supervisors) of a company whose shares are issued to the public has created a pledge on the company's shares more than half of the company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised and the excessive portion of shares shall not be counted in the number of votes of shareholders present at the meeting.</p> | <p>Articles 197-1 and 227 of the Company Act</p> | <p>The fact that shares held by directors shall have no voting power (under which circumstances) is not required by the Company Law of Cayman Islands; however, the relevant procedures may be prescribed in the Articles of Association.</p> | <p>Article 24.3 of the company's Articles of Association</p> <p>In addition, as described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors". The Company has installed an audit committee by all independent directors; therefore, supervisors are not required to be installed additionally. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests. Thus supervisors are not included in the above mentioned Articles of Association. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |
| <p>1. The director of a company shall have the loyalty and shall exercise the due care of a good administrator</p> | <p>Paragraph 2, Article 8, Paragraph 3, Article 23 of the Company Act Paragraph 1 and 2, Article 5 of Business</p> | <p>1. The Company Law of Cayman Islands includes specifically obligations of directors as clear</p> | <p>Article 26.5 of the company's Articles of Association</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|---|---|---|--|
| <p>in conducting the business operation of the company; and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company therefrom. In case the director of a company does anything for himself/herself or on behalf of another person, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company.</p> <p>2. If the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.</p> <p>3. The managerial officer or supervisor of a company, acting within the scope of their duties, shall assume the liabilities for the damage in the same manner as directors of a company do.</p> | <p>Mergers And Acquisitions Act of Taiwan</p> | <p>directions. According to the common law of Cayman Islands, each shareholder being liable to (1) fiduciary duties, and (2) exercise the due care of a good administrator for the company (duty of care). The company may claim compensation against the directors who have violated the above duties. In addition, directors who have violated their duties acquire interests shall be bound to return the same to the company.</p> <p>2. Based on principles of common law, in the course of operation for management of the company's businesses, the acts of a director representing the company will be deemed as the acts of the company per se. If the conduct thereof causes damage of any third party, the company, not the director, shall be bound to be liable the third party for the acts. The third party caused by the damage cannot demand from the company the compensation and impose obligations on the directors according to the company's Articles of Association. Any third party who is not a shareholder cannot execute it according to the company's Articles of Association. The company who is liable for the damage to be sustained by the third party because the</p> | <p>However, if the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, such other person may not be able to claim compensation directly from such director under the law of Cayman Islands. Even the company's Articles of Association requires that the director shall be jointly liable for compensation with the company to the other person, the base of such claim will be unable to be created.</p> <p>In addition, although Article 26.5 of the company's Articles of Association has required that such clause of obligation is also applicable to managerial officers; however, it shall be entered into the contracts with managerial officers in accordance with the law of Cayman Islands. Therefore, if the responsibilities of managerial officers for the matters of material significance on the protection of shareholders' rights and interests as stated left will be implemented, the Company shall enter into the contracts with managerial officers. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |

| Matters of material significance on the protection of shareholders' rights and interests | Applicable laws and regulations of "Company Act" or "Securities and Exchange Act" | Regulations relating to the laws of the foreign issuer's country of registration place | Provisions in the Company's Articles of Association and reasons for the discrepancy |
|--|---|--|--|
| Where a juristic person acts as a shareholder of a company, its authorized representative may be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company. | Paragraph 2, Article 27 of the Company Act | <p>directors who have violated the duties may claim reimbursement against the directors caused the damage.</p> <p>3. The managerial officer generally has no fiduciary duties for the company. Since managerial officers are not the parties pursuant to the Articles of Association, no execution effect is present even it is prescribed in the Articles of Association. The above duties shall be entered into the contracts with managerial officer.</p> | <p>Article 27.4 of the Company's Articles of Association</p> <p>As described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors." The Company has installed an audit committee by all independent directors; therefore, supervisors are not required to be installed additionally. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests. Thus supervisors are not included in the above mentioned Articles of Association. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> |

8.6 Any Events in 2021 and as of the Date of Publication of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Article 36-3-2 of the Securities and Exchange Law of Taiwan

None.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Alchip Technologies, Limited

Opinion

We have audited the accompanying consolidated financial statements of Alchip Technologies, Limited and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certificate Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the opinion.

Key Audit Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Impairment Assessment of Equipment

As described in Note 5 of the consolidated financial statements, when the equipment related to integrated circuit production has any indication of impairment, the Group evaluates impairment loss based on the recoverable amount of equipment (which is higher of its fair value less costs to sell or value-in-use). The recoverable amount, which is estimated based on the anticipation of the product life cycle, projected production volume, and market price, is subject to a risk of changes in relation to the assumptions that could result in additional or reversal of impairment loss. Consequently, the impairment assessment of equipment is deemed to be a key audit matter.

Our main audit procedures in respect to assessment thereof included the following:

1. Assessed the internal and external information the management used when assessing whether there is any indication of impairment;
2. Inspected the methodologies applied for the determination of the recoverable amount and the projected sales forecasts prepared by the management and evaluated the appropriateness of the impairment assessment performed by the management.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 be reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated financial statements for the year ended December 31, 2021, and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulations 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 audit resulting in this independent auditors' report are Yi-Wen Wang and Li-Chun Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 4, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS | 2021 | | 2020 | |
|--|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 3,848,660 | 29 | \$ 4,587,817 | 50 |
| Financial assets at fair value through other comprehensive income (Note 7) | 78,110 | 1 | 33,084 | - |
| Financial assets at amortized cost (Note 8) | 4,373,440 | 33 | 427,200 | 5 |
| Accounts receivable, net (Note 10) | 969,747 | 7 | 580,984 | 6 |
| Other receivable | 37,585 | - | 36,861 | 1 |
| Inventories (Note 11) | 1,057,476 | 8 | 947,774 | 10 |
| Prepayments (Note 16) | 1,152,536 | 9 | 1,050,042 | 12 |
| Other current assets | 40,077 | - | 29,678 | - |
| Total current assets | <u>11,557,631</u> | <u>87</u> | <u>7,693,440</u> | <u>84</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (Note 7) | 306,976 | 2 | 320,483 | 4 |
| Financial assets at amortized cost (Note 8) | 27,680 | - | - | - |
| Property, plants, and equipment (Note 13) | 884,334 | 7 | 814,549 | 9 |
| Right-of-use assets (Note 14) | 81,093 | 1 | 107,554 | 1 |
| Intangible assets (Note 15) | 37,887 | - | 123,696 | 1 |
| Deferred tax assets (Note 22) | 67,867 | - | 37,290 | 1 |
| Prepayments of equipment | 222,229 | 2 | - | - |
| Other non-current assets | 71,940 | 1 | 15,968 | - |
| Total non-current assets | <u>1,700,006</u> | <u>13</u> | <u>1,419,540</u> | <u>16</u> |
| TOTAL | <u>\$13,257,637</u> | <u>100</u> | <u>\$ 9,112,980</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities (Note 20) | \$ 1,480,160 | 11 | \$ 3,981,276 | 44 |
| Accounts payable | 394,389 | 3 | 367,512 | 4 |
| Other payables (Note 17) | 592,144 | 5 | 514,776 | 6 |
| Current tax liabilities (Note 22) | 321,232 | 2 | 222,040 | 2 |
| Lease liabilities (Note 14) | 35,912 | - | 41,914 | - |
| Other current liabilities | 15,170 | - | 3,873 | - |
| Total current liabilities | <u>2,839,007</u> | <u>21</u> | <u>5,131,391</u> | <u>56</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 22) | - | - | 776 | - |
| Lease liabilities (Note 14) | 50,339 | 1 | 71,904 | 1 |
| Deferred revenue | 20,087 | - | 20,667 | - |
| Total non-current liabilities | <u>70,426</u> | <u>1</u> | <u>93,347</u> | <u>1</u> |
| Total liabilities | <u>2,909,433</u> | <u>22</u> | <u>5,224,738</u> | <u>57</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19) | | | | |
| Share capital | 706,876 | 5 | 620,285 | 7 |
| Capital surplus | 7,292,281 | 55 | 1,684,359 | 18 |
| Retained earnings | | | | |
| Special reserve | 201,957 | 1 | 67,693 | 1 |
| Unappropriated earnings | 2,495,012 | 19 | 1,717,862 | 19 |
| Total retained earnings | 2,696,969 | 20 | 1,785,555 | 20 |
| Other equity | (347,922) | (2) | (201,957) | (2) |
| Total equity | <u>10,348,204</u> | <u>78</u> | <u>3,888,242</u> | <u>43</u> |
| TOTAL | <u>\$13,257,637</u> | <u>100</u> | <u>\$ 9,112,980</u> | <u>100</u> |

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars)

| ASSETS | 2021 | | 2020 | |
|--|-------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 139,041 | 29 | \$ 161,089 | 50 |
| Financial assets at fair value through other comprehensive income (Note 7) | 2,822 | 1 | 1,162 | - |
| Financial assets at amortized cost (Note 8) | 158,000 | 33 | 15,000 | 5 |
| Accounts receivable, net (Note 10) | 35,034 | 7 | 20,400 | 6 |
| Other receivable | 1,358 | - | 1,294 | 1 |
| Inventories (Note 11) | 38,204 | 8 | 33,279 | 10 |
| Prepayments (Note 16) | 41,638 | 9 | 36,869 | 12 |
| Other current assets | <u>1,448</u> | <u>-</u> | <u>1,042</u> | <u>-</u> |
| Total current assets | <u>417,545</u> | <u>87</u> | <u>270,135</u> | <u>84</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income (Note 7) | 11,090 | 2 | 11,253 | 4 |
| Financial assets at amortized cost (Note 8) | 1,000 | - | - | - |
| Property, plants, and equipment (Note 13) | 31,948 | 7 | 28,601 | 9 |
| Right-of-use assets (Note 14) | 2,930 | 1 | 3,776 | 1 |
| Intangible assets (Note 15) | 1,369 | - | 4,343 | 1 |
| Deferred tax assets (Note 22) | 2,452 | - | 1,309 | 1 |
| Prepayments of equipment | 8,029 | 2 | - | - |
| Other non-current assets | <u>2,598</u> | <u>1</u> | <u>561</u> | <u>-</u> |
| Total non-current assets | <u>61,416</u> | <u>13</u> | <u>49,843</u> | <u>16</u> |
| TOTAL | <u>\$ 478,961</u> | <u>100</u> | <u>\$ 319,978</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities (Note 20) | \$ 53,474 | 11 | \$ 139,792 | 44 |
| Accounts payable | 14,248 | 3 | 12,904 | 4 |
| Other payables (Note 17) | 21,392 | 5 | 18,075 | 6 |
| Current tax liabilities (Note 22) | 11,605 | 2 | 7,796 | 2 |
| Lease liabilities (Note 14) | 1,297 | - | 1,472 | - |
| Other current liabilities | <u>549</u> | <u>-</u> | <u>136</u> | <u>-</u> |
| Total current liabilities | <u>102,565</u> | <u>21</u> | <u>180,175</u> | <u>56</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 22) | - | - | 27 | - |
| Lease liabilities (Note 14) | 1,819 | 1 | 2,525 | 1 |
| Deferred revenue | <u>726</u> | <u>-</u> | <u>726</u> | <u>-</u> |
| Total non-current liabilities | <u>2,545</u> | <u>1</u> | <u>3,278</u> | <u>1</u> |
| Total liabilities | <u>105,110</u> | <u>22</u> | <u>183,453</u> | <u>57</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19) | | | | |
| Share capital | <u>22,620</u> | <u>5</u> | <u>19,512</u> | <u>6</u> |
| Capital surplus | <u>254,819</u> | <u>53</u> | <u>54,397</u> | <u>17</u> |
| Retained earnings | | | | |
| Special reserve | 7,548 | 2 | 2,799 | 1 |
| Unappropriated earnings | <u>86,731</u> | <u>18</u> | <u>59,222</u> | <u>19</u> |
| Total retained earnings | <u>94,279</u> | <u>20</u> | <u>62,021</u> | <u>20</u> |
| Other equity | <u>2,133</u> | <u>-</u> | <u>595</u> | <u>-</u> |
| Total equity | <u>373,851</u> | <u>78</u> | <u>136,525</u> | <u>43</u> |
| TOTAL | <u>\$ 478,961</u> | <u>100</u> | <u>\$ 319,978</u> | <u>100</u> |

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars and U.S. Dollars, Except Earnings Per Share)

| | 2021 | | | 2020 | | |
|---|------------------|---------------------|-------------|------------------|-------------------|-------------|
| | US\$ | NT\$ | % | US\$ | NT\$ | % |
| OPERATING REVENUE (Note 20) | \$ 372,319 | \$ 10,428,276 | 100 | \$ 239,565 | \$ 7,078,919 | 100 |
| OPERATING COST (Notes 11 and 22) | <u>245,125</u> | <u>6,865,711</u> | <u>66</u> | <u>161,483</u> | <u>4,771,652</u> | <u>67</u> |
| GROSS PROFIT | <u>127,194</u> | <u>3,562,565</u> | <u>34</u> | <u>78,082</u> | <u>2,307,267</u> | <u>33</u> |
| OPERATING EXPENSES (Note 21) | | | | | | |
| Selling and marketing expenses | 7,200 | 201,658 | 2 | 5,029 | 148,607 | 2 |
| General and administrative expenses | 19,200 | 537,783 | 5 | 13,055 | 385,771 | 6 |
| Research and development expenses | 35,325 | 989,405 | 10 | 26,537 | 784,117 | 11 |
| Expected credit losses impairment loss on trade receivable | <u>206</u> | <u>5,764</u> | <u>-</u> | <u>55</u> | <u>1,629</u> | <u>-</u> |
| Total operating expenses | <u>61,931</u> | <u>1,734,610</u> | <u>17</u> | <u>44,676</u> | <u>1,320,124</u> | <u>19</u> |
| INCOME FROM OPERATIONS | <u>65,263</u> | <u>1,827,955</u> | <u>17</u> | <u>33,406</u> | <u>987,143</u> | <u>14</u> |
| NON-OPERATING INCOME AND EXPENSES (Note 21) | | | | | | |
| Interest income | 1,279 | 35,835 | 1 | 1,140 | 33,676 | - |
| Other income | 880 | 24,640 | - | 2,632 | 77,779 | 1 |
| Other gains and losses | 524 | 14,682 | - | 151 | 4,449 | - |
| Finance costs | (92) | (2,590) | - | (134) | (3,954) | - |
| Expected credit gains(losses) | <u>19</u> | <u>543</u> | <u>-</u> | <u>(450)</u> | <u>(13,303)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>2,610</u> | <u>73,110</u> | <u>1</u> | <u>3,339</u> | <u>98,647</u> | <u>1</u> |
| PROFIT BEFORE INCOME TAX | 67,873 | 1,901,065 | 18 | 36,745 | 1,085,790 | 15 |
| INCOME TAX EXPENSES (Note 22) | <u>14,686</u> | <u>411,342</u> | <u>4</u> | <u>8,490</u> | <u>250,873</u> | <u>3</u> |
| NET PROFIT | <u>53,187</u> | <u>1,489,723</u> | <u>14</u> | <u>28,255</u> | <u>834,917</u> | <u>12</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | |
| Unrealized gain on investments in equity instrument at fair value through other comprehensive income | 3,826 | 107,215 | 1 | - | - | - |
| Exchange differences arising on translation to the presentation currency | - | (189,034) | (2) | - | (192,410) | (3) |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange differences arising from translating foreign operations | (279) | (7,812) | - | 118 | 3,480 | - |
| Unrealized gain (loss) on investments in debt instrument at fair value through other comprehensive income | (300) | (8,389) | - | (315) | (9,274) | - |
| Other comprehensive income (loss) for the year, net of income tax | <u>3,247</u> | <u>(98,020)</u> | <u>(1)</u> | <u>(197)</u> | <u>(198,204)</u> | <u>(3)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 56,434</u> | <u>\$ 1,391,703</u> | <u>13</u> | <u>\$ 28,058</u> | <u>\$ 636,713</u> | <u>9</u> |
| NET INCOME ATTRIBUTABLE TO Shareholders of the Company | <u>\$ 53,187</u> | <u>\$ 1,489,723</u> | <u>14</u> | <u>\$ 28,255</u> | <u>\$ 834,917</u> | <u>12</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO Shareholders of the Company | <u>\$ 56,434</u> | <u>\$ 1,391,703</u> | <u>13</u> | <u>\$ 28,058</u> | <u>\$ 636,713</u> | <u>9</u> |
| EARNINGS PER SHARE (Note23) | | | | | | |
| Basic earnings per share | <u>\$ 0.76</u> | <u>\$ 21.34</u> | | <u>\$ 0.46</u> | <u>\$ 13.61</u> | |
| Diluted earnings per share | <u>\$ 0.71</u> | <u>\$ 20.00</u> | | <u>\$ 0.43</u> | <u>\$ 12.64</u> | |

