

**Alchip Technologies, Limited and
Subsidiaries**

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

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

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Valuation of inventory

The Group is mainly engaged in the providing of silicon design services, producing and selling of customized chips. Due to the rapid upgrading of process technology in the semiconductor industry, products may suffer from value decline or obsolescence resulting from shrinkage of the product life cycle. With respect to those value-decline or obsolete inventories, a loss reserve is provided in accordance with the Group's inventory impairment policy, furthermore, the inventory turnover, the demand for future orders, and the changes of industrial environment are taken into consideration by the management when determining the value of inventory. As such considerations involve the management's subjective judgments with uncertainties, the valuation of inventory is identified as a key audit matter.

As of December 31, 2022 the Group's inventory balance was NT\$9,124,556 thousand (US\$297,120 thousand), accounting for 46% of the total assets in the consolidated balance sheet. Refer to Notes 4, 5 and 11 to the consolidated financial statements for the relative accounting policy and information.

The main audit procedures that we performed in respect of the above area included the following, among others:

1. We obtained an understanding of the management's assessment process of inventory impairment or obsolescence;
2. We evaluated the reasonableness of the Group's inventory impairment policy on the basis of the Group's inventory turnover and actual obsolescence situation;
3. We obtained the inventory aging report and verified the accuracy and completeness of the report, as well as the correctness of the classification for each aging interval. Furthermore, we recalculated the provision of the impairment loss in accordance with the inventory impairment policy;
4. We performed a retrospective review of the prior year's inventory impairment or obsolescent losses estimated by the management, compared and analyzed them with the current year's estimations to evaluate the reasonableness of the assumptions and judgments made by the management.

Responsibilities of 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, 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 members of the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Yi-Wen Wang and Li-Chun Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 4,775,301	24	\$ 3,848,660	29
Financial assets at fair value through other comprehensive income (Note 7)	126,812	1	78,110	1
Financial assets at amortized cost (Note 8)	1,904,020	10	4,373,440	33
Trade receivables, net (Note 10)	1,412,756	7	969,747	7
Other receivables	75,258	-	37,585	-
Inventories (Note 11)	9,124,556	46	1,057,476	8
Prepayments (Note 16)	691,466	3	1,152,536	9
Other current assets	130,278	1	40,077	-
Total current assets	<u>18,240,447</u>	<u>92</u>	<u>11,557,631</u>	<u>87</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	339,898	2	306,976	2
Financial assets at amortized cost (Note 8)	-	-	27,680	-
Property, plant and equipment (Note 13)	710,484	4	884,334	7
Right-of-use assets (Note 14)	125,511	1	81,093	1
Intangible assets (Note 15)	89,456	-	37,887	-
Deferred tax assets (Note 22)	61,907	-	67,867	-
Prepayments for equipment	56,070	-	222,229	2
Other non-current assets	114,352	1	71,940	1
Total non-current assets	<u>1,497,678</u>	<u>8</u>	<u>1,700,006</u>	<u>13</u>
TOTAL	<u>\$ 19,738,125</u>	<u>100</u>	<u>\$ 13,257,637</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 20)	\$ 3,362,684	17	\$ 1,480,160	11
Trade payables	1,937,572	10	394,389	3
Other payables (Note 17)	897,941	4	592,144	5
Current tax liabilities (Note 22)	326,545	2	321,232	2
Lease liabilities (Note 14)	51,275	-	35,912	-
Other current liabilities	31,746	-	15,170	-
Total current liabilities	<u>6,607,763</u>	<u>33</u>	<u>2,839,007</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 22)	35,696	-	-	-
Lease liabilities (Note 14)	70,326	1	50,339	1
Deferred revenue	22,286	-	20,087	-
Total non-current liabilities	<u>128,308</u>	<u>1</u>	<u>70,426</u>	<u>1</u>
Total liabilities	<u>6,736,071</u>	<u>34</u>	<u>2,909,433</u>	<u>22</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19)				
Share capital	719,280	4	706,876	5
Capital surplus	7,792,801	39	7,292,281	55
Retained earnings				
Special reserve	347,922	2	201,957	1
Unappropriated earnings	3,387,886	17	2,495,012	19
Total retained earnings	3,735,808	19	2,696,969	20
Other equity	745,605	4	(347,922)	(2)
Total equity attributable to owners of the Company	12,993,494	66	10,348,204	78
NON-CONTROLLING INTERESTS				
Total equity	<u>13,002,054</u>	<u>66</u>	<u>10,348,204</u>	<u>78</u>
TOTAL	<u>\$ 19,738,125</u>	<u>100</u>	<u>\$ 13,257,637</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, 2022 AND 2021

(In Thousands of U.S. Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 155,497	24	\$ 139,041	29
Financial assets at fair value through other comprehensive income (Note 7)	4,129	1	2,822	1
Financial assets at amortized cost (Note 8)	62,000	10	158,000	33
Trade receivables, net (Note 10)	46,003	7	35,034	7
Other receivables	2,451	-	1,358	-
Inventories (Note 11)	297,120	46	38,204	8
Prepayments (Note 16)	22,516	3	41,638	9
Other current assets	<u>4,242</u>	<u>1</u>	<u>1,448</u>	<u>-</u>
Total current assets	<u>593,958</u>	<u>92</u>	<u>417,545</u>	<u>87</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	11,068	2	11,090	2
Financial assets at amortized cost (Note 8)	-	-	1,000	-
Property, plant and equipment (Note 13)	23,135	4	31,948	7
Right-of-use assets (Note 14)	4,087	1	2,930	1
Intangible assets (Note 15)	2,913	-	1,369	-
Deferred tax assets (Note 22)	2,016	-	2,452	-
Prepayments for equipment	1,826	-	8,029	2
Other non-current assets	<u>3,723</u>	<u>1</u>	<u>2,598</u>	<u>1</u>
Total non-current assets	<u>48,768</u>	<u>8</u>	<u>61,416</u>	<u>13</u>
TOTAL	<u>\$ 642,726</u>	<u>100</u>	<u>\$ 478,961</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 20)	\$ 109,498	17	\$ 53,474	11
Trade payables	63,093	10	14,248	3
Other payables (Note 17)	29,239	4	21,392	5
Current tax liabilities (Note 22)	10,633	2	11,605	2
Lease liabilities (Note 14)	1,670	-	1,297	-
Other current liabilities	<u>1,033</u>	<u>-</u>	<u>549</u>	<u>-</u>
Total current liabilities	<u>215,166</u>	<u>33</u>	<u>102,565</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 22)	1,162	-	-	-
Lease liabilities (Note 14)	2,290	1	1,819	1
Deferred revenue	<u>726</u>	<u>-</u>	<u>726</u>	<u>-</u>
Total non-current liabilities	<u>4,178</u>	<u>1</u>	<u>2,545</u>	<u>1</u>
Total liabilities	<u>219,344</u>	<u>34</u>	<u>105,110</u>	<u>22</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19)				
Share capital	<u>23,043</u>	<u>4</u>	<u>22,620</u>	<u>5</u>
Capital surplus	<u>271,652</u>	<u>42</u>	<u>254,819</u>	<u>53</u>
Retained earnings				
Special reserve	12,784	2	7,548	2
Unappropriated earnings	<u>116,106</u>	<u>18</u>	<u>86,731</u>	<u>18</u>
Total retained earnings	<u>128,890</u>	<u>20</u>	<u>94,279</u>	<u>20</u>
Other equity	<u>(468)</u>	<u>-</u>	<u>2,133</u>	<u>-</u>
Total equity attributable to owners of the Company	423,117	66	373,851	78
NON-CONTROLLING INTERESTS				
Total equity	<u>423,382</u>	<u>66</u>	<u>373,851</u>	<u>78</u>
TOTAL	<u>\$ 642,726</u>	<u>100</u>	<u>\$ 478,961</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars or U.S. Dollars, Except Earnings Per Share)

	2022			2021		
	US\$	NT\$	%	US\$	NT\$	%
OPERATING REVENUE (Note 20)	\$ 460,500	\$ 13,725,204	100	\$ 372,319	\$ 10,428,276	100
OPERATING COSTS (Notes 11 and 21)	<u>311,882</u>	<u>9,295,633</u>	<u>68</u>	<u>245,125</u>	<u>6,865,711</u>	<u>66</u>
GROSS PROFIT	<u>148,618</u>	<u>4,429,571</u>	<u>32</u>	<u>127,194</u>	<u>3,562,565</u>	<u>34</u>
OPERATING EXPENSES (Note 21)						
Selling and marketing expenses	7,183	214,075	2	7,200	201,658	2
General and administrative expenses	20,980	625,311	4	19,200	537,783	5
Research and development expenses	39,286	1,170,945	8	35,325	989,405	10
Expected credit losses on trade receivable	<u>3,630</u>	<u>108,185</u>	<u>1</u>	<u>206</u>	<u>5,764</u>	<u>-</u>
Total operating expenses	<u>71,079</u>	<u>2,118,516</u>	<u>15</u>	<u>61,931</u>	<u>1,734,610</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>77,539</u>	<u>2,311,055</u>	<u>17</u>	<u>65,263</u>	<u>1,827,955</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)						
Interest income	2,938	87,572	1	1,279	35,835	1
Other income	1,763	52,559	-	880	24,640	-
Other gains and losses	(2,190)	(65,267)	(1)	524	14,682	-
Finance costs	(96)	(2,868)	-	(92)	(2,590)	-
Expected credit gain	<u>2</u>	<u>69</u>	<u>-</u>	<u>19</u>	<u>543</u>	<u>-</u>
Total non-operating income and expenses	<u>2,417</u>	<u>72,065</u>	<u>-</u>	<u>2,610</u>	<u>73,110</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	79,956	2,383,120	17	67,873	1,901,065	18
INCOME TAX EXPENSE (Note 22)	<u>18,447</u>	<u>549,827</u>	<u>4</u>	<u>14,686</u>	<u>411,342</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>61,509</u>	<u>1,833,293</u>	<u>13</u>	<u>53,187</u>	<u>1,489,723</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that will not be reclassified subsequently to profit or loss:						
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(1,649)	(49,146)	-	3,826	107,215	1
Exchange differences on translation to the presentation currency	-	1,171,065	8	-	(189,034)	(2)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of the financial statements of foreign operations	(350)	(10,461)	-	(279)	(7,812)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	<u>(602)</u>	<u>(17,931)</u>	<u>-</u>	<u>(300)</u>	<u>(8,389)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(2,601)</u>	<u>1,093,527</u>	<u>8</u>	<u>3,247</u>	<u>(98,020)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 58,908</u>	<u>\$ 2,926,820</u>	<u>21</u>	<u>\$ 56,434</u>	<u>\$ 1,391,703</u>	<u>13</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO						
Owners of the Company	\$ 61,547	\$ 1,834,414	13	\$ 53,187	\$ 1,489,723	14
Non-controlling interests	<u>(38)</u>	<u>(1,121)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,509</u>	<u>\$ 1,833,293</u>	<u>13</u>	<u>\$ 53,187</u>	<u>\$ 1,489,723</u>	<u>14</u>

