



alchip



Stock Code: 3661

# Alchip Technologies, Limited

## 2022 Annual Report

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

Printed on April 11, 2023

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

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

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

Office	Address	Tel.
<b>(I) The Company</b>		
Alchip Technologies, Ltd.	PO Box 309, Uglan House, Grand Cayman, KY-1104, Cayman Islands	886-2-2799-2318
<b>(II) Subsidiaries</b>		
1. The subsidiary in Taiwan: Alchip Technologies, Inc.	9F., No.12, Wenhua St., Neihu Dist., Taipei, Taiwan 114	886-2-2799-2318
2. The branch in Taiwan: Alchip Technologies, Ltd. Taiwan Branch	9F., No.12, Wenhua St., Neihu Dist., Taipei, Taiwan 114	886-2-2799-2318
3. The subsidiary in Hong Kong: Alchip Technologies, Ltd.	Bank of America Tower,12 Harcourt Road Central,Hong Kong	852-2522-2922
4. The sub-subsidiary in Shanghai: Alchip Technologies(Shanghai), Ltd.	Registered Address: Building 11, No. 1221, East Pingzhuang Rd., Lingang Special area ,Shanghai Pilot Free Trade Zone, China Business Address: 11F, East tower Greenland Center, 596 Middle Longhua Road, Shanghai, China 200032	86-21-5235-0999
5. The subsidiary in Japan: アルチップ・テクノロジーズ Co., Ltd. (Alchip Technologies, K.K.)	10F Shin-Yokohama Square Bldg, 2-3-12 Shin-Yokohama, Kouhoku Yokohama Kanagawa Japan, 222-0033	81-45-470-1090
6. The subsidiary in U.S.: AlChip Technologies, Inc.	2107 N 1st St.,Suite 570,San Jose, CA 95131	1-408-320-2223
7. The sub-subsidiary in Wuxi: Alchip Technologies (Wuxi) Inc.	4F, Building A5, No.777, Jianzhuxi Road, Binhu District,Wuxi, Jiangsu, China	86-510-8512-0332
8. Alchip's BVI incorporated subsidiary: Alchip Investment Inc.	Portcullis TrustNet Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola,Birtish Virgin Islands VG1110	886-2-2799-2318
9. The sub-subsidiary in Hefei: Alchip Technologies (Hefei) Inc.	6F, Building C4, No.800, Wangjiang West Road, Gaoxin District, Hefei City, Anhui Province, China 230088	86-551-65655001
10. The sub-subsidiary in Jinan: Alchip Technologies (Jinan) Inc.	1F,Building B, Qilu Software Park, No.1000 ShunHua Road, High-tech Development Zone, Jinan City, Shandong Province, China 250101	86-531-89017990
11. The sub-subsidiary in Guangzhou: Alchip Technologies (Guangzhou) Inc.	Room 01,12F, Building A, Grandtek, No.18 Science Avenue, Huangpu District, Guangzhou, China	86-20-89819302
12. The sub-subsidiary in Chongqing: Alchip Technologies (Chongqing) Inc.	Floor 7, No.142, Yunhan Avenue, Beibei District, Chongqing, China 400714	86-23-8697-0666

13.	The sub-subsidiary of Guangzhou in Shanghai: Chiptopia (Shanghai) Technology Co., Ltd	Room 06, 11F, No.212, Zhaojiangbang Road, HuangPu District, Shanghai, 200020	86-13761232125
-----	------------------------------------------------------------------------------------------	------------------------------------------------------------------------------	----------------

### III. Members of the Board of Directors

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

### IV. Contact information of Share Transfer Agent

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

### V. Contact information of Auditing CPA

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

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

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

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

#### Notice to readers

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

<b>I.</b>	<b>Letter to Shareholders .....</b>	<b>1</b>
<b>II.</b>	<b>Company Profile.....</b>	<b>3</b>
2.1	Date of Establishment and Company Introduction.....	3
2.2	Company Milestones .....	4
<b>III.</b>	<b>Corporate Governance Report.....</b>	<b>6</b>
3.1	Organization .....	6
3.2	Information on the Company’s Directors, Supervisors, General Managers, Vice Presidents, Deputy Managers and Heads of All the Company’s Divisions and Branches .....	8
3.3	Implementation Status of Corporate Governance.....	24
3.4	Information Regarding the Company’s Independent Auditors.....	53
3.5	The Company’s Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of its Finance and Accounting Matters Has Held a Position at the Accounting Firm or its Affiliates in 2022 .....	53
3.6	Information on Independent Auditors’ Replacement .....	53
3.7	Evaluation of Auditors’ Independence .....	53
3.8	Any Transfer, Pledge, or Other Change of Hands Involving the Equity Interests of a Director, Managerial Officer, or Shareholders Holding More Than 10% of the Shares of the Company during the Most Recent Year and the Current Year Up to the Date of the Publication of the Annual Report .....	54
3.9	Relationship among the Top Ten Shareholders.....	55
3.10	Long-Term Investment Ownership.....	56
<b>IV.</b>	<b>Capital Overview .....</b>	<b>59</b>
4.1	Capital and Shares .....	59
4.2	Implementation of Company’s Capital Allocation Plans .....	76
<b>V.</b>	<b>Overview of Business Operations.....</b>	<b>79</b>
5.1	Business Activities .....	79
5.2	Market and Sales Overview.....	84
5.3	Information on Employees .....	91
5.4	Expenditure on Environmental Protection.....	91
5.5	Labor Relations.....	91
5.6	IT Security Management .....	93
5.7	Material Contracts .....	94
<b>VI.</b>	<b>Financial Highlights .....</b>	<b>97</b>
6.1	Consolidatd Balance Sheets.....	97
6.2	Consolidatd Statements of Comprehensive Income .....	98
6.3	CPA opinions from 2017 to 2021 .....	98
6.4	Five -Year Financial Analysis .....	99
6.5	Audit Committee’s Review Report .....	101
6.6	Consolidated Financial Statement for the most recent year, Including an Auditor's Report Prepared by a CPA, and 2-year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Chart, and any Related Footnotes or Attached Appendices.....	102
6.7	A Parent Company Only Financial Statement for the Most Recent Year, Certified by a CPA, but not Including the Statements of Major Accounting Items .....	102
6.8	Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report .....	102
<b>VII.</b>	<b>Financial Status, Operating Results, and Risk Management .....</b>	<b>103</b>
7.1	Financial Status.....	103
7.2	Operating Results .....	104
7.3	Analysis of Cash Flow.....	105
7.4	Major Capital Expenditure and its Effect on Finance and Business operations of the Company.....	105
7.5	Investment Policies, Main Reasons for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year.....	106
7.6	Risk Management .....	107
7.7	Other Material Matters .....	111
<b>VIII.</b>	<b>Special Disclosure .....</b>	<b>112</b>

8.1 Information Related to the Company's Affiliated Companies.....	112
8.2 Private Placement Securities.....	116
8.3 Holding or Disposal of Company's Stock by Subsidiaries.....	116
8.4 Other Necessary Supplements .....	116
8.5 Major Difference Between The Company's Articles of Association and the Regulations on the Protection of Shareholders' Equity of Taiwan .....	117
8.6 Any Events in 2022 and as of the Date of Publication of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Article 36-3-2 of the Securities and Exchange Law of Taiwan.....	141



# **I. Letter to Shareholders**

---

**Dear Shareholders,**

Alchip is the preeminent ASIC design company, specializing in high performance computing (HPC) devices. The Company provides state-of-the-art, complex SoC design solutions and strives to be the most reliable silicon design partner by offering a proprietary design process and a complete turnkey services portfolio covering all value chain steps, from IC design to manufacturing. Alchip's primary objective is to provide its customers with first-time silicon success and fast time-to-market.

Despite uncertainties brought on by global politics, inflation, and higher interest rates, the HPC and artificial intelligence (AI) markets grew significantly in 2022. In the face of a diminishing COVID-19 spread, these industries adjusted their inventory and maintained a relatively consistent level of operation. Within this challenging environment, Alchip delivered impressive operating performance, achieved record profits, and expanded our business scope to maintain our position as an advanced technology leader. We achieved this by embracing Alchip's four core values—teamwork and dedication, innovation, integrity, and quality—to deliver enhanced value to our shareholders.

Despite fierce competition in the global semiconductor industry over the past two years, Alchip has delivered record-setting operating results, thanks to our strong position and advanced technology capabilities within the HPC, AI, and IoT market segments, where we continue to see very strong demand. Alchip has completed a significant number of leading-edge design projects in response to strong demand from these segments. The 7nm process nodes remains the mainstream design case, but demand for 6nm, 5nm, 4nm and 3nm designs significantly increased. At the same time, a number of large production-quantity, high-performance computing chips, mostly targeting the 7nm process node, entered mass production. This combination of market segment leadership, strong demand for advanced technology designs, and a significant number of designs entering mass production contributed to the company's record performance.

Alchip also taped-out a significant number of 7nm, 6nm, and 5nm designs in 2022, with several involving Chip-on-Wafer-on-Substrate (TSMC CoWoS<sup>®</sup>) and Integrated Fan-Out (InFO) advanced packaging technology. The company also taped-out a 4nm test chip in the third quarter of 2022, and a 3nm test chip in the first quarter of 2023.

On the R&D front, Alchip strengthened its position as a leading high-performance computing ASIC company. Approximately 87% of the Company's revenue came from FinFET (defined as 16nm and below) designs and the mass production of highly complex packages. In addition, the Company has successfully partnered with tier-one systems and cloud service customers to complete several challenging leading-edge design projects featuring the most advanced packaging technology targeting high-end, complex artificial intelligence, networking, and high-performance computing applications. We also began an initial entry into the automotive ASIC market in response to expanded market demand.

Looking at results from a geographic perspective, North America for the first time contributed the largest revenue percentage, driven by strong demand for high-performance computing applications. China and Japan emerged as Alchip's second and third largest source of revenue.

## **Financial Performance**

Alchip's 2022 operating revenue reached NTD13,725 million, a 31.62% increase year-on-year (YoY) from NTD10,428 million in 2021. Net profit was NTD1,833 million, a 23.06% increase YoY from NTD1,490 million in 2021. On a US Dollar (\$) basis, the 2022 operating revenue equaled \$460 million, a 23.68% increase YoY, with net profit of \$61.5 million, a 15.65% increase YoY. Gross Margin for 2022 was 32.27%, with an operating margin of 16.84%. The 2022 Return on Assets and Return on Equity were 11.13% and 15.70%, respectively.

## **Technological Developments**

Alchip continued to heavily invest in advanced technology design and customized IP. Building on our success in implementing multiple 5nm, 4nm and 3nm designs, Alchip will solidify its position as an advanced technology leader as it ventures into advanced 2.5D/3D packaging technology in 2023.

## **Corporate Developments**

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

## **Outlook for the future**

Going forward, Alchip will continue to capitalize on market opportunities best suited to its advanced technology strengths and its enhanced strategic alliances with major IP partners. We will continue to focus on new applications in high growth artificial intelligence, high-performance computing, IoT, and automotive market segments. In addition, plans are in place and strategic initiatives are under way to expand our North America market share.

Last but not least, we believe that, our core competence of providing industry-leading service for advanced technologies will lead Alchip to again post strong revenue and profit growth in 2023, as we continue to create value for both customers and shareholders.

Best wishes for good health and prosperity!



---

Kinying Kwan  
Chairman



## II. Company Profile

---

### 2.1 Date of Establishment and Company Introduction

---

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

Headquartered in Taipei, Taiwan, Alchip has established an ASIC manufacturing center in Hsinchu. Based on its global development policy, the Company has established subsidiaries in China, Japan, and North America (hereinafter referred to as the “Group”). The Company had a total of 570 employees in December 2022. The Group’s management team possesses many years of in-depth IC design service experience. The team is composed of SoC design experts from Silicon Valley and Japan, with an average of over 20 years of semiconductor industry management experience. Their capability for high-end process and chip design has proven to superior to that of industry competitors. Three years after starting business, the Company completed many ASIC designs, ranging from 0.13-microns down to 65nm and moved them into mass production. In 2009, it started mass-production of 40nm designs and, in 2013, started designing at the 28nm node. By 2014, Alchip was providing customers 16nm design services and took its first 14nm designs to wafer start in September 2015. From 2016 to 2017, the Company successfully completed several super-computer 28nm and 16nm designs and, from 2018 to 2020, completed several 7nm high-performance design projects. In 2021, Alchip completed, prototyped, and began volume production of its first 7nm designs targeting artificial intelligence and high-performance computing applications. By the end of 2022, Alchip has taped out several designs featuring advanced packaging technology, including 7nm, 6nm, and 5nm designs. In addition, a 4nm test chip has also been taped out, and a 3nm test chip was taped out in January 2023.

Alchip focuses on ASIC and SoC designs that target FinFET (16nm and below) deep submicron manufacturing processes. The Company helps ASIC and SoC customers complete low-cost and highly complex IC design in the shortest time and to speed their time-to-market. The Company has completed more than 480 designs. Alchip focuses on three main market segments: Artificial Intelligence and High-performance Computing; Communication Network Equipment; and other consumer and medical businesses covering products high-definition television, digital cameras, entertainment systems, mobile broadband, medical devices, and medical monitoring systems. The company also began to enter the automotive field in response to the growing demand in the market.