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

| | Share Capital | Capital Surplus | | Special Reserve | Retained Earnings | | Other Equity | | | Treasury Shares | Total Equity |
|---|---------------|-----------------|---------------|-----------------|-------------------|-------------------------|--------------|--|---|-----------------|---------------|
| | | Share Premium | Share Options | | Total | Unappropriated Earnings | Total | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | |
| BALANCE AT JANUARY 1, 2020 | \$ 606,129 | \$ 1,420,426 | \$ 114,194 | \$ 1,534,620 | \$ 67,693 | \$ 1,097,056 | \$ 1,164,749 | \$ 28,763 | \$ - | \$ - | \$ 3,301,745 |
| Appropriation of 2019 earnings | - | - | - | - | - | (214,111) | (214,111) | - | - | - | (214,111) |
| Cash dividends | - | - | - | - | - | - | - | - | - | - | - |
| Share-based compensation | - | - | 79,498 | 79,498 | - | - | - | - | - | - | 79,498 |
| Issuance of ordinary shares under the employee share options | 14,156 | 111,056 | (40,815) | 70,241 | - | - | - | - | - | - | 84,397 |
| Net profit for the year ended December 31, 2020 | - | - | - | - | - | 834,917 | 834,917 | - | - | - | 834,917 |
| Other comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | - | - | (188,930) | (9,274) | - | (198,204) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 834,917 | 834,917 | (188,930) | (9,274) | - | 636,713 |
| BALANCE AT DECEMBER 31, 2020 | 620,285 | 1,531,482 | 152,877 | 1,684,359 | 67,693 | 1,717,862 | 1,785,555 | (221,446) | 19,489 | - | 3,888,242 |
| Issued new common shares to be offered in the form of Global Depository Shares | 76,000 | 5,320,032 | - | 5,320,032 | - | - | - | - | - | - | 5,396,032 |
| Appropriation of 2020 earnings | - | - | - | - | 134,264 | (134,264) | - | - | - | - | - |
| Special reserve | - | - | - | - | - | (465,387) | (465,387) | - | - | - | (465,387) |
| Cash dividends | - | - | - | - | - | - | - | - | - | - | - |
| Share-based compensation | - | - | 244,308 | 244,308 | - | - | - | - | - | - | 244,308 |
| Issuance of ordinary shares under the employee share options | 14,811 | 137,031 | (52,047) | 84,984 | - | - | - | - | - | - | 99,795 |
| Treasury Shares | - | - | - | - | - | - | - | - | (206,489) | (206,489) | - |
| Cancellation of Treasury Shares | (4,220) | (41,402) | - | (41,402) | - | (160,867) | (160,867) | - | 206,489 | - | - |
| Disposal of investments in equity instruments at fair value through other comprehensive income(Notes 7) | - | - | - | - | - | 47,945 | 47,945 | - | (47,945) | - | - |
| Net profit for the year ended December 31, 2021 | - | - | - | - | - | 1,489,723 | 1,489,723 | - | - | - | 1,489,723 |
| Other comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | - | - | (196,846) | 98,826 | - | (98,020) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | 1,489,723 | 1,489,723 | (196,846) | 98,826 | - | 1,391,703 |
| BALANCE AT DECEMBER 31, 2021 | \$ 706,876 | \$ 6,947,143 | \$ 345,138 | \$ 7,292,281 | \$ 201,957 | \$ 2,495,012 | \$ 2,696,969 | (\$ 418,292) | \$ 70,370 | \$ - | \$ 10,348,204 |

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

(USD) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of U.S. Dollars)

| | Share Capital | Share Premium | Capital Surplus | | Retained Earnings | | | Other Equity | | | | Total Equity |
|---|---------------|---------------|-----------------|------------|-------------------|-------------------------|-----------|--|---|-----------------|------------|--------------|
| | | | Share Options | Total | Special Reserve | Unappropriated Earnings | Total | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Treasury Shares | | |
| BALANCE AT JANUARY 1, 2020 | \$ 19,034 | \$ 45,628 | \$ 3,696 | \$ 49,324 | \$ 2,799 | \$ 38,183 | \$ 40,982 | (\$ 203) | \$ 995 | \$ - | \$ 110,132 | |
| Appropriation of 2019 earnings | - | - | - | - | - | (7,216) | (7,216) | - | - | - | (7,216) | |
| Cash dividends | - | - | - | - | - | - | - | - | - | - | - | |
| Share-based compensation | - | - | 2,690 | 2,690 | - | - | - | - | - | - | 2,690 | |
| Issuance of ordinary shares under the employee share options | 478 | 3,720 | (1,337) | 2,383 | - | - | - | - | - | - | 2,861 | |
| Net profit for the year ended December 31, 2020 | - | - | - | - | - | 28,255 | 28,255 | - | - | - | 28,255 | |
| Other comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | - | - | 118 | (315) | - | (197) | |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 28,255 | 28,255 | 118 | (315) | - | 28,058 | |
| BALANCE AT DECEMBER 31, 2020 | 19,512 | 49,348 | 5,049 | 54,397 | 2,799 | 59,222 | 62,021 | (85) | 680 | - | 136,525 | |
| Issued new common shares to be offered in the form of Global Depository Shares | 2,716 | 190,117 | - | 190,117 | - | - | - | - | - | - | 192,833 | |
| Appropriation of 2020 earnings | - | - | - | - | 4,749 | (4,749) | - | - | - | - | - | |
| Special reserve | - | - | - | - | - | (16,810) | (16,810) | - | - | - | (16,810) | |
| Cash dividends | - | - | - | - | - | - | - | - | - | - | - | |
| Share-based compensation | - | - | 8,722 | 8,722 | - | - | - | - | - | - | 8,722 | |
| Issuance of ordinary shares under the employee share options | 527 | 4,801 | (1,771) | 3,030 | - | - | - | - | - | - | 3,557 | |
| Treasury Shares | - | - | - | - | - | - | - | - | - | (7,410) | (7,410) | |
| Cancellation of Treasury Shares | (135) | (1,447) | - | (1,447) | - | (5,828) | (5,828) | - | - | 7,410 | - | |
| Disposal of investments in equity instruments at fair value through other comprehensive income (Note 7) | - | - | - | - | - | 1,709 | 1,709 | - | (1,709) | - | - | |
| Net profit for the year ended December 31, 2021 | - | - | - | - | - | 53,187 | 53,187 | - | - | - | 53,187 | |
| Other comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | - | - | (279) | 3,526 | - | 3,247 | |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | 53,187 | 53,187 | (279) | 3,526 | - | 56,434 | |
| BALANCE AT DECEMBER 31, 2021 | \$ 22,620 | \$ 242,819 | \$ 12,000 | \$ 254,819 | \$ 7,548 | \$ 86,731 | \$ 94,279 | (\$ 364) | \$ 2,497 | \$ - | \$ 373,851 | |

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars and U.S. Dollars)

| | 2021 | | 2020 | |
|---|---------------|----------------|----------------|------------------|
| | US\$ | NT\$ | US\$ | NT\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | \$ 67,873 | \$ 1,901,065 | \$ 36,745 | \$ 1,085,790 |
| Adjustments for: | | | | |
| Depreciation and amortization | 54,686 | 1,531,720 | 36,996 | 1,093,182 |
| Expected credit losses | 187 | 5,221 | 505 | 14,932 |
| Finance costs | 92 | 2,590 | 134 | 3,954 |
| Interest income | (1,279) | (35,835) | (1,140) | (33,676) |
| Share-based compensation | 8,722 | 244,308 | 2,690 | 79,498 |
| Loss (gain) on disposal of equipment | 8 | 213 | (98) | (2,887) |
| Net gain on disposal of financial assets | (18) | (509) | (120) | (3,560) |
| write-down of inventories | 3,391 | 94,989 | 1,511 | 44,661 |
| Net loss on foreign currency exchange | 339 | 9,487 | 194 | 5,817 |
| Amortization of prepayments | 4,465 | 125,062 | 3,865 | 114,197 |
| Net changes in operating assets and liabilities | | | | |
| Accounts receivable | (14,683) | (411,264) | 9,416 | 278,239 |
| Other receivables | 324 | 9,079 | (646) | (19,099) |
| Inventories | (8,316) | (232,934) | (15,391) | (454,794) |
| Prepayments | (8,957) | (250,864) | (34,892) | (1,031,019) |
| Other current assets | (406) | (11,366) | 391 | 11,586 |
| Contract liabilities | (86,318) | (2,417,694) | 113,942 | 3,366,870 |
| Accounts payable | 1,454 | 40,692 | (878) | (25,972) |
| Other payables | 2,743 | 76,830 | 5,637 | 166,571 |
| Other current liabilities | 434 | 12,152 | (172) | (5,068) |
| Deferred revenue | (21) | (594) | (1,445) | (42,071) |
| Net cash generated from operations | 24,720 | 692,348 | 157,244 | 4,646,521 |
| Interest paid | (92) | (2,590) | (126) | (3,702) |
| Income tax paid | (12,296) | (344,366) | (3,001) | (88,729) |
| Net cash generated by operating activities | <u>12,332</u> | <u>345,392</u> | <u>154,117</u> | <u>4,554,090</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of financial assets at fair value through other comprehensive income | (3,375) | (94,521) | (4,237) | (125,210) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 5,686 | 159,287 | 6,405 | 189,319 |
| Purchase of financial assets at amortized cost | (170,800) | (4,783,937) | (15,000) | (443,235) |
| Proceeds from sale of financial assets at amortized cost | 26,800 | 750,641 | - | - |

(Continued)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars and U.S. Dollars)

| | 2021 | | 2020 | |
|---|-------------------|---------------------|-------------------|------------------------------------|
| | US\$ | NT\$ | US\$ | NT\$ |
| Payments for property, plants, and equipment | (39,869) | (1,116,684) | (43,339) | (1,280,628) |
| Proceeds from disposal of property, plants, and equipment | - | 7 | 158 | 4,658 |
| Increase in refundable deposits | (2,062) | (57,753) | (87) | (2,566) |
| Decrease in refundable deposits | 21 | 589 | 18 | 503 |
| Payments for intangible assets | (13,165) | (368,741) | (11,252) | (332,481) |
| Prepayments for equipment | (8,029) | (224,871) | - | - |
| Interest received | 879 | 24,583 | 1,254 | 37,077 |
| Net cash used in investing activities | <u>(203,914)</u> | <u>(5,711,400)</u> | <u>(66,080)</u> | <u>(1,952,563)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Decrease in short-term borrowings | - | - | (529) | (15,626) |
| Repayment of the principal portion of lease liabilities | (1,807) | (50,597) | (1,430) | (42,265) |
| Dividend paid to share holder of the company | (16,810) | (465,387) | (7,216) | (214,111) |
| Issued new common shares to be offered in the form of Global Depositary Shares | 192,833 | 5,396,032 | - | - |
| Proceeds from exercise of employee share options | 3,557 | 99,795 | 2,861 | 84,397 |
| Treasury Shares | <u>(7,410)</u> | <u>(206,489)</u> | <u>-</u> | <u>-</u> |
| Net cash generated by (used in) financing activities | <u>170,363</u> | <u>4,773,354</u> | <u>(6,314)</u> | <u>(187,605)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | | | | |
| | <u>(829)</u> | <u>(146,503)</u> | <u>71</u> | <u>(203,355)</u> |
| NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS | (22,048) | (739,157) | 81,794 | 2,210,567 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>161,089</u> | <u>4,587,817</u> | <u>79,295</u> | <u>2,377,250</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 139,041</u> | <u>\$ 3,848,660</u> | <u>\$ 161,089</u> | <u>\$ 4,587,817</u> (Concluded) |

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of U.S. Dollars and New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Alchip Technologies, Limited (the Company) was incorporated in the Cayman Islands on February 27, 2003. The Company is mainly engaged in the research and development, design, and manufacture of fabless application specific integrated circuits (ASIC) and system on a chip (SOC) and the rendering of related services.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since October 28, 2014. The Company issued new common shares to be offered in the form of global depository receipts (GDR) and was listed in Luxembourg Exchange on January 20, 2021.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the Group) were approved by the Group's board of directors on March 4, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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 material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| "Annual Improvements to IFRS Standards 2018-2020" | January 1, 2022 (Note 1) |
| Amendments to IFRS 3 "Reference to the Conceptual Framework" | January 1, 2022 (Note 2) |
| Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use" | January 1, 2022 (Note 3) |
| Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" | January 1, 2022 (Note 4) |

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group assess the application of above standards and interpretations have no material impact on the Group's financial position and financial performance.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | 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, 2023 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 2) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 3) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 4) |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are 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 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of 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 POLICY

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are 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
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents 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 include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Adjustments have been made to the financial statements of subsidiaries to bring their accounting policies to be consistent with those used by the Group. All intercompany transactions, balance, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company. The subsidiaries' details, percentage of ownership, and main businesses and products, see Note 12, Table 5 and Table 6 to the consolidated financial statements.

Foreign Currencies

In preparing the financial statements of each individual Company entity, transactions in currencies other than the entity's functional currency (foreign currencies) 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 or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect to 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 at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (includes the subsidiaries or branch office which currency used are different from the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income. The exchange differences accumulated in equity which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency are not subsequently reclassified to profit or loss.