(Continued)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

	2022			2021		
	US\$	NT\$	%	US\$	NT\$	%
TOTAL COMPREHENSIVE INCOME (LOSS)						
ATTRIBUTABLE TO						
Owners of the Company	\$ 58,946	\$ 2,927,941	21	\$ 56,434	\$ 1,391,703	13
Non-controlling interests	<u>(38)</u>	<u>(1,121)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 58,908</u>	<u>\$ 2,926,820</u>	<u>21</u>	<u>\$ 56,434</u>	<u>\$ 1,391,703</u>	<u>13</u>
EARNINGS PER SHARE (Note 23)						
Basic earnings per share	<u>\$0.86</u>	<u>\$25.69</u>		<u>\$0.76</u>	<u>\$21.34</u>	
Diluted earnings per share	<u>\$0.82</u>	<u>\$24.47</u>		<u>\$0.71</u>	<u>\$20.00</u>	

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

(Concluded)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus			Special Reserve	Retained Earnings		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
		Share Premium	Share Options	Total		Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2021	\$ 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	\$ -	\$ 3,888,242
Issuance of ordinary shares in the form of sponsored Global Depository Receipts	76,000	5,320,032	-	5,320,032	-	-	-	-	-	-	5,396,032	-	5,396,032
Appropriation of 2020's earnings													
Special reserve	-	-	-	-	134,264	(134,264)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(465,387)	(465,387)	-	-	-	(465,387)	-	(465,387)
Share-based payments	-	-	244,308	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	-	99,795
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,489,723	1,489,723	-	-	-	1,489,723	-	1,489,723
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	(196,846)	98,826	-	(98,020)	-	(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	-	1,391,703
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	(206,489)	(206,489)	-	(206,489)
Cancelation of treasury shares	(4,220)	(41,402)	-	(41,402)	-	(160,867)	(160,867)	-	-	206,489	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 7)	-	-	-	-	-	47,945	47,945	-	(47,945)	-	-	-	-
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	-	10,348,204
Appropriation of 2021's earnings													
Special reserve	-	-	-	-	145,965	(145,965)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(790,324)	(790,324)	-	-	-	(790,324)	-	(790,324)
Share-based payments	-	-	381,948	381,948	-	-	-	-	-	-	381,948	-	381,948
Issuance of ordinary shares under the employee share options	12,404	150,085	(31,513)	118,572	-	-	-	-	-	-	130,976	-	130,976
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	-	1,834,414	1,834,414	-	-	-	1,834,414	(1,121)	1,833,293
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	1,160,604	(67,077)	-	1,093,527	-	1,093,527
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	1,834,414	1,834,414	1,160,604	(67,077)	-	2,927,941	(1,121)	2,926,820
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(5,251)	(5,251)	-	-	-	(5,251)	9,681	4,430
BALANCE AT DECEMBER 31, 2022	\$ 719,280	\$ 7,097,228	\$ 695,573	\$ 7,792,801	\$ 347,922	\$ 3,387,886	\$ 3,735,808	\$ 742,312	\$ 3,293	\$ -	\$ 12,993,494	\$ 8,560	\$ 13,002,054

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, 2022 AND 2021
(In Thousands of U.S. Dollars)

	Equity Attributable to Owners of the Company							Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus			Special Reserve	Retained Earnings		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
		Share Premium	Share Options	Total		Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2021	\$ 19,512	\$ 49,348	\$ 5,049	\$ 54,397	\$ 2,799	\$ 59,222	\$ 62,021	\$ (85)	\$ 680	\$ -	\$ 136,525	\$ -	\$ 136,525
Issuance of ordinary shares in the form of sponsored Global Depository Receipts	2,716	190,117	-	190,117	-	-	-	-	-	-	192,833	-	192,833
Appropriation and distribution of 2020's earnings													
Special reserve	-	-	-	-	4,749	(4,749)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(16,810)	(16,810)	-	-	-	(16,810)	-	(16,810)
Share-based payments	-	-	8,722	8,722	-	-	-	-	-	-	8,722	-	8,722
Issuance of ordinary shares under the employee share options	527	4,801	(1,771)	3,030	-	-	-	-	-	-	3,557	-	3,557
Net profit for the year ended December 31, 2021	-	-	-	-	-	53,187	53,187	-	-	-	53,187	-	53,187
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	(279)	3,526	-	3,247	-	3,247
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	53,187	53,187	(279)	3,526	-	56,434	-	56,434
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	(7,410)	(7,410)	-	(7,410)
Cancelation of treasury shares	(135)	(1,447)	-	(1,447)	-	(5,828)	(5,828)	-	-	7,410	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 7)	-	-	-	-	-	1,709	1,709	-	(1,709)	-	-	-	-
BALANCE AT DECEMBER 31, 2021	22,620	242,819	12,000	254,819	7,548	86,731	94,279	(364)	2,497	-	373,851	-	373,851
Appropriation of 2021's earnings													
Special reserve	-	-	-	-	5,236	(5,236)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(26,772)	(26,772)	-	-	-	(26,772)	-	(26,772)
Share-based payments	-	-	12,815	12,815	-	-	-	-	-	-	12,815	-	12,815
Issuance of ordinary shares under the employee share options	423	6,372	(2,354)	4,018	-	-	-	-	-	-	4,441	-	4,441
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	-	61,547	61,547	-	-	-	61,547	(38)	61,509
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	(350)	(2,251)	-	(2,601)	-	(2,601)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	61,547	61,547	(350)	(2,251)	-	58,946	(38)	58,908
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(164)	(164)	-	-	-	(164)	303	139
BALANCE AT DECEMBER 31, 2022	<u>\$ 23,043</u>	<u>\$ 249,191</u>	<u>\$ 22,461</u>	<u>\$ 271,652</u>	<u>\$ 12,784</u>	<u>\$ 116,106</u>	<u>\$ 128,890</u>	<u>\$ (714)</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 423,117</u>	<u>\$ 265</u>	<u>\$ 423,382</u>

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars or U.S. Dollars)

	2022		2021	
	US\$	NT\$	US\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 79,956	\$ 2,383,120	\$ 67,873	\$ 1,901,065
Adjustments for:				
Depreciation and Amortization	69,059	2,058,309	54,686	1,531,720
Expected credit losses	3,628	108,116	187	5,221
Finance costs	96	2,868	92	2,590
Interest income	(2,938)	(87,572)	(1,279)	(35,835)
Share-based compensation	12,815	381,948	8,722	244,308
Loss on disposal of equipment	3	81	8	213
Net gain on disposal of financial assets	(15)	(451)	(18)	(509)
Write-down of inventories	1,105	32,920	3,391	94,989
Net unrealized loss on foreign currency exchange	856	25,538	339	9,487
Amortization of prepayments	4,655	138,728	4,465	125,062
Net changes in operating assets and liabilities				
Trade receivables	(15,148)	(451,477)	(14,683)	(411,264)
Other receivables	(879)	(26,186)	324	9,079
Inventories	(260,021)	(7,749,923)	(8,316)	(232,934)
Prepayments	13,762	410,189	(8,957)	(250,864)
Other current assets	(2,794)	(83,285)	(406)	(11,366)
Contract liabilities	56,024	1,669,812	(86,318)	(2,417,694)
Trade payables	48,712	1,451,843	1,454	40,692
Other payables	567	16,913	2,743	76,830
Other current liabilities	485	14,494	434	12,152
Deferred revenue	-	-	(21)	(594)
Net cash generated from operations	9,928	295,985	24,720	692,348
Interest paid	(96)	(2,868)	(92)	(2,590)
Income tax paid	(18,083)	(538,956)	(12,296)	(344,366)
Net cash (used in) generated from operating activities	(8,251)	(245,839)	12,332	345,392
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of financial assets at fair value through other comprehensive income	(6,151)	(183,309)	(3,375)	(94,521)
Proceeds from sale of financial assets at fair value through other comprehensive income	2,652	79,043	5,686	159,287
Purchase of financial assets at amortized cost	(61,000)	(1,818,105)	(170,800)	(4,783,937)
Proceeds from sale of financial assets at amortized cost	158,000	4,709,190	26,800	750,641
Purchase of equipment	(32,634)	(972,656)	(39,869)	(1,116,684)

(Continued)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars or U.S. Dollars)

	2022		2021	
	US\$	NT\$	US\$	NT\$
Proceeds from disposal of equipment	\$ -	\$ 5	\$ -	\$ 7
Increase in refundable deposits	(1,124)	(33,491)	(2,062)	(57,753)
Decrease in refundable deposits	63	1,875	21	589
Payments for intangible assets	(11,295)	(336,664)	(13,165)	(368,741)
Increase in other non-current assets	(110)	(3,285)	-	-
Increase in prepayments for equipment	(1,826)	(54,417)	(8,029)	(224,871)
Interest received	<u>2,952</u>	<u>87,952</u>	<u>879</u>	<u>24,583</u>
Net cash generated from (used in) investing activities	<u>49,527</u>	<u>1,476,138</u>	<u>(203,914)</u>	<u>(5,711,400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of the principal portion of lease liabilities	(1,858)	(55,391)	(1,807)	(50,597)
Dividends paid to owners of the Company	(26,772)	(845,743)	(16,810)	(465,387)
Proceeds from issuance of ordinary shares in the form of sponsored Global Depository Receipts	-	-	192,833	5,396,032
Proceeds from exercise of employee share options	4,441	130,976	3,557	99,795
Payments for buy-back of ordinary shares	-	-	(7,410)	(206,489)
Changes in non-controlling interests	<u>139</u>	<u>4,430</u>	<u>-</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(24,050)</u>	<u>(765,728)</u>	<u>170,363</u>	<u>4,773,354</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES				
	<u>(770)</u>	<u>462,070</u>	<u>(829)</u>	<u>(146,503)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,456	926,641	(22,048)	(739,157)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>139,041</u>	<u>3,848,660</u>	<u>161,089</u>	<u>4,587,817</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 155,497</u>	<u>\$ 4,775,301</u>	<u>\$ 139,041</u>	<u>\$ 3,848,660</u>

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

(Concluded)

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(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. In January 2021, the Company increased its share capital and issued Global Depositary Receipts (GDRs), which are listed on the Luxembourg Stock Exchange (LuxSE).