## 2.2 Company Milestones

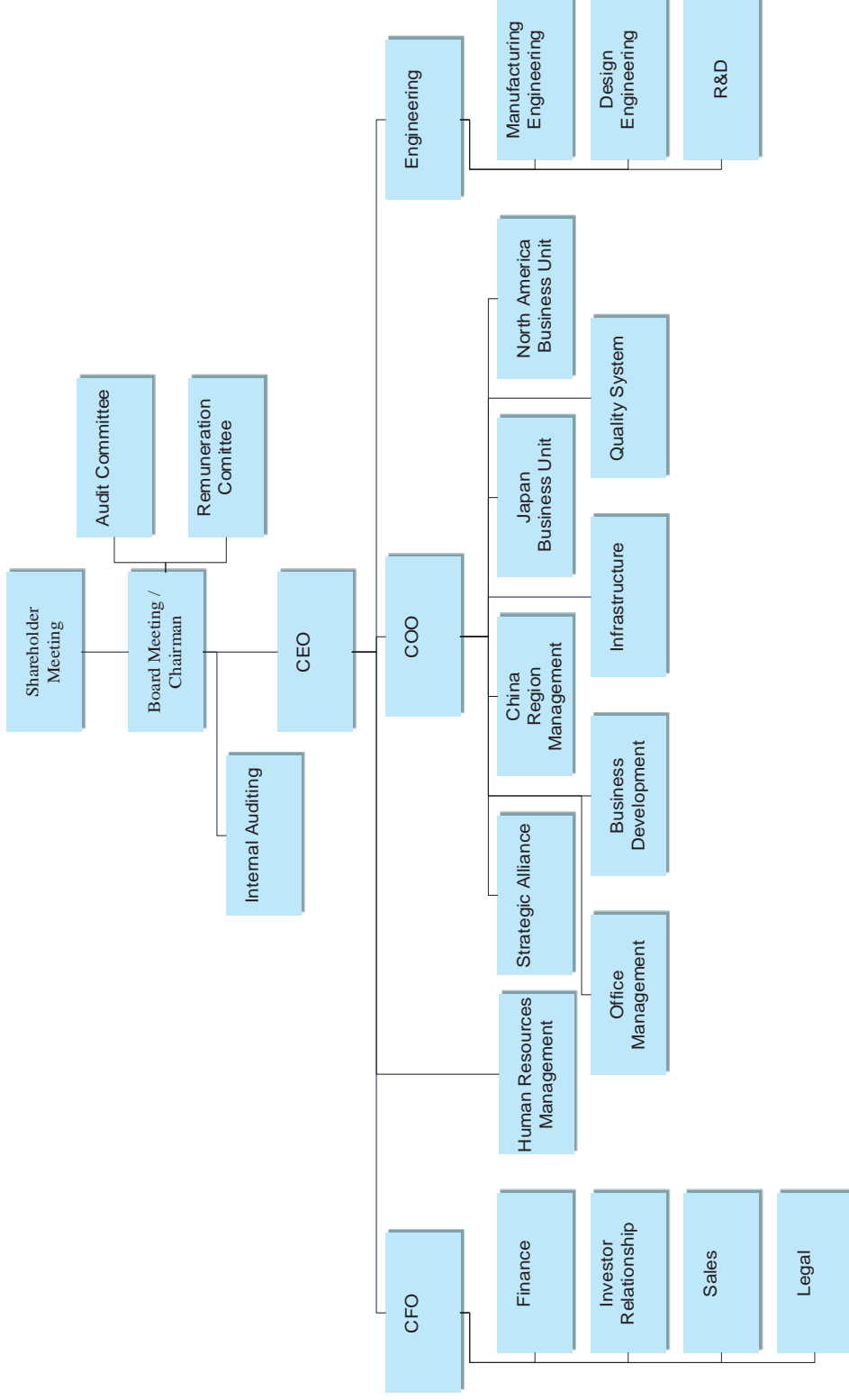
Aug. 2002	Company established in Hong Kong.
Sep. 2002	Company established in Shanghai.
Feb. 2003	Established an exempted company in the Cayman Islands.
Apr. 2003	Alchip Technologies (Cayman) invested in the Hong Kong and Shanghai companies through stock exchanges.
May 2003	Established a U.S subsidiary.
Aug. 2003	Completed the first 0.13-micron chip design.
Feb. 2004	Established a subsidiary in Japan.
Jul. 2004	Joined TSMC's Design Center Alliance (DCA).
Sep. 2004	Obtained milestone 0.13-micron, 16M gate design from Japanese company.
Nov. 2004	Completed the company's first 90nm SoC design that entered mass production in 2005.
Jan. 2005	Established Taiwan subsidiary.
Apr. 2005	Won the order for 90nm, 500MHz high-speed calculation SoC design that became the first product to enter 90G mass production at TSMC.
Aug. 2005	Monthly shipments for SoCs reached 1 million units.
Jun. 2006	Developed the 65nm ARM 1176 embedded multi-core application processor.
Sep. 2006	Won the order for digital cameras SoC design from a major Japan systems house.
Nov. 2006	Passed ISO9001 certification.
Dec. 2006	Monthly SoC shipments reached 2 million units.
Feb. 2007	Won order for 65nm SoC design.
May 2007	Won order for HDTV SoC design from a major Japan systems house.
Jun. 2007	The monthly SoC shipments reached 2.5 million units.
Jul. 2007	Adopted the Verigy V93000 Pin-Scale 800 system as new-generation chip testing machine.
Jan. 2008	Won order for mobile communication devices SoC design from a major systems house.
Feb. 2008	Achieved ARM authorization.
Mar. 2008	Won order for digital TV SoC design from a major Japan system house.
Mar. 2008	Joined the Cadence (Power Forward Initiative, PFI) Alliance.
Apr. 2008	Joined the ARM Connected Community to become an ARM partner.
May 2008	Became packaging technology partner with SONY Semiconductor Group.
Jun. 2008	Named as one of "China's 10 Best Service IC Design House" by <i>Electronic Engineering Times</i> .
Aug. 2008	Adopted the Synopsys Eclipse's low-power design solution.
Oct. 2008	Mass-produced 65nm turnkey solution.
Nov. 2008	Won the first 65nm design case for turnkey solution.
Dec. 2008	Awarded the special honor as a "Green Partner" by a major Japan systems house.
Dec. 2008	Added heat flow and automated sorting machine.
Feb. 2009	Took part in the e-beam Initiative.
Apr. 2009	Named one of TSMC's global top 10 global VCA members.
Dec. 2009	Mass-produced 55nm turnkey solution.
Dec. 2009	Completed 40nm design case for major mobile game system.
Mar. 2010	Monthly SoC shipments reached 2.5 million units.
Oct. 2010	Completed 32nm HDTV design.
Dec. 2010	Accumulated shipment of 55nm SoC exceeded 10 million units.
Jan. 2011	Added a UF3000 Wafer Prober.
Mar. 2011	Completed 55nm design for Tablet PC application.
Apr. 2011	Accumulated 55nm SoC shipments exceeded 18 million units.
Jul. 2011	Alchip's Headquarters moved to Solar Technology Square, Taipei Neihu Technology Park.
Sep. 2011	Completed 40nm imaging equipment design.
Feb. 2012	Awarded the special honor as a "2011 Best Supplier of the Year Award" by a major Japanese client.
Mar. 2012	Won a 28nm SoC design.
May 2012	Alchip's shipments in cooperation with ASE Group hit 50 million SoC units.
Aug. 2012	Established a subsidiary in Wuxi, China.
Sep. 2012	Completed 28nm design for mobile game system.

Dec. 2012	Awarded the special honor as “Fast 500 Asia Pacific” by Deloitte Technology.
Dec. 2012	Japan subsidiary passed ISO9001 certification.
Jun. 2013	Won No. 1 in the partner’s annual evaluation by a major Japan systems house.
Jul. 2013	Completed 28nm Bitcoin mining machine design.
Aug. 2013	Completed 40nm high-efficiency imaging equipment design.
Sep. 2013	Completed 28nm supercomputer processor design.
Feb. 2014	Completed 20nm Bitcoin mining machine design.
May 2014	Completed 28nm medical device design.
Jun. 2014	Completed 28nm Litecoin mining machine design.
Oct. 2014	The Company’s shares publicly listed on the Taiwan Stock Exchange.
Jan. 2015	Alchip’s BVI incorporated and Alchip’s Taiwan Branch established.
Feb. 2015	Completed 16nm Bitcoin mining machine design.
Jul. 2015	Completed 28nm high-efficiency imaging equipment design for Korea market.
Sep. 2015	Completed 14nm Bitcoin mining machine design.
Feb. 2016	Completed 28nm Japanese imaging equipment design.
Jul. 2016	Completed 28nm networking equipment design.
Oct. 2016	Established a subsidiary in Hefei, China.
Dec. 2016	Completed 16nm HPC equipment design.
Jan. 2017	Completed 16nm networking equipment design.
Feb. 2017	Completed 16nm high performance computing design.
Jan. 2018	Completed 7nm Bitcoin Mining Machine SoC Design.
Jan. 2018	Completed 16nm Artificial Intelligence SoC Design.
Oct. 2018	Completed 12nm AI SoC Design.
Jun. 2019	Opened new North America office.
Sep. 2019	Completed 16nm high performance CPU design.
Dec. 2019	Completed 16nm consumer automotive SoC design.
Jan. 2020	Completed 7nm AI design.
Feb. 2020	Completed 12nm networking application design.
Jun. 2020	Completed 7nm HPC design.
Sep. 2020	Completed 6nm AI design.
Dec. 2020	Taped out first 5nm test chip.
Jan.2021	Issuance of GDR listed on the Luxembourg Stock Exchange
Jan. 2021	Established office in Beijing, China.
Feb. 2021	Completed first 7nm design for a high-performance computing application.
Feb. 2021	Completed first 12nm design for an AI application for a major Chinese company.
Apr. 2021	Completed first 7nm design AI application for a major North American company.
Jun. 2021	Completed first 7nm design AI application for a major Japanese company.
Oct. 2021	Established a sub-subsidiary in Chongqing, China.
Dec. 2021	Established a sub-subsidiary in Shanghai, China.
Jan. 2022	Completed 7nm design high performance GPU application for a major North American company.
Feb. 2022	Completed 28nm design high performance ADAS application for a major Japanese company.
Apr. 2022	Completed 12nm design consumer application for a major Japanese company.
Aug. 2022	Completed 16nm design automotive application for a major North American company.
Aug. 2022	Taped out first 4nm test chip.
Nov. 2022	Completed 6nm AI design for a major Chinese company.
Nov. 2022	Completed 6nm networking design for a major Chinese company.
Jan. 2023	Taped out first 3nm test chip.

# III. Corporate Governance Report

## 3.1 Organization

### 3.1.1 Organizational chart



### 3.1.2 Major corporate functions

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

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

#### 3.2.1 Information on Directors

April 11, 2023

Title	Nationality	Name	Gender Age	Date Elected	Term of Office	Date of First Electe d	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Academic Qualifications & Major Experience	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	
Chairman	U.S.A., R.O.C.	Kinying Kwan	Male 61~70 Years	06/10/ 2022	3	02/27/ 2003	431,000	0.60%	411,000	0.57%	0	0%	0	0%	<b>Academic Qualifications:</b> <ul style="list-style-type: none"> <li>■ B.S. in Electronic Engineering, University of Illinois, U.S.</li> </ul> <b>Work Experience:</b> <ul style="list-style-type: none"> <li>■ CEO of the Company</li> <li>■ Founder of Altius Solutions</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of the Company's subsidiary in Taiwan</li> <li>■ Director of the Company's subsidiary in Japan</li> <li>■ Director of the Company's subsidiary in U.S.</li> <li>■ Director of the Company's subsidiary in Hong Kong</li> </ul>			
Director	U.S.A., R.O.C.	Johnny Shyang-Lin Shen	Male 51~60 Years	06/10/ 2022	3	05/18/ 2011	1,441,652	2.02%	1,541,652	2.13%	0	0%	0	0%	<b>Academic Qualifications:</b> <ul style="list-style-type: none"> <li>■ B.S. in Electronic Engineering, University of California, Los Angeles, U.S.</li> </ul> <b>Work Experience:</b> <ul style="list-style-type: none"> <li>■ COO of the Company</li> <li>■ GM of China Business Unit and VP of SoC Design Div. of the Company</li> <li>■ Sr. Manager of Altius Solutions Inc.</li> </ul>	<ul style="list-style-type: none"> <li>■ GM of the Company's subsidiary in Taiwan</li> <li>■ Managerial Officer of the Company's branch in Taiwan</li> <li>■ Supervisor of the Company's sub-subsubsidiary in Wuxi</li> <li>■ Supervisor of the Company's sub-subsubsidiary in Hefei</li> <li>■ Supervisor of the Company's sub-subsubsidiary in Jnan</li> <li>■ Supervisor of the Company's sub-subsubsidiary in Guangzhou</li> <li>■ Director of the Company's sub-subsubsidiary in Chongqing</li> </ul>			



Director	R.O.C.	Herbert Chang	Male 61~70 Years	06/10/ 2022	3	04/09/ 2003	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
<p><b>Academic Qualifications:</b></p> <ul style="list-style-type: none"> <li>■ M.S. in Management Science, National Chiao Tung University</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>■ General Manager of Multioptronics Corporation</li> </ul>			<ul style="list-style-type: none"> <li>■ Director of Monolithic Power Systems, Inc.</li> <li>■ Chairman of Cheng-Hsin Consultant, Co, Ltd.</li> <li>■ Director of Trompy Co., Ltd</li> <li>■ Director of TCERA CO., LTD.</li> <li>■ Supervisor of Offernme2 Media Limited</li> <li>■ Director of JINHER INFO CO., LTD.</li> <li>■ Director (Legal Representative)/Chairman of Midastek Microelectronics Inc.</li> <li>■ Director (Legal Representative) of Moregeek Entertainment, Inc.</li> <li>■ Director of Yu2 Digital Entertainment Co., LTD</li> <li>■ Chairman of Gutschsemi, Inc.</li> <li>■ Director of vTradEx Information Technology (Shanghai) Co., Ltd</li> <li>■ General Partner of GrowStar Partners Group Limited</li> <li>■ Director of Moregeek Technology Holding, Inc.</li> <li>■ Director of The News Lens Co., Ltd.</li> <li>■ Director of Walden Greater China Ventures, Ltd.</li> </ul>																						None	None	None											

Director	R.O.C.	Daniel Wang (Note 2)	Male 41~50 Years	6/10/ 2022	3	06/21/ 2019	200,000	0.28%	167,000	0.23%	0	0%	0	0%	0	0%	0	0%	<b>Academic Qualifications:</b> <ul style="list-style-type: none"> <li>■ MBA of Baruch College-The City University of New York, U.S.</li> </ul> <b>Work Experience:</b> <ul style="list-style-type: none"> <li>■ Representative of Fubon Securities Co., Ltd. Shanghai Representative Office</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of Aichip's BVI incorporated subsidiary</li> <li>■ Director of the Company's sub-subsiary in Wuxi</li> <li>■ Director of the Company's sub-subsiary in Hefei</li> <li>■ Director of the Company's sub-subsiary in Jinan</li> <li>■ Director of the Company's sub-subsiary in Guangzhou</li> <li>■ Director of the Chiptopia (Shanghai) Technology Co., Ltd</li> </ul>	None	None
Independent Director	R.O.C.	Mao-Wei Hung	Male 61~70 Years	06/10/ 2022	3	11/05/ 2010	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	<b>Academic Qualifications:</b> <ul style="list-style-type: none"> <li>■ Ph.D., Finance, Northwestern University, U.S.</li> <li>■ M.A., Economics, University of Wisconsin-Madison, U.S.</li> <li>■ B.A., Economics, National Taiwan University</li> </ul> <b>Work Experience:</b> <ul style="list-style-type: none"> <li>■ Professor, Department of International Business, National Taiwan University</li> <li>■ Dean of College of Management, National Taiwan University</li> <li>■ Chairman of Board, Taiwan Academy of Banking and Finance</li> </ul>	<ul style="list-style-type: none"> <li>■ Professor, Department of International Business, National Taiwan University</li> <li>■ Independent Director of Fubon Securities Co., Ltd.</li> <li>■ Independent Director of Jih Sun Securities Co., Ltd.</li> </ul>	None	None
Independent Director	R.O.C.	Brian Chiang	Male 61~70 Years	06/10/ 2022	3	11/05/ 2010	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	<b>Academic Qualifications:</b> <ul style="list-style-type: none"> <li>■ M.S. in Business Administration, University of Southern California, U.S.</li> </ul> <b>Work Experience:</b> <ul style="list-style-type: none"> <li>■ Managing Director of Walden International Taiwan Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ Managing Director of Walden International Taiwan Co., Ltd.</li> </ul>	None	None