Inventories

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

Property, Plant and Equipment

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

Depreciation is recognized based on the straight-line method. Each significant part is depreciated separately. The Group reviews the estimated useful lives, residual values, and depreciation method at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant, or equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

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

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 Assets and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis.

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 asset, cash-generating unit or contract asset 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 for the asset, cash-generating unit or contract asset in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a Company entity 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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets made in the regular method are recognized and derecognized on a trade date basis.

1. Category of financial assets and measurement

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

a. Financial assets at amortized cost

Financial assets that satisfy the following two conditions are measured at amortized cost:

- 1) Financial assets are held within a business model whose objective is to collect contractual cash flows; and
- 2) The contractual terms of financial assets give rise on specified dates that cash flows are solely payments of principal and interest on principal outstanding.

Subsequent to the initial recognition, financial assets at the amortized cost (including cash and cash equivalents, accounts receivable, other receivable, and pledged time deposits) are measured at amortized cost, which equals gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are high liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Investments in debt instruments at FVTOCI

Investments in debt instruments that satisfy the following two conditions are measured at FVTOCI:

- 1) Financial assets are held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- 2) The contractual terms of financial assets give rise on specified dates that cash flows are solely payments of principal and interest on principal outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed of.

c. Investments in equity instruments at FVTOCI

On initial recognition, the Group may irrevocably designate investments in equity investments that is not held for trading and non-contingent consideration of mergers and acquisitions as at FVTOCI.

Investments in equity instruments at FVTOCI 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. Disposal of the investments, the accumulated gains and losses transfer to retained earnings, not reclassify to profits and losses.

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

2. Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and investments in debt instruments measured at FVTOCI at the end of each reporting period.

The loss allowance for accounts receivable is measured at lifetime expected credit loss. For other financial assets, the Group recognizes lifetime expected credit losses when there have been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial assets have not increased significantly since initial recognition, the Group measures the loss allowance of the financial assets at an amount equal to 12-month expected credit losses.

Expected credit losses reflect the weighted average of credit loss with the respective risks of default occurring. Lifetime expected credit losses represent the expected credit losses that will result from all

possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in the other comprehensive income and does not reduce the carrying amount of the financial assets.

3. Derecognition of financial assets

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

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 that 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 cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss

Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

Repurchase instruments issued by the Group are recognized and derecognized from other equity. Purchase, sale, issuance or cancellation of instruments issued by the Group are not recognized in profit or loss.

Financial liabilities

1. Subsequent measurement

Financial liabilities are measured at amortized cost using effective interest method.

2. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any of transferred non-cash assets or liabilities, is recognized in profit or loss.

Revenue Recognition

The Group identifies the contract performance obligations and recognizes revenue when all of the contract performance obligations are satisfied.

a. Revenue from sales of goods

Revenue from sale of goods is generated from sale of integrated circuit products. The Group recognizes revenue and accounts receivable when performance obligation is satisfied and promised goods are shipped or delivered to the customer's specified location depending on commercial terms, where

customer obtains control of goods.

b. Revenue from non-recurring engineering (NRE) service

The Group provides NRE service which does not create an asset with alternative use, and the Group has an enforceable right to payment for the performance completed to date. Revenue is recognized based on the completion of the contract by the output method and milestone achieved.

Leases

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

a. The Group as the lessor

Lease income from operating leases is recognized on a straight-line basis over the lease term.

b. The Group as the lessee

The Group 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. 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 presented on a separate line in the consolidated balance sheets.

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. 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 Group uses the its 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, or a change in future lease payments resulting from a change in a rate used to determine those payments, the Group 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. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Government Grants

Government grants are recognized when there is a reasonable assurance that the Group is able to comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred are recognized in profit or loss in the period in which they become receivable for the purpose of giving immediate financial support to The Group with no future related cost. Government grants whose primary condition is for The Group to purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue, and transferred to profit and loss on a systematic and rational basis over the useful lives of related assets.

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. Post-employment benefits

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

Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

Taxation

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

a. Current tax

The Company and its subsidiaries accrue income tax payables (receivables) based on current incomes (losses) at the applicable statutory rates in accordance with the jurisdictions where the Company and its subsidiaries are located.

According to the Income Tax Act of the Republic of China, an additional tax at unappropriated earnings is provided for as income tax 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 and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the recent development of the COVID-19 in Taiwan 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. The COVID-19 did not have material impact on the Company's accounting estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Equipment and Intangible Assets

The impairment of equipment and intangible assets in relation to the design and production of integrated circuits is based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the life cycle, future production volumes and market price of integrated circuits will affect the recoverable amount of those assets and may lead to a recognition of additional or a reversal of impairment losses.

Impairment of Inventories

The net realizable value of inventory represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The estimation is determined based on market conditions and historical selling records of similar products, and the changes of market conditions may have significant effects on the net realizable value estimation.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Demand deposits | \$ 3,373,774 | \$ 4,582,114 |
| Time deposits with original maturities within three months from the date of acquisition | 468,801 | - |
| Checking accounts | 5,655 | 5,301 |
| Petty cash | <u>430</u> | <u>402</u> |
| | <u>\$ 3,848,660</u> | <u>\$ 4,587,817</u> |

| | December 31 | |
|---|--------------------|-------------------|
| | 2021 | 2020 |
| <u>US\$</u> | | |
| Demand deposits | \$ 121,885 | \$ 160,889 |
| Time deposits with original maturities within three months from the date of acquisition | 16,936 | - |
| Checking accounts | 204 | 186 |
| Petty cash | <u>16</u> | <u>14</u> |
| | <u>\$ 139,041</u> | <u>\$ 161,089</u> |

The market rate intervals of cash in bank at the end of the reporting period were as follows:

| | December 31 | |
|--------------|--------------------|-------------|
| | 2021 | 2020 |
| Bank balance | 0.01%-1.96% | 0.01%-0.35% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

| | December 31 | |
|----------------------------|--------------------|------------------|
| | 2021 | 2020 |
| <u>Current</u> | | |
| <u>NT\$</u> | | |
| Foreign bonds investments | <u>\$ 78,110</u> | <u>\$ 33,084</u> |
| <u>US\$</u> | | |
| Foreign bonds investments | <u>\$ 2,822</u> | <u>\$ 1,162</u> |
| <u>Non-current</u> | | |
| <u>NT\$</u> | | |
| Foreign bonds investments | \$189,756 | \$199,803 |
| Foreign equity investments | <u>117,220</u> | <u>120,680</u> |
| | <u>\$306,976</u> | <u>\$320,483</u> |
| <u>US\$</u> | | |
| Foreign bonds investments | \$ 6,855 | \$ 7,016 |
| Foreign equity investments | <u>4,235</u> | <u>4,237</u> |
| | <u>\$ 11,090</u> | <u>\$ 11,253</u> |

The Group invested RMB27,707 thousand in KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund in December, 2020. The investment was designated as at FVTOCI due to its long term strategic investment purpose and resulted in the increase of NT\$120,680 thousand (US\$4,237 thousand) on foreign equity investment.

The Group sold certain units of KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund at NT\$115,842 thousand(US\$4,129 thousands)in October, 2021 .The related other equity- unrealized gain on financial assets at FVTOCI of NT\$47,945 thousand (US\$1,709 thousand) were transferred to increase retained earnings.

Refer to Note 9 for information on credit risk management and impairment assessment related to debt instruments at FVTOCI.

8. FINANCIAL ASSETS AT AMORTIZED COST

| | <u>December 31</u> | |
|--|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Current</u> | | |
| <u>NT\$</u> | | |
| Time deposits with original maturities exceeding three months from the date of acquisition | \$ <u>4,373,440</u> | \$ <u>427,200</u> |
| <u>Current</u> | | |
| <u>US\$</u> | | |
| Time deposits with original maturities exceeding three months from the date of acquisition | \$ <u>158,000</u> | \$ <u>15,000</u> |
| | | |
| | <u>December 31</u> | |
| | <u>2021</u> | <u>2020</u> |
| <u>Non-current</u> | | |
| <u>NT\$</u> | | |
| Corporate Bonds | \$ <u>27,680</u> | \$ <u>-</u> |
| <u>Non-current</u> | | |
| <u>US\$</u> | | |
| Corporate Bonds | \$ <u>1,000</u> | \$ <u>-</u> |

The market rate intervals of time deposits with original maturities exceeding three months from the date of acquisition as of December 31, 2021 and 2020 were 0.25%~0.30% and 0.27%, respectively.

Refer to Note 9 for information on credit risk management and impairment loss assessment related to financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT OF DEBT INSTRUMENTS

The investments in debt instrument were classified as at FVTOCI and financial assets as at amortized cost.

For the year ended December 31, 2021

| | <u>Financial Assets at FVTOCI</u> | | <u>Financial Assets at Amortized Cost</u> | |
|-----------------------|-----------------------------------|-----------------|---|-------------------|
| | <u>NT\$</u> | <u>US\$</u> | <u>NT\$</u> | <u>US\$</u> |
| Total Carrying Amount | \$ 320,819 | \$ 11,590 | \$ 4,401,120 | \$ 159,000 |
| Loss Allowance | <u>(63,537)</u> | <u>(2,295)</u> | <u>-</u> | <u>-</u> |
| Amortized Cost | 257,282 | 9,295 | <u>\$ 4,401,120</u> | <u>\$ 159,000</u> |
| Fair Value Adjustment | <u>10,584</u> | <u>382</u> | | |
| | <u>\$ 267,866</u> | <u>\$ 9,677</u> | | |

For the year ended December 31, 2020

| | <u>Financial Assets at FVTOCI</u> | | <u>Financial Assets at Amortized Cost</u> | |
|-----------------------|-----------------------------------|-----------------|---|------------------|
| | <u>NT\$</u> | <u>US\$</u> | <u>NT\$</u> | <u>US\$</u> |
| Total Carrying Amount | \$ 279,534 | \$ 9,816 | \$ 427,200 | \$ 15,000 |
| Loss Allowance | <u>(66,068)</u> | <u>(2,320)</u> | <u>-</u> | <u>-</u> |
| Amortized Cost | 213,466 | 7,496 | <u>\$ 427,200</u> | <u>\$ 15,000</u> |
| Fair Value Adjustment | <u>19,421</u> | <u>682</u> | | |
| | <u>\$ 232,887</u> | <u>\$ 8,178</u> | | |

The credit rating information is supplied by an independent credit rating agency (CRA) in order to continuously track and supervise the credit risk change of the investments in debt instruments. At the same time, the Group reviews the information such as bond yield rate curve and debtors' information announced to assess whether the credit risk of investment in debt instruments has significantly increased since the initial recognition.

The Group considers the historical default rate each level provided by CRA, the current financial position, and its business outlook in order to measure the 12-month expected credit loss (ECL) or lifetime ECL of the debt instruments. The current credit risk rating mechanism used by the Group is as follows:

| Credit Rating | Definition | Basis for Recognizing ECLs |
|---------------|--|------------------------------------|
| Performing | The credit risk of debtor is low, and it has sufficient ability to repay the contractual cash flow, i.e., the Moody's rating is above Level B. | 12-month ECL |
| Doubtful | The credit risk has significantly increased since the initial recognition, i.e., the Moody's rating has moved from above Level B to below Level B. | Lifetime ECL - not credit impaired |
| In default | There is evidence indicating the assets in credit impaired. | Lifetime ECL - credit impaired |
| Write-off | There is evidence indicating that the debtor is under severe financial difficulty and repayment cannot be reasonably expected. | Write-off |

For the year ended December 31, 2021

| Credit Rating | ECL Rate | Total Carrying Amount | | | |
|---------------|----------|----------------------------|----------|------------------------------------|------------|
| | | Financial Assets at FVTOCI | | Financial Assets at Amortized Cost | |
| | | NT\$ | US\$ | NT\$ | US\$ |
| Performing | 0%-2.05% | \$ 258,183 | \$ 9,327 | \$ 4,401,120 | \$ 159,000 |
| Doubtful | - | - | - | - | - |
| In default | 100% | 62,636 | 2,263 | - | - |
| Write-off | - | - | - | - | - |

For the year ended December 31, 2020

| Credit Rating | ECL Rate | Total Carrying Amount | | | |
|---------------|----------|----------------------------|----------|------------------------------------|-----------|
| | | Financial Assets at FVTOCI | | Financial Assets at Amortized Cost | |
| | | NT\$ | US\$ | NT\$ | US\$ |
| Performing | 0%-2.04% | \$ 209,423 | \$ 7,354 | \$ 427,200 | \$ 15,000 |
| Doubtful | 5.93% | 5,665 | 199 | - | - |
| In default | 100% | 64,446 | 2,263 | - | - |
| Write-off | - | - | - | - | - |

Regarding the investments in debt instruments measured by FVTOCI and amortized cost, the loss allowance change information based on the credit risk rating is summarized as follows:

| | Credit Rating | | |
|---------------------------------|-------------------------------|---|--|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit- impaired) | In default (Lifetime ECLs - Credit- impaired) |
| <u>NT\$</u> | | | |
| Balance on January 1, 2021 | \$ 1,277 | \$ 345 | \$ 64,446 |
| Transfers | | | |
| From doubtful to performing (a) | 116 | (340) | - |
| Purchase of New Debt Instrument | 71 | - | - |
| Derecognition | (140) | - | - |
| Risk Index Change | (386) | - | - |
| Exchange Rate and Other Changes | (37) | (5) | (1,810) |
| Balance on December 31, 2021 | <u>\$ 901</u> | <u>\$ -</u> | <u>\$ 62,636</u> |
| <u>NT\$</u> | | | |
| Balance on January 1, 2020 | \$ 2,586 | \$ - | \$ 54,017 |
| Transfers | | | |
| From performing to doubtful (b) | (411) | 12,343 | - |
| From doubtful to in default (b) | - | (12,168) | 13,625 |
| Derecognition | (544) | - | - |
| Risk Index Change | (395) | - | - |
| Exchange Rate and Other Changes | 41 | 170 | (3,196) |
| Balance on December 31, 2020 | <u>\$ 1,277</u> | <u>\$ 345</u> | <u>\$ 64,446</u> |
| <u>US\$</u> | | | |
| Balance on January 1, 2021 | \$ 45 | \$ 12 | \$ 2,263 |
| Transfers | | | |
| From doubtful to performing (a) | 4 | (12) | - |
| Purchase of New Debt Instrument | 3 | - | - |
| Derecognition | (5) | - | - |
| Risk Index Change | (15) | - | - |
| Exchange Rate and Other Changes | - | - | - |
| Balance on December 31, 2021 | <u>\$ 32</u> | <u>\$ -</u> | <u>\$ 2,263</u> |
| <u>US\$</u> | | | |
| Balance on January 1, 2020 | \$ 86 | \$ - | \$ 1,802 |
| Transfers | | | |
| From performing to doubtful (b) | (14) | 417 | - |
| From doubtful to in default (b) | - | (405) | 461 |
| Derecognition | (18) | - | - |
| Risk Index Change | (13) | - | - |
| Exchange Rate and Other Changes | 4 | - | - |
| Balance on December 31, 2020 | <u>\$ 45</u> | <u>\$ 12</u> | <u>\$ 2,263</u> |

- a. The rating of the bonds issued by Vedanta Resources plc returned to Level B and above, hence, the Group transferred its credit rating from doubtful to performing. As a result, the allowance for impairment loss for doubtful credit rating decreased by NT\$340 thousand (US\$12 thousand).
- b. The rating of the bonds issued by Virgin Australia Holdings Ltd. fell below Level B in the second quarter of 2020, and the issuing company announced debt restructuring; hence, the Group transferred its credit rating from performing to doubtful. As a result, the allowance for impairment loss for doubtful credit rating increased by NT\$12,168 thousand (US\$405 thousand). Due to CRA stopped - providing credit rating information of Virgin Australia Holdings Ltd. and the issuing company suspended the interest payments in the fourth quarter of 2020, the Group transferred its credit rating from doubtful to in default. As a result the allowance for impairment loss for in default credit rating increased by NT\$13,625 thousand (US\$461 thousand).