The accompanying consolidated financial statements comprise of the Company and its subsidiaries (collectively, the “Group”).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 21, 2023.

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

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

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

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2023

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

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

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

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. 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.

- b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

The functional currencies of the Group are the U.S. dollar and Japan Yen. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's shares are listed on the Taiwan Stock Exchange.

The translation process is as follows, assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; equity items are translated at the historical rates, and income and expense items are translated at the average exchange rates for the period, the resulting currency translation differences are recognized into the exchange differences on translation of the financial statements of foreign operations.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. 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).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Table 5 and Table 6 for detailed information on subsidiaries, including percentages of ownership and main businesses.

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., 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 denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from 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 of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the financial statements of the Company and its foreign operations (including subsidiaries and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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 entities in the Group from functional currencies to the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

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

i. Impairment of property, plant and equipment, right-of-use assets, 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 on a reasonable and consistent basis of allocation.

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

Cash equivalents with original maturities within 3 months from the date of acquisition, which are highly 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.

ii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals 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 the investment is disposed of.

iii. Investments in equity instruments at FVTOCI

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

Investments in equity instruments at 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. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs 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 ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of equity.

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

The repurchase of the Company's equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Group identifies contracts with customers, recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales 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.

2) 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.

l. Leases

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

1) The Group as lessor

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as 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 by 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. 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 lessee's incremental borrowing rate will be used.

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 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.

m. Government grants

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

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

n. Employee benefits

1) 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 services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

o. 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. The expense is recognized in full at the grant date if the grants are vested immediately.

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

When the Group modifies the contract terms and conditions of the grant of equity instruments, it shall recognize the amount of the increase in the total fair value or the beneficial impact on employees due to the modification of the share-based payment agreement. If the modification belongs to shorten the vesting period, the expense shall be recognized according to the modified vested conditions.

p. Taxation

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

1) Current tax

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) 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 carryforwards 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 assets 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.

3) Current and deferred taxes

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of COVID-19 when making its critical accounting estimates on cash flows, growth rates, discount rates, profit abilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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.

Key Sources of Estimation Uncertainty

a. 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 market price, the product life cycle or the anticipated production quantity will affect the recoverable amount of those assets and may lead to a recognition of additional or a reversal of impairment losses.

b. Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of products of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
<u>NT\$</u>		
Demand deposits	\$ 4,242,602	\$ 3,373,774
Cash equivalents (time deposits with original maturities of 3 months or less)	517,510	468,801
Checking accounts	14,823	5,655
Petty cash	<u>366</u>	<u>430</u>
	<u>\$ 4,775,301</u>	<u>\$ 3,848,660</u>
<u>US\$</u>		
Demand deposits	\$ 138,151	\$ 121,885
Cash equivalents (time deposits with original maturities of 3 months or less)	16,851	16,936
Checking accounts	483	204
Petty cash	<u>12</u>	<u>16</u>
	<u>\$ 155,497</u>	<u>\$ 139,041</u>

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

	<u>December 31</u>	
	2022	2021
Bank balance	0.01%-3.70%	0.01%-1.96%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
<u>NT\$</u>		
Foreign bonds investments	<u>\$ 126,812</u>	<u>\$ 78,110</u>
<u>US\$</u>		
Foreign bonds investments	<u>\$ 4,129</u>	<u>\$ 2,822</u>
<u>Non-current</u>		
<u>NT\$</u>		
Foreign bonds investments	\$ 146,174	\$ 189,756
Foreign equity investments	135,375	117,220
Domestic equity investments	<u>58,349</u>	<u>-</u>
	<u>\$ 339,898</u>	<u>\$ 306,976</u>
<u>Non-current</u>		
<u>US\$</u>		
Foreign bonds investments	\$ 4,760	\$ 6,855
Foreign equity investments	4,408	4,235
Domestic equity investments	<u>1,900</u>	<u>-</u>
	<u>\$ 11,068</u>	<u>\$ 11,090</u>

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

The Group invested NT\$49,000 thousand (US\$1,746 thousand) and RMB9,000 thousand (US\$1,412 thousand) in Unicomm Interconnections Technology Co., Ltd and KQ (Suzhou) Emerging Industry Venture Equity Investment Fund in March 2022, respectively.

The Group invested NT\$11,795 thousand (US\$397 thousand) in April 2022 and NT\$1,095 thousand (US\$36 thousand) in November 2022 in ACHI CAPITAL PARTNERS FUND L.P., respectively.

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
<u>NT\$</u>		
Time deposits with original maturities of more than 3 months	\$ 1,842,600	\$ 4,373,440
Floating-rate notes	<u>61,420</u>	<u>-</u>
	<u>\$ 1,904,020</u>	<u>\$ 4,373,440</u>
<u>US\$</u>		
Time deposits with original maturities of more than 3 months	\$ 60,000	\$ 158,000
Floating-rate notes	<u>2,000</u>	<u>-</u>
	<u>\$ 62,000</u>	<u>\$ 158,000</u>
<u>Non-current</u>		
<u>NT\$</u>		
Floating-rate notes	<u>\$ -</u>	<u>\$ 27,680</u>
<u>US\$</u>		
Floating-rate notes	<u>\$ -</u>	<u>\$ 1,000</u>

The market rate intervals of time deposits with original maturities of more than 3 months and floating-rate note at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Time deposits with original maturities of more than 3 months	0.70%-4.35%	0.25%-0.30%
Floating-rate note	0.52%-4.00%	0.52%-3.50%

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 FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at FVTOCI and as at amortized cost were as follows:

December 31, 2022

	<u>At FVTOCI</u>		<u>At Amortized Cost</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
Gross carrying amount	\$ 349,677	\$ 11,386	\$ 1,904,020	\$ 62,000
Less: Allowance for impairment loss	<u>(69,958)</u>	<u>(2,278)</u>	<u>-</u>	<u>-</u>
Amortized cost	279,719	9,108	<u>\$ 1,904,020</u>	<u>\$ 62,000</u>
Adjustment to fair value	<u>(6,733)</u>	<u>(219)</u>		
	<u>\$ 272,986</u>	<u>\$ 8,889</u>		

December 31, 2021

	<u>At FVTOCI</u>		<u>At Amortized Cost</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
Gross carrying amount	\$ 320,819	\$ 11,590	\$ 4,401,120	\$ 159,000
Less: Allowance for impairment loss	<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>
Adjustment to fair value	<u>10,584</u>	<u>382</u>		
	<u>\$ 267,866</u>	<u>\$ 9,677</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:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Losses (ECLs)</u>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows i.e., the Moody's rating is above Level B	12m ECLs
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 ECLs - not credit impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

December 31, 2022

Category	Expected Loss Rate	Total Carrying Amount			
		At FVTOCI		At Amortized Cost	
		NT\$	US\$	NT\$	US\$
Performing	0%-0.64%	\$ 280,185	\$ 9,123	\$ 1,904,020	\$ 62,000
Doubtful	-	-	-	-	-
In default	100%	69,492	2,263	-	-
Write-off	-	-	-	-	-

December 31, 2021

Category	Expected Loss Rate	Total Carrying Amount			
		At FVTOCI		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	-	-	-	-	-

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 at January 1, 2022	\$ 901	\$ -	\$ 62,636
Transfers			
From doubtful to performing			
Derecognition	95	-	-
Change in model or risk parameters	(451)	-	-
Change in exchange rates or others	(161)	-	-
	<u>82</u>	<u>-</u>	<u>6,856</u>
Balance at December 31, 2022	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ 69,492</u>
Balance at January 1, 2021	\$ 1,277	\$ 345	\$ 64,446
Transfers			
From doubtful to performing	116	(340)	-
Derecognition	71	-	-
Change in model or risk parameters	(140)	-	-
Change in exchange rates or others	(386)	-	-
	<u>(37)</u>	<u>(5)</u>	<u>(1,810)</u>
Balance at December 31, 2021	<u>\$ 901</u>	<u>\$ -</u>	<u>\$ 62,636</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit Impaired)	In default (Lifetime ECLs - Credit Impaired)
<u>US\$</u>			
Balance at January 1, 2022	\$ 32	\$ -	\$ 2,263
Transfers			
From doubtful to performing	-	-	-
Derecognition	4	-	-
Change in model or risk parameters	(16)	-	-
Change in exchange rates or others	<u>(5)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 2,263</u>
Balance at January 1, 2021	\$ 45	\$ 12	\$ 2,263
Transfers			
From doubtful to performing	4	(12)	-
Derecognition	3	-	-
Change in model or risk parameters	(5)	-	-
Change in exchange rates or others	<u>(15)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 2,263</u>

10. TRADE RECEIVABLES

	December 31	
	2022	2021
<u>NT\$</u>		
At amortized cost		
Gross carrying amount	\$ 1,525,919	\$ 1,008,364
Less: Allowance for impairment loss	<u>(113,163)</u>	<u>(38,617)</u>
	<u>\$ 1,412,756</u>	<u>\$ 969,747</u>
<u>US\$</u>		
At amortized cost		
Gross carrying amount	\$ 49,688	\$ 36,429
Less: Allowance for impairment loss	<u>(3,685)</u>	<u>(1,395)</u>
	<u>\$ 46,003</u>	<u>\$ 35,034</u>

The average credit period is 30-90 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 loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. 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.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, 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 of trade receivables:

	December 31	
	2022	2021
<u>NT\$</u>		
Past due		
Past due within 60 days	\$ 668,320	\$ 861,338
Past due 61-120 days	44,535	109,935
Past due over 121 days	<u>813,064</u>	<u>37,091</u>
	<u>\$ 1,525,919</u>	<u>\$ 1,008,364</u>

US\$

Past due		
Past due within 60 days	\$ 21,762	\$ 31,118
Past due 61-120 days	1,450	3,972
Past due over 121 days	<u>26,476</u>	<u>1,339</u>
	<u>\$ 49,688</u>	<u>\$ 36,429</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2022	2021
<u>NT\$</u>		
Balance at January 1	\$ 38,617	\$ 39,831
Add: Net remeasurement of loss allowance	108,185	5,764
Less: Amounts written off	(39,939)	(5,860)
Foreign exchange gains and losses	<u>6,300</u>	<u>(1,118)</u>
Balance at December 31	<u>\$ 113,163</u>	<u>\$ 38,617</u>
<u>US\$</u>		
Balance at January 1	\$ 1,395	\$ 1,398
Add: Net remeasurement of loss allowance	3,630	206
Less: Amounts written off	<u>(1,340)</u>	<u>(209)</u>
Balance at December 31	<u>\$ 3,685</u>	<u>\$ 1,395</u>

11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>NT\$</u>		
Finished goods	\$ 99,872	\$ 58,778
Work in progress	2,447,486	583,988
Raw materials	<u>6,577,198</u>	<u>414,710</u>
	<u>\$ 9,124,556</u>	<u>\$ 1,057,476</u>
<u>US\$</u>		
Finished goods	\$ 3,252	\$ 2,124
Work in progress	79,697	21,098
Raw materials	<u>214,171</u>	<u>14,982</u>
	<u>\$ 297,120</u>	<u>\$ 38,204</u>

The cost of integrated circuit recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were NT\$7,717,956 thousand (US\$258,948 thousand) and NT\$5,270,175 thousand (US\$188,179 thousand), respectively.