Independent Director	U.S.A, R.O.C.	Binfu Chuang	Male 71~80 Years	06/10/ 2022	3	11/25/ 2010	0	0%	0	0%	0	0%	0	0%	None	None	None	None	
														<b>Academic Qualifications:</b> <ul style="list-style-type: none"> <li>■ M.S., Oregon State University, U.S.</li> <li>■ B.S., National Chiao Tung University</li> </ul>	None				
														<b>Work Experience:</b> <ul style="list-style-type: none"> <li>■ Director and General Manager of Shanghai SyncMOS Semiconductor Co., Ltd.</li> </ul>					

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

April 11, 2023

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

	as CEO of Alchip. He has excellent experience and abilities in operation, business, Finance and management in IC industry. Johnny Shyang-Lin Shen is not under any conditions defined in Article 30 of the Company Law.		
Daniel Wang	Daniel Wang holds a MBA of Baruch College, The City University of New York and has a master degree in Information Management in California Polytechnic State University . He was a representative of Fubon Securities Co., Ltd. Shanghai Representative Office before he joined Alchip Technologies. With the experience as a profession, Daniel Wang has expertise in finance analysis, investment, investor relationship and management. Daniel Wang is not under any conditions defined in Article 30 of the Company Law.	Not applicable	0
Mao-Wei Hung	Mao-Wei Hung holds a B.A. in Economics in National Taiwan University, a M.A. in Economics in University of Wisconsin-Madison and a PhD in Finance, Northwestern University. He taught in Northwestern University and McGill University. He is a Chair Professor in National Taiwan University. He has expertise in finance, accounting and corporate governance. Hence, he supports corporate governance for Board ,Audit Committee and Remuneration Committee. Mao-Wei Hung is not under any conditions defined in Article 30 of the Company Law.	Mao-Wei Hung is an independent director who is in compliance with the criteria for independence, not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives; not holding shares of the Company; not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.	2
Brian Chiang	Brian Chiang holds a Master degree in Business Administration in University of Southern California. He was Marketing Director in New Idea Electronic Corporation. He is currently a Managing Director of Walden International Taiwan Co., Ltd. and in charge of business in electronic and semiconductor industry. With expertise in the field of corporate governance, finance and accounting, business and technology, Brian Chiang supports corporate governance for Board, Audit Committee and Remuneration Committee. Brian Chiang is not under any conditions defined in Article 30 of the Company Law.	Brian Chiang is an independent director who is in compliance with the criteria for independence, not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives; not holding shares of the Company; not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.	0
Binfu Chuang	Binfu Chuang has a M.S. degree in Oregon State University. He worked as Director and General Manager of Shanghai SyncMOS Semiconductor Co., Ltd. in past years. Binfu Chuang focused on the management and strategy in Semiconductor industry for years. With expertise in the field of corporate governance, business and technology, he supports corporate governance for Board, Audit Committee and Remuneration Committee. Binfu Chuang is not under any conditions defined in Article 30 of the Company Law.	Binfu Chuang is an independent director who is in compliance with the criteria for independence, not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives; not holding shares of the Company; not serving as a director, supervisor or an employee of a company with which the Company has a specific relationship; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.	0

## **2. Diversity and independence of Board**

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

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

April 11, 2023

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Academic Qualifications & Major Experience	Position(s) Held Concurrently in any Other Company	With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer		Remark
					Shares	Holding Percentage	Shares	Holding Percentage	Shares	Holding Percentage			Title	Relation	
CEO	U.S., R.O.C.	Johnny Shiyang-Lin Shen	Male	01/01/2010	1,541,652	2.13%	0	0%	0	0%	<p><b>Academic qualifications:</b></p> <ul style="list-style-type: none"> <li>■ GM of the Company's subsidiary in Taiwan</li> <li>■ Managerial Officer of the Company's branch in Taiwan</li> <li>■ Supervisor of the Company's sub-subsiidiary in Wuxi</li> <li>■ Supervisor of the Company's sub-subsiidiary in Hefei</li> <li>■ Supervisor of the Company's sub-subsiidiary in Jinan</li> <li>■ Supervisor of the Company's sub-subsiidiary in Guangzhou</li> <li>■ Director of the Company's sub-subsiidiary in Chongqing</li> </ul> <p><b>Work experience:</b></p> <ul style="list-style-type: none"> <li>■ B.S. in Electrical Engineering, University of California , Los Angeles, U.S.</li> <li>■ COO of the Company</li> <li>■ GM of China Business Unit and VP of SoC Design Div., the Company</li> <li>■ Sr. Manager of Altius Solutions Inc.</li> </ul>	None	None	None	
Vice President	R.O.C.	Andy Lin	Male	11/11/2016	93,167	0.13%	0	0%	0	0%	<p><b>Academic qualifications:</b></p> <ul style="list-style-type: none"> <li>■ MBA, University of Oxford</li> <li>■ B.S. in Business Administration, Natronal Taiwan University</li> </ul> <p><b>Work experience:</b></p> <ul style="list-style-type: none"> <li>■ Sales Manager of Logitech International S.A.</li> </ul>	None	None	None	



Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Academic Qualifications & Major Experience	Position(s) Held Concurrently in any Other Company	With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer		Remark
					Shares	Holding Percentage	Shares	Holding Percentage	Shares	Holding Percentage			Title	Name	
Vice President	Japan	Hiroyuki Furuzono (Note 1)	Male	03/04/2022	40,000	0.06%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ B.S., Science and Engineering, Waseda University</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ SoC Design Engineer of Cadence Design Systems, Inc.</li> <li>■ SoC Design Engineer of Altius Solutions, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of the Chiptopia (Shanghai) Technology Co., Ltd</li> </ul>	None	None	None
Sr. Vice President	R.O.C.	Dave Hwang	Male	03/05/2021	150,000	0.21%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ Ph.D. in Materials Science and Engineering, North Carolina State</li> <li>■ MS., Virginia Tech</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ Senior Manager of TSMC Marketing and Business Development Division</li> <li>■ Sales and Marketing Vice President of GUC</li> </ul>	None	None	None	None
Sr. Vice President	R.O.C.	Leo Cheng	Male	08/15/2012	0	0%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ M.S. in Electrical Engineering, University of Southern California, U.S.</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ Sr. Engineer of Cirrus Logic Inc.</li> <li>■ Engineer of Stream Machine Company</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of the Company's sub-subsiary in Wuxi</li> <li>■ Director of the Company's sub-subsiary in Hefei</li> <li>■ Director of the Company's sub-subsiary in Jinan</li> <li>■ Director of the Company's sub-subsiary in Guangzhou</li> <li>■ Director of the Company's sub-subsiary in Chongqing</li> <li>■ Director of the Chiptopia (Shanghai) Technology Co., Ltd</li> </ul>	None	None	None

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Academic Qualifications & Major Experience	Position(s) Held Concurrently in any Other Company	With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer		Remark	
					Shares	Holding Percentage	Shares	Holding Percentage	Shares	Holding Percentage			Title	Name		Relation
Vice President	R.O.C.	Robert Chang	Male	11/03/2017	73,750	0.10%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ B.S. in Business Administration, Soochow University</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ Sales Director of Macrotech Semiconductor Corporation</li> <li>■ Sales Manager of Formosa Advanced Technologies Co., LTD.</li> </ul>	None	None	None	None	
CFO	R.O.C.	Daniel Wang	Male	12/29/2011	167,000	0.23%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ MBA of Baruch College-The City University of New York, U.S.</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ Representative of Fubon Securities Co., Ltd. Shanghai Representative Office</li> </ul>	<ul style="list-style-type: none"> <li>■ Director of Alchip's BVI incorporated subsidiary</li> <li>■ Director of the Company's sub-sub-sidiary in Wuxi</li> <li>■ Director of the Company's sub-sub-sidiary in Hefei</li> <li>■ Director of the Company's sub-sub-sidiary in Jinan</li> <li>■ Director of the Company's sub-sub-sidiary in Guangzhou</li> <li>■ Director of the Chiptopia (Shanghai) Technology Co., Ltd</li> </ul>	None	None	None	None
Vice President	R.O.C.	Peter Teng	Male	03/15/2019	1,005	0.001%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ B.S in Computer Science, University of Toronto</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ Engineer of ATI Technologies Inc.</li> </ul>	None	None	None	None	
Financial Controller	China	Yuki Jin (Note 2)	Female	06/20/2022	0	0%	0	0%	0	0%	<b>Academic qualifications:</b> <ul style="list-style-type: none"> <li>■ B. A., Accounting, Jiangxi University of Finance and Economics</li> </ul> <b>Work experience:</b> <ul style="list-style-type: none"> <li>■ Financial Manager of Arm Technology (China) Co.,Ltd.</li> <li>■ Audit Supervisor of Ernst &amp; Young Huaming LLP Shanghai Branch</li> </ul>	None	None	None	None	

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Academic Qualifications & Major Experience	Position(s) Held Concurrently in any Other Company	With Spouse or Relative Within the Second Degree of Kinship who is a Managerial Officer			Remark
					Shares	Holding Percentage	Shares	Holding Percentage	Shares	Holding Percentage			Title	Name	Relation	
Vice President	Japan	Junichiro Hosaka (Note 3)	Male	-	-	-	-	-	-	-	-	-	-	-	-	-
Vice President	Japan	Hiroyuki Nagashima (Note 4)	Male	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Controller	R.O.C.	Nancy Chan (Note 5)	Female	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1 : Mr. Hiroyuki Furuzono was promoted to Vice President, effective March 4, 2022.

Note 2 : Ms. Yuki Jin was promoted to Financial Controller, effective June 20, 2022.

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

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

Note 5 : Ms. Nancy Chan stepped down as Financial Controller on June 20, 2022.

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

#### A. Remuneration of Directors

December 31, 2022; Unit : NT\$ thousand

Title	Name	Director's Remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Compensation Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)	Compensation on Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent company
		Base Compensation (A)	Severance Pay (B)	Compensation to Directors (C) (Note 1)	Allowances (D)		Total Remuneration (A+B+C+D)	Salary, Bonuses, and Allowances (E)	Severance Pay (F)	Employees' Compensation (G)		
Chairman	Kinying Kwan	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										
Director	Herbert Chang	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										
Director	Johnny Shyang-Lin Shen	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										
Director	Daniel Wang	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										
Independent Director	Mao-Wei Hung	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										
Independent Director	Brian Chiang	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										
Independent Director	Binfu Chuang	Companies in the consolidated financial statements	-	30,916	2,146	40,681	109,162	103	-	149,946	8.18%	N/A
		The company										

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

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

Note 1 : On March 15, 2023, the Board of the Company approved that compensation distribution to directors is NT\$30,916 thousand.

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

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

**C. Remuneration to General Managers and Vice Presidents**

December 31, 2022; Unit : NT\$ thousand

Title	Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowance (C)		Employees' Compensation (D)		total compensation (A+B+C+D)	Ratio of total compensation (A+B+C+D) to net income after tax(%)		Compensation Received from Non-consolidated subsidiary
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Cash	Stock	The Company		Companies in the Consolidated Financial Statements		
CEO	Johnny Shyang-Lin Shen												
Vice President	Hiroyuki Furuzono (Note 1)												
Sr. Vice President	Dave Hwang												
Vice President	Andy Lin												
Sr. Vice President	Leo Cheng												
Vice President	Robert Chang												
CFO	Daniel Wang												
Vice President	Peter Teng												
Financial Controller	Yuki Jin (Note 2)												
Vice President	Junichiro Hosaka (Note 3)												
Vice President	Hiroyuki Nagashima (Note 4)												
Financial Controller	Nancy Chan (Note 5)												
		334,848	334,848	905	905	-	-	-	-	335,753	18.31%	18.31%	N/A



Note 1 : Mr. Hiroyuki Furuzono was promoted to Vice President, effective March 4, 2022.  
 Note 2 : Ms. Yuki Jin was promoted to Financial Controller, effective June 20, 2022.  
 Note 3 : Mr. Junichiro Hosaka stepped down as Vice President on March 4, 2022  
 Note 4 : Mr. Hiroyuki Nagashima stepped down as Vice President on March 4, 2022.  
 Note 5 : Ms. Nancy Chan stepped down as Financial Controller on June 20, 2022.

### Remuneration Scale Table

Remuneration Scale to the Company's General Managers and VPs	Name of General Managers and VPs	
	The company	Companies in the Consolidated Financial Statements
Under NT\$ 1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Junichiro Hosaka, Hiroyuki Nagashima	Junichiro Hosaka, Hiroyuki Nagashima
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Nancy Chan	Nancy Chan
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Yuki Jin	Yuki Jin
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Andy Lin, Hiroyuki Furuzono	Andy Lin, Hiroyuki Furuzono
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Daniel Wang, Robert Chang, Leo Cheng, Peter Teng, Dave Hwang	Daniel Wang, Robert Chang, Leo Cheng, Peter Teng, Dave Hwang
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	Johnny Shyang-Lin Shen	Johnny Shyang-Lin Shen
Over NT\$100,000,000	-	-
Total	12	12

**D. Employees' bonus paid to Managerial Officers**

December 31, 2022; Unit: NT\$ thousand

	Title	Name	Stock Dividend(Note1)	Cash Dividend(Note1)	Total	Percentage of the Total Amount to the Net Income After Tax (%)
Executive Officers	CEO	Johnny Shyang-Lin Shen				
	Vice President	Hiroyuki Furuzono (Note 1)				
	Sr. Vice President	Dave Hwang				
	Vice President	Andy Lin				
	Sr. Vice President	Leo Cheng				
	Vice President	Robert Chang				
	CFO	Daniel Wang	0	0	0	0%
	Vice President	Peter Teng				
	Financial Controller	Yuki Jin (Note 2)				
	Vice President	Junichiro Hosaka (Note 3)				
	Vice President	Hiroyuki Nagashima (Note 4)				
	Financial Controller	Nancy Chan (Note 5)				

Note 1 : Mr. Hiroyuki Furuzono was promoted to Vice President, effective March 4, 2022.