10. ACCOUNTS RECEIVABLE

| | <u>December 31</u> | |
|---------------------------------------|--------------------|------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| At amortized cost accounts receivable | | |
| Gross carrying amount | \$ 1,008,364 | \$ 620,815 |
| Less: Loss allowance | <u>(38,617)</u> | <u>(39,831)</u> |
| | <u>\$969,747</u> | <u>\$580,984</u> |
| <u>US\$</u> | | |
| At amortized cost accounts receivable | | |
| Gross carrying amount | \$ 36,429 | \$ 21,798 |
| Less: Loss allowance | <u>(1,395)</u> | <u>(1,398)</u> |
| | <u>\$ 35,034</u> | <u>\$ 20,400</u> |

The payment term granted to customers is from 30 days to 90 days. The Group grants credit periods based on customers' financial conditions and historical payment records. In addition, when necessary, customers are requested to make prepayments in order to reduce the risk of financial loss due to delay of payment.

The Group measures the allowance for accounts receivable by lifetime ELCs. The lifetime ELCs are estimated using a provision matrix prepared by reference to the past default records of the debtors and an analysis of each debtor's current financial position, adjusted for factors that are specific to the debtors and an assessment of all the gross domestic product growth rates, unemployment rates and industrial indicators at the reporting date. The Group determines expected credit loss ratios by the factors including payment terms, jurisdiction of customers and the status of public listing or nonpublic listing.

When there is an information indicating that the customer is in severe financial difficulty and the Group cannot reasonably estimate the recoverable amounts, the Group writes off accounts receivable. However, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Aging analysis for accounts receivable

| | <u>December 31</u> | |
|----------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| 0-60 days | \$ 861,338 | \$582,652 |
| 61-120 days | 109,935 | - |
| More than and including 121 days | <u>37,091</u> | <u>38,163</u> |
| | <u>\$1,008,364</u> | <u>\$ 620,815</u> |
| <u>US\$</u> | | |
| 0-60 days | \$ 31,118 | \$ 20,458 |
| 61-120 days | 3,972 | - |
| More than and including 121 days | <u>1,339</u> | <u>1,340</u> |
| | <u>\$ 36,429</u> | <u>\$ 21,798</u> |

The movements of the loss allowance for accounts receivable

| | For the Year Ended December 31 | |
|-----------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Balance at January 1 | \$ 39,831 | \$ 40,276 |
| Provision | 5,764 | 1,629 |
| Write-off | (5,860) | - |
| Foreign Exchange Gains and Losses | <u>(1,118)</u> | <u>(2,074)</u> |
| Balance at December 31 | <u>\$ 38,617</u> | <u>\$ 39,831</u> |
| <u>US\$</u> | | |
| Balance at January 1 | \$ 1,398 | \$ 1,343 |
| Provision | 206 | 55 |
| Write-off | <u>(209)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 1,395</u> | <u>\$ 1,398</u> |

11. INVENTORIES

| | December 31 | |
|-------------------|--------------------|------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Finished products | \$ 58,778 | \$ 49,447 |
| Work in progress | 583,988 | 896,281 |
| Raw materials | <u>414,710</u> | <u>2,046</u> |
| | <u>\$1,057,476</u> | <u>\$947,774</u> |
| <u>US\$</u> | | |
| Finished products | \$ 2,124 | \$ 1,736 |
| Work in progress | 21,098 | 31,471 |
| Raw materials | <u>14,982</u> | <u>72</u> |
| | <u>\$ 38,204</u> | <u>\$ 33,279</u> |

The cost of integrated circuit recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were NT\$5,270,715 thousand (US\$188,179 thousand) and NT\$3,840,160 thousand (US\$129,959 thousand), respectively.

The cost of goods sold included inventory write-downs of 94,989 thousands (US\$3,391 thousands) and NT\$44,661 thousand (US\$1,511 thousand) for the years ended December 31, 2020 and 2019.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Subsidiary | Nature of Business | Percentage of ownership % | |
|-------------|---|------------------------|----------------------------------|--------------------------|
| | | | December 31, 2021 | December 31, 2020 |
| The Company | Alchip Technologies, Limited (registered in Hong Kong) (referred to as "Alchip HK") | Investments | 100 | 100 |
| | AlChip Technologies, Inc. (registered in the U.S.A.) (referred to as "Alchip USA") | Sales of ASIC and SOC. | 100 | 100 |
| | Alchip Technologies, KK (registered in Japan) (referred to as "Alchip KK") | Sales of ASIC and SOC. | 100 | 100 |

(Continued)

| Investor | Subsidiary | Nature of Business | Percentage of Ownership (%) | |
|-----------|--|--|-----------------------------|-------------------|
| | | | September 30, 2021 | December 31, 2020 |
| | Alchip Technologies, Inc. (registered in Taiwan) | Provide ASIC and SOC services. | 100 | 100 |
| | Alchip Investment, Inc. (registered in the British Virgin Islands) (referred to as "Alchip BVI") | Investments | 100 | 100 |
| Alchip HK | Alchip Technologies (Shanghai) (registered in China) (referred to as "Alchip Shanghai") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 |
| | Alchip Technologies (Wuxi) (registered in China) (referred to as "Alchip Wuxi") | Research and development and design of ASIC and SOC and rendering of related services. | 100 | 100 |
| | Alchip Technologies (Hefei) (registered in China) (referred to as "Alchip Hefei") | Research and development and design of ASIC and SOC and rendering of related services. | 100 | 100 |
| | Alchip Technologies Jinan (registered in China) (referred to as "Alchip Jinan") | Research and development and design of ASIC and SOC and rendering of related services. | 100 | 100 |
| | Alchip Technologies (Guangzhou) (registered in China) (referred to as "Alchip Guangzhou") | Research and development, design, and sales of ASIC and SOC and rendering of related services. | 100 | 100 |

(Concluded)

b. Subsidiaries excluded from the consolidated financial statements: None.

13. PROPERTY, PLANTS AND EQUIPMENT

| | Machinery Equipment | Computer Equipment | Office Equipment | Leasehold Improvements | Transportation Equipment | Total |
|---|---------------------|--------------------|------------------|------------------------|--------------------------|----------------|
| <u>NTS</u> | | | | | | |
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2020 | \$ 2,859,639 | \$ 150,127 | \$ 17,820 | \$ 35,855 | \$ 6,808 | \$ 3,070,249 |
| Addition | 1,124,641 | 135,838 | 400 | 5,844 | - | 1,266,723 |
| Disposals | (3,469) | (19,975) | - | - | - | (23,444) |
| Effect of foreign currency exchange differences | (183,637) | (11,266) | (668) | (2,005) | (341) | (197,917) |
| Balance, December 31, 2020 | \$ 3,797,174 | \$ 254,724 | \$ 17,552 | \$ 39,694 | \$ 6,467 | \$ 4,115,611 |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance, January 1, 2020 | \$(2,529,277) | \$(108,795) | \$(11,529) | \$(27,543) | \$(3,683) | \$(2,680,827) |
| Depreciation expenses | (767,599) | (27,129) | (1,633) | (6,473) | (962) | (803,796) |
| Disposals | 3,469 | 18,204 | - | - | - | 21,673 |
| Effect of foreign currency exchange differences | 154,193 | 5,340 | 524 | 1,612 | 219 | 161,888 |
| Balance, December 31, 2020 | \$ (3,139,214) | \$ (112,380) | \$ (12,638) | \$ (32,404) | \$ (4,426) | \$ (3,301,062) |
| Carrying amounts at December 31, 2020 | \$ 657,960 | \$ 142,344 | \$ 4,914 | \$ 7,290 | \$ 2,041 | \$ 814,549 |
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2021 | \$ 3,797,174 | \$ 254,724 | \$ 17,552 | \$ 39,694 | \$ 6,467 | \$ 4,115,611 |
| Addition | 1,095,229 | 11,523 | 2,278 | 3,038 | - | 1,112,068 |
| Disposals | - | (3,230) | (308) | - | - | (3,538) |
| Effect of foreign currency exchange differences | (119,530) | (8,086) | (999) | (1,151) | (181) | (129,947) |
| Balance, December 31, 2021 | \$ 4,772,873 | \$ 254,931 | \$ 18,523 | \$ 41,581 | \$ 6,286 | \$ 5,094,194 |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance, January 1, 2021 | \$(3,139,214) | \$(112,380) | \$(12,638) | \$(32,404) | \$(4,426) | \$(3,301,062) |
| Depreciation expenses | (969,611) | (40,310) | (1,947) | (5,201) | (753) | (1,017,822) |
| Disposals | - | 3,041 | 277 | - | - | 3,318 |
| Effect of foreign currency exchange differences | 99,572 | 4,405 | 625 | 971 | 133 | 105,706 |
| Balance, December 31, 2021 | \$ (4,009,253) | \$ (145,244) | \$ (13,683) | \$ (36,634) | \$ (5,046) | \$ (4,209,860) |
| Carrying amounts at December 31, 2021 | \$ 763,620 | \$ 109,687 | \$ 4,840 | \$ 4,947 | \$ 1,240 | \$ 884,334 |

| | Machinery Equipment | Computer Equipment | Office Equipment | Leasehold Improvements | Transportation Equipment | Total |
|--|--------------------------------|-------------------------------|-----------------------------|-----------------------------------|-------------------------------------|--------------------|
| <u>US\$</u> | | | | | | |
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2020 | \$ 95,385 | \$ 5,006 | \$ 594 | \$ 1,196 | \$ 227 | \$ 102,408 |
| Addition | 38,060 | 4,597 | 14 | 198 | - | 42,869 |
| Disposals | (117) | (676) | - | - | - | (793) |
| Effect of foreign currency exchange differences | - | 17 | 8 | - | - | 25 |
| Balance, December 31, 2020 | <u>\$ 133,328</u> | <u>\$ 8,944</u> | <u>\$ 616</u> | <u>\$ 1,394</u> | <u>\$ 227</u> | <u>\$ 144,509</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance, January 1, 2020 | \$ (84,363) | \$ (3,629) | \$ (385) | \$ (919) | \$ (123) | \$ (89,419) |
| Depreciation expenses | (25,977) | (918) | (55) | (219) | (33) | (27,202) |
| Disposals | 117 | 616 | - | - | - | 733 |
| Effect of foreign currency exchange differences | (2) | (15) | (4) | - | 1 | (20) |
| Balance, December 31, 2020 | <u>\$(110,225)</u> | <u>\$ (3,946)</u> | <u>\$ (444)</u> | <u>\$ (1,138)</u> | <u>\$ (155)</u> | <u>\$(115,908)</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 23,103</u> | <u>\$ 4,998</u> | <u>\$ 172</u> | <u>\$ 256</u> | <u>\$ 72</u> | <u>\$ 28,601</u> |
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2021 | \$ 133,328 | \$ 8,944 | \$ 616 | \$ 1,394 | \$ 227 | \$ 144,509 |
| Addition | 39,104 | 411 | 81 | 108 | - | 39,704 |
| Disposals | - | (116) | (11) | - | - | (127) |
| Effect of foreign currency exchange differences | - | (32) | (17) | - | - | (49) |
| Balance, December 31, 2021 | <u>\$ 172,432</u> | <u>\$ 9,207</u> | <u>\$ 669</u> | <u>\$ 1,502</u> | <u>\$ 227</u> | <u>\$ 184,037</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance, January 1, 2021 | \$(110,225) | \$ (3,946) | \$ (444) | \$ (1,138) | \$ (155) | \$ (115,908) |
| Depreciation expenses | (34,617) | (1,439) | (70) | (186) | (27) | (36,339) |
| Disposals | - | 109 | 10 | - | - | 119 |
| Effect of foreign currency exchange differences | (1) | 29 | 10 | 1 | - | 39 |
| Balance, December 31, 2021 | <u>\$(144,843)</u> | <u>\$ (5,247)</u> | <u>\$ (494)</u> | <u>\$ (1,323)</u> | <u>\$ (182)</u> | <u>\$(152,089)</u> |
| Carrying amounts at December 31, 2021 | <u>\$ 27,589</u> | <u>\$ 3,960</u> | <u>\$ 175</u> | <u>\$ 179</u> | <u>\$ 45</u> | <u>\$ 31,948</u> |

The above items of property, plants and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

| | |
|--------------------------|-----------|
| Machinery equipment | 1-5 years |
| Computer equipment | 1-5 years |
| Office equipment | 2-5 years |
| Leasehold improvements | 1-4 years |
| Transportation equipment | 5 years |

14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | | | |
|---|---------------------------------------|-----------------|-------------------|-----------------|
| | 2021 | | 2020 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Carrying amount | | | | |
| Buildings | \$ 81,093 | \$ 2,930 | \$ 107,554 | \$ 3,776 |
| Transportation equipment | - | - | - | - |
| | <u>\$ 81,093</u> | <u>\$ 2,930</u> | <u>\$ 107,554</u> | <u>\$ 3,776</u> |
| | | | | |
| | For the year ended December 31 | | | |
| | 2021 | | 2020 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Additions to right-of-use assets | <u>\$ 25,421</u> | <u>\$ 908</u> | <u>\$ 46,356</u> | <u>\$ 1,569</u> |
| Depreciation charge for right-of-use assets | | | | |
| Buildings | \$ 45,602 | \$ 1,628 | \$ 40,256 | \$ 1,362 |
| Transportation equipment | - | - | 159 | 6 |
| | <u>\$ 45,602</u> | <u>\$ 1,628</u> | <u>\$ 40,415</u> | <u>\$ 1,368</u> |

In addition to the aforementioned additions and recognized depreciation expenses, the Group did not have significant sublease or impairment of right-of-use assets during the year ended December 31, 2021 and 2020.