12. SUBSIDIARIES

* Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership (%)</u>		Remark
			<u>2022</u>	<u>2021</u>	
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	
	Alchip Technologies, Inc. (registered in Taiwan) (referred to as "Alchip TW")	Sales of ASIC and SOC.	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, design, and sales 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, design, and sales of ASIC and SOC and rendering of related services.	100	100	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
	Alchip Technologies (Jinan) (registered in China) (referred to as “Alchip Jinan”)	Research and development, design, and sales 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	
Alchip Guangzhou	Xi Yun Technologies (Shanghai) (registered in China) (referred to as “Alchip Xi Yun”)	Software development, design and service, and sales of ASIC and SOC and rendering of related services.	87	-	Note 1
Alchip Shanghai	Alchip Technologies (Chongqing) (registered in China) (referred to as “Alchip Chongqing”)	Research and development, design, and sales of ASIC and SOC and rendering of related services.	100	-	Note 2

(Concluded)

Note 1: Alchip Xi Yun was established in October 2021 and invested in capital and operated in January 2022. The Group did not participate in the company’s capital increase in October 2022, causing the ownership to drop from 100% to 87%.

Note 2: Alchip Chongqing was established in December 2021 and invested in capital and operated in April 2022.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Transportation Equipment	Total
<u>NT\$</u>						
<u>Cost</u>						
Balance at January 1, 2021	\$ 3,797,174	\$ 254,724	\$ 17,552	\$ 39,694	\$ 6,467	\$ 4,115,611
Additions	1,095,229	11,523	2,278	3,038	-	1,112,068
Disposals	-	(3,230)	(308)	-	-	(3,538)
Effects of foreign currency exchange differences	(119,530)	(8,086)	(999)	(1,151)	(181)	(129,947)
Balance at December 31, 2021	<u>\$ 4,772,873</u>	<u>\$ 254,931</u>	<u>\$ 18,523</u>	<u>\$ 41,581</u>	<u>\$ 6,286</u>	<u>\$ 5,094,194</u>
<u>Accumulated depreciation</u>						
Balance at 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
Effects of foreign currency exchange differences	99,572	4,405	625	971	133	105,706
Balance at December 31, 2021	<u>\$ (4,009,253)</u>	<u>\$ (145,244)</u>	<u>\$ (13,683)</u>	<u>\$ (36,634)</u>	<u>\$ (5,046)</u>	<u>\$ (4,209,860)</u>
Carrying amount at December 31, 2021	<u>\$ 763,620</u>	<u>\$ 109,687</u>	<u>\$ 4,840</u>	<u>\$ 4,947</u>	<u>\$ 1,240</u>	<u>\$ 884,334</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 4,772,873	\$ 254,931	\$ 18,523	\$ 41,581	\$ 6,286	\$ 5,094,194
Additions	1,399,019	30,632	6,510	7,937	-	1,444,098
Disposals	(121,401)	(10,718)	(138)	-	-	(132,257)
Effects of foreign currency exchange differences	561,260	27,603	1,606	4,792	688	595,949
Balance at December 31, 2022	<u>\$ 6,611,751</u>	<u>\$ 302,448</u>	<u>\$ 26,501</u>	<u>\$ 54,310</u>	<u>\$ 6,974</u>	<u>\$ 7,001,984</u>

(Continued)

	Machinery Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Transportation Equipment	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ (4,009,253)	\$ (145,244)	\$ (13,683)	\$ (36,634)	\$ (5,046)	\$ (4,209,860)
Depreciation expenses	(1,654,634)	(42,807)	(2,439)	(5,857)	(658)	(1,706,395)
Disposals	121,401	10,686	84	-	-	132,171
Effects of foreign currency exchange differences	<u>(485,429)</u>	<u>(15,991)</u>	<u>(1,235)</u>	<u>(4,188)</u>	<u>(573)</u>	<u>(507,416)</u>
Balance at December 31, 2022	<u>\$ (6,027,915)</u>	<u>\$ (193,356)</u>	<u>\$ (17,273)</u>	<u>\$ (46,679)</u>	<u>\$ (6,277)</u>	<u>\$ (6,291,500)</u>
Carrying amount at December 31, 2022	<u>\$ 583,836</u>	<u>\$ 109,092</u>	<u>\$ 9,228</u>	<u>\$ 7,631</u>	<u>\$ 697</u>	<u>\$ 710,484</u>
<u>US\$</u>						
<u>Cost</u>						
Balance at January 1, 2021	\$ 133,328	\$ 8,944	\$ 616	\$ 1,394	\$ 227	\$ 144,509
Additions	39,104	411	81	108	-	39,704
Disposals	-	(116)	(11)	-	-	(127)
Effects of foreign currency exchange differences	<u>-</u>	<u>(32)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(49)</u>
Balance at 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 at 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
Effects of foreign currency exchange differences	<u>(1)</u>	<u>29</u>	<u>10</u>	<u>1</u>	<u>-</u>	<u>39</u>
Balance at 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 amount 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>
<u>Cost</u>						
Balance at January 1, 2022	\$ 172,432	\$ 9,207	\$ 669	\$ 1,502	\$ 227	\$ 184,037
Additions	46,937	1,031	218	266	-	48,452
Disposals	(4,073)	(360)	(5)	-	-	(4,438)
Effects of foreign currency exchange differences	<u>-</u>	<u>(30)</u>	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>(49)</u>
Balance at December 31, 2022	<u>\$ 215,296</u>	<u>\$ 9,848</u>	<u>\$ 863</u>	<u>\$ 1,768</u>	<u>\$ 227</u>	<u>\$ 228,002</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ (144,843)	\$ (5,247)	\$ (494)	\$ (1,323)	\$ (182)	\$ (152,089)
Depreciation expenses	(55,515)	(1,436)	(82)	(197)	(22)	(57,252)
Disposals	4,073	359	3	-	-	4,435
Effects of foreign currency exchange differences	<u>-</u>	<u>28</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>39</u>
Balance at December 31, 2022	<u>\$ (196,285)</u>	<u>\$ (6,296)</u>	<u>\$ (562)</u>	<u>\$ (1,520)</u>	<u>\$ (204)</u>	<u>\$ (204,867)</u>
Carrying amount at December 31, 2022	<u>\$ 19,011</u>	<u>\$ 3,552</u>	<u>\$ 301</u>	<u>\$ 248</u>	<u>\$ 23</u>	<u>\$ 23,135</u>

(Concluded)

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

Machinery equipment	1-5 years
Computer equipment	3-5 years
Office equipment	1-5 years
Leasehold improvements	1-5 years
Transportation equipment	5 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31			
	2022		2021	
	NT\$	US\$	NT\$	US\$
<u>Carrying amount</u>				
Buildings	<u>\$ 125,511</u>	<u>\$ 4,087</u>	<u>\$ 81,093</u>	<u>\$ 2,930</u>
	For the Year Ended December 31			
	2022		2021	
	NT\$	US\$	NT\$	US\$
Additions to right-of-use assets	<u>\$ 92,269</u>	<u>\$ 3,151</u>	<u>\$ 25,421</u>	<u>\$ 908</u>
Depreciation charge for right-of-use assets				
Buildings	<u>\$ 54,076</u>	<u>\$ 1,814</u>	<u>\$ 45,602</u>	<u>\$ 1,628</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	2022		2021	
	NT\$	US\$	NT\$	US\$
	<u>Carrying amounts</u>			
Current	<u>\$ 51,275</u>	<u>\$ 1,670</u>	<u>\$ 35,912</u>	<u>\$ 1,297</u>
Non-current	<u>\$ 70,326</u>	<u>\$ 2,290</u>	<u>\$ 50,339</u>	<u>\$ 1,819</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	0.98%-5.50%	0.98%-5.50%

c. Material leasing activities and terms

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

d. Other lease information

	December 31			
	2022		2021	
	NT\$	US\$	NT\$	US\$
Expenses relating to short-term leases	<u>\$ 10,166</u>	<u>\$ 342</u>	<u>\$ 8,888</u>	<u>\$ 317</u>
Expenses relating to low-value asset leases	<u>\$ 28</u>	<u>\$ 1</u>	<u>\$ 33</u>	<u>\$ 1</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 12,474</u>	<u>\$ 419</u>	<u>\$ 13,437</u>	<u>\$ 480</u>
Total cash outflow for leases	<u>\$ (80,927)</u>	<u>\$ (2,716)</u>	<u>\$ (75,545)</u>	<u>\$ (2,697)</u>

15. INTANGIBLE ASSETS

NT\$	Silicon Intellectual Property (SIP)	Software Cost	Total
<u>Cost</u>			
Balance at 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 at December 31, 2021	<u>\$ 1,845,710</u>	<u>\$ 22,072</u>	<u>\$ 1,867,782</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ (1,394,937)	\$ (16,473)	\$ (1,411,410)
Amortization expenses	(465,236)	(3,060)	(468,296)
Disposals	-	-	-
Effect of foreign currency exchange differences	<u>49,313</u>	<u>498</u>	<u>49,811</u>
Balance at December 31, 2021	<u>\$ (1,810,860)</u>	<u>\$ (19,035)</u>	<u>\$ (1,829,895)</u>
Carrying amount at December 31, 2021	<u>\$ 34,850</u>	<u>\$ 3,037</u>	<u>\$ 37,887</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 1,845,710	\$ 22,072	\$ 1,867,782
Additions	344,758	534	345,292
Disposals	(20,651)	-	(20,651)
Effect of foreign currency exchange differences	<u>200,456</u>	<u>2,433</u>	<u>202,889</u>
Balance at December 31, 2022	<u>\$ 2,370,273</u>	<u>\$ 25,039</u>	<u>\$ 2,395,312</u>

(Continued)

NT\$	Silicon Intellectual Property (SIP)	Software Cost	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ (1,810,860)	\$ (19,035)	\$ (1,829,895)
Amortization expenses	(295,093)	(2,745)	(297,838)
Disposals	20,651	-	20,651
Effect of foreign currency exchange differences	<u>(196,607)</u>	<u>(2,167)</u>	<u>(198,774)</u>
Balance at December 31, 2022	<u>\$ (2,281,909)</u>	<u>\$ (23,947)</u>	<u>\$ (2,305,856)</u>
Carrying amount at December 31, 2022	<u>\$ 88,364</u>	<u>\$ 1,092</u>	<u>\$ 89,456</u> (Concluded)