Note 2 : Ms. Yuki Jin was promoted to Financial Controller, effective June 20, 2022.

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

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

Note 5 : Ms. Nancy Chan stepped down as Financial Controller on June 20, 2022.

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

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

Title	Ratio of the Total Remuneration Amount to the Net Income After Tax (%)			
	2021		2022	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Directors	2.72%	2.72%	2.22%	2.22%
GMs, and VPs	20.08%	20.08%	18.31%	18.31%

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

- (1) Remuneration to Directors are determined by the position at the Company, participation, contribution and also the results of Directors' performance evaluation. The criteria for evaluating the performance of the board members covers the following six aspects: Alignment of the goals and missions of the company, Awareness of the duties of a director, Participation in the operation of the company, Management of internal relationship and communication, the Director's professionalism & continuing education and Internal control.
- (2) Remuneration to the company's management are determined according to the Company's regulations and HR policies, while taking into account each individual's position, performance and contribution to the company's overall operation, and industry standards. The remuneration of the company's executives is evaluated by the remuneration committee and submitted to the board of directors for approval. The remuneration system and standard are reviewed anytime under the actual operation situation and related laws to seek for the balance of company's sustainability and risk control.
- (3) Correlation between the business performance and future risk exposure  
We have established a Remuneration Committee to pay remuneration to directors and managerial officers (including president and vice president). Remuneration is determined by the Remuneration Committee based on the individual's education and experience, the general pay levels in the industry, the individual's degree of contribution to the Company and operational performance, while taking into account the operational risks, transaction risks and financial risks that the Company may face in the future and in accordance with the relevant management regulations. The Remuneration Committee meets at least once a year to review the performance assessment of the directors and managerial officers as well as the remuneration policy, system, standards and structure of the remuneration. The Remuneration Committee assesses and determines remuneration for directors and managerial officers and proposes recommendations on assessment results, which are submitted to the Board meeting for discussion. Therefore, there are no significant future risks.

### 3.3 Implementation Status of Corporate Governance

#### 3.3.1 Operations of the Board

A total of seven (A) meetings of the Board of Directors were held in 2022 and the current year up to the date of publication of the annual report with their attendance shown as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Kinying Kwan	7	0	100%	
Director	Herbert Chang	7	0	100%	
Director	Johnny Shyang-Lin Shen	7	0	100%	
Director	Daniel Wang	7	0	100%	
Independent Director	Mao-Wei Hung	7	0	100%	
Independent Director	Brian Chiang	7	0	100%	
Independent Director	Binfu Chuang	7	0	100%	

Other mentionable items :

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

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

Date of Board meeting	Term	Agenda items	Opinions of from Independent Directors	The Company's Conduct for the opinions of Independent Directors
03/04/2022	The 1 <sup>st</sup> in 2022	<ul style="list-style-type: none"> <li>The bonus scheme for the employees and Directors for the year of 2021 was approved.</li> <li>The change of the entity for the investment of Uniconn Interconnections Technology Co., Ltd. was approved.</li> <li>The change of the fund using plan for the issuance of common shares on January 13, 2021 for participating in issuance of GDR was approved.</li> <li>The monthly remuneration scheme for the Directors for the year of 2022 attached was approved.</li> </ul>	None	None

		<ul style="list-style-type: none"> <li>• The grant list of 2021 Employee Stock Option Plan was approved.</li> <li>• The amendments to the “Guideline for Acquisition and Disposal of Assets” was approved.</li> <li>• The election of seven newly Directors (including three Independent Directors) at the upcoming Annual General Meeting was approved.</li> <li>• The prohibition on newly Directors elected at the Annual General Meeting to be released from the participation in competitive business was approved.</li> </ul>		
04/29/2022	The 2 <sup>nd</sup> in 2022	<ul style="list-style-type: none"> <li>• The list of candidates of Director and the review of qualification of Director candidates was approved.</li> <li>• The grant list of 2021 Employee Stock Option Plan was approved.</li> <li>• The 2022 Employee Stock Option Plan was approved.</li> </ul>	None	None
06/20/2022	The 3 <sup>rd</sup> in 2022	<ul style="list-style-type: none"> <li>• The election of the chairman of the Company was approved.</li> <li>• The appointment of members of Remuneration Committee was approved.</li> <li>• The change of the accounting officer of the Company was approved.</li> <li>• The subsequently ratification for the amendments of 2022 Employee Stock Option Plan was approved.</li> </ul>	None	None
08/26/2022	The 4 <sup>th</sup> in 2022	<ul style="list-style-type: none"> <li>• The grant list of 2022 Employee Stock Option Plan was approved.</li> <li>• The 2nd capital increase to the subsidiary in Guangzhou was approved.</li> </ul>	None	None
11/4/2022	The 5 <sup>th</sup> in 2022	<ul style="list-style-type: none"> <li>• The evaluation and appointment of Certified Public Accountant was approved.</li> <li>• The grant list of 2022 Employee Stock Option was approved.</li> </ul>	None	None
03/15/2023	The 2 <sup>nd</sup> in 2023	<ul style="list-style-type: none"> <li>• The bonus scheme for the employees and Directors for the year of 2022 was approved.</li> </ul>	None	None

		<ul style="list-style-type: none"> <li>• The monthly remuneration scheme for the Directors for the year of 2023 was approved.</li> <li>• The evaluation report for the independence and suitability of the CPA engaged by the Company was approved.</li> <li>• The amendments to the “Corporate Governance Best Practice Principles” , “Regulations Governing Procedure for Board of Directors Meetings” , “Sustainable Development Best Practice Principles” and “Guideline for Acquisition and Disposal of Assets” were approved.</li> <li>• The prohibition on Directors to be released from the participation in competitive business was approved.</li> </ul>		
--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

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

2. If there are Directors’ avoidance of motions in conflict of interest, the Directors’ names, contents of motion, causes for avoidance and voting should be specified : Director, Johnny Shyang-Lin Shen and Director, Daniel Wang did not participate in the meeting of the Board of Directors held on March 4, 2022 and March 15, 2023 for discussion and voting on bonuses paid to Executives due to avoidance of conflict of interest.

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

Evaluation cycles	Evaluation periods	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Once a year	1/1/2022~12/31/2022	The Board and each board member	The evaluation of the board as a whole and the Self-evaluation of Board members	The evaluation was completed by the end of first quarter of 2023. The criteria for the evaluation of the board as a whole covers Participation in the operation of the company; Improvement of the quality of the board of directors' decision making; Composition and structure of the board of directors; Election and continuing education of the directors; and Internal control. Moreover, the criteria for the self-evaluation of board members covers Alignment of the goals and missions of the company; Awareness of the duties of a director; Participation



									in the operation of the company; Management of internal relationship and communication; The director's professionalism and continuing education; and Internal control. The results for the evaluations are both between 5 (Strongly agree) and 4 (Agree). The board members all agree the operation of board was good.
--	--	--	--	--	--	--	--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

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

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

5. The attendance of Independent Directors

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

Term Name	The 1 <sup>st</sup> in 2022	The 2 <sup>nd</sup> in 2022	The 3 <sup>rd</sup> in 2022	The 4 <sup>th</sup> in 2022	The 5 <sup>th</sup> in 2022	The 1 <sup>st</sup> in 2023	The 2 <sup>nd</sup> in 2023
Mao-Wei Hung	◎	◎	◎	◎	◎	◎	◎
Brian Chiang	◎	◎	◎	◎	◎	◎	◎
Binfu Chuang	◎	◎	◎	◎	◎	◎	◎

### 3.3.2 Operation of Audit Committee

A total of seven (A) Audit Committee meetings were held in 2022 and the current year up to the date of publication of the annual report. Records of attendance by independent directors are shown as follows :

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

Other mentionable items :

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

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

(5) Management of the existing or potential risks of the Company.

- Review financial reports

The Company prepared 2022 Business Report, Consolidated Financial Statements, and Dividend Distribution proposal. The Consolidated Financial Statements have been duly audited by Deloitte & Touche. The above Business Report, Consolidated Financial Statements and Dividend Distribution proposal have been examined and approved by the Audit Committee.

- Evaluation the effectiveness of the internal control system

The audit committee evaluated the effectiveness of the policies and procedures of the company's internal control system (including financial, operational, risk management, information security, outsourcing, compliance by laws and regulations, etc.) and reviewed the periodic reports from the company's audit department, CPA and executives. The audit committee believes that the company's risk management and internal control system were effectiveness, and the company already supervised and corrected illegal behaviors through a control mechanism.

- Appointment of CPA

In order to ensure the independence and suitability of certified accounting firms, the company evaluates the independence and competence of the CPA based on the Accountants' Professional Ethics No. 10 "Integrity, Fairness, Objectivity, and Independence" and Audit Quality Indicators (AQIs). The independence and competence of CPA Yi-Wen Wang and Li-Chun Chang of Deloitte & Touche was deliberated and approved by the audit committee on November 4, 2022 and March 15, 2023.

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

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

Date of Audit Committee	Term	Contents of Motion	Content of objection, reservation or major suggestion provided by Independent Director	Resolutions of Audit Committee	The conduct of the Company for the comments from Audit Committee
03/04/2021	The 1 <sup>st</sup> in 2022	<ul style="list-style-type: none"> <li>• The consolidated financial statement for the year ended December 31, 2021 of the Company was approved.</li> <li>• The proposal of 2021 Dividend Distribution was approved.</li> <li>• The business report of 2021 was approved.</li> <li>• The Internal Control System Statement for the year ended December 31, 2021 of</li> </ul>	None.	They were approved by Audit Committee.	None.

		<p>the Company was approved.</p> <ul style="list-style-type: none"> <li>• The change of the entity for the investment of Uniconn Interconnections Technology Co., Ltd. was approved.</li> <li>• The change of the fund using plan for the issuance of common shares for participating in issuance of GDR offering approved by the Financial Supervisory Commission on January 13, 2021 was approved.</li> <li>• The grant list of 2021 Employee Stock Option Plan was approved.</li> <li>• The amendments to the “Guideline for Acquisition and Disposal of Assets” was approved.</li> </ul>			
04/29/2022	The 2 <sup>nd</sup> in 2022	<ul style="list-style-type: none"> <li>• The consolidated financial statements for the period ended March 31, 2022 of the Company was approved.</li> <li>• The grant list of 2021 Employee Stock Option Plan was approved.</li> <li>• 2023 Employee Stock Option Plan was approved.</li> </ul>	None.	They were approved by Audit Committee.	None.
06/20/2022	The 3 <sup>rd</sup> in 2022	<ul style="list-style-type: none"> <li>• The convenor of Audit Committee was elected and approved.</li> </ul>	None.	It was approved by Audit Committee.	None.
08/26/2022	The 4 <sup>th</sup> in 2022	<ul style="list-style-type: none"> <li>• The consolidated financial statement for the year ended June 30,</li> </ul>	None.	They were approved	None.

		<p>2022 of the Company was approved.</p> <ul style="list-style-type: none"> <li>The grant list of 2022 Employee Stock Option Plan was approved.</li> </ul>		by Audit Committee.	
11/04/2022	The 5 <sup>th</sup> in 2022	<ul style="list-style-type: none"> <li>The evaluation and appointment of Certified Public Accountant were approved.</li> <li>The consolidated financial statement for the period ended September 30, 2022 of the Company was approved.</li> <li>The grant list of 2022 Employee Stock Option was approved.</li> </ul>	None.	They were approved by Audit Committee.	None.
03/15/2023	The 2 <sup>nd</sup> in 2023	<ul style="list-style-type: none"> <li>The consolidated financial statement for the year ended December 31, 2022 of the Company was approved.</li> <li>The proposal of 2022 Dividend Distribution was approved.</li> <li>The business report of 2022 was approved.</li> <li>The Internal Control System Statement for the year ended December 31, 2022 of the Company was approved.</li> <li>The evaluation report for the independence and suitability of the CPA engaged by the Company were approved.</li> <li>The amendments to the “Corporate Governance Best Practice Principles” ,</li> </ul>	None.	They were approved by Audit Committee.	None.

		<p>“Regulations Governing Procedure for Board of Directors Meetings” ,</p> <p>“Sustainable Development Best Practice Principles” and “Guideline for Acquisition and Disposal of Assets” were approved.</p>			
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

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

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

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

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

Date	Communication material	Result of Communication
March 4, 2022 Audit Committee	2021 Q4 Audit report	The communication between Independent Director and Internal Auditor is well.
April 29, 2022 Audit Committee	2022 Q1 Audit report	The communication between Independent Director and Internal Auditor is well.
August 26, 2022 Audit Committee	2022 Q2 Audit report	The communication between Independent Director and Internal Auditor is well.
November 4, 2022 Audit Committee	2022 Q3 Audit report	The communication between Independent Director and Internal Auditor is well.
March 15, 2023 Audit Committee	2022 Q4 Audit report	The communication between Independent Director and Internal Auditor is well.

The Company’s Certified Public Accountant reported the audit results on 2022 financial statements and other communication matters required by relevant laws and regulations in the meeting of the audit committee on March 15, 2023. The communication between the Audit Committee and the CPAs has been good.

Date	Communication material	Result of Communication
March 4, 2022	<p>1. Reported the audit result for 2021 financial statements and had discussion for the adoption of accounting principal and the influence of the updated regulations.</p> <p>2. Reported the Internal audit result.</p>	The communication between Independent Directors and CPAs was well.

March 15, 2023	1. Reported the audit result for 2022 financial statements and had discussion for the adoption of accounting principal and the influence of the updated regulations. 2. Reported the Internal audit result.	The communication between Independent Directors and CPAs was well.
----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------

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

Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
I. Does the company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		None.
II. Shareholding Structure & Shareholders’ rights			
1. Does the company have an Internal Operation procedures for appropriate handling shareholders’ suggestions, inquiries, disputes and litigation matters, and implement them in accordance with the procedures?	V		None.
2. Does the company possess a list of major shareholders and beneficial owner of these major shareholders?	V		None.
3. Has the company built and executed a risk management system and firewall between and the Company and its affiliates?	V		None.

Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
4. Has the company establish internal rules prohibiting insiders trading on undisclosed information?	V	<p>risk control and firewalls mechanism through the internal audit system.</p> <p>4. The Company has formulated the “Procedures for Internal Material Information Handling and the Prevention of Insider Trading” and regularly provided training or relevant information on this issue to the insiders.</p>	None.
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>1. Has the Board established a diversification policy, the specific management goals and has it been implemented accordingly?</p>	V	<p>1. The Board consists of seven directors, in which three of them are Independent Directors as adopted in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. The Company has stated the diversification policy for composition of the Board members in Corporate Governance Best Practice Principles and adopted the policy. To achieve the better corporate governance, each Board member has his own specialized field and knowledge of industry. The specific goal for the diversification policy on the Board members of the Company and the achievement in 2022 are stated below. (1) Basic requirements and values: The board members are all Taiwanese, and three of them are also U.S. citizen. There is no female in the board of the Company currently. In order to achieve the goal of diversity, the female board director will be considered when the re-election of board is taken for the gender equality. (2) Professional knowledge and skills: It will be the best practice when the board members have the financial,</p>	None.



Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																																					
	Yes	No																																																						
<p>2. Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?</p> <p>3. Does the company establish methodology for evaluating the performance of its Board Directors, on an annual basis and submit the results of performance</p>	V	V	<p>accounting, management and industry background. The board members of the Company all have the required professional knowledge and skills. The items of diversity in the board members of the Company are shown as follows: The industry experience and professional distribution of the directors are shown as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="5">Item of Diversity</th> </tr> <tr> <th>Nationality</th> <th>Management</th> <th>Leadership</th> <th>Industry</th> <th>Finance</th> </tr> </thead> <tbody> <tr> <td>Kinying Kwan</td> <td>U.S.A、R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>Herbert Chang</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>Johnny Shyang-Lin Shen</td> <td>U.S.A、R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>Daniel Wang</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Mao-Wei Hung</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td></td> <td>√</td> </tr> <tr> <td>Brian Chiang</td> <td>R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> <tr> <td>Binfu Chuang</td> <td>U.S.A、R.O.C</td> <td>√</td> <td>√</td> <td>√</td> <td></td> </tr> </tbody> </table> <p>2.Other various functional committees have not been set up under the law by the Company in addition to the remuneration committee and audit committee.</p> <p>3.The Board of the Company always conducts the matters in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”.Moreover, the</p>	Name	Item of Diversity					Nationality	Management	Leadership	Industry	Finance	Kinying Kwan	U.S.A、R.O.C	√	√	√		Herbert Chang	R.O.C	√	√	√		Johnny Shyang-Lin Shen	U.S.A、R.O.C	√	√	√		Daniel Wang	R.O.C	√	√	√	√	Mao-Wei Hung	R.O.C	√	√		√	Brian Chiang	R.O.C	√	√	√		Binfu Chuang	U.S.A、R.O.C	√	√	√	
Name	Item of Diversity																																																							
	Nationality	Management	Leadership	Industry	Finance																																																			
Kinying Kwan	U.S.A、R.O.C	√	√	√																																																				
Herbert Chang	R.O.C	√	√	√																																																				
Johnny Shyang-Lin Shen	U.S.A、R.O.C	√	√	√																																																				
Daniel Wang	R.O.C	√	√	√	√																																																			
Mao-Wei Hung	R.O.C	√	√		√																																																			
Brian Chiang	R.O.C	√	√	√																																																				
Binfu Chuang	U.S.A、R.O.C	√	√	√																																																				
			<p>The Company has not set up other various functional committees.</p> <p>None.</p>																																																					

Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>assessments to the Board of Directors and use them as reference in determining compensation for individual Directors, their nomination and additional office term.?</p> <p>4. Does the company regularly evaluate the independence of CPAs?</p>	V		<p>Company has established regulations governing the Board performance evaluation on March 6, 2020. The performance evaluation of Board, the Board members, Remittance Committee and Audit Committee were completed and submitted the result to the Board by the end of first quarter of 2022 and is disclosed on the Company’s website. The scores of evaluation results are between 4.6 and 5 which are good.</p> <p>4. At least once a year, the Company evaluated the independence, suitability, and appointment of CPAs in accordance with the Audit Quality Indicator(AQI) provided by CPAs . At the same time the Company required CPAs to provide the “Statement of Independence” to evaluate CPAs’ compliance with the Company’s independence standards (please refer to page 53). The most recent evaluation was approved by the Audit Committee on Nov. 4, 2022 and Mar. 15, 2023, which was submitted to the Board and was approved on the same day.</p>
<p>IV. Does the company an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handle matters relating to board meetings and shareholders meetings according to laws)?</p> <p>V. Has the company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers and</p>	V		<p>The Company has set up a part time corporate governance personnel to be in charge of corporate governance affairs.</p> <p>None.</p>
	V		<p>The Company has established a Stakeholders Section on the Company’s website to disclose Stakeholders identity, issue which have been concerned by major</p> <p>None.</p>

Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
suppliers) or created a Stakeholders Section on its company website? Does the company respond to stakeholders’ questions on corporate responsibilities?			stakeholders and provide the channel for communication.
VI.Has the company appointed a professional registrar for its Shareholders’ meetings?	V		The Company has appointed the Stock Affairs Agency of CTBC Bank as our registrar for our Shareholders’ meetings.
VII.Information disclosure	V		None.
1. Has the company set up a website to disclose information regarding its finances, operations, and corporate governance status?	V		1. The Company has set up a website in Chinese/English ( <a href="https://www.alchip.com">https://www.alchip.com</a> ) which discloses the information regarding Company’s finances, operations and corporate governance status. In addition, the Company also discloses the relevant information on the Market Observation Post System.
2. Does the company use other information disclosure channels (e.g. maintaining an English-language website, assigning staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		2. The Company has set up a website in English, assigned personnel exclusively to handle information collection and disclosure, such as the information of investor conference. The Company also established a spokesperson system as required by the regulations.
3. Does the Company announce and report annual financial statement within two months after the end of the fiscal year, and announce the first, second and third quarter financial statement as well as the operating status of each month before the prescribed deadline?		V	3. The Company follows relevant regulations to announces and reports quarterly, annual statement and operating status within prescribed deadline,
			Though the Company did not announce and report annual financial statement within two months after the end of the fiscal year , the Company accounced and reported annual financial statement ,quarterly financial statement as well as the operating status of each month within the prescribed deadline.

Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
VIII. Does the company have other information that would help better understand the Company’s implementation of corporate governance? (including but not limited to employee rights and benefits, employees caring, investor relations, supplier relationship, the rights of related parties, continuing education for directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance purchased by the Company directors and supervisors)?	V	<ol style="list-style-type: none"> <li>1. The Company has formulated and implemented relevant regulations in accordance with government acts regarding labor, welfare, safety, and health to protect employee rights and benefits and care employees’ life.</li> <li>2. In accordance with applicable public company rules, the Company discloses the Company’s business operations and financial status for investors, and maintains investor relations by properly dealing with inquiries from investors.</li> <li>3. The Company arranges the training institutions specified by the competent authority to provide further training for Directors every year.</li> <li>4. The Company annually purchases D&amp;O Insurance for Directors and Independent Directors to reduce risks.</li> </ol>	None.
<p>IX. In terms of the corporate governance evaluation results which has been disclosed by the Corporate Governance Center of Taiwan Stock Exchange in the most recent year, describe the improved items and present the actions and amendment for unimproved items.</p> <ol style="list-style-type: none"> <li>1. Improved items : <ul style="list-style-type: none"> <li>The company evaluates the performance of the board of directors and functional committees every year and discloses the evaluation results in the annual report and the company website.</li> </ul> </li> <li>2. Remedy for unimproved items : <ul style="list-style-type: none"> <li>The company will disclose the annual key works and operation of the audit committee in the annual report.</li> </ul> </li> </ol>			

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

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

#### A. Information on members of Remuneration Committee

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

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

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

#### B. Operations of the Remuneration Committee

- (1) The Company's remuneration committee consists of three members.
- (2) The members' term of office for this session : From June 20, 2022 to June 9, 2024. Mr. Mao-Wei Hung, the remuneration committee chair convened the regular meeting three times in Year 2022. The records of attendance of members are shown as follows :

Title	Name	Attendance in Person(B)	By Proxy	Actual Attendance Rate (%) (B/A)(Note)	Remarks
Convener	Mao-Wei Hung	3	0	100%	
Committee Member	Brian Chiang	3	0	100%	
Committee Member	Binfu Chuang	3	0	100%	
Other mentionable items :					
1. The resolutions of Remuneration Committee :					

The date of Remuneration Committee	The Committee	Motions	Resolutions	The conduct of the Company for the comments from Audit Committee
03/04/2022	The 1 <sup>st</sup> in 2022	<ul style="list-style-type: none"> <li>• The bonus scheme for the employees and directors for the year of 2021.</li> <li>• The remuneration packages for the senior managers (executives) for the year of 2022.</li> <li>• The monthly remuneration scheme for the Directors for the year of 2022.</li> <li>• The amendments to the “Regulations Governing the Board Performance Evaluation”.</li> <li>• The grant list of 2021 Employee Stock Option Plan.</li> </ul>	They were approved by Remuneration Committee	They were all submitted to Board and approved by Directors of Board
06/20/2022	The 2 <sup>nd</sup> in 2022	The convenor election of Remuneration Committee.	It was approved by Remuneration Committee	It was adopted by the Company
08/26/2022	The 3 <sup>rd</sup> in 2022	The remuneration package for the newly accounting officer of the Company.	It was approved by Remuneration Committee	It was submitted to Board and approved by Directors of Board

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

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

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

Item	Status of Implementation		Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
I. Does the company establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development, have top management be authorized to handle it by the Board of Directors, and to report to the Board of Directors on a periodic basis?	V	V	The company has not established an unit to be in charge of proposing and enforcing the sustainable development yet.
II. Does the company, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance?	V		<p>The scope of risk management encompasses all subsidiaries of the company. The management policy is as below.</p> <ul style="list-style-type: none"> <li>• Environmental issue: The Company keeps promoting and executing carbon reduction and other waste management policy to achieve the goal of carbon reduction.</li> <li>• Social issue: <ul style="list-style-type: none"> <li>a. Occupational Safety: regularly participate fire fighting drill and disseminate knowledge of occupational safety. The Company also conducts employee health examination regularly to reduce employee’s health risks.</li> <li>b. Product Safety: conduct customer satisfactory survey annually to improve quality of products and service.</li> </ul> </li> <li>• Corporate Governance: <ul style="list-style-type: none"> <li>a. Social economic and Legal compliance: In order to ensure that all personnel of the Company can comply</li> </ul> </li> </ul>

Item	Status of Implementation		Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			with relevant laws and regulations, the internal norms are set up and the internal control is implemented. b. Strengthen the functions of Directors: (1) Provide training and update regulations and information to Directors. (2) The Company annually purchases D&O Insurance for Directors and Independent Directors to reduce risks. c. Stakeholder Communication: Set up a communication window for stakeholders and properly respond and handle their concern issues. In addition, the spokesperson of the Company is responsible for handling investor-related issues.
III. Environmental issues	V		None.
1. Does the company establish a proper environment management system based on the characteristics of its industry?	V		1. Since the Company has no industrial pollution, we continuously focus on environmental protection and energy conservation, and reduce sanitary waste to achieve the goal for energy conservation and carbon reduction.
2. Does the company endeavor to raise energy efficiency and use renewable materials that have a low impact on the environment?	V		2. The Company mainly provides customers with NRE service. The solutions to the back-end mass production engineering are all through outsourcing, including wafer fabrication, packaging, and testing, so that the Company has neither other production equipment, nor other industrial pollution.
3. Does the company evaluate the climate change on its the potential risk and chance for now and future and take action which is related to the issues of climate?	V		3. The Company has evaluated the climate change on its the potential risk and taken action and disclosed on our website.
4. Does the company count the emissions of greenhouse-gas, water consumption and total weight of wastewater	V		4. The Company has set the goal for energy conservation and carbon emissions. The Company will keep an eye on carbon



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

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

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

Item	Status of Implementation		Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>1. Does the company set the ethical management policy which has approved by the Board and clearly specify the ethical management policies, action in the rules and external documents of the Company and the commitment by the Board of Directors and Executives for implementing the policies actively?</p> <p>2. Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within the business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs and also adopt preventive measures which are at least included any matter set forth in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook”?</p> <p>3. Does the company set implementation procedures, guidelines, consequence of violation and complaint procedures in relevant policies which are duly enforced to prevent unethical conduct?</p>	V	V	<p>None.</p> <p>The Company has not set a risk assessment mechanism against unethical conduct.</p> <p>None.</p>
	V		<p>1. The Company has established the “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and disclosed the Company’s ethical corporate management policies in internal rules, annual reports, company website, or other propaganda.</p> <p>2. The Company has not set a risk assessment mechanism against unethical conduct, but has stipulated prevention programs.</p> <p>3. The Company has stipulated “prohibition of offering or acceptance of any improper benefits”, “prohibition of facilitating payments”, “prohibition of offering of illegal political donations”, “prohibition of improper charitable donations or sponsorship” in the “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook” to ensure that our conduct meets the highest legal and ethical standards, the Company periodically organizes training courses to enhance employees’ concepts of ethics and self-discipline, and carry them out. If any personnel of this Corporation seriously violates ethical conduct, the Company</p>

Item	Status of Implementation		Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	
II. Implementation of ethical management			
1.Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		None.
2.Does the company establish a dedicated unit that is under the Board of Directors and responsible for promoting the ethical management, and report its ethical management policy, the prevention programs for misconduct and the status of supervision to the Board of Directors on a regular basis(at least once a year)?		V	The Company reports to the Board aperiodically.
3.Does the company adopt policies for preventing conflicts of interest, offer appropriate means, and carry them out?	V		None.