b. Lease liabilities

| | December 31 | | | |
|-----------------|--------------------|-----------------|------------------|-----------------|
| | 2021 | | 2020 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Carrying amount | | | | |
| Current | <u>\$ 35,912</u> | <u>\$ 1,297</u> | <u>\$ 41,914</u> | <u>\$ 1,472</u> |
| Non-current | <u>\$ 50,339</u> | <u>\$ 1,819</u> | <u>\$ 71,904</u> | <u>\$ 2,525</u> |

Lease liabilities discount rate:

| | December 31 | |
|--------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Buildings | 0.98%-5.50% | 0.98%-5.50% |
| Transportation equipment | - | - |

c. Material leasing activities and terms

The Group leases buildings for office use with lease terms of 2 to 10 years. The Group does not have purchase options to acquire the buildings at the end of the lease terms.

d. Other lease information

| | December 31 | | | |
|---|--------------------|------------|--------------|------------|
| | 2021 | | 2020 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Expenses relating to short-term leases | \$ 8,888 | \$ 317 | \$ 13,007 | \$ 440 |
| Expenses relating to low-value asset leases | \$ 33 | \$ 1 | \$ - | \$ - |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ 13,437 | \$ 480 | \$ 62,969 | \$ 2,131 |
| Total cash outflow for leases | \$ (75,545) | \$ (2,697) | \$ (121,943) | \$ (4,127) |

15. INTANGIBLE ASSETS

| <u>NT\$</u> <u>Cost</u> | Silicon Intellectual Property (SIP) | Software Cost | Total |
|---|--|----------------------|-----------------------|
| Balance, January 1, 2020 | \$1,433,802 | \$ 20,120 | \$ 1,453,922 |
| Additions | 154,865 | 3,313 | 158,178 |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Differences | <u>(75,868)</u> | <u>(1,126)</u> | <u>(76,994)</u> |
| Balance, December 31, 2020 | <u>\$1,512,799</u> | <u>\$ 22,307</u> | <u>\$ 1,535,106</u> |
| <u>Accumulated amortization</u> | | | |
| Balance, January 1, 2020 | \$ (1,218,035) | \$ (14,334) | \$ (1,232,369) |
| Amortization expense | (246,007) | (2,964) | (248,971) |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Differences | <u>69,105</u> | <u>825</u> | <u>69,930</u> |
| Balance, December 31, 2020 | <u>\$(1,394,937)</u> | <u>\$ (16,473)</u> | <u>\$ (1,411,410)</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 117,862</u> | <u>\$ 5,834</u> | <u>\$ 123,696</u> |
| <u>Cost</u> | | | |
| Balance, January 1, 2021 | \$1,512,799 | \$ 22,307 | \$ 1,535,106 |
| Additions | 386,413 | 396 | 386,809 |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Differences | <u>(53,502)</u> | <u>(631)</u> | <u>(54,133)</u> |
| Balance, December 31, 2021 | <u>\$1,845,710</u> | <u>\$ 22,072</u> | <u>\$ 1,867,782</u> |
| <u>Accumulated amortization</u> | | | |
| Balance, January 1, 2021 | \$ (1,394,937) | \$ (16,473) | \$ (1,411,410) |
| Amortization expense | (465,236) | (3,060) | (468,296) |
| Disposals | - | - | - |

(Continued)

| | Silicon Intellectual Property (SIP) | Software Cost | Total |
|---|--|----------------------|-----------------------|
| <u>NT\$</u> | | | |
| Effect of Foreign Currency Exchange Differences | <u>49,313</u> | <u>498</u> | <u>49,811</u> |
| Balance, December 31, 2021 | <u>\$(1,810,860)</u> | <u>\$ (19,035)</u> | <u>\$ (1,829,895)</u> |
| Carrying amounts at December 31, 2021 | <u>\$ 34,850</u> | <u>\$ 3,037</u> | <u>\$ 37,887</u> |
| <u>US\$</u> | | | |
| <u>Cost</u> | | | |
| Balance, January 1, 2020 | \$ 47,827 | \$ 670 | \$ 48,497 |
| Additions | 5,240 | 113 | 5,353 |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Difference | <u>51</u> | <u>-</u> | <u>51</u> |
| Balance, December 31, 2020 | <u>\$ 53,118</u> | <u>\$ 783</u> | <u>\$ 53,901</u> |
| <u>Accumulated amortization</u> | | | |
| Balance, January 1, 2020 | \$ (40,628) | \$ (479) | \$ (41,107) |
| Amortization expense | (8,327) | (99) | (8,426) |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Differences | <u>(25)</u> | <u>-</u> | <u>(25)</u> |
| Balance, December 31, 2020 | <u>\$ (48,980)</u> | <u>\$ (578)</u> | <u>\$ (49,558)</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 4,138</u> | <u>\$ 205</u> | <u>\$ 4,343</u> |
| <u>Cost</u> | | | |
| Balance, January 1, 2021 | \$ 53,118 | \$ 783 | \$ 53,901 |
| Additions | 13,796 | 14 | 13,810 |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Differences | <u>(234)</u> | <u>-</u> | <u>(234)</u> |
| Balance, December 31, 2021 | <u>\$ 66,680</u> | <u>\$ 797</u> | <u>\$ 67,477</u> |
| <u>Accumulated amortization</u> | | | |
| Balance, January 1, 2021 | \$ (48,980) | \$ (578) | \$ (49,558) |
| Amortization expense | (16,610) | (109) | (16,719) |
| Disposals | - | - | - |
| Effect of Foreign Currency Exchange Differences | <u>169</u> | <u>-</u> | <u>169</u> |
| Balance, December 31, 2021 | <u>\$ (65,421)</u> | <u>\$ (687)</u> | <u>\$ (66,108)</u> |
| Carrying amounts at December 31, 2021 | <u>\$ 12,59</u> | <u>\$ 110</u> | <u>\$ 1,369</u> |

(Concluded)

The above items of intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

| | |
|-------------------------------------|-----------|
| Silicon intellectual property (SIP) | 1-2 years |
| Software cost | 3 years |

16. PREPAYMENTS

| | December 31 | |
|---|--------------------|--------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Prepayment for raw materials | \$ 942,034 | \$ 864,211 |
| Prepayment for SIP | 110,869 | 111,395 |
| Prepayment for electronic design automation (EDA) tools | 83,491 | 61,276 |
| Others | <u>16,142</u> | <u>13,160</u> |
| | <u>\$1,152,536</u> | <u>\$1,050,042</u> |

| | December 31 | |
|---|--------------------|------------------|
| | 2021 | 2020 |
| <u>US\$</u> | | |
| Prepayment for raw materials | \$ 34,033 | \$ 30,344 |
| Prepayment for SIP | 4,006 | 3,912 |
| Prepayment for electronic design automation (EDA) tools | 3,016 | 2,152 |
| Others | <u>583</u> | <u>461</u> |
| | <u>\$ 41,638</u> | <u>\$ 36,869</u> |

17. OTHER PAYABLES

| | December 31 | |
|-----------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Payable for salaries and bonuses | \$ 436,611 | \$ 316,594 |
| Payable for SIP | 105,772 | 87,779 |
| Payable for technical services | 9,311 | 18,983 |
| Payable for sales tax | 8,887 | 23,507 |
| Payable for professional services | 4,980 | 25,401 |
| Others | <u>26,583</u> | <u>42,512</u> |
| | <u>\$ 592,144</u> | <u>\$ 514,776</u> |

| | December 31 | |
|-----------------------------------|--------------------|------------------|
| | 2021 | 2020 |
| <u>US\$</u> | | |
| Payable for salaries and bonuses | \$ 15,774 | \$ 11,116 |
| Payable for SIP | 3,821 | 3,082 |
| Payable for technical services | 336 | 667 |
| Payable for sales tax | 321 | 825 |
| Payable for professional services | 180 | 892 |
| Others | <u>960</u> | <u>1,493</u> |
| | <u>\$ 21,392</u> | <u>\$ 18,075</u> |

18. EQUITY

a. Ordinary shares

| | December 31 | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Number of shares authorized (in thousand) | <u>100,000</u> | <u>100,000</u> |
| Shares authorized (NT\$) | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |
| Number of shares issued and fully paid (in thousand) | <u>70,688</u> | <u>62,029</u> |
| Share amount issued | | |
| NT\$ | <u>\$ 706,876</u> | <u>\$ 620,285</u> |
| US\$ | <u>\$ 22,620</u> | <u>\$ 19,512</u> |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and right to dividends. The change in share capital was mainly due to issuing new common shares to be offered in the form of Global Depositary Shares(GDR) and the execution of employee share option.

GDR offering:

On December 18, 2020, the extraordinary shareholders meeting of the Company resolved to issue 7,600,000 new common shares to be offered in the form of GDR for raising funds to purchase equipments. Each GDR represents one common share of the Company with offering price at US\$25.73 per unit and the total proceeds from the offering were US\$195,548 thousand. This GDR was listed in Luxembourg Exchange on January 20, 2021.

b. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles of Incorporation, the Company's annual net income after tax shall offset its losses in previous years, then set aside a special reserve in accordance with the Applicable Public Company Rules of the Republic of China or as requested by the authorities in charge, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which shall be resolved in the shareholders' meeting for distribution of dividends to shareholders. For the policy on the distribution of employees' compensation and directors' remuneration specified in the Articles of Incorporation, refer to Note 21-(6) Employees' Compensation and Directors' Remuneration.

The Company's Articles of Incorporation also stipulate a dividend policy that distribution of retained earnings may proceed by way of cash or share dividends, but the cash dividend to be distributed shall be no lower than 10% of the aggregate dividend distributed to shareholders and no more than 100% of the aggregate dividend distributed to shareholders.

The appropriation of earnings for 2020 and 2019 was approved through the resolution of the ordinary shareholders' meeting on July 30, 2021 and June 11, 2020.

| | 2020 | | | |
|-----------------|--|-------------------|------------------------------------|---------|
| | Appropriation of Earnings (In Thousand) | | Dividends Per Share (In Dollar) | |
| | US\$ | NT\$ | US\$ | NT\$ |
| Cash Dividends | <u>\$ 16,810</u> | <u>\$ 465,387</u> | \$ 0.239 | \$ 6.60 |
| Special Reserve | <u>\$ 4,749</u> | <u>\$ 134,264</u> | | |

| | 2019 | | | |
|----------------|--|------------|------------------------------------|----------|
| | Appropriation of Earnings (In Thousand) | | Dividends Per Share (In Dollar) | |
| | US\$ | NT\$ | US\$ | NT\$ |
| Cash Dividends | \$ 7,216 | \$ 214,111 | \$ 0.119 | \$ 3.504 |

The appropriation of earnings for 2021 was proposed by Company's board of directors on March 4, 2022.

| | 2021 | | | |
|-----------------|--|-------------------|------------------------------------|----------|
| | Appropriation of Earnings (In Thousand) | | Dividends Per Share (In Dollar) | |
| | US\$ | NT\$ | US\$ | NT\$ |
| Cash Dividends | <u>\$ 26,772</u> | <u>\$ 746,283</u> | \$ 0.377 | \$ 10.52 |
| Special Reserve | <u>\$ 5,236</u> | <u>\$ 145,964</u> | | |

The appropriation of earnings for 2021 is subject to the resolution of the shareholders' meeting to be held on June 10, 2022.

c. Special reserve

Pursuant to existing regulations issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company shall set aside or reverse from a special reserve.

The increase in retained earnings that resulted from initial adoption IFRSs was NT\$63,380 thousand (US\$3,221 thousand). Special reserve from cumulative translation adjustments at the initial adoption of IFRSs was NT\$67,693 thousand (US\$2,799 thousand). Based on foregoing regulations, the Group recognized NT\$134,264 thousand (US\$4,749 thousand) as special reserve from subtraction of other equity.

d. Treasury Stock

To protect the company's credit and shareholders' interests, the Board of Directors of the Company approved a share buyback plan on May 10, 2021. The Company purchased 422 thousand shares, at a total amount of NT\$206,489 thousand (US\$7,410 thousand).

On October 14, 2021, the Board of Directors of the Company resolved to cancel 422 thousand shares. The cancellation was completed on October 28, 2021.

19. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company and Subsidiaries

According to the Company's employee share option plan, each option entitles the holder to subscribe for 1,000 ordinary shares of the Company. The qualified employee includes employees of the Company and its subsidiaries satisfying specific requirements. The option granted are valid for 10 years and 50% becomes vested after two years from the grant date, and one-fourth vested annually for subsequent years.

Information on employee share options as follows:

| Employee Share Option | 2021 | | 2020 | |
|---|-------------------|--|-------------------|--|
| | Number of Options | Weighted-average Exercise Price (NT\$) | Number of Options | Weighted-average Exercise Price (NT\$) |
| Balance at January 1 | 6,410,760 | \$ 185 | 6,205,391 | \$ 77 |
| Options granted | 1,500,000 | 601 | 1,700,000 | 469 |
| Options exercised | (1,481,141) | 67 | (1,415,531) | 57 |
| Options expired | <u>(346,631)</u> | 437 | <u>(79,100)</u> | 106 |
| Balance at December 31 | <u>6,082,988</u> | 297 | <u>6,410,760</u> | 185 |
| Options exercisable, end of year | <u>1,980,063</u> | 80 | <u>1,925,185</u> | 64 |
| Weighted-average fair value of options granted (NT\$) | <u>\$331</u> | | <u>\$248</u> | |

The weighted-average exercise price in 2021 and 2020 are NT\$795 and NT\$408, respectively.

| December 31 | | | |
|-----------------------|---|-----------------------|---|
| 2021 | | 2020 | |
| Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) | Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) |
| \$24.6 | 4.87 | \$25.0 | 5.87 |
| 36.6 | 4.18 | 37.2 | 5.18 |
| 40.4 | 5.19 | 41.1 | 6.19 |
| 55.6 | 3.32 | 56.5 | 4.32 |
| 73.2 | 7.39 | 74.4 | 8.39 |
| 73.9 | 7.22 | 75.1 | 8.22 |
| 75.5 | 5.93 | 76.8 | 6.93 |
| 81.8 | 5.91 | 83.2 | 6.91 |
| 86.0 | 6.73 | 87.4 | 7.73 |
| 93.8 | 6.11 | 95.4 | 7.11 |
| 94.1 | 7.61 | 95.7 | 8.61 |
| 96.1 | 6.02 | 97.7 | 7.02 |
| 115.8 | 6.25 | 117.7 | 7.25 |
| 119.6 | 6.61 | 121.6 | 7.61 |
| 121.6 | 6.30 | 123.6 | 7.30 |
| 182.5 | 7.86 | 185.5 | 8.86 |
| 202.6 | 7.90 | 206.0 | 8.90 |
| 204.6 | 8.14 | 208.0 | 9.14 |
| 264.6 | 8.33 | 269.0 | 9.33 |
| 331.2 | 8.46 | 340.5 | 9.46 |
| 579.4 | 8.59 | 595.6 | 9.59 |
| 572.0 | 8.96 | 588.0 | 9.96 |
| 820.8 | 9.19 | | |
| 411.4 | 9.38 | | |
| 579.5 | 9.64 | | |
| 1,030.0 | 9.83 | | |

Options granted in 2021 and 2020 were priced by Black-Scholes pricing model and the inputs to the model on each grant-date were as follows:

| | October 29,2021 | August 20,2021 | May 17,2021 | March 8,2021 | |
|-------------------------------|-----------------|----------------|---------------|---------------|--|
| Grant-date share price (NT\$) | 1,030 | 586 | 416 | 830 | |
| Exercise price (NT\$) | 1,030 | 586 | 416 | 830 | |
| Expected volatility | 59.47%-60.67% | 59.15%-60.54% | 58.93%-59.72% | 57.36%-57.75% | |
| Expected life (years) | 6-7 | 6-7 | 6-7 | 6-7 | |
| Expected dividend yield | - | - | - | - | |
| Risk-free interest rate | 0.47%-0.50% | 0.34%-0.37% | 0.32%-0.35% | 0.40%-0.45% | |

| | December 15,2020 | July 31,2020 | June 15,2020 | April 28,2020 | February 18,2020 |
|-------------------------------|------------------|--------------|--------------|---------------|------------------|
| Grant-date share price (NT\$) | 588 | 599 | 342.5 | 269 | 208 |
| Exercise price (NT\$) | 588 | 599 | 342.5 | 269 | 208 |
| Expected volatility | 57.02%-57.15% | 56.14% | 55.26% | 55.68% | 54.57% |
| Expected life (years) | 6-7 | 6-7 | 6-7 | 6-7 | 6-7 |
| Expected dividend yield | - | - | - | - | - |
| Risk-free interest rate | 0.22%-0.26% | 0.38%-0.41% | 0.42%-0.45% | 0.45%-0.48% | 0.55%-0.56% |

Compensation costs recognized was NT\$244,308 thousand (US\$8,722 thousand) and NT\$79,498 thousand (US\$2,690 thousand) for the years ended December 31, 2021 and 2020, respectively.