US\$	Silicon Intellectual Property (SIP)	Software Cost	Total
<u>Cost</u>			
Balance at 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 at December 31, 2021	<u>\$ 66,680</u>	<u>\$ 797</u>	<u>\$ 67,477</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ (48,980)	\$ (578)	\$ (49,558)
Amortization expenses	(16,610)	(109)	(16,719)
Disposals	-	-	-
Effect of foreign currency exchange differences	<u>169</u>	<u>-</u>	<u>169</u>
Balance at December 31, 2021	<u>\$ (65,421)</u>	<u>\$ (687)</u>	<u>\$ (66,108)</u>
Carrying amount at December 31, 2021	<u>\$ 1,259</u>	<u>\$ 110</u>	<u>\$ 1,369</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 66,680	\$ 797	\$ 67,477
Additions	11,567	18	11,585
Disposals	(693)	-	(693)
Effect of foreign currency exchange differences	<u>(372)</u>	<u>-</u>	<u>(372)</u>
Balance at December 31, 2022	<u>\$ 77,182</u>	<u>\$ 815</u>	<u>\$ 77,997</u> (Continued)

US\$	Silicon Intellectual Property (SIP)	Software Cost	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ (65,421)	\$ (687)	\$ (66,108)
Amortization expenses	(9,900)	(93)	(9,993)
Disposals	693	-	693
Effect of foreign currency exchange differences	<u>324</u>	<u>-</u>	<u>324</u>
Balance at December 31, 2022	<u>\$ (74,305)</u>	<u>\$ (779)</u>	<u>\$ (75,084)</u>
Carrying amount at December 31, 2022	<u>\$ 2,877</u>	<u>\$ 36</u>	<u>\$ 2,913</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 years
Software cost	3 years

16. PREPAYMENTS

	<u>December 31</u>	
	2022	2021
<u>NT\$</u>		
Prepayments for raw materials	\$ 466,559	\$ 942,034
Prepayment for SIP	98,430	110,869
Prepayment for Electronic Design Automation (EDA) tools	99,336	83,491
Other	<u>27,141</u>	<u>16,142</u>
	<u>\$ 691,466</u>	<u>\$ 1,152,536</u>
<u>US\$</u>		
Prepayments for raw materials	\$ 15,192	\$ 34,033
Prepayment for SIP	3,206	4,006
Prepayment for Electronic Design Automation (EDA) tools	3,235	3,016
Other	<u>883</u>	<u>583</u>
	<u>\$ 22,516</u>	<u>\$ 41,638</u>

17. OTHER PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>NT\$</u>		
Payables for salaries or bonuses	\$ 461,848	\$ 436,611
Payables for purchases of equipment	244,189	4,464
Payable for SIP	101,666	105,772
Payable for technical services	40,454	9,311
Payable for sales tax	11,769	8,887
Payable for professional services	10,475	4,980
Other	<u>27,540</u>	<u>22,119</u>
	<u>\$ 897,941</u>	<u>\$ 592,144</u>
<u>US\$</u>		
Payables for salaries or bonuses	\$ 15,039	\$ 15,774
Payables for purchases of equipment	7,951	161
Payable for SIP	3,311	3,821
Payable for technical services	1,317	336
Payable for sales tax	383	321
Payable for professional services	341	180
Other	<u>897</u>	<u>799</u>
	<u>\$ 29,239</u>	<u>\$ 21,392</u>

18. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Shares authorized (in thousands of shares)	<u>100,000</u>	<u>100,000</u>
Shares authorized (in thousands of NT\$)	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>71,928</u>	<u>70,688</u>
Shares issued and fully paid (in thousands of NT\$)	<u>\$ 719,280</u>	<u>\$ 706,876</u>
Shares issued and fully paid (in thousands of US\$)	<u>\$ 23,043</u>	<u>\$ 22,620</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 options.

Issuance of GDR

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. Each GDR represents one common share of the Company with offering price of NT\$720 (US\$25.73) per unit which increased the share capital by NT\$696,285 (US\$22,227) thousand. On January 13, 2021, the above transaction was approved by the FSC. This GDR was listed in Luxembourg Exchange on January 20, 2021.

b. Retained earnings and dividends 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 appropriations of earnings for 2021 and 2020 were as follows:

	2021			
	Appropriation of Earnings (In Thousand)		Dividends Per Share (In Dollar)	
	US\$	NT\$	US\$	NT\$
Cash dividends	<u>\$ 26,772</u>	<u>\$ 790,324</u>	\$ 0.377	\$ 11.14
Special reserve	<u>\$ 5,236</u>	<u>\$ 145,965</u>		
	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
Special reserve	<u>\$ 4,749</u>	<u>\$ 134,264</u>		

The appropriations of earnings for 2022 had been proposed by the Board of Directors on March 15, 2023. The appropriations and dividends per share were as follows:

	2022			
	Appropriation of Earnings (In Thousand)		Dividends Per Share (In Dollar)	
	US\$	NT\$	US\$	NT\$
Cash dividends	<u>\$ 30,269</u>	<u>\$ 922,593</u>	\$ 0.420	\$ 12.86

The appropriations of earnings for 2022 are to be resolved in the meeting of the shareholders which is expected to be held on June 9, 2023.

c. Special reserve

Items referred to under Rule No. 1010012865 and No. 1010047490, issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The increase in retained earnings that resulted from the first-time adoptions of IFRSs was NT\$63,380 thousand (US\$3,221 thousand). Special reserve from cumulative translation adjustments at the first-time adoptions of IFRSs was NT\$67,693 thousand (US\$2,799 thousand). For the years ended 2022 and 2021, based on the foregoing Rule, the Group recognized NT\$145,965 thousand (US\$5,236 thousand) and NT\$134,264 thousand (US\$4,749 thousand) as a special reserve due to the subtraction of other equity, respectively.

d. Treasury shares

In order to maintain the Company's credit and shareholders' rights and interest, the Board of Directors resolved on May 10, 2021 to repurchase ordinary shares.

The Company repurchased 422 thousand shares, at a total amount of NT\$206,489 thousand (US\$7,410 thousand). 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.

According to the Company's employee share option plan approved in May of 2022, 50% of the employee share option becomes vested after two years from the grant date, and 1/48th becomes vested each month for the subsequent years. The remaining terms are the same as those stipulated in the previous employee stock option plans.

The board of directors made a resolution on August 26, 2022 to revise the vesting condition of all outstanding employee share option plans (from 2015 to 2021). The newly revised vesting condition provides that 50% of the employee share option becomes vested after two years from the grant date, and 1/48th becomes vested each month for the subsequent years. Due to the change of the vesting condition, additional compensation cost recognized on the date of contract modification was NT\$43,005 thousand (US\$1,468 thousand).

Information on employee share options was as follows:

	For the Year Ended December 31			
	2022		2021	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (NT\$)
Balance at January 1	6,082,988	\$ 297	6,410,760	\$ 185
Options granted	700,000	881	1,500,000	601
Options exercised	(1,240,410)	105	(1,481,141)	67
Options expired	<u>(336,073)</u>	<u>549</u>	<u>(346,631)</u>	<u>437</u>
Balance at December 31	<u>5,206,505</u>	401	<u>6,082,988</u>	297
Options exercisable, end of the year	<u>2,503,045</u>	183	<u>1,980,063</u>	80
Weighted-average fair value of options granted (NT\$)	<u>\$ 514</u>		<u>\$ 331</u>	

The weighted-average share prices on the exercise date of the share options for the years ended December 31, 2022 and 2021 were \$857 and \$795, respectively.

Information on outstanding options was as follows:

December 31			
2022		2021	
Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)	Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In Years)
\$24.6	3.87	\$24.6	4.87
36.6	3.18	36.6	4.18
40.4	4.19	40.4	5.19
55.6	2.32	55.6	3.32
73.2	6.39	73.2	7.39
73.9	6.22	73.9	7.22
75.5	4.93	75.5	5.93
81.8	4.91	81.8	5.91
86.0	5.73	86.0	6.73
93.8	5.11	93.8	6.11
94.1	6.61	94.1	7.61
96.1	5.02	96.1	6.02
115.8	5.25	115.8	6.25
119.6	5.61	119.6	6.61
121.6	5.30	121.6	6.30
182.5	6.86	182.5	7.86
202.6	6.90	202.6	7.90
204.6	7.14	204.6	8.14
264.6	7.33	264.6	8.33
326.6	7.46	331.2	8.46
405.7	8.38	579.4	8.59
564.1	7.96	572.0	8.96
571.4	7.59	820.8	9.19
571.5	8.64	411.4	9.38
809.5	8.19	579.5	9.64
969.4	9.19	1,030.0	9.83
1,015.8	8.83		
969.4	9.19		
873.8	9.33		
816.6	9.66		
843.0	9.88		

Options granted in 2022 and 2021 were priced by Black-Scholes pricing model and the inputs to the model on each grant-date were as follows:

	November 15, 2022	August 26, 2022	April 29, 2022	March 9, 2022
Grant-date share price (NT\$)	843	828	886	983
Exercise price (NT\$)	843	828	886	983
Expected volatility	61.59%-63.71%	61.19%-62.91%	60.66%-62.18%	60.13%-61.6%
Expected life (in years)	6-7 years	6-7 years	6-7 years	6-7 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.46%-1.53%	1.11%-1.15%	1.10%-1.15%	0.66%-0.68%

	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 (in years)	6-7 years	6-7 years	6-7 years	6-7 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	0.47%-0.50%	0.34%-0.37%	0.32%-0.35%	0.40%-0.45%

Compensation costs recognized were NT\$381,948 thousand (US\$12,815 thousand) and NT\$244,308 thousand (US\$8,722 thousand) for the years ended December 31, 2022 and 2021, respectively.