Item	Status of Implementation		Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	
<p>4.Does the company establish effective accounting systems and internal control systems to facilitate ethical corporate management, and have the internal audit unit to set the related audit plan based on the assessment result of misconduct’s risk and then examine the situation of compliance for preventing the case of unethical conduct or have a certified public accountant to carry out the audit?</p>	V		<p>personnel shall report the relevant matters to both her or his immediate supervisor and the Audit Dept., and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>4.The Company’s accounting system is established referring to applicable laws and regulations the Company Act, Securities Exchange Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC), as recognized by the Financial Supervisory Commission (FSC) and the Company’s actual business situations. The Company’s internal control has established and executed according to the Regulations Governing Establishment of Internal Control Systems by Public Companies. The Internal Auditor formulates annual audit plans and subsequently reports its audit findings and remedial issues to the Board and Management team on a regular basis. In addition, all departments and subsidiaries are also required to conduct Control Self-Assessment annually to review the effectiveness of the internal control system.</p> <p>5.The Company periodically organizes training and awareness programs on the ethical management for employees.</p>
<p>5.Does the company periodically organize training internally and externally on the ethical management?</p> <p>III.State of implementation of the company’s whistle - blowing system?</p> <p>1.Does the company adopt a concrete whistle-blowing system and incentive measures, establish convenient whistle-blowing channels, and appoint appropriate dedicated personnel to handle whistle-blowing system?</p>	V		<p>1.The Company has established the “Reporting Regulations of Irregular, Immoral and Dishonest Conducts”. The employee or any whistleblower can report through phone or E-mail</p>

Item	Status of Implementation		Discrepancy from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	
<p>2. Does the company adopt standard operating procedures for the investigation of reported misconduct, the follow-up after the investigation and relevant confidentiality mechanism?</p> <p>3. Does the company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?</p>	V		<p>(IR@alchip.com) with relevant evidence to the dedicated personnel.</p> <p>2. The Company has established the “Reporting Regulations of Irregular, Immoral and Dishonest Conducts” which included a whistle-blowing system to protect personal information and privacy for related parties.</p> <p>3. The Company adopts the confidentiality mechanism for whistle-blowers and prohibits from disclosure of any information related to whistle-blowers to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p>
<p>IV. Enhancing Disclosure of Information</p> <p>1. Does the company disclose its ethical corporate management best practice principles and the effectiveness of promotion on the company website and the Market Observation Post System?</p>	V		<p>The Company has set up a website (<a href="http://www.alchip.com">http://www.alchip.com</a>) and continued to disclose the information regarding the latest financial statements, implementation of corporate governance, other statutory public disclosure, etc.</p>
<p>V. If the company has established its own ethical corporate management policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please state clearly the discrepancy in the operation thereof and the principles : Details are shown as above.</p> <p>VI. Other significant information which would help better understand the implementation of ethical corporate management (such as the companies’ resolve and policies to advocate the ethical corporate management to business transaction suppliers, invitation to them to participate the training, review and improvement for adoption of the company’s own ethical corporate management best practice principles) :</p> <p>The Company always keeps a close eye on the development of relevant local and international regulations concerning ethical corporate management in order to ensure the Company’s “Ethical Corporate Management Best Practice Operational Procedures and Action Guidebook” is being kept progressed and up-to-date, aiming to enhance and achieve the Company’s better implement of ethical management.</p>			<p>None.</p> <p>None.</p> <p>None.</p>

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

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

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

None.

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

**A. A Statement on Internal Control :** Details are shown on pages 57 and 58.

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

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

None.

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

**A. Board Meeting :**

Date	Term	Major Resolutions
03/04/2022	The 1 <sup>st</sup> in 2022	<ol style="list-style-type: none"><li>1. The consolidated financial statement for the year ended December 31, 2021 of the Company was approved.</li><li>2. The proposal of 2021 Dividend Distribution was approved.</li><li>3. The bonus scheme for the employees and Directors for the year of 2021 was approved.</li><li>4. The business report of 2021 was approved.</li><li>5. The Internal Control System Statement for the year ended December 31, 2021 of the Company was approved.</li><li>6. The application for a credit line from Standard Chartered Bank was approved.</li><li>7. The change of the entity for the investment of Uniconn Interconnections Technology Co., Ltd. was approved.</li><li>8. The change of the fund using plan for the issuance of common shares for participating in issuance of GDR offering approved by the Financial Supervisory Commission on January 13, 2021 was approved.</li><li>9. The change of the senior managers (executives) of the Company was approved.</li><li>10. The remuneration packages for the senior managers (executives) for the year of 2022 were approved.</li><li>11. The monthly remuneration scheme for the Directors for the year of 2022 attached was approved.</li><li>12. The grant list of 2021 Employee Stock Option Plan was approved.</li></ol>

		<p>13. The amendments to the “Corporate Governance Best Practice Principles” ,“Regulations Governing the Board Performance Evaluation” , “Corporate Social Responsibility Best Principles” and “Guideline for Acquisition and Disposal of Assets” were approved.</p> <p>14. The election of seven newly Directors (including three Independent Directors) at the upcoming Annual General Meeting was approved.</p> <p>15. The prohibition on newly Directors elected at the Annual General Meeting to be released from the participation in competitive business was approved.</p> <p>16. The date and meeting agenda of 2022 Annual General Meeting of the Company were approved.</p> <p>17. The period and place for shareholders who holding 1% or more of the total number of outstanding shares of the company to submit proposals to be discussed at the Annual General Meeting of the Company and submit the nomination of director candidates were approved.</p>
04/29/2022	The 2 <sup>nd</sup> in 2022	<p>1. The consolidated financial statements for the period ended March 31, 2022 of the Company was approved.</p> <p>2. The list of candidates of Director and the review of qualification of Director candidates was approved.</p> <p>3. The amendments to the “Memorandum and Articles of Association of the Company” were approved.</p> <p>4. The amendments to the “ Seal Management Policy ” , “Corporate Governance Best Practice Principles” and “Rules Governing the Procedures for Meetings of Shareholders” were approved.</p> <p>5. The advance payment and the agreement with Uniconn Interconnections Technology Co., Ltd. were approved.</p> <p>6. The grant list of 2021 Employee Stock Option Plan was approved.</p> <p>7. 2022 Employee Stock Option Plan was approved.</p>
06/20/2022	The 3 <sup>rd</sup> in 2022	<p>1. The election of the chairman of the Company was approved.</p> <p>2. The appointment of members of Remuneration Committee was approved.</p> <p>3. The change of the accounting officer of the Company was approved.</p> <p>4. The subsequently ratification for the amendments of 2022 Employee Stock Option Plan was approved.</p>
08/26/2022	The 4 <sup>th</sup> in 2022	<p>1. The consolidated financial statement for the year ended June 30, 2022 of the Company was approved.</p> <p>2. The record date of distribution of cash dividend was approved.</p> <p>3. The amendments to 2015~2021 Employee Stock Option Plans were approved.</p> <p>4. The grant list of 2022 Employee Stock Option Plan was approved.</p> <p>5. The 2<sup>nd</sup> capital increase to the subsidiary in Guangzhou was approved.</p> <p>6. The remuneration package for the newly accounting officer of the Company were approved.</p>
11/4/2022	The 5 <sup>th</sup> in 2022	<p>1. The evaluation and appointment of Certified Public Accountant were approved.</p> <p>2. The consolidated financial statement for the year ended September 30, 2022 of the Company was approved.</p> <p>3. The subsequently ratification for the disposal of Securities Plan of the Company’s subsidiary (Shanghai) was approved.</p>



		<ol style="list-style-type: none"> <li>4. The 2023 Audit Plan of the Company was approved.</li> <li>5. The appointment for the Corporate Governance Officer of the Company was approved.</li> <li>6. The amendments to the “Procedures for Internal Material Information Handling and the Prevention of Insider Trading” were approved.</li> <li>7. The amendments to the “Management of the Procedures for Preparation of Financial Statements” were approved.</li> <li>8. The grant list of 2022 Employee Stock Option was approved.</li> </ol>
01/18/2023	The 1 <sup>st</sup> in 2023	<ol style="list-style-type: none"> <li>1. The investment plan of Adoresys Pte. Ltd. was approved.</li> </ol>
03/15/2023	The 2 <sup>nd</sup> in 2023	<ol style="list-style-type: none"> <li>1. The consolidated financial statement for the year ended December 31, 2022 of the Company was approved.</li> <li>2. The proposal of 2022 Dividend Distribution was approved.</li> <li>3. The bonus scheme for the employees and Directors for the year of 2022 was approved.</li> <li>4. The business report of 2022 was approved.</li> <li>5. The Internal Control System Statement for the year ended December 31, 2022 of the Company was approved.</li> <li>6. The remuneration packages for the senior managers (executives) for the year of 2023 were approved.</li> <li>7. The monthly remuneration scheme for the Directors for the year of 2023 attached was approved.</li> <li>8. The evaluation report for the independence and suitability of the CPA engaged by the Company were approved.</li> <li>9. The Accounts receivable as of the year ended December 31, 2022 that was overdue for more than 3 months which beyond the credit period and its amount is significant which is recognized as non-loaning funds to others was approved.</li> <li>10. The amendments to the “Memorandum and Articles of Association of the Company” were approved.</li> <li>11. The amendments to the “Corporate Governance Best Practice Principles” , “Regulations Governing Procedure for Board of Directors Meetings” , “Sustainable Development Best Practice Principles” and “Guideline for Acquisition and Disposal of Assets” were approved.</li> <li>12. The amendments to the “Delegation of Authority” and the “Payroll and Personnel Policy and Procedures” were approved.</li> <li>13. The prohibition on Directors elected at the Annual General Meeting to be released from the participation in competitive business was approved.</li> <li>14. The date and meeting agenda of 2023 Annual General Meeting of the Company were approved.</li> <li>15. The period and place for shareholders who holding 1% or more of the total number of outstanding shares of the company to submit proposals to be discussed at the Annual General Meeting of the Company were approved.</li> </ol>

**B. Shareholders' Meeting :**

Date	Major Resolutions	Implementation
06/10/2022	<ol style="list-style-type: none"> <li>1. 2021 Business Report and the Consolidated Financial Statements for the year ended December 31, 2021 of the Company.</li> <li>2. 2021 Dividend Distribution Proposal.</li> <li>3. The change of the fund using plan for the issuance of common shares for participating in issuance of GDR offering approved by the Financial Supervisory Commission on January 13, 2021.</li> <li>4. Re-election of 7 Directors (including 3 Independent Directors)</li> <li>5. Amendments to the Memorandum and Articles of Association of the Company.</li> <li>6. Amendments to the Guideline for Acquisition and Disposal of Assets.</li> <li>7. Amendments to the "Rules of Procedure for Shareholders Meetings of the Company".</li> <li>8. Release the Prohibition on Newly Directors from Participation in Competitive Business.</li> </ol>	<ol style="list-style-type: none"> <li>1. Approved and adopted.</li> <li>2. Approved. (1)The Company distributed 2021 dividend, US\$26,772,486 to shareholders of the Company. (2)The Record date was set on September 24, 2022 and the dividend distribution was completed on October 20, 2022.</li> <li>3. Approved and adopted.</li> <li>4. The list of newly Board Directors is shown below. Director: Kinying Kwan Director: Johnny Shyang-Lin Shen Director: Herbert Chang Director: Daniel Wang Independent Director: Mao-Wei Hung Independent Director: Brian Chiang Independent Director: Binfu Chuang</li> <li>5. Approved and adopted.</li> <li>6. Approved and adopted.</li> <li>7. Approved and adopted.</li> <li>8. Approved.</li> </ol>

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

None.

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

Titel	Name	Date of Appointment	Date of Occurrence of the Change	Type of Change
Financial Controller	Nancy Chan	Dec 10,2010	Jun 20,2022	Position adjustment

Note : The Board of Directors approved the appointment of Ms. Yuki Jin as the Company's Accounting Officer on Jun 20,2022.

### 3.4 Information Regarding the Company's Independent Auditors

#### 3.4.1 Audit Fees

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee(Note)	Total	Remarks
Deloitte & Touche	Yi-Wen Wang	2022	6,557	530	7,087	-
	Li-Chun Chang					

Note : The fees were mainly related to the audit of annual income tax returns.

3.4.2 The company changes its accounting firm and the audit fees paid to new accounting firm was less than the payment of previous year : N/A.

3.4.3 Audit fees paid for the current year was less than 10 % of the previous year : N/A.

### 3.5 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of its Finance and Accounting Matters Has Held a Position at the Accounting Firm or its Affiliates in 2022

None.

### 3.6 Information on Independent Auditors' Replacement

None.

### 3.7 Evaluation of Auditors' Independence

The Company evaluated the independence of auditors once a year and obtained the "Statement of Independence" issued by auditors. After evaluation, the auditors meet with the Company's independence standards.

Evaluation Item	Evaluation Result	Compliance with Independence
Does/do the CPA and/or his/her families have any direct or significantly indirect financial interest relationship with the Company?	No	Yes
Does the Company and the accounting firm engage in mutual financing or mutual guarantee activities?	No	Yes
Does/do the CPA and/or his/her families have any business relationship with the Company's directors and managerial officers?	No	Yes
Does/Do the accounting firm and their audit team members as well as their families serve as the Company's directors, managerial officers or any other position which can have direct and significantly impact on auditing?	No	Yes
Do the CPAs provide the Company with non-audit services which might effect their audit work?	No	Yes

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

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

Unit: Shares

Title	Name	2022		As of Apr. 11, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Kinying Kwan	(9,000)	0	(20,000)	0
Director	Herbert Chang	0	0	0	0
Director/ CEO	Johnny Shyang-Lin Shen	100,000	0	0	0
Director/ CFO	Daniel Wang	(23,000)	0	(10,000)	0
Independent Director	Mao Wei Hung	0	0	0	0
Independent Director	Brian Chiang	0	0	0	0
Independent Director	Binfu Chuang	0	0	0	0
Vice President	Andy Lin	(78,000)	0	(56,000)	0
Vice President	Hiroyuki Furuzono (Note 1)	40,000	0	0	0
Sr. Vice President	Dave Hwang	150,000	150,000	0	0
Sr. Vice President	Leo Cheng	(52,026)	0	0	0
Vice President	Rober Chang	63,750 (20,000)	0	(30,000)	0
Vice President	Peter Teng	(47,000)	0	(43,000)	0
Financial Controller	Yuki Kin (Note 2)	0	0	0	0
Vice President	Junichiro Hosaka (Note 3)	0	0	0	0
Vice President	Hiroyuki Nagashima (Note 4)	0	0	0	0
Financial Controller	Nancy Chan (Note 5)	(1,000)	0	0	0

Note 1 : Mr. Hiroyuki Furuzono was promoted to Vice President, effective March 4, 2022.

Note 2 : Ms. Yuki Jin was promoted to Financial Controller, effective June 20, 2022.

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

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

Note 5 : Ms. Nancy Chan stepped down as Financial Controller on June 20, 2022.

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

None.

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

None.