20. REVENUE

a. Contract balance

The change in the contract liability balances was mainly due to the timing difference between the satisfaction of performance obligation and the customer's payment. The Group recognized NT\$3,867,085 thousand (US\$138,066 thousand) and NT\$674,748 thousand (US\$22,835 thousand) as revenue from the beginning balance of contract liability for the year ended of December 31, 2021 and 2020.

b. Revenue from contracts with customers

| Cash Dividends | 2021 | | 2020 | |
|---------------------------|----------------------|-------------------|---------------------|-------------------|
| | US\$ | NT\$ | US\$ | NT\$ |
| <u>Product</u> | | | | |
| ASIC and chip production | \$10,241,686 | \$ 365,657 | \$ 6,903,529 | \$ 233,630 |
| Non-Recurring Engineering | 176,002 | 6,284 | 169,578 | 5,739 |
| Others | 10,588 | 378 | 5,812 | 196 |
| | <u>\$10,428,276</u> | <u>\$ 372,319</u> | <u>\$ 7,078,919</u> | <u>\$ 239,565</u> |
| <u>Geography</u> | | | | |
| China | \$ 7,455,270 | \$ 266,175 | \$ 4,563,634 | \$ 154,443 |
| United States | 1,421,935 | 50,767 | 672,600 | 22,762 |
| Japan | 914,507 | 32,650 | 1,041,424 | 35,244 |
| Europe | 328,472 | 11,727 | 505,645 | 17,112 |
| Taiwan | 308,092 | 11,000 | 290,651 | 9,836 |
| Others | - | - | 4,965 | 168 |
| | <u>\$ 10,428,276</u> | <u>\$ 372,319</u> | <u>\$ 7,078,919</u> | <u>\$ 239,565</u> |

| <u>Application Type</u> | | | | |
|----------------------------|----------------------|-------------------|---------------------|-------------------|
| High Performance Computing | \$ 8,814,309 | \$ 314,696 | \$ 5,401,830 | \$ 182,809 |
| Niche Market | 691,219 | 24,678 | 781,809 | 26,458 |
| Communication | 476,349 | 17,007 | 592,184 | 20,041 |
| Consumer | <u>446,399</u> | <u>15,938</u> | <u>303,096</u> | <u>10,257</u> |
| | <u>\$ 10,428,276</u> | <u>\$ 372,319</u> | <u>\$ 7,078,919</u> | <u>\$ 239,565</u> |

| <u>Resolution</u> | | | | |
|---------------------|----------------------|-------------------|---------------------|-------------------|
| 3/5/6- nanometer | \$ 117,049 | \$ 4,179 | \$ 24,821 | \$ 840 |
| 7- nanometer | 6,130,693 | 218,883 | 1,917,140 | 64,880 |
| 12- nanometer | 935,696 | 33,407 | 697,416 | 23,602 |
| 16- nanometer | 2,030,820 | 72,506 | 3,006,316 | 101,740 |
| 22- nanometer | 52,628 | 1,879 | - | - |
| 28- nanometer | 519,594 | 18,551 | 964,274 | 32,633 |
| Above 40- nanometer | 640,789 | 22,878 | 455,326 | 15,409 |
| Others | <u>1,007</u> | <u>36</u> | <u>13,626</u> | <u>461</u> |
| | <u>\$ 10,428,276</u> | <u>\$ 372,319</u> | <u>\$ 7,078,919</u> | <u>\$ 239,565</u> |

21. NET PROFIT (LOSS)

Net profit (loss) included the following items:

a. Interest income

| | 2021 | 2020 |
|---|------------------|------------------|
| <u>NT\$</u> | | |
| Bank deposits | \$ 11,304 | \$ 18,579 |
| Investments in debt instruments at FVTOCI | 10,874 | 13,154 |
| Financial assets at amortized cost | 13,185 | 1,505 |
| Others | <u>472</u> | <u>438</u> |
| | <u>\$ 35,835</u> | <u>\$ 33,676</u> |
| <u>US\$</u> | | |
| Bank deposits | \$ 404 | \$ 629 |
| Investments in debt instruments at FVTOCI | 388 | 445 |
| Financial assets at amortized cost | 471 | 51 |
| Others | <u>16</u> | <u>15</u> |
| | <u>\$ 1,279</u> | <u>\$ 1,140</u> |

b. Other gains and losses

| | 2021 | 2020 |
|---|------------------|-----------------|
| <u>NT\$</u> | | |
| Net foreign exchange gains (losses) | \$ 14,600 | \$ (1,259) |
| Gain on disposal of financial assets | | |
| Investment in debt instrument at FVTOCI | 509 | 3,560 |
| Gain(losses) on disposal of equipment | (213) | 2,887 |
| Others | <u>(214)</u> | <u>(739)</u> |
| | <u>\$ 14,682</u> | <u>\$ 4,449</u> |

(Continued)

| | 2021 | 2020 |
|---|---------------------|---------------------|
| <u>US\$</u> | | |
| Net foreign exchange gains (losses) | \$ 522 | \$ (42) |
| Gain on disposal of financial assets | | |
| Investment in debt instrument at FVTOCI | 18 | 120 |
| Gain(losses)on disposal of equipment | (8) | 98 |
| Others | <u>(8)</u> | <u>(25)</u> |
| | <u>\$ 524</u> | <u>\$ 151</u> |
| | | (Concluded) |
| c. Finance costs | | |
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Interest on lease liabilities | \$ 2,590 | \$ 3,702 |
| Interest on short-term loan | <u>-</u> | <u>252</u> |
| | <u>\$ 2,590</u> | <u>\$ 3,954</u> |
| <u>US\$</u> | | |
| Interest on lease liabilities | \$ 92 | \$ 126 |
| Interest on short-term loan | <u>-</u> | <u>8</u> |
| | <u>\$ 92</u> | <u>\$ 134</u> |
| d. Depreciation and amortization | | |
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Property, plants, and equipment | \$ 1,017,822 | \$ 803,796 |
| Right-of-use asset | 45,602 | 40,415 |
| Intangible assets | <u>468,296</u> | <u>248,971</u> |
| | <u>\$ 1,531,720</u> | <u>\$ 1,093,182</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 968,405 | \$ 767,304 |
| Operating expenses | <u>95,019</u> | <u>76,907</u> |
| | <u>\$ 1,063,424</u> | <u>\$ 844,211</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 465,309 | \$ 246,104 |
| Operating expenses | <u>2,987</u> | <u>2,867</u> |
| | <u>\$ 468,296</u> | <u>\$ 248,971</u> |
| <u>US\$</u> | | |
| Property, plants, and equipment | \$ 36,339 | \$ 27,202 |
| Right-of-use asset | 1,628 | 1,368 |
| Intangible assets | <u>16,719</u> | <u>8,426</u> |
| | <u>\$ 54,686</u> | <u>\$ 36,996</u> |
| | | (Continued) |

| | 2021 | 2020 |
|---|---------------------|-------------------|
| <u>US\$</u> | | |
| An analysis of depreciation by function | | |
| Operating costs | \$ 34,574 | \$ 25,967 |
| Operating expenses | <u>3,393</u> | <u>2,603</u> |
| | <u>\$ 37,967</u> | <u>\$ 28,570</u> |
| | | |
| An analysis of amortization by function | | |
| Operating costs | \$ 16,612 | \$ 8,329 |
| Operating expenses | <u>107</u> | <u>97</u> |
| | <u>\$ 16,719</u> | <u>\$ 8,426</u> |
| | | (Concluded) |
| | | |
| e. Employee benefits expense | | |
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Post-employment benefit | | |
| Defined contribution plans | \$ 51,832 | \$ 18,034 |
| Share-based payments (Note 19) | 244,308 | 79,498 |
| Other employee benefits | <u>1,081,137</u> | <u>842,562</u> |
| | <u>\$ 1,377,277</u> | <u>\$ 940,094</u> |
| | | |
| An analysis of employee benefits expenses by function | | |
| Operating costs | \$ 11,804 | \$ 13,218 |
| Operating expenses | <u>1,365,473</u> | <u>926,876</u> |
| | <u>\$ 1,377,277</u> | <u>\$ 940,094</u> |
| | | |
| US\$ | | |
| Post-employment benefit | | |
| Defined contribution plans | \$ 1,851 | \$ 610 |
| Share-based payments (Note 19) | 8,722 | 2,690 |
| Other employee benefits | <u>38,600</u> | <u>28,514</u> |
| | <u>\$ 49,173</u> | <u>\$ 31,814</u> |
| | | |
| An analysis of employee benefits expenses by function | | |
| Operating costs | \$ 421 | \$ 447 |
| Operating expenses | <u>48,752</u> | <u>31,367</u> |
| | <u>\$ 49,173</u> | <u>\$ 31,814</u> |

f. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrues employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax prior to deducting the aforementioned compensation and remuneration. The employees' compensation and remuneration of directors for 2021 and 2020 approved by the Company's board of directors were as follows:

| | <u>2021</u> | |
|---------------------------|-----------------|-------------------|
| | <u>US\$</u> | <u>NT\$</u> |
| Employees' compensation | \$ 6,339 | \$ 177,552 |
| Remuneration of directors | <u>1,119</u> | <u>31,333</u> |
| | <u>\$ 7,458</u> | <u>\$ 208,885</u> |
| | <u>2020</u> | |
| | <u>US\$</u> | <u>NT\$</u> |
| Employees' compensation | \$ 3,266 | \$ 96,515 |
| Remuneration of directors | <u>817</u> | <u>24,128</u> |
| | <u>\$ 4,083</u> | <u>\$ 120,643</u> |

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

There is no difference between actual paid amounts and amounts charged against earnings of 2020 and 2019, respectively.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the TWSE.

22. INCOME TAX

- a. Major components of tax expenses recognized in profit or loss were as follows:

| | <u>2021</u> | | <u>2020</u> | |
|---|------------------|-------------------|-----------------|-------------------|
| | <u>US\$</u> | <u>NT\$</u> | <u>US\$</u> | <u>NT\$</u> |
| Current tax | | | | |
| In respect of the current year | \$ 16,046 | \$ 449,442 | \$ 9,284 | \$ 274,335 |
| Adjustments for prior years | <u>(170)</u> | <u>(4,732)</u> | <u>14</u> | <u>435</u> |
| | <u>15,876</u> | <u>444,710</u> | <u>9,298</u> | <u>274,770</u> |
| Deferred tax | | | | |
| In respect of the current year | (1,178) | (33,003) | (835) | (24,686) |
| tax rate change | <u>(12)</u> | <u>(365)</u> | <u>27</u> | <u>789</u> |
| | <u>(1,190)</u> | <u>(33,368)</u> | <u>(808)</u> | <u>(23,897)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 14,686</u> | <u>\$ 411,342</u> | <u>\$ 8,490</u> | <u>\$ 250,873</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

| | <u>2021</u> | | <u>2020</u> | |
|--|-------------|--------------|-------------|--------------|
| | <u>US\$</u> | <u>NT\$</u> | <u>US\$</u> | <u>NT\$</u> |
| Profit before tax from continuing operations | \$ 67,873 | \$ 1,901,065 | \$ 36,745 | \$ 1,085,790 |

(Continued)

| | 2021 | | 2020 | |
|---|------------------|-------------------|-----------------|-------------------|
| | US\$ | NT\$ | US\$ | NT\$ |
| Income tax expense calculated at the statutory rate | 13,789 | 386,224 | 8,615 | 254,559 |
| Permanent differences | (571) | (15,996) | (637) | (18,820) |
| Unrecognized loss carryforwards and temporary differences | 1,650 | 46,211 | 471 | 13,910 |
| Adjustments for prior years | <u>(182)</u> | <u>(5,097)</u> | <u>41</u> | <u>1,224</u> |
| Income tax expense recognized in profit or loss | <u>\$ 14,686</u> | <u>\$ 411,342</u> | <u>\$ 8,490</u> | <u>\$ 250,873</u> |

(Concluded)

The income tax rate was 20% used by the Group's subsidiary located in Taiwan according to the Income Tax Acts of the Republic of China. Alchip Shanghai is entitled to a preferential tax rate for Chinese high-tech enterprises of 15% from 2019 to 2021, Alchip Wuxi is entitled to a preferential tax rate for Chinese high-tech enterprises of 15% from 2020 to 2022, Alchip Jinan is entitled to a preferential tax rate for profitable small size companies of 10%. Other China subsidiaries have enjoyed exemption from income taxation for the first two years and half reduction for the following three years. The applicable tax rate used by the Group's subsidiary located in Japan was approximately 37%.

b. Income tax expenses recognized in equity were as follows

| | 2021 | | 2020 | |
|---|---------------|-----------------|-------------|-------------|
| | US\$ | NT\$ | US\$ | NT\$ |
| Current tax | | | | |
| Disposal of investments in equity instruments at FVTOCI | <u>\$ 302</u> | <u>\$ 8,447</u> | <u>\$ -</u> | <u>\$ -</u> |
| Income tax expenses recognized in equity | <u>\$ 302</u> | <u>\$ 8,447</u> | <u>\$ -</u> | <u>\$ -</u> |

c. Deferred tax assets and liabilities

The movements of deferred tax assets were as follows:

For the year ended December 31, 2021

| <u>NT\$</u> | | | | |
|------------------------------|------------------------|-------------------------------------|-----------------------------|------------------------|
| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
| Temporary differences | | | | |
| Unrealized loss on inventory | \$ 19,198 | \$ 18,998 | \$ (762) | \$ 37,434 |
| Intangible assets | 5,905 | 24,666 | (1,055) | 29,516 |
| Unrealized exchange loss | <u>4,273</u> | <u>(3,274)</u> | <u>(82)</u> | <u>917</u> |
| | 29,376 | 40,390 | (1,899) | 67,867 |
| Tax losses | <u>7,914</u> | <u>(7,785)</u> | <u>(129)</u> | <u>-</u> |
| | <u>\$ 37,290</u> | <u>\$ 32,605</u> | <u>\$ (2,028)</u> | <u>\$ 67,867</u> |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---------------------------------|------------------------|-------------------------------------|-----------------------------|------------------------|
| Temporary differences | | | | |
| Intangible assets | \$ 776 | (\$ 763) | (\$ 13) | \$ - |

US\$

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|------------------------------|------------------------|-------------------------------------|-----------------------------|------------------------|
| Temporary differences | | | | |
| Unrealized loss on inventory | \$ 674 | \$ 678 | \$ - | \$ 1,352 |
| Intangible assets | 207 | 879 | (20) | 1,066 |
| Unrealized exchange loss | <u>150</u> | <u>(116)</u> | <u>-</u> | <u>34</u> |
| | 1,031 | 1,441 | (20) | 2,452 |
| Tax losses | <u>278</u> | <u>(278)</u> | <u>-</u> | <u>-</u> |
| | \$ 1,309 | \$ 1,163 | \$ (20) | \$ 2,452 |

Deferred Tax Liabilities

| | | | | |
|-----------------------|-------|---------|------|------|
| Temporary differences | | | | |
| Intangible assets | \$ 27 | (\$ 27) | \$ - | \$ - |

For the year ended December 31, 2020

NT\$

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|------------------------------|------------------------|-------------------------------------|-----------------------------|------------------------|
| Temporary differences | | | | |
| Unrealized loss on inventory | \$ 11,147 | \$ 8,932 | \$ (881) | \$ 19,198 |
| Intangible assets | - | 6,126 | (221) | 5,905 |
| Unrealized exchange loss | <u>2,068</u> | <u>2,395</u> | <u>(190)</u> | <u>4,273</u> |
| | 13,215 | 17,453 | (1,292) | 29,376 |
| Tax losses | <u>13,185</u> | <u>(4,785)</u> | <u>(486)</u> | <u>7,914</u> |
| | \$ 26,400 | \$ 12,668 | \$ (1,778) | \$ 37,290 |

Deferred Tax Liabilities

| | | | | |
|-----------------------|-----------|-------------|----------|--------|
| Temporary differences | | | | |
| Intangible assets | \$ 12,209 | (\$ 11,229) | (\$ 204) | \$ 776 |

US\$

Deferred Tax Assets

| | | | | |
|------------------------------|------------|--------------|----------|------------|
| Temporary differences | | | | |
| Unrealized loss on inventory | \$ 372 | \$ 302 | \$ - | \$ 674 |
| Intangible assets | - | 207 | - | 207 |
| Unrealized exchange loss | <u>69</u> | <u>81</u> | <u>-</u> | <u>150</u> |
| | 441 | 590 | - | 1,031 |
| Tax losses | <u>440</u> | <u>(162)</u> | <u>-</u> | <u>278</u> |
| | \$ 881 | \$ 428 | \$ - | \$ 1,309 |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Exchange Differences | Closing Balance |
|---------------------------------|----------------------------|---|---------------------------------|----------------------------|
| Temporary differences | | | | |
| Intangible assets | \$ 407 | \$ (380) | \$ - | \$ 27 |

d. Income tax assessments

Tax returns of Alchip Technologies Inc. and Alchip Taiwan Branch through 2019 have been assessed by the tax authorities, and there is no significant difference between the assessment results and the income tax returns filed.

23. EARNINGS PER SHARE

| | Unit: US\$/NT\$ Per Share | | | |
|--|----------------------------------|----------|---------|----------|
| | 2021 | | 2020 | |
| | US\$ | NT\$ | US\$ | NT\$ |
| Basic earnings per share in profit or loss | \$ 0.76 | \$ 21.34 | \$ 0.46 | \$ 13.61 |
| Diluted earnings per share | \$ 0.71 | \$ 20.00 | \$ 0.43 | \$ 12.64 |

The information used for the computation of earnings per share is as follows:

| | 2021 | | 2020 | |
|--|-----------|--------------|-----------|------------|
| | US\$ | NT\$ | US\$ | NT\$ |
| Profit for the period attributable to owners of the Company | \$ 53,187 | \$ 1,489,723 | \$ 28,255 | \$ 834,917 |
| Earnings used in the computation of basic and diluted earnings per share | \$ 53,187 | \$ 1,489,723 | \$ 28,255 | \$ 834,917 |

Unit: Thousand Shares

2021 2020

Number of shares

| | | |
|---|---------------|---------------|
| Weighted average number of ordinary shares in computation of basic earnings per share | 69,817 | 61,340 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee share option | 4,490 | 4,546 |
| Employees' compensation or bonus issue to employees | <u>191</u> | <u>184</u> |
| Weighted average number of ordinary shares in computation of diluted earnings per share | <u>74,498</u> | <u>66,070</u> |

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed that the entire amount of the compensation 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, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. CAPITAL MANAGEMENT

The Group is a fables ASIC provider and expects significant capital expenditure on the purchase of machinery equipment and SIP now and in the near future. In consideration of the operating scales and industry dynamics, the Group manages its capital to maintain sufficient working capital needs, research and development expenditures and dividend payments. The Group continuously evaluates the capital management policy with a conservative principle.

25. CASH FLOW INFORMATION

Non-cash Transactions

| | December 31 | | | |
|---|------------------|---------------------|------------------|---------------------|
| | 2021 | | 2020 | |
| | US\$ | NT\$ | US\$ | NT\$ |
| Additions of property, plant and equipment | \$ 39,704 | \$ 1,112,068 | \$ 42,869 | \$ 1,266,723 |
| Changes in payments for equipment | 165 | 4,819 | 469 | 14,562 |
| Changes in payments for leases | - | 4 | 1 | 34 |
| Effect of Foreign Currency Exchange Differences | <u>-</u> | <u>(207)</u> | <u>-</u> | <u>(691)</u> |
| Payments for property, plant and equipment | <u>\$ 39,869</u> | <u>\$ 1,116,684</u> | <u>\$ 43,339</u> | <u>\$ 1,280,628</u> |
| Additions of intangible assets | \$ 13,810 | \$ 386,809 | \$ 5,353 | \$ 158,178 |
| Changes in prepayments for intangible assets | 94 | (526) | 2,966 | 83,042 |
| Changes in other payables | (739) | (17,993) | 2,933 | 92,559 |
| Effect of Foreign Currency Exchange Differences | <u>-</u> | <u>451</u> | <u>-</u> | <u>(1,298)</u> |
| Payments for intangible assets | <u>\$ 13,165</u> | <u>\$ 368,741</u> | <u>\$ 11,252</u> | <u>\$ 332,481</u> |

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate their fair values. Accordingly, the Group takes the carrying amount of those financial assets and liabilities as the basis for evaluating the fair value.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

The Group's financial instruments measured at fair value are financial assets at FVTOCI. Based on the extent that fair value can be observed, it is grouped into Level 2. Accordingly, the Group takes the carrying amount of these financial assets and liabilities as the basis for evaluating the fair value.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments**Valuation Techniques and Inputs**

Foreign bonds investment Adjusted integration of quoted prices or settlement prices from stock exchange market participants for each corporate bond.

- 3) Valuation techniques and inputs applied for Level 3 fair value measurement
The fair values of private foreign equity investments are mainly determined by the latest net worth of investee and the financial and operating information of observable companies.

There were no transfers of fair value measurements between Level 1 and Level 2 for the years ended December 31, 2021 and 2020

c. Categories of financial instrument

| | December 31 | |
|---|--------------------|-------------|
| | 2021 | 2020 |
| NT\$ | | |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$9,328,306 | \$5,646,538 |
| Financial assets at FVTOCI | | |
| Debt instrument | 267,866 | 232,887 |
| Equity instrument | 117,220 | 120,680 |
| <u>Financial liabilities</u> | | |
| Amortized cost (Note 2) | 541,035 | 542,187 |
| US\$ | | |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$ 337,004 | \$ 198,264 |
| Financial assets at FVTOCI | | |
| Debt instrument | 9,677 | 8,178 |
| Equity instrument | 4,235 | 4,237 |
| <u>Financial liabilities</u> | | |
| Amortized cost (Note 2) | 19,545 | 19,038 |

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, and other receivable.

Note 2: The balances include financial liabilities at amortized cost, which comprise of accounts payable and other payable.

d. Financial risk management objectives and policies

The Group's major financial instruments include debt investments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Exchange rate risk

The Group uses USD and JPY as the functional currency, and mainly possesses a small amount of NTD and RMB, etc. for the payment of employee salaries and operating expenses of each subsidiary (branch); therefore, there is no material exchange rate fluctuation risk. Since the Company is listed for trading on the Taiwan Stock Exchange, it can be expected that in the future, when dividends are issued to domestic investors in NTD or when funds are raised domestically in NTD such that the amount needs to be exchanged to USD for use, there is an exchange rate risk in the exchange of TWD to USD, and the possible responsive measures adopted by the financial department of the Group are as follows:

- i. The Group maintains an adequate level of foreign currency reserve based on predicted exchange rate to provide for subsidiaries' operating activities and to lessen the impact on adverse exchange fluctuations to the net income;
- ii. The Group continuously monitors exchange rate fluctuations and maintaining close relationships with principal correspondent banks to provide management with sufficient information as a basis for managing exchange rate fluctuations;
- iii. The Group reduces the impact of adverse exchange rate fluctuations on the Group's net income by using natural write off (i.e. a majority of sales and purchase transactions are denominated in USD) and by using foreign currency loans or forward exchange contracts when needed.

Refer to Note 28 for the carrying amounts of monetary assets and liabilities not denominated in functional currency at the end of the reporting period.

Sensitivity analysis

The Group is mainly exposed to exchange rate fluctuation in RMB and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD and JPY (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates in pre-tax profit and other equity associated with USD and JPY strengthening 5% against the relevant currency. For a 5% weakening of the USD and JPY against the relevant currency, there will be an equal and opposite impact on pre-tax profit and other equity, and the balances below will be negative.

Unit: In Thousands of U.S. Dollars

| | Impact of RMB | | Impact of USD | | Impact of NTD | |
|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Profit/loss | \$ 1,833 | \$ 945 | \$ 114 | \$ 128 | \$ 3 | \$ (14) |

b) Interest rate risk

The carrying amounts of the financial assets and liabilities with exposure to interest rates at the end of reporting period were as follows:

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Fair value interest rate risk | | |
| Financial assets | \$ 5,227,633 | \$ 781,073 |
| Financial liabilities | 86,251 | 113,818 |
| Cash flow interest rate risk | | |
| Financial assets | 3,401,454 | 4,582,114 |
| Financial liabilities | - | - |
| <u>US\$</u> | | |
| Fair value interest rate risk | | |
| Financial assets | \$ 188,859 | \$ 27,426 |
| Financial liabilities | 3,116 | 3,997 |
| Cash flow interest rate risk | | |
| Financial assets | 122,885 | 160,889 |
| Financial liabilities | - | - |

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$8,504 thousand (US\$307thousand) and increased/decreased by NT\$11,455 thousand (US\$402 thousand), respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation.

The Group adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the finance department periodically.

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk of 14% and 13% of total accounts receivable as of December 31, 2021 and December 31, 2020, respectively, was related to the Group's largest customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The interest recognition is not material.

| | Less than 1 Month | 1 to 3 Months | 3 Months to 1 Year | 1-5 Years | More than 5 Years | Less than 1 Month | 1 to 3 Months | 3 Months to 1 Year | 1-5 Years | More than 5 Years |
|--------------------------------------|-------------------|------------------|--------------------|------------------|-------------------|-------------------|-----------------|--------------------|-----------------|-------------------|
| | NTS | NTS | NTS | NTS | NTS | US\$ | US\$ | US\$ | US\$ | US\$ |
| Non-derivative financial liabilities | | | | | | | | | | |
| Accounts payable | \$ 338,454 | \$ 55,935 | \$ - | \$ - | \$ - | \$ 12,227 | \$ 2,021 | \$ - | \$ - | \$ - |
| Other payables | 43,666 | 102,980 | - | - | - | 1,578 | 3,719 | - | - | - |
| Lease liabilities | 4,367 | 8,456 | 24,551 | 39,794 | 11,788 | 158 | 305 | 887 | 1,438 | 426 |
| | <u>\$ 386,487</u> | <u>\$167,371</u> | <u>\$ 24,551</u> | <u>\$ 39,794</u> | <u>\$ 11,788</u> | <u>\$ 13,963</u> | <u>\$ 6,045</u> | <u>\$ 887</u> | <u>\$ 1,438</u> | <u>\$ 426</u> |

December 31, 2020

| | Less than 1 Month | 1 to 3 Months | 3 Months to 1 Year | 1-5 Years | More than 5 Years | Less than 1 Month | 1 to 3 Months | 3 Months to 1 Year | 1-5 Years | More than 5 Years |
|--------------------------------------|-------------------|-------------------|--------------------|------------------|-------------------|-------------------|-----------------|--------------------|-----------------|-------------------|
| | NTS | NTS | NTS | NTS | NTS | US\$ | US\$ | US\$ | US\$ | US\$ |
| Non-derivative financial liabilities | | | | | | | | | | |
| Accounts payable | \$ 220,522 | \$ 146,990 | \$ - | \$ - | \$ - | \$ 7,743 | \$ 5,161 | \$ - | \$ - | \$ - |
| Other payables | 166,596 | 8,079 | - | - | - | 5,850 | 284 | - | - | - |
| Lease liabilities | 3,686 | 7,372 | 33,172 | 56,234 | 17,710 | 129 | 259 | 1,165 | 1,975 | 621 |
| | <u>\$ 390,804</u> | <u>\$ 162,441</u> | <u>\$ 33,172</u> | <u>\$ 56,234</u> | <u>\$ 17,710</u> | <u>\$ 13,722</u> | <u>\$ 5,704</u> | <u>\$ 1,165</u> | <u>\$ 1,975</u> | <u>\$ 621</u> |

b) Financing facilities

| | December 31 | |
|-------------------------------|-------------------|-------------------|
| | 2021 | 2020 |
| <u>NT\$</u> | | |
| Secured bank loan facilities: | | |
| Amount used | \$ - | \$ - |
| Amount unused | <u>692,000</u> | <u>712,000</u> |
| | <u>\$ 692,000</u> | <u>\$ 712,000</u> |
| <u>US\$</u> | | |
| Secured bank loan facilities: | | |
| Amount used | \$ - | \$ - |
| Amount unused | <u>25,000</u> | <u>25,000</u> |
| | <u>\$ 25,000</u> | <u>\$ 25,000</u> |