20. REVENUE

a. Contract information

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment. For the years ended December 31, 2022 and 2021, the Company recognized revenue of NT\$1,076,791 thousand (US\$36,128 thousand) and NT\$3,867,085 thousand (US\$138,066 thousand), respectively, from the beginning balance of contract liability.

b. Disaggregation of revenue from contracts with customers

	2022		2021	
	NT\$	US\$	NT\$	US\$
<u>Production</u>				
ASIC and wafer product	\$ 13,437,902	\$ 450,861	\$ 10,241,686	\$ 365,657
NRE	230,084	7,720	176,002	6,284
Others	<u>57,218</u>	<u>1,919</u>	<u>10,588</u>	<u>378</u>
	<u>\$ 13,725,204</u>	<u>\$ 460,500</u>	<u>\$ 10,428,276</u>	<u>\$ 372,319</u>
<u>Geography</u>				
United States	\$ 5,384,959	\$ 180,673	\$ 1,421,935	\$ 50,767
China	3,763,293	126,264	7,455,270	266,175
Japan	1,872,096	62,811	914,507	32,650
Taiwan	1,413,395	47,421	308,092	11,000
Europe	1,288,426	43,229	328,472	11,727
Other	<u>3,035</u>	<u>102</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,725,204</u>	<u>\$ 460,500</u>	<u>\$ 10,428,276</u>	<u>\$ 372,319</u>

(Continued)

	2022		2021	
	NT\$	US\$	NT\$	US\$
<u>Application type</u>				
High performance computing	\$ 11,238,131	\$ 377,055	\$ 8,814,309	\$ 314,696
Niche market	1,013,842	34,016	691,219	24,678
Consumer	781,928	26,235	446,399	15,938
Communication	<u>691,303</u>	<u>23,194</u>	<u>476,349</u>	<u>17,007</u>
	<u>\$ 13,725,204</u>	<u>\$ 460,500</u>	<u>\$ 10,428,276</u>	<u>\$ 372,319</u>
<u>Resolution</u>				
6-nanometer and below	\$ 2,091,417	\$ 70,170	\$ 117,049	\$ 4,179
7-nanometer	7,215,105	242,077	6,130,693	218,883
12-nanometer	1,529,444	51,315	935,696	33,407
16-nanometer	1,163,855	39,049	2,030,820	72,506
22-nanometer	159,606	5,355	52,628	1,879
28-nanometer	1,050,030	35,230	519,594	18,551
40-nanometer and above	<u>515,747</u>	<u>17,304</u>	<u>641,796</u>	<u>22,914</u>
	<u>\$ 13,725,204</u>	<u>\$ 460,500</u>	<u>\$ 10,428,276</u>	<u>\$ 372,319</u>

(Concluded)

21. NET PROFIT

Net profit included the following items:

a. Interest income

	For the Year Ended December 31	
	2022	2021
<u>NT\$</u>		
Bank deposits	\$ 62,411	\$ 11,304
Investments in debt instruments at FVTOCI	9,896	10,874
Financial assets at amortized cost	14,807	13,185
Others	<u>458</u>	<u>472</u>
	<u>\$ 87,572</u>	<u>\$ 35,835</u>
<u>US\$</u>		
Bank deposits	\$ 2,094	\$ 404
Investments in debt instruments at FVTOCI	332	388
Financial assets at amortized cost	497	471
Others	<u>15</u>	<u>16</u>
	<u>\$ 2,938</u>	<u>\$ 1,279</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2022	2021
<u>NT\$</u>		
Net foreign exchange (losses) gains	\$ (65,303)	\$ 14,600
Gain on disposal of financial assets		
Investments in debt instruments at FVTOCI	451	509
Loss on disposal of property, plant and equipment	(81)	(213)
Others	<u>(334)</u>	<u>(214)</u>
	<u>\$ (65,267)</u>	<u>\$ 14,682</u>
<u>US\$</u>		
Net foreign exchange (losses) gains	\$ (2,191)	\$ 522
Gain on disposal of financial assets		
Investments in debt instruments at FVTOCI	15	18
Loss on disposal of property, plant and equipment	(3)	(8)
Others	<u>(11)</u>	<u>(8)</u>
	<u>\$ (2,190)</u>	<u>\$ 524</u>

c. Finance costs

	2022	2021
<u>NT\$</u>		
Interest on lease liabilities	<u>\$ 2,868</u>	<u>\$ 2,590</u>
<u>US\$</u>		
Interest on lease liabilities	<u>\$ 96</u>	<u>\$ 92</u>

d. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2022	2021
<u>NT\$</u>		
Property, plant and equipment	\$ 1,706,395	\$ 1,017,822
Right-of-use assets	54,076	45,602
Intangible assets	<u>297,838</u>	<u>468,296</u>
	<u>\$ 2,058,309</u>	<u>\$ 1,531,720</u>
An analysis of depreciation by function		
Operating costs	\$ 1,647,931	\$ 968,405
Operating expenses	<u>112,540</u>	<u>95,019</u>
	<u>\$ 1,760,471</u>	<u>\$ 1,063,424</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
An analysis of amortization by function		
Operating costs	\$ 295,147	\$ 465,309
Operating expenses	<u>2,691</u>	<u>2,987</u>
	<u>\$ 297,838</u>	<u>\$ 468,296</u>
<u>US\$</u>		
Property, plant and equipment	\$ 57,252	\$ 36,339
Right-of-use assets	1,814	1,628
Intangible assets	<u>9,993</u>	<u>16,719</u>
	<u>\$ 69,059</u>	<u>\$ 54,686</u>
An analysis of depreciation by function		
Operating costs	\$ 55,291	\$ 34,574
Operating expenses	<u>3,775</u>	<u>3,393</u>
	<u>\$ 59,066</u>	<u>\$ 37,967</u>
An analysis of amortization by function		
Operating costs	\$ 9,903	\$ 16,612
Operating expenses	<u>90</u>	<u>107</u>
	<u>\$ 9,993</u>	<u>\$ 16,719</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
<u>NT\$</u>		
Post-employment benefits		
Defined contribution plan	\$ 60,796	\$ 51,832
Share-based payments (Note 19)	381,948	244,308
Other employee benefits	<u>1,196,238</u>	<u>1,081,137</u>
	<u>\$ 1,638,982</u>	<u>\$ 1,377,277</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 12,814	\$ 11,804
Operating expenses	<u>1,626,168</u>	<u>1,365,473</u>
	<u>\$ 1,638,982</u>	<u>\$ 1,377,277</u>
		(Continued)

For the Year Ended December 31

US\$

	2022	2021
Post-employment benefits		
Defined contribution plan	\$ 2,040	\$ 1,851
Share-based payments (Note 19)	12,815	8,722
Other employee benefits	<u>40,136</u>	<u>38,600</u>
	<u>\$ 54,991</u>	<u>\$ 49,173</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 430	\$ 421
Operating expenses	<u>54,561</u>	<u>48,752</u>
	<u>\$ 54,991</u>	<u>\$ 49,173</u>

(Concluded)

f. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 2%, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for 2022 and 2021 were as follows:

	2022	
	US\$	NT\$
Compensation of employees	\$ 5,446	\$ 162,310
Remuneration of directors	<u>1,037</u>	<u>30,916</u>
	<u>\$ 6,483</u>	<u>\$ 193,226</u>
	2021	
	US\$	NT\$
Compensation of employees	\$ 6,339	\$ 177,552
Remuneration of directors	<u>1,119</u>	<u>31,333</u>
	<u>\$ 7,458</u>	<u>\$ 208,885</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.

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

22. INCOME TAX

a. Income tax recognized in profit or loss consisted of the following:

	2022		2021	
	US\$	NT\$	US\$	NT\$
Current tax				
In respect of the current year	\$ 17,447	\$ 520,024	\$ 16,046	\$ 449,442
Adjustments for prior year	<u>(380)</u>	<u>(11,333)</u>	<u>(170)</u>	<u>(4,732)</u>
	<u>17,067</u>	<u>508,691</u>	<u>15,876</u>	<u>444,710</u>
Deferred tax				
In respect of the current year	1,380	41,136	(1,178)	(33,003)
Adjustments for prior year	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(365)</u>
	<u>\$ 1,380</u>	<u>\$ 41,136</u>	<u>\$ (1,190)</u>	<u>\$ 33,368</u>
Income tax expense recognized in profit or loss	<u>\$ 18,447</u>	<u>\$ 549,827</u>	<u>\$ 14,686</u>	<u>\$ 411,342</u>

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

	2022		2021	
	US\$	NT\$	US\$	NT\$
Profit before tax	<u>\$ 79,956</u>	<u>\$ 2,383,120</u>	<u>\$ 67,873</u>	<u>\$ 1,901,065</u>
Income tax expense calculated at the statutory rate	\$ 17,264	\$ 514,573	\$ 13,789	\$ 386,224
Permanent differences	1,408	41,952	(571)	(15,996)
Unrecognized loss carryforwards and deductible temporary differences	155	4,635	1,650	46,211
Adjustments to current income tax of prior years	<u>(380)</u>	<u>(11,333)</u>	<u>(182)</u>	<u>(5,097)</u>
Income tax expense recognized in profit or loss	<u>\$ 18,447</u>	<u>\$ 549,827</u>	<u>\$ 14,686</u>	<u>\$ 411,342</u>

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, Alchip Wuxi and Alchip Jinan were entitled to a preferential tax rate for China's key integrated circuit design enterprises of 10% in 2022. Alchip Xi Yun is qualified as a software enterprise in China, so is entitled to tax exemption for 2022 and 2023. Other China subsidiaries were entitled to the first two years and a half reduction of 12.5% in 2022. The applicable tax rate used by the Group's subsidiary located in Japan was approximately 37%.

b. Income tax recognized directly in equity

	2022		2021	
	US\$	NT\$	US\$	NT\$
Current tax				
Disposal of investments in equity instruments designated as at FVTOCI	\$ -	\$ -	\$ 302	\$ 8,447
Total income tax recognized directly in equity	\$ -	\$ -	\$ 302	\$ 8,447

c. Income tax recognized in other comprehensive income

	2022		2021	
	US\$	NT\$	US\$	NT\$
Deferred tax				
In respect of the current year				
Fair value changes of financial assets at FVTOCI	\$ 131	\$ 3,924	\$ -	\$ -
Total income tax recognized in other comprehensive income	\$ 131	\$ 3,924	\$ -	\$ -

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

NT\$

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Write-down of inventory	\$ 37,434	\$(34,233)	\$ -	\$ 3,058	\$ 6,259
Allowance for doubtful accounts	-	19,110	-	580	19,690
Intangible assets	29,516	(5,949)	-	393	23,960
Unrealized exchange losses	917	(988)	-	71	-
	67,867	(22,060)	-	4,102	49,909
Loss carryforward	-	11,645	-	353	11,998
	\$ 67,867	\$(10,415)	\$ -	\$ 4,455	\$ 61,907

Deferred Tax Liability	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Financial assets at FVTOCI	\$ -	\$ -	\$ 3,924	\$ 119	\$ 4,043
Unrealized exchange gains	<u>-</u>	<u>30,721</u>	<u>-</u>	<u>932</u>	<u>31,653</u>
	<u>\$ -</u>	<u>\$ 30,721</u>	<u>\$ 3,924</u>	<u>\$ 1,051</u>	<u>\$ 35,696</u>