### 3.9 Relationship among the Top Ten Shareholders

Unit: shares

Name	Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Relationship between any of the Company's Top Ten Share holders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Government of Singapore -GOS-EFMC	3,776,182	5.22%	0	0	0	0	-	-	
Johnny Shyang-Lin Shen	1,541,652	2.13%	0	0	0	0	-	-	
Allianz Global Investors Fund - Allianz Oriental Income(AD69)	1,450,000	2.00%	0	0	0	0	-	-	
Mitsubishi UFJ Morgstan Securities Co.,Ltd - Equity Trading Division (Proprietary Trading Desk)	1,429,000	1.98%	0	0	0	0	-	-	
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund(U8T8)	1,421,000	1.96%	0	0	0	0	-	-	
Allianz Global Investors Taiwan Technology Fund	1,397,000	1.93%	0	0	0	0	-	-	
New Labor Pension Fund	1,325,500	1.83%	0	0	0	0	-	-	
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	950,463	1.31%	0	0	0	0	-	-	
Allianz Global Investors Taiwan Fund	935,000	1.29%	0	0	0	0	-	-	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	908,520	1.26%	0	0	0	0	-	-	

### 3.10 Long-Term Investment Ownership

December 31, 2022;Unit: shares

Company Name	Investment by the Company		Investments Directly or Indirectly Controlled by Directors and Managers of the Company		Total Investment	
	Shares	%	Shares	%	Shares	%
Alchip Hong Kong	14,165,970,100	100	-	-	14,165,970,100	100
Alchip US	391,000,000	100	-	-	391,000,000	100
Alchip Japan	1,000	100	-	-	1,000	100
Alchip Taiwan	10,000	100	-	-	10,000	100
Alchip BVI	15,100,000	100	-	-	15,100,000	100
Alchip Shanghai	(Note)	100	-	-	(Note)	100
AlchipWuxi	(Note)	100	-	-	(Note)	100
Alchip Hefei	(Note)	100	-	-	(Note)	100
Alchip Jinan	(Note)	100	-	-	(Note)	100
Alchip Guangzhou	(Note)	100	-	-	(Note)	100
Alchip Chongqing	(Note)	100	-	-	(Note)	100
Chiptopia Shanghai	(Note)	87	-	-	(Note)	87

Note : No shares issued.

Alchip Technologies, Limited  
Statement on Internal Control System

Date: March 15, 2023

Based on the results of self assessment of the internal control system conducted by the Company for the fiscal year 2022, we hereby declare as follows:

- I. The company acknowledges and understands that the establishment, enforcement and preservation of the internal control system are the responsibility of the Board, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately.
- III. The Company determines the effectiveness of the internal control system in design and enforcement in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”). The Regulations are instituted for judging the effectiveness of the design and enforcement of the internal control system. There are five components of effective internal control as specified in the Regulations with which the procedure for effective internal control is measured, namely: (1) Control environment, (2) Risk assessment, (3) Control activities, (4) Information and Communications, and (5) Monitoring activities. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
- IV. The Company has adopted the aforementioned internal control system for an internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the aforementioned with the internal control system as of December 31, 2022 (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus of the company and will be publicly announced. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board on March 15, 2023 in the presence of seven (7) directors, who concurred unanimously.

Alchip Technologies, Limited



---

Kinying Kwan  
Chairman



---

Johnny Shyang-Lin Shen  
CEO



## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Capitalization

##### A. Issued shares

Unit:share/NT\$

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

2022.01-12	10	100,000,000	1,000,000,000	71,928,014	719,280,140	New Shares issued upon the exercise of share options	None	-
2023.01-04	10	100,000,000	1,000,000,000	72,324,765	723,247,650	New Shares issued upon the exercise of share options	None	-

## B. Capital and Shares

April 11, 2023; Unit: Share

Type of Stock	Authorized Capital			Remark
	Oustanding Shares	Un-issued Shares	Total Shares	
Common Stock	72,324,765	27,675,235	100,000,000	-

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

## C. Information for shelf registration : Not applicable.

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

## 4.1.2 Status of shareholders

April 11,2023

Item	Government Agencies	Financial Institutions	Treasury Stocks	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	18	0	288	10,669	437	11,412
Shareholding (shares)	0	1,110,835	0	17,129,214	17,537,850	36,546,866	72,324,765
Shareholding Percentage	0%	1.54%	0%	23.68%	24.25%	50.53%	100.00%

Note: The percentage of shareholding for the capital investment from China is 0.43%.

## 4.1.3 Shareholding distribution status

With par value of \$10 per share;April 11,2023;Unit:shares/%

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	7,089	352,396	0.49%
1,000 ~ 5,000	3,466	5,781,103	7.99%
5,001 ~ 10,000	276	2,161,098	2.99%
10,001 ~ 15,000	110	1,411,099	1.95%
15,001 ~ 20,000	72	1,301,242	1.80%
20,001 ~ 30,000	76	1,934,289	2.67%
30,001 ~ 40,000	43	1,533,132	2.12%
40,001 ~ 50,000	40	1,805,676	2.50%
50,001 ~ 100,000	100	7,222,256	9.99%
100,001 ~ 200,000	65	9,352,910	12.93%
200,001 ~ 400,000	42	11,933,307	16.50%
400,001 ~ 600,000	16	7,930,766	10.97%
600,001 ~ 800,000	4	2,533,174	3.50%
800,001 ~ 1,000,000	7	6,273,635	8.67%
1,000,001 or over	6	10,798,682	14.93%
Total	11,412	72,324,765	100.00%

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

April 11, 2023; Unit: shares/%

Shareholder's Name	Shareholding	
	Shares	Percentage
Government of Singapore - GOS - EFMC	3,776,182	5.22%
Johnny Shyang-Lin Shen	1,541,652	2.13%
Allianz Global Investors Fund - Allianz Oriental Income(AD69)	1,450,000	2.00%
Mitsubishi UFJ Morgstan Securities Co., Ltd-Equity Trading Division (Proprietary Trading Desk)	1,429,000	1.98%
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund(U8T8)	1,421,000	1.96%
Allianz Global Investors Taiwan Technology Fund	1,397,000	1.93%
New Labor Pension Fund	1,325,500	1.83%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	950,463	1.31%
Allianz Global Investors Taiwan Fund	935,000	1.29%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	908,520	1.26%

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

Unit: NT\$; Thousand of Shares

Items	2021	2022	As of April 11, 2023
<b>Market Price per Share</b>			
Highest Market Price	1,325	1,230	1,385
Lowest Market Price	363.5	546	796
Average Market Price	781.19	860	1,020.94
<b>Net Worth per Share</b>			
Before Distribution	146.39	182	-
After Distribution	135.21	(Note 1)	-
<b>Earnings per Share</b>			
Weighted Average Shares(thousand shares)	69,817	71,392	-
Basic Earnings Per Share	21.34	25.69	-
<b>Dividends per Share</b>			
Cash Dividends	11.14	(Note1)	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
<b>Return on Investment</b>			
Price / Earnings Ratio (Note2)	36.61	33.48	-
Price / Dividend Ratio (Note 3)	70.12	(Note 1)	-
Cash Dividend Yield Rate (Note 4)	0.01426	(Note 1)	-

Note 1 : Pending on the approval of 2023 shareholders' meeting.

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

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

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

#### **4.1.6 Company's Dividend Policy and Status**

---

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

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

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

#### **B. Proposed Distribution of 2022 Profits**

The Board adopted a proposal for 2022 profit distribution as follows:

Cash dividends to common shareholders is US\$30,268,787 (US\$0.41995 per share). The proposal is subject to shareholders' approval at the 2023 Annual Shareholders' Meeting.

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

---

Not applicable.

#### **4.1.8 Directors' Remuneration and Employees' Compensation**

---

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

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

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

The Company accrued employees' compensation and directors' remuneration are US\$5,445,723 and US\$1,037,281 respectively. If there is discrepancy between the actual distribution and the estimated amount, the Company will recognize the difference as an adjustment to income of next year.

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

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

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

#### 4.1.9 List of Share Buyback as of April 11, 2023

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

#### 4.1.10 Information on the Company's issuance of bonds

None.

#### 4.1.11 Information on issuance of preferred shares

None.

#### 4.1.12 Information on issuance of global depository receipts

Item	Issue Date	January 20, 2021	
Issuance and listing	Luxembourg Exchange		
Total amount	US\$195,548,000		
Unit offering price	US\$25.73		
Number of GDS to be issued:	7,600,000 units		
Sources of the securities underlying the GDS	Issuance of new common shares by cash capital increase for sponsoring GDS issuance		
Number of shares represented by each GDS	Each GDS represents 1 common share		
Rights and obligations of GDS holders	The new common shares have the same rights and obligations as the Company's existing issued and outstanding common shares.		
Trustee	None		
Depository bank	Citibank, N.A.		
Custodian bank	Citibank Taiwan Limited		
Outstanding balance	93,956 units		
Treatment of expenses incurred at issuance and thereafter	Borne by the issuing company		
Important conventions about depository and escrow agreement	Please refer to the depository and custodian contract.		
Market price per unit (US\$)	Current year to April 11, 2023	Highest	44
		Lowest	18
		Average	29.43



### 4.1.13 Employee Stock Options

#### A. Issuance of Employee Stock Options

March 31, 2023

Types of Employee Stock Options	Employee Stock Options in 2015		Employee Stock Options in 2016	
Approval date	March 30, 2015		April 26, 2016	
Total units (Note 1)	2,000		2,000	
Issue date	April 24, 2015	March 4, 2016	November 11, 2016	March 10, 2017
Units issued	864,000	1,136,000	1,200,000	800,000
Issuable units	0		0	
Shares of stock options to be issued as a percentage of outstanding shares	1.19%	1.57%	1.66%	1.11%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period		The stock options shall be valid for 10 years from the Grant date and shall expire after such period	
Method of performance	Issuance of new shares		Issuance of new shares	
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month		After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month	
Exercised shares	769,000	884,494	921,000	591,550
Amount of the shares exercised	42,756,400	32,372,480	22,656,600	23,898,620
Unexercised shares	40,000	64,000	54,000	30,200
Price per share of the unexercised shares	55.60	36.60	24.60	40.40
Percentage of unexercised shares to total issued shares	0.06%	0.09%	0.07%	0.04%
Number of invalid shares (Note 2)	55,000	187,506	225,000	178,250
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.			

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

Types of Employee Stock Options	Employee Stock Options in 2017					
Approval date	April 25, 2017					
Total units (Note 1)	2,000					
Issue date	November 28, 2017	December 5, 2017	January 5, 2017	February 7, 2018	March 30, 2018	April 18, 2018
Units issued	330,000	500,000	329,000	95,000	250,000	200,000
Issuable units	0					
Shares of stock options to be issued as a percentage of outstanding shares	0.46%	0.69%	0.45%	0.13%	0.35%	0.28%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period					
Method of performance	Issuance of new shares					
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month					
Exercised shares	282,500	82,500	232,000	56,000	189,750	155,125
Amount of the shares exercised	23,108,500	6,228,750	22,295,200	5,252,800	21,973,050	18,863,200
Unexercised shares	27,500	337,500	31,000	14,000	36,500	16,500
Price per share of the unexercised shares	81.80	75.50	96.10	93.80	115.80	121.60
Percentage of unexercised shares to total issued shares	0.04%	0.47%	0.04%	0.02%	0.05%	0.02%
Number of invalid shares (Note 2)	20,000	80,000	66,000	25,000	23,750	28,375
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.					

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

Types of Employee Stock Options	Employee Stock Options in 2018			
Approval date	May 21, 2018			
Total units (Note 1)	2,000			
Issue date	August 10, 2018	September 20, 2018	March 19, 2019	May 20, 2019
Units issued	500,000	500,000	500,000	500,000
Issuable units	0			
Shares of stock options to be issued as a percentage of outstanding shares	0.69%	0.69%	0.69%	0.69%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period			
Method of performance	Issuance of new shares			
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month			
Exercised shares	216,000	327,487	184,750	286,398
Amount of the shares exercised	25,833,600	28,163,882	13,653,025	20,964,334
Unexercised shares	239,000	104,363	275,750	163,039
Price per share of the unexercised shares	119.60	86.00	73.90	73.20
Percentage of unexercised shares to total issued shares	0.33%	0.14%	0.38%	0.23%
Number of invalid shares (Note )	45,000	68,150	39,500	50,563
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.			

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

Types of Employee Stock Options	Employee Stock Options in 2019				
Approval date	May 21, 2019				
Total units (Note 1)	1,000				
Issue date	August 7, 2019	November 7, 2019	November 22, 2019	February 18, 2020	April 28, 2020
Units issued	500,000	40,000	160,000	150,000	150,000
Issuable units	0				
Shares of stock options to be issued as a percentage of outstanding shares	0.69%	0.06%	0.22%	0.21%	0.21%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period				
Method of performance	Issuance of new shares				
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month				
Exercised shares	239,358	16,250	75,570	37,875	60,289
Amount of the shares exercised	22,523,588	2,965,625	15,310,482	7,749,225	15,952,469
Unexercised shares	243,350	3,750	56,263	101,125	73,751
Price per share of the unexercised shares	94.10	182.50	202.60	204.60	264.60
Percentage of unexercised shares to total issued shares	0.34%	0.01%	0.08%	0.14%	0.10%
Number of invalid shares (Note )	17,292	20,000	28,167	11,000	15,960
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.				

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

Types of Employee Stock Options	Employee Stock Options in 2020			
Approval date	April 28, 2020			
Total units (Note 1)	2,000			
Issue date	June 15, 2020	July 31, 2020	December 15, 2020	March 8, 2021
Units issued	400,000	200,000	800,000	600,000
Issuable units	0			
Shares of stock options to be issued as a percentage of outstanding shares	0.55%	0.28%	1.11%	0.83%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period			
Method of performance	Issuance of new shares			
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month			
Exercised shares	15,000	34,070	103,726	23,500
Amount of the shares exercised	4,899,000	19,467,598	58,511,837	19,023,250
Unexercised shares	385,000	102,930	476,293	519,500
Price per share of the unexercised shares	326.60	571.40	564.10	809.50
Percentage of unexercised shares to total issued shares	0.53%	0.14%	0.66%	0.72%
Number of invalid shares (Note 2)	0	63,000	219,981	57,000
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.			

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

Types of Employee Stock Options	Employee Stock Options in 2021				
Approval date	May 5, 2021				
Total units (Note 1)	1,500				
Issue date	May 17, 2021	August 20, 2021	October 29, 2021	March 9, 2022	April 29, 2022
Units issued	800,000	50,000	50,000	200,000	200,000
Issuable units	0				
Shares of stock options to be issued as a percentage of outstanding shares	1.11%	0.07%	0.07%	0.28%	0.28%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period				
Method of performance	Issuance of new shares				
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month				
Exercised shares	0	0	0	0	0
Amount of the shares exercised	0	0	0	0	0
Unexercised shares	673,000	37,000	40,000	193,000	152,000
Price per share of the unexercised shares	405.70	571.50	1,015.80	969.40	873.80
Percentage of unexercised shares to total issued shares	0.93%	0.05%	0.06%	0.27%	0.21%
Number of invalid shares (Note )	127,000	13,000	10,000	7,000	48,000
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.				