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of directors and key management personnel is as follows.

| | 2021 | 2020 |
|--------------------------|-------------------|-------------------|
| <u>NT\$</u> | | |
| Other employee benefits | \$ 230,753 | \$ 169,387 |
| Share-based payments | 108,199 | 22,075 |
| Post-employment benefits | <u>728</u> | <u>685</u> |
| | <u>\$ 339,680</u> | <u>\$ 192,147</u> |
| <u>US\$</u> | | |
| Other employee benefits | \$ 8,239 | \$ 5,733 |
| Share-based payments | 3,863 | 747 |
| Post-employment benefits | <u>26</u> | <u>23</u> |
| | <u>\$ 12,128</u> | <u>\$ 6,503</u> |

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

For the year ended December 31, 2021

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (US\$ in Thousands) |
|------------------------------|--|----------------------|--|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$267,214 | 0.156846 (RMB:USD) | \$ 41,911 |
| USD | 8,203 | 115.088042 (USD:JPY) | 8,203 |
| NTD | 42,438 | 0.036127 (NTD:USD) | <u>1,533</u> |
| | | | <u>\$ 51,647</u> |
| | | | |
| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (US\$ in Thousands) |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| RMB | 33,539 | 0.156846 (RMB:USD) | \$ 5,260 |
| USD | 5,928 | 115.088042 (USD:JPY) | 5,928 |
| NTD | 40,517 | 0.036127 (NTD:USD) | <u>1,464</u> |
| | | | <u>\$ 12,652</u> |

For the year ended December 31, 2020

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (US\$ in Thousands) |
|-------------------------|--|----------------------|--|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| RMB | \$ 149,942 | 0.153259 (RMB:USD) | \$ 22,980 |
| USD | 7,146 | 103.071532 (USD:JPY) | 7,146 |
| NTD | 41,695 | 0.035112 (NTD:USD) | <u>1,464</u> |
| | | | <u>\$ 31,590</u> |

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (US\$ in Thousands) |
|------------------------------|--|----------------------|--|
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| RMB | 26,687 | 0.153259 (RMB:USD) | \$ 4,090 |
| USD | 4,577 | 103.071532 (USD:JPY) | 4,577 |
| NTD | 49,813 | 0.035112 (NTD:USD) | <u>1,749</u> |
| | | | <u>\$ 10,416</u> |

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

| Foreign Currencies | <u>2021</u> | | <u>2020</u> | |
|-----------------------|---------------------|---|---------------------|---|
| | Exchange Rate | Net Foreign Exchange Gain (Loss) (US\$ in Thousands) | Exchange Rate | Net Foreign Exchange Gain (Loss) (US\$ in Thousands) |
| RMB | 0.155010 (RMB:USD) | \$ 758 | 0.14493 (RMB:USD) | \$ 268 |
| USD | 109.673174(USD:JPY) | 52 | 106.71219 (USD:JPY) | (172) |
| NTD | 0.035703 (NTD:USD) | <u>(288)</u> | 0.033842 (NTD:USD) | <u>(136)</u> |
| | | <u>\$ 522</u> | | <u>\$ (40)</u> |

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held: (Table 1)

4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None

5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in

capital: None

- 6) Disposals of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital: (Table 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Table 3)
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: (Tables 4)
 - 11) Information on investees: (Table 5)
- c. Information on investments in Mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

- d. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

30. SEGMENT INFORMATION

- a. Operating segment

The Group is engaged in research and development, design, and manufacturing of ASIC and SOC and

provides related services. These activities are deemed single industry; accordingly, management considers the Group as having only one reportable segment.

b. Geographical information

The Group operates in three principal geographical areas - Japan, Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (excluding deferred income tax assets) by location of assets are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|---------------|---------------------------------|---------------------|---------------------|---------------------|
| | December 31 | | December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| NT\$ | | | | |
| China | \$ 7,455,270 | \$ 4,563,634 | \$ 215,333 | \$ 228,429 |
| United States | 1,421,935 | 672,600 | 1,041 | 4,364 |
| Japan | 914,507 | 1,041,424 | 45,270 | 65,432 |
| Europe | 328,472 | 505,645 | - | - |
| Taiwan | 308,092 | 290,651 | 1,153,060 | 884,222 |
| Others | - | 4,905 | 217,435 | 199,803 |
| | <u>\$ 10,428,276</u> | <u>\$ 7,078,919</u> | <u>\$ 1,632,139</u> | <u>\$ 1,382,250</u> |
| US\$ | | | | |
| China | \$ 266,175 | \$ 154,443 | \$ 7,779 | \$ 8,021 |
| United States | 50,767 | 22,762 | 38 | 153 |
| Japan | 32,650 | 35,244 | 1,635 | 2,297 |
| Europe | 11,727 | 17,112 | - | - |
| Taiwan | 11,000 | 9,836 | 41,657 | 31,047 |
| Others | - | 168 | 7,855 | 7,016 |
| | <u>\$ 372,319</u> | <u>\$ 239,565</u> | <u>\$ 58,964</u> | <u>\$ 48,534</u> |

c. Major customers representing at least 10% of net revenue:

| Customer | 2021 | | | 2020 | | |
|------------|-----------|--------------|----|-----------|--------------|--------|
| | US\$ | NT\$ | % | US\$ | NT\$ | % |
| Customer A | \$ 93,325 | \$ 2,613,937 | 25 | (Note) | (Note) | (Note) |
| Customer B | \$ 79,491 | \$ 2,226,455 | 21 | \$ 94,472 | \$ 2,791,567 | 39 |

Note: Revenue from the customer for the indicated period was less than 10% of the Group's revenue.

TABLE 1

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | Note | |
|----------------------|---|---------------------------------------|--|----------------------|-----------------|---------------------------|---------|------------|
| | | | | Shares (In Thousand) | Carrying Amount | Percentage of Ownership % | | Fair Value |
| Alchip BVI | Corporate bonds Virgin Australia Holdings Ltd. | - | Investments in debt instrument at FVTOCI - current | 450 | 623 | - | 623 | - |
| | China Energy Reserve and Chemicals Group Overseas Capital Company Limited | - | " | 1,000 | 1,107 | - | 1,107 | - |
| | China Energy Reserve and Chemicals Group International Holding Limited | - | " | 800 | 1,993 | - | 1,993 | - |
| | Banco Do Brasil | - | " | 452 | 12,744 | - | 12,744 | - |
| | Royal Bank | - | " | 400 | 11,568 | - | 11,568 | - |
| | Standard Chartered PLC | - | " | 600 | 16,654 | - | 16,654 | - |
| | Vedanta Resources PLC | - | " | 200 | 5,485 | - | 5,485 | - |
| | Lumen Technologies Inc(Original name:Centurylink Inc) | - | " | 1,000 | 27,936 | - | 27,936 | - |
| | TSMC | - | Investments in debt instrument at FVTOCI - non-current | 2,000 | 54,279 | - | 54,279 | - |
| | BPCE SA | - | " | 1,000 | 29,976 | - | 29,976 | - |
| | Sprint Corp. | - | " | 1,000 | 31,074 | - | 31,074 | - |
| | Norddeutsche Landesbank | - | " | 1,000 | 28,875 | - | 28,875 | - |
| | Standard Chartered PLC | - | " | 296 | 8,399 | - | 8,399 | - |
| | Hyundai | - | " | 1,000 | 28,504 | - | 28,504 | - |
| | Royal Bank | - | " | 300 | 8,649 | - | 8,649 | - |
| | Goldman Sachs international floating rate notes | - | Financial assets at amortized cost-non-current | 1,000 | 27,680 | - | 27,680 | - |
| Alchip Shanghai | KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund | - | Investments in equity instrument at FVTOCI - non-current | (Note 2) | 117,220 | 0.805 | 117,220 | - |

Note1: For the information on investments in subsidiaries, see Tables 5 and 6 for details.

Note2: The original capital of KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund was RMB1,265,185,000, Alchip Shanghai hold RMB13,500,000 out of total.

TABLE 2

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| Buyer | Related Party | Relationship | Transaction Details | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note | |
|-------------|---------------|--------------|---------------------|--------------|----------------------|---------------|---------------------------------------|---------------|--------|----------------|
| | | | Purchase(Sale) | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | | Ending Balance |
| The Company | Alchip KK | Subsidiary | Sale | \$ (159,278) | (1.8) | Within 1 year | The same as regular terms | \$231,252 | 24.22 | - |
| Alchip KK | The Company | Subsidiary | Purchase | 159,278 | 33.02 | Within 1 year | The same as regular transaction terms | (231,252) | (88.1) | - |

TABLE 3

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|--------------|---------------|--------------|----------------|---------------|---------|---------------|---------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| The Company | Alchip KK | Subsidiary | \$ 231,252 | 0.89 | \$ - | - | \$ - | - |

TABLE 4

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|-----------------|------------------|---------------------------------------|--------------------------|---|---------------------------------|--|--|
| | | | | Financial Statement Account | Amount (Note 4) | Payment Terms | % of Total Sales or Assets (Note 3) |
| 0 | The Company | Alchip KK Alchip KK Alchip Wuxi | a a a | Accounts receivable Operating revenue Operating revenue | \$ 231,252 159,278 99,936 | Based on regular items Based on regular items Based on regular items | 2 2 1 |
| 1 | Alchip Shanghai | Alchip Guangzhou Alchip Guangzhou | c c | Accounts receivable Operating revenue | 91,903 87,732 | Based on regular items Based on regular items | 1 1 |
| 2 | Alchip KK | The Company The Company | b b | Accounts receivable Operating revenue | 98,396 99,565 | Based on regular items Based on regular items | 1 1 |
| 2 | Alchip US | The Company The Company | b b | Accounts receivable Operating revenue | 13,488 34,232 | Based on regular items Based on regular items | - - |
| 3 | Alchip Jinan | Alchip Guangzhou Alchip Guangzhou | c c | Accounts receivable Operating revenue | 13,785 13,160 | Based on regular items Based on regular items | - - |

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- a. Fill in "0" for the parent company.
- b. Subsidiaries are listed in order.

Note 2: Relationship types are as follows:

- a. Parent to subsidiary.
- b. Subsidiary to parent.
- c. Between subsidiaries.

Note 3: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2021, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the twelve months ended December 31, 2021

Note 4: The amount was eliminated upon consolidation.

TABLE 5

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2021 | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|------------------|------------------|--------------------------------|------------------------------|---|--------------------------------------|-------------------------|-----|-----------------------------------|-------------------------|------|
| | | | | December 31, 2021 | December 31, 2020 | Shares (In Thousands) | % | | | |
| The Company | Alchip HK | Hong Kong | Investment | \$ 566,235 (US\$ 18,129) (Note 2) | \$ 535,247 (US\$ 17,029) | 12,230,170 | 100 | \$ 1,028,968 | \$ 107,458 | - |
| | Alchip USA | U.S.A. | Sales of ASIC and SOC. | 114,922 (US\$ 3,910) | 114,922 (US\$ 3,910) | 391,000 | 100 | (Note 2) 15,374 | (1,071) | - |
| | Alchip KK | Japan | Sales of ASIC and SOC. | 33,902 (JPY 100,000) | 33,902 (JPY 100,000) | 1 | 100 | 74,167 | 2,522 | - |
| | Alchip TW | Taiwan | ASIC and SOC services. | 100 | 100 | 10 | 100 | 469,161 | (87,539) | - |
| | Alchip BVI | Tortola British Virgin Islands | Investment | 473,317 (US\$ 15,100) (Note 1) | 473,317 (US\$ 15,100) (Note 1) | 50 | 100 | 486,362 (Note 1) | 11,766 | - |

Note 1: The investment amount of NT\$ 471,735 thousand (US\$ 15,050 thousand) has been injected. However, the procedures of capital-increase have not been completed.

Note 2: Among which, an amount of NT\$69,836thousand (US\$2,420 thousand) has been injected. However, the procedures of capital-increase have not been completed.

TABLE 6

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance from Taiwan | | Remittance of Funds | | Accumulated Outward Investment from Taiwan as of December 31, 2021 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2021 | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|------------------|---|--|-------------------------------|--|-------------------------|---------------------|--------|--|-----------------------------------|--|---------------------------------|---|---|
| | | | | as of January 1, 2021 | as of December 31, 2021 | Outward | Inward | | | | | | |
| Alchip Shanghai | Research and development, design, and sales of ASIC and SOC related services. | \$ 354,304 (RMB 102,392) (US\$ 12,800) | Note 1 b. | \$ 354,304 (US\$ 12,800) | \$ - | \$ - | \$ - | \$ 354,304 (US\$ 12,800) | \$ 23,422 | 100 | \$ 23,422 b.2) | \$ 619,792 | \$ - |
| Alchip Wuxi | Research and development and design of ASIC and SOC related services. | 55,360 (RMB 12,482) (US\$ 2,000) | Note 1 b. | 55,360 (US\$ 2,000) | - | - | - | 55,360 (US\$ 2,000) | 30,346 | 100 | 30,346 b.2) | 171,641 | - |
| Alchip Hefei | Research and development and design of ASIC and SOC related services. | 13,840 (RMB 3,469) (US\$ 500) | Note 1 b. | 13,840 (US\$ 500) | - | - | - | 13,840 (US\$ 500) | 53,924 | 100 | 53,924 b.2) | 127,897 | - |
| Alchip Jinan | Research and development and design of ASIC and SOC related services. | 21,701 (RMB 5,031) (US\$ 784) | Note 1 b. | 21,701 (US\$ 784) | - | - | - | 21,701 (US\$ 784) | (68,620) | 100 | (68,620) b.2) | (6,545) | - |
| Alchip Guangzhou | Research and development and design of ASIC and SOC related services. | 44,288 (RMB 10,523) (US\$ 1,600) | Note 1 b. | 44,288 (RMB 10,523) (US\$ 1,600) | 30,448 (US\$ 1,100) | - | - | 44,288 (US\$ 1,600) | 68,583 | 100 | 68,583 b.2) | 113,442 | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ - | \$ - | \$ - |

Note 1: The investment types are as follows:

- Direct investment in mainland China.
- Indirect investment in mainland China through a subsidiary in a third place. (Investor: Alchip H.K.)
- Others.

Note 2: In the column of investment gain or loss:

- It should be noted if the investment was still in preparation without investment gain or loss.
- The recognition basis of investment gain or loss should be noted as follows:
 - The financial statement is audited by an international accounting firm cooperating with accounting firms in Taiwan.
 - The financial statement is audited by a certified public accountant cooperating with the parent company in Taiwan.
 - Others.

Note 3: The foreign currency listed on table 6 was exchanged at the foreign exchange rate US\$:NT\$ 1 : 27.68 as of December 31, 2021.

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