US\$

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Write-down of inventory	\$ 1,352	\$ (1,148)	\$ -	\$ -	\$ 204
Allowance for doubtful accounts	-	641	-	-	641
Intangible assets	1,066	(199)	-	(87)	780
Unrealized exchange loss	<u>34</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,452	(740)	-	(87)	1,625
Loss carryforward	<u>-</u>	<u>391</u>	<u>-</u>	<u>-</u>	<u>391</u>
	<u>\$ 2,452</u>	<u>\$ (349)</u>	<u>\$ -</u>	<u>\$ (87)</u>	<u>\$ 2,016</u>

Deferred Tax Liability	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Financial assets at FVTOCI	\$ -	\$ -	\$ 131	\$ -	\$ 131
Unrealized exchange gains	<u>-</u>	<u>1,031</u>	<u>-</u>	<u>-</u>	<u>1,031</u>
	<u>\$ -</u>	<u>\$ 1,031</u>	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 1,162</u>

For the year ended December 31, 2021

NT\$

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Write-down of 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
Loss carryforward	<u>7,914</u>	<u>(7,785)</u>	-	<u>(129)</u>	-
	<u>\$ 37,290</u>	<u>\$ 32,605</u>	<u>\$ -</u>	<u>\$ (2,028)</u>	<u>\$ 67,867</u>

Deferred Tax Liability	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Intangible assets	<u>\$ 776</u>	<u>\$ (763)</u>	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ -</u>

US\$

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

Deferred Tax Liability	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Intangible assets	<u>\$ 27</u>	<u>\$ (27)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c. Income tax assessments

Tax returns of Alchip Technologies Inc. and Alchip Taiwan Branch through 2020 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

	2022		2021	
	US\$	NT\$	US\$	NT\$
Basic earnings per share	<u>\$ 0.86</u>	<u>\$ 25.69</u>	<u>\$ 0.76</u>	<u>\$ 21.34</u>
Diluted earnings per share	<u>\$ 0.82</u>	<u>\$ 24.47</u>	<u>\$ 0.71</u>	<u>\$ 20.00</u>

EPS is computed as follows:

Unit: US\$/NT\$ Per Share

	2022		2021	
	US\$	NT\$	US\$	NT\$
<u>Net Profit for the Year</u>				
Profit for the year attributable to owners of the Company	<u>\$ 61,547</u>	<u>\$ 1,834,414</u>	<u>\$ 53,187</u>	<u>\$ 1,489,723</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 61,547</u>	<u>\$ 1,834,414</u>	<u>\$ 53,187</u>	<u>\$ 1,489,723</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	71,392	69,817
Effect of potentially dilutive ordinary shares		
Employee share option	3,329	4,490
Compensation of employees	<u>231</u>	<u>191</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>74,952</u>	<u>74,498</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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 is 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 fabless application specific circuit provider and expects significant capital expenditure on the purchase of machinery equipment and SIP now and in the near future. Accordingly, the Group's objective is to maintain necessary operating capital, the availability of funds for research and development, the capacity to pay dividends, etc. The Group continuously evaluates the policy of capital management with a conservative attitude.

25. CASH FLOW INFORMATION

Non-cash Transactions

	2022		2021	
	US\$	NT\$	US\$	NT\$
Additions of property, plant and equipment	\$ 48,452	\$ 1,444,098	\$ 39,704	\$ 1,112,068
Changes in prepayment	(8,029)	(222,229)	-	-
Changes in payment for equipment	(7,790)	(239,725)	165	4,819
Changes in payment for leases	1	32	-	4
Effect of foreign currency exchange differences	-	(9,520)	-	(207)
Payments for acquisition of property, plant and equipment	<u>\$ 32,634</u>	<u>\$ 972,656</u>	<u>\$ 39,869</u>	<u>\$ 1,116,684</u>
Additions of intangible assets	\$ 11,585	\$ 345,292	\$ 13,810	\$ 386,809
Changes in prepayment	(800)	(12,439)	94	(526)
Changes in other account payable	510	4,106	(739)	(17,993)
Effect of foreign currency exchange differences	-	(295)	-	451
Payments for acquisition of intangible assets	<u>\$ 11,295</u>	<u>\$ 336,664</u>	<u>\$ 13,165</u>	<u>\$ 368,741</u>

26. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate 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 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. The fair value measurements, which are grouped into Levels 2 and Levels 3 based on the degree to which the fair value measurements are observable.

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

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
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 foreign unlisted equity securities were determined by the latest net worth of investee and the financial and operating information of observable companies

The fair values of unlisted equity securities were determined using the income approach. Under this approach, the discounted cash flow was used to estimate the present value of the benefits derived from these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or a decrease in the WACC or discount for lack of marketability would result in an increase in the fair value.

	December 31, 2022
Long-term revenue growth rates	2.50%
WACC	20.47%
Discount for lack of marketability	33.25%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	December 31	
	US\$	NT\$
Long-term revenue growth rates		
0.5% increase	<u>\$ 27</u>	<u>\$ 818</u>
0.5% decrease	<u>\$ (25)</u>	<u>\$ (774)</u>
WACC		
0.5% increase	<u>\$ (52)</u>	<u>\$ (1,585)</u>
0.5% decrease	<u>\$ 55</u>	<u>\$ 1,677</u>

There were no transfers between Levels 1 and 2 in the 2022 and 2021.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>NT\$</u>		
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 8,276,875	\$ 9,328,306
Financial assets at FVTOCI		
Debt instruments	272,986	267,866
Equity instruments	193,724	117,220
<u>Financial liabilities</u>		
Amortized cost (2)	2,361,896	541,035

(Continued)

	December 31	
	2022	2021
<u>US\$</u>		
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 269,517	\$ 337,004
Financial assets at FVTOCI		
Debt instruments	8,889	9,677
Equity instruments	6,308	4,235
<u>Financial liabilities</u>		
Amortized cost (2)	76,910	19,545 (Concluded)

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables and other receivables.
- 2) The balances include financial liabilities at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include debt investments, trade receivables, trade payables 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 that analyze exposures by degree and magnitude of risks. 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 company'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) Foreign currency risk

The Group uses USD and JPY as the functional currency, and uses other currency 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; and
- 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 information as a basis for managing exchange rate fluctuations.

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 the 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 an increase in pre-tax profit associated with the USD and JPY strengthening 5% against the relevant currency. For a 5% weakening of the USD and JPY against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

Unit: In Thousands of U.S. Dollars

	Profit	
	2022	2021
RMB	\$ 1,863	\$ 1,833
USD	46	114

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2022	2021
<u>NT\$</u>		
Fair value interest rate risk		
Financial assets	\$ 2,636,403	\$ 5,227,633
Financial liabilities	121,601	86,251
Cash flow interest rate risk		
Financial assets	4,304,022	3,401,454

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>US\$</u>		
Fair value interest rate risk		
Financial assets	\$ 85,848	\$ 188,859
Financial liabilities	3,960	3,116
Cash flow interest rate risk		
Financial assets	140,151	122,885
		(Concluded)

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, 2022 and 2021 would have decreased/increased by NT\$10,760 thousand (US\$350 thousand) and NT\$8,504 thousand (US\$307 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. At the end of the year, 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 and due to the financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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 30% and 14% of total trade receivables as of December 31, 2022 and 2021, respectively, was attributable 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 rate risk tables

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been 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.

	December 31, 2022									
	NT\$					US\$				
	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities										
Trade payables	\$ 1,282,861	\$ 654,711	\$ -	\$ -	\$ -	\$ 41,774	\$ 21,319	\$ -	\$ -	\$ -
Other payables	405,757	18,472	95	-	-	13,213	601	3	-	-
Lease liabilities	4,787	8,780	40,807	64,239	7,886	156	286	1,329	2,092	256
	<u>\$ 1,693,405</u>	<u>\$ 681,963</u>	<u>\$ 40,902</u>	<u>\$ 64,239</u>	<u>\$ 7,886</u>	<u>\$ 55,143</u>	<u>\$ 22,206</u>	<u>\$ 1,332</u>	<u>\$ 2,092</u>	<u>\$ 256</u>

	December 31, 2021									
	NT\$					US\$				
	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities										
Trade payables	\$ 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>

b) Financing facilities

	December 31	
	2022	2021
NT\$		
Secured other loan		
Amount used	\$ -	\$ -
Amount unused	<u>767,750</u>	<u>692,000</u>
	<u>\$ 767,750</u>	<u>\$ 692,000</u>
US\$		
Secured other loan		
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 Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of directors and key management personnel is as follows.

	For the Year Ended December 31	
	2022	2021
<u>NT\$</u>		
Other employee benefits	\$ 247,340	\$ 230,753
Share-based payments	128,189	108,199
Post-employment benefits	<u>905</u>	<u>728</u>
	<u>\$ 376,434</u>	<u>\$ 339,680</u>
<u>US\$</u>		
Other employee benefits	\$ 8,299	\$ 8,239
Share-based payments	4,301	3,863
Post-employment benefits	<u>30</u>	<u>26</u>
	<u>\$ 12,630</u>	<u>\$ 12,128</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on 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 the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount (US\$ in Thousands)
<u>Financial assets</u>			
Monetary items			
RMB	\$ 390,921	0.143583 (RMB:USD)	\$ 51,721
USD	11,845	132.135307 (USD:JPY)	11,845
NTD	82,061	0.032563 (NTD:USD)	<u>1,205</u>
			<u>\$ 64,771</u>
			(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount (US\$ in Thousands)
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 30,701	0.143583 (RMB:USD)	\$ 4,408
NTD	45,056	0.032563 (NTD:USD)	<u>1,467</u>
			<u>\$ 5,875</u>
<u>Financial liabilities</u>			
Monetary items			
RMB	100,785	0.143583 (RMB:USD)	\$ 14,471
USD	10,919	132.135307 (USD:JPY)	10,919
NTD	26,891	0.032563 (NTD:USD)	<u>876</u>
			<u>\$ 26,266</u> (Concluded)
<u>December 31, 2021</u>			
	Foreign Currency	Exchange Rate	Carrying Amount (US\$ in Thousands)
<u>Financial assets</u>			
Monetary items			
RMB	\$ 240,214	0.156846 (RMB:USD)	\$ 37,677
USD	8,203	115.088042 (USD:JPY)	8,203
NTD	42,438	0.036127 (NTD:USD)	<u>1,533</u>
			<u>\$ 47,413</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	27,000	0.156846 (RMB:USD)	<u>\$ 4,235</u>
<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>

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

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
RMB	0.148792 (USD:NTD)	\$ (2,852)	0.155010 (USD:NTD)	\$ 758
USD	131.010088 (USD:JPY)	56	109.673174 (USD:JPY)	52
NTD	0.033551 (NTD:USD)	<u>605</u>	0.035703 (NTD:USD)	<u>(288)</u>
		<u>\$ (2,191)</u>		<u>\$ 522</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal 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 (Table 4)
- 11) Information on investees (Table 5)

b. 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 year, 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 year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - 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 year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. 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 on its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
<u>NT\$</u>				
United States	\$ 5,384,959	\$ 1,421,935	\$ 8,568	\$ 1,041
China	3,763,293	7,455,270	323,531	215,333
Japan	1,872,096	914,507	32,103	45,270
Taiwan	1,413,395	308,092	912,103	1,153,060
Europe	1,288,426	328,472	-	-
Other	<u>3,035</u>	<u>-</u>	<u>159,466</u>	<u>217,435</u>
	<u>\$ 13,725,204</u>	<u>\$ 10,428,276</u>	<u>\$ 1,435,771</u>	<u>\$ 1,632,139</u>

(Continued)

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
<u>US\$</u>				
United States	\$ 180,673	\$ 50,767	\$ 279	\$ 38
China	126,264	266,175	10,535	7,779
Japan	62,811	32,650	1,045	1,635
Taiwan	47,421	11,000	29,700	41,657
Europe	43,229	11,727	-	-
Other	<u>102</u>	<u>-</u>	<u>5,193</u>	<u>7,855</u>
	<u>\$ 460,500</u>	<u>\$ 372,319</u>	<u>\$ 46,752</u>	<u>\$ 58,964</u>
				(Concluded)

c. Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

Customer	2022			2021		
	US\$	NT\$	%	US\$	NT\$	%
Customer A	\$ 144,610	\$ 4,310,100	31	Note	Note	Note
Customer B	Note	Note	Note	\$ 93,325	\$ 2,613,937	25
Customer C	Note	Note	Note	79,491	2,226,455	21

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

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Alchip BVI	<u>Corporate bonds</u>							
	China Energy Reserve and Chemicals Group International Holding Limited	-	Financial assets at fair value through other comprehensive income - current	800	\$ 737	-	\$ 737	-
	China Energy Reserve and Chemicals Group Overseas Capital Company Limited	-	"	1,000	1,152	-	1,152	-
	HYUNDAI	-	"	2,000	61,263	-	61,263	-
	Oracle Corp	-	"	1,000	30,092	-	30,092	-
	Royal Bank	-	"	300	9,104	-	9,104	-
	Standard Chartered Plc	-	"	796	24,436	-	24,436	-
	Virgin Australia Holdings Ltd	-	"	450	28	-	28	-
	BPCE SA	-	Financial assets at fair value through other comprehensive income - non-current	1,000	30,145	-	30,145	-
	NORDDEUTSCHE LANDESBANK	-	"	1,000	30,132	-	30,132	-
	Sprint Corp	-	"	1,000	31,365	-	31,365	-
	TSMC	-	"	2,000	54,532	-	54,532	-
	<u>Floating-rate note</u>							
	Goldman Sachs International Floating Rate Notes	-	Financial assets at amortized cost - current	1,000	30,710	-	30,710	-
	12M USD UBS CFF-SOFRRATE	-	"	1,000	30,710	-	30,710	-
<u>Unlisted equity investments</u>								
ACHI CAPITAL PARTNERS FUND L.P.	-	Financial assets at fair value through other comprehensive income - non-current	Note 4	13,292	1.73	13,292	-	
Alchip Shanghai	KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund	-	"	Note 2	101,511	0.805	101,511	-
	KQ (Suzhou) Emerging Industry Venture Equity Investment Fund	-	"	Note 3	33,864	3.36	33,864	-
Alchip Technologies, Inc.(Taiwan)	Uniconn Interconnections Technology Co., Ltd.	-	"	3,026	45,057	6.35	45,057	-

(Continued)

Note 1: For the information on investments in subsidiaries, see Tables 5 and 6 for details.

Note 2: The original capital of KQ (Shenzhen) Semiconductor & Technology Industry Equity Investment Fund was RMB1,680,000,000, of which Alchip Shanghai owned RMB13,500,000.

Note 3: The original capital of KQ (Suzhou) Emerging Industry Venture Equity Investment Fund was RMB268,200,000, of which Alchip Shanghai owned RMB9,000,000.

Note 4: The original capital of ACHI CAPITAL PARTNERS FUND L.P. was US\$25,098,633, of which Alchip BVI owned US\$432,836.

(Concluded)

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, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Alchip Wuxi	Alchip Guangzhou	Subsidiary	Operating revenue	\$ (102,223)	(63.76)	Within 1 year	The same as regular terms	The same as regular transaction terms	\$ 111,647	83.54	-
Alchip Hefei	Alchip Shanghai	Subsidiary	Operating revenue	(107,761)	(47.71)	Within 1 year	The same as regular terms	The same as regular transaction terms	18,660	22.36	-
Alchip Guangzhou	Alchip Wuxi	Subsidiary	Operating cost	102,223	23.65	Within 1 year	The same as regular terms	The same as regular transaction terms	(111,647)	(42.90)	-
Alchip Shanghai	Alchip Hefei	Subsidiary	Operating cost	107,761	50.11	Within 1 year	The same as regular terms	The same as regular transaction terms	(18,660)	(15.74)	-

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

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

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Alchip KK	Subsidiary	\$ 172,230	0.19	\$ -	-	\$ 141,724	\$ -
Alchip Wuxi	Alchip Guangzhou	Subsidiary	111,647	1.83	-	-	111,647	-

Note: Amounts received as of March 15, 2023.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 4)	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	Alchip KK Alchip KK	a	Accounts receivable	\$ 172,230	Based on regular items	1
			a	Operating revenue	38,429	Based on regular items	1
1	Alchip Wuxi	Alchip Guangzhou Alchip Guangzhou Alchip Chongqing Alchip Chongqing	c	Accounts receivable	111,647	Based on regular items	1
			c	Operating revenue	102,223	Based on regular items	1
			c	Accounts receivable	22,005	Based on regular items	-
			c	Operating revenue	20,147	Based on regular items	-
2	Alchip Hefei	Alchip Guangzhou Alchip Guangzhou Alchip Shanghai Alchip Shanghai	c	Accounts receivable	64,788	Based on regular items	-
			c	Operating revenue	59,319	Based on regular items	-
			c	Accounts receivable	18,660	Based on regular items	-
			c	Operating revenue	107,761	Based on regular items	1
3	Alchip Jinan	Alchip Guangzhou Alchip Guangzhou Alchip Shanghai	c	Accounts receivable	46,650	Based on regular items	-
			c	Operating revenue	83,075	Based on regular items	1
			c	Operating revenue	80,739	Based on regular items	1
4	Alchip US	The Company The Company	b	Accounts receivable	17,402	Based on regular items	-
			b	Operating revenue	61,024	Based on regular items	-
5	Alchip Chongqing	Alchip Guangzhou Alchip Guangzhou	c	Accounts receivable	17,584	Based on regular items	-
			c	Operating revenue	44,354	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, 2022, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the twelve months ended December 31, 2022.

Note 4: The amount was eliminated upon consolidation.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	%	Carrying Amount			
The Company	Alchip HK	Hong Kong	Investment	\$ 566,235 (US\$ 18,129)	\$ 566,235 (US\$ 18,129)	14,165,970	100	\$ 1,296,090	\$ (11,576)	\$ (11,576)	-
	Alchip USA	U.S.A.	Sales of ASIC and SOC.	114,922 (US\$ 3,910)	114,922 (US\$ 3,910)	391,000	100	25,211	7,914	7,914	-
	Alchip KK	Japan	Sales of ASIC and SOC.	33,902 (JPY 100,000)	33,902 (JPY 100,000)	1	100	90,557	69	69	-
	Alchip TW	Taiwan	ASIC and SOC services.	100	100	10	100	476,417	(100,211)	(100,211)	-
	Alchip BVI	Tortola British Virgin Islands	Investment	473,317 (US\$ 15,100)	473,317 (US\$ 15,100)	15,100	100	532,676	11,209	11,209	-

Note: For the information on investments in mainland China, see Table 6 for details.

ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Alchip Shanghai	Research and development, design, and sales of ASIC and SOC related services.	\$ 393,088 (US\$ 12,800) (RMB 102,392)	Note 1 b	\$ 393,088 (US\$ 12,800)	\$ -	\$ -	\$ 393,088 (US\$ 12,800)	\$ (45,232)	100	\$ (45,232) (2)2.	\$ 736,610	\$ -	
Alchip Wuxi	Research and development, design, and sales of ASIC and SOC related services.	61,420 (US\$ 2,000) (RMB 12,482)	Note 1 b	61,420 (US\$ 2,000)	-	-	61,420 (US\$ 2,000)	(18,190)	100	(18,190) (2)2.	203,961	-	
Alchip Hefei	Research and development, design, and sales of ASIC and SOC related services.	15,355 (US\$ 500) (RMB 3,469)	Note 1 b	15,355 (US\$ 500)	-	-	15,355 (US\$ 500)	2,530	100	2,530 (2)2.	156,685	-	
Alchip Jinan	Research and development, design, and sales of ASIC and SOC related services.	24,077 (US\$ 784) (RMB 5,031)	Note 1 b	24,077 (US\$ 784)	-	-	24,077 (US\$ 784)	22,865	100	22,865 (2)2.	35,396	-	
Alchip Guangzhou	Research and development, design, and sales of ASIC and SOC related services.	49,136 (US\$ 1,600) (RMB 10,523)	Note 1 b	49,136 (US\$ 1,600)	-	-	49,136 (US\$ 1,600)	26,668	100	26,668 (2)2.	160,620	-	
Alchip Xi Yun	Software development and services, design, and sales of ASIC and SOC related services.	35,486 (US\$ 1,156) (RMB 7,500)	Note 1 c	(Note 3)	-	-	(Note 3)	24,779	87	25,900 (2)2.	52,882	-	
Alchip Chongqing	Research and development, design, and sales of ASIC and SOC related services.	23,805 (US\$ 775) (RMB 5,000)	Note 1 c	(Note 4)	-	-	(Note 4)	1,506	100	1,506 (2)2.	25,425	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ -	\$ -	\$ -

(Continued)

Note 1: The investment types are as follows:

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

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

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

Note 3: The cumulative investment amount at the beginning and end of the current period does not include the RMB6,500 thousand invested by Alchip Guangzhou.

Note 4: The cumulative investment amount at the beginning and end of the current period does not include the RMB5,000 thousand invested by Alchip Shanghai.

Note 5: The foreign currency listed in Table 6 was presented at the foreign exchange rate of US\$:NT\$1:30.71 as of December 31, 2022.

(Concluded)