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

Types of Employee Stock Options	Employee Stock Options in 2022	
Approval date	May 23, 2022	
Total units (Note 1)	800	
Issue date	August 26,2022	November 15, 2022
Units issued	200,000	100,000
Issuable units	500	
Shares of stock options to be issued as a percentage of outstanding shares	0.28%	0.14%
Period	The stock options shall be valid for 10 years from the Grant date and shall expire after such period	
Method of performance	Issuance of new shares	
Period and percentage in which subscription is restricted (%)	After two full years, 50% of stock options can be exercised, with 1/48 of the total shares vesting every month	
Exercised shares	0	0
Amount of the shares exercised	0	0
Unexercised shares	200,000	100,000
Price per share of the unexercised shares	816.60	843.00
Percentage of unexercised shares to total issued shares	0.28%	0.14%
Number of invalid shares (Note )	0	0
Impact on possible dilution of shareholdings	Financial Statements will be presented in accordance with the International Accounting Standards. However, after two full years upon expiration of the employee stock options granted by the Company, 50% of the granted stock options can be exercised, with 1/48 of the total shares vesting every month. The influence on shareholders' interests will be gradually diluted.	

Note 1 : One unit is 1,000 shares.

Note 2 : The number of invalid shares were from employees' turnover and expired employee stock options.

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

March 31, 2023; Unit : share thousand / NT\$ thousand

Title	Name	No. of Subscribed Shares	Ratio of Subscribed Shares to Total Issued Shares	Exercised				Unexercised			
				No. of Shares	Price Per share	Amount	Ratio of Shares to Total Issued Shares	No. of Shares	Price Per share	Amount	Ratio of Shares to Total Issued Shares
CEO	Johnny Shyang-Lin Shen,			550.00	55.60	30,580.00	0.76%	30.00	55.60	1,668.00	0.04%
Vice President	Hiroyuki Furuzono (Note1)			340.00	36.60	12,444.00	0.47%	42.00	36.60	1,537.20	0.06%
Vice President	Andy Lin			665.00	24.60	16,359.00	0.92%	20.00	24.60	492.00	0.03%
Sr. Vice President	Dave Hwang			62.00	40.40	2,504.80	0.09%	0.00	40.40	0.00	0.00%
Sr. Vice President	Leo Cheng			160.00	81.80	13,088.00	0.22%	25.00	81.80	2,045.00	0.03%
Vice President	Robert Chang			82.50	75.50	6,228.75	0.11%	337.50	75.50	25,481.25	0.47%
CFO	Daniel Wang			38.00	96.10	3,651.80	0.05%	0.00	96.10	0.00	0.00%
Vice President	Peter Teng			0.00	115.80	0.00	0.00%	0.00	115.80	0.00	0.00%
Financial Controller	Yuki Jin (Note 2)			122.50	119.60	14,651.00	0.17%	217.50	119.60	26,013.00	0.30%
	Nancy Chan (Note 3)			15.85	86.00	1,363.10	0.02%	2.75	86.00	236.50	0.00%
	Doni Ding			115.75	73.90	8,553.93	0.16%	254.25	73.90	18,789.08	0.35%
	Kozo Fujita			51.43	73.20	3,764.90	0.07%	38.57	73.20	2,823.10	0.05%
	Junichiro Hosaka (Note 4)			150.00	94.10	14,115.00	0.21%	170.00	94.10	15,997.00	0.24%
	James Huang			10.00	202.60	2,026.00	0.01%	10.00	202.60	2,026.00	0.01%
	Vincent Ku			15.00	204.60	3,069.00	0.02%	50.00	204.60	10,230.00	0.07%
	Yuntao Liao			15.00	326.60	4,899.00	0.02%	360.00	326.60	117,576.00	0.50%
				4.00	564.10	2,256.40	0.01%	36.00	564.10	20,307.60	0.05%
				17.00	809.50	13,761.50	0.02%	383.00	809.50	310,038.50	0.53%
				0.00	405.70	0.00	0.00%	318.00	405.70	129,012.60	0.44%
				0.00	969.40	0.00	0.00%	48.00	969.40	46,531.20	0.07%



	Allan Lin			0.00	873.80	0.00	0.00%	40.00	873.80	34,952.00	0.06%
	Hiroyuki Nagashima (Note5)		0.00	816.00	0.00	0.00%	20.00	816.00	16,320.00	0.03%	
	Jokie Zhou		0.00	843.00	0.00	0.00%	8.00	843.00	6,744.00	0.01%	

Note 1 : Mr. Hiroyuki Furuzono was promoted to Vice President, effective March 4, 2022.

Note 2 : Ms. Yuki Jin was promoted to Financial Controller, effective June 20, 2022.

Note 3 : Ms. Nancy Chan stepped down as Financial Controller on June 20, 2022.

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

Note 5 : Mr. Hiroyuki Nagashima stepped down as Vice President on March 4, 2022.

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

#### **4.1.14 Issuance of New Restricted Employee Shares**

None.

#### **4.1.15 Status of mergers or acquisitions**

None.

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

None.

## 4.2 Implementation of Company's Capital Allocation Plans

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

### 1. Description of Plan

#### (1) Original Plan

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

Unit : thousand

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

#### ④ Estimated Benefits

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

Unit : pcs thousand / NT\$ thousand

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

#### (2) Plan after change

- ① Reason for the change : The execution progress of purchase of machinery and equipment is delayed due to the change of project schedule, and in order to respond to the growth of ASIC Market and effectively utilize working capital to increase shareholders' equity, the Board of the Company approved to change the fund using plan to purchase raw materials on March 4, 2022.
- ② Proceeds Needed from the Plans : US\$183,000 thousand, converting to NT\$5,124,000 thousand.
- ③ Sources of Proceeds : Form of rest of fund of GDR offering US\$96,805 thousand, converting to NT\$2,707,248 thousand.
- ④ Use of Proceeds Plan and Schedule :

Unit: thousand

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

## ⑤ Estimated Benefits

## a. Purchase of Equipment

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

Unit : pcs thousand / NT\$ thousand

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

## b. Purchase of Raw Materials

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

## 2. Status of Implementation

Unit: thousand

Plan	Status of Implementation		Amount As of December 31, 2022		Reason of schedule changed and improvement plan
Purchase of Equipment	Amount to be used	Estimated	US\$	96,028	The Company's equipment purchase plan was 100% executed on Dec. 31,2022
			NT\$	2,688,784	
		Actual	US\$	96,028	
			NT\$	2,688,784	
	% of execution`	Estimated	100.00		
		Actual	100.00		
Purchase of Raw Materials	Amount to be used	Estimated	US\$	86,972	The Company's raw materials purchase plan was 100% executed on Dec. 31,2022
			NT\$	2,435,216	
		Actual	US\$	86,972	
			NT\$	2,435,216	
	% of execution`	Estimated	100.00		
		Actual	100.00		

Total	Amount to be used	Estimated	US\$	183,000	
			NT\$	5,124,000	
		Actual	US\$	183,000	
			NT\$	5,124,000	
	% of execution`	Estimated	100.00		
		Actual	100.00		

## V. Overview of Business Operations

### 5.1 Business Activities

#### 5.1.1 Business scope

##### A. Main areas of business operations

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

##### B. Revenue by service category

Unit: NT\$ thousand

Category	2021		2022	
	Amount	%	Amount	%
ASIC and Chip production	10,241,686	98.21	13,437,902	97.91
NRE	176,002	1.69	230,084	1.68
Others	10,588	0.10	57,218	0.41
Total	10,428,276	100.00	13,725,204	100.00

##### C. Main products and Services

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

##### D. New products development

The Company is committed to the research, development, and manufacturing of leading-edge integrated circuit, including custom design utilities and design methodologies that ensure quality services. It also provides a chiplet technology platform; a high-performance computing IP portfolio, including DDR, HBM, PCIe, SerDes, and the latest 2.5D/3D heterogeneous packaging capabilities to establish corresponding designs for AI/HPC market demands.

### 5.1.2 Industry overview

#### A. Current status and Development of the Industry

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

##### (1) Rise of fabless ASIC

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

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

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

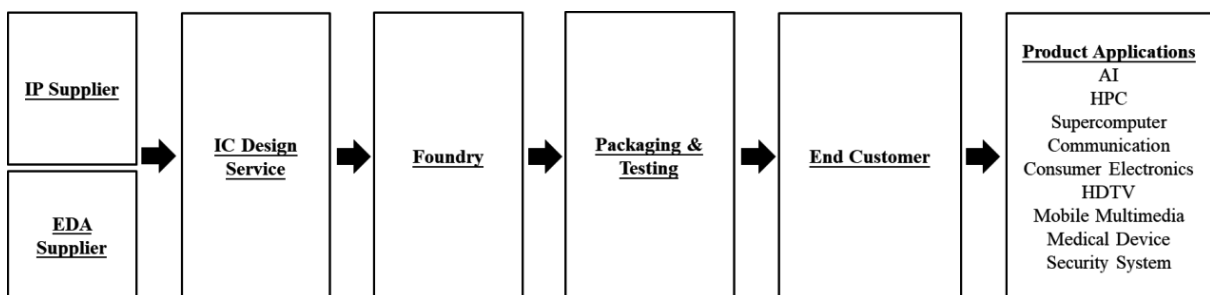
(2) Overview of System on Chip (SoC)

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

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

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

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



**C. Product Development Trends**

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

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

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

#### **D. Market competition**

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

#### **5.1.3 Research and Development**

---

**A. In 2022 and 2021, the Company invested NT\$1,170,945 thousand and NT\$989,405 thousand in R&D respectively.**

#### **B. Successful technology development**

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

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

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

### **C. Latest technology successes**

- (1) Completed multiple 7nm designs with TSMC CoWoS<sup>®</sup> and InFO advanced packaging technology with customer products entering mass production.
- (2) Taped-out several 7nm designs for artificial intelligence application in the first half of 2021.
- (3) Taped-out 6nm designs for artificial intelligence application in the second half of 2021.
- (4) Completed 5nm test chip design and taped out in the first half of 2022.
- (5) Completed 5nm APLink IP testing flow.
- (6) Developed 3nm customer design plans with test chip tape-out in January 2023.
- (7) Taped-out 7nm design with TSMC CoWoS<sup>®</sup> advanced packaging technology on high performance general purpose GPU products.
- (8) Taped-out a 16nm automotive ethernet transceiver design in the second half of 2022.
- (9) Tier-one system company successes
  - A. AC Company: One of the Top Green500 supercomputer systems companies in Japanese firms collaborated with Alchip in 2019 to produce 16nm design application.
  - B. AE Company: A North American company collaborated with Alchip in 2019 to produce 7nm artificial intelligence devices.
  - C. AB Company: A Japanese company collaborated with Alchip in 2020 to produce 7nm niche devices.
  - D. AF Company: A North American company collaborated with Alchip in 2021 to produce a 6nm artificial intelligence device.
  - E. AG Company: A North American company collaborated with Alchip in 2022 to produce a 16nm automotive application design.



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

Going forward, Alchip will focus on its core businesses – research, development, design and manufacturing of high-end processing SoC by working closely with world-class manufacturing suppliers through leading technologies that improve Taiwan’s international status in the chip design industry. The Company’s short- and long-term business development plans are implemented through R&D, business, and production initiatives.

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

## 5.2 Market and Sales Overview

### 5.2.1 Market analysis

#### A. The scale of IC industry is growing

Unit: NT\$Billion

IC Industry \ Year	2019	2019/ 2018	2020	2020/ 2019	2021	2021/ 2020	2022	2022/ 2021	2023 (Note)	2023 (Note)/ 2022
Industry Revenue	2,665.6	1.7%	3,222.2	20.9%	4,082.0	26.7%	4,837.0	18.5%	4,564.3	-5.6%
IC Design	692.8	8.0%	852.9	23.1%	1,214.7	42.4%	1,232.0	1.4%	1,080.0	-12.3%
IC Manufacturing	1,472.1	-0.9%	1,820.3	23.7%	2,228.9	22.4%	2,920.3	31.0%	2,821.3	-3.4%
Foundry	1,312.5	2.1%	1,629.7	2.1%	1,941.0	19.1%	2,684.7	38.3%	2,648.6	-1.3%
Memory & Other Manufacturing	159.6	-20.4%	190.6	19.4%	287.9	51.0%	235.6	-18.2%	172.7	-26.7%
IC Packaging	346.3	0.5%	377.5	9.0%	435.4	15.3%	466.0	7.0%	450.0	-3.4%
IC Testing	154.4	4.0%	171.5	11.1%	203.0	18.4%	218.7	7.7%	213.0	-2.6%
Product Revenue	852.4	1.3%	1,043.5	22.4%	1,502.6	44.0%	1,467.6	-2.3%	1,252.7	-14.6%
WW Revenue Growth (%)	12,076	-12.0%	12,899	6.8%	16,282	26.2%	16,798	3.2%	16,115	-4.1%

Note: numbers in 2023 are estimated.

Source: TSIA, ISTE-ITRI (February 2023)

A survey conducted by TSIA (Taiwan Semiconductor Industry Association) revealed that the global semiconductor market revenue reached US\$573.5 billion (NT\$16 trillion) in 2022, growing annually at 3.2%, while Taiwan's semiconductor industry revenue reached NT\$4.8 trillion, with annual growth of 18.5%. Notably, Taiwan's IC design industry revenue also increased by 1.4% compared to 2021, reaching NT\$1.232 trillion, ranking second globally in production value.

The global semiconductor industry continued its growth momentum from 2021 into 2022, but faced multiple challenges, including international tensions, fluctuating pandemic conditions, inflationary pressures, and interest rate hikes. Additional factors, such as long-term demand and supply shortages, affected the consumer market, leading to lower-than-expected marketing expansion. Looking to 2023, external economic pressures continue and consumer market sentiment weak. Supply chain companies continue to carry high inventory levels, which has affected overall semiconductor market performance. It is predicted that the global semiconductor market will fall to US\$550.2 billion in 2023, representing a 4.1% decline, compared to 2022.

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

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

- (2) Trend II: High-end processes replace of low-end process  
ASIC design seeks to reduce the cost of high-end processes, lower power consumption and shrink device size. According to a recent Allied Market Research report, the global ASIC market was valued at \$14.87 billion in 2018, and is projected to reach \$28.05 billion by 2026, a CAGR of 8.61% between 2019 and 2026.
- (3) Trend III: System integration gradually moves to SoC (system design)/SiP (Packaging technology)  
System products face intense market competition. Shorter development times and more efficient designs are primary customer requirements. ASIC design covers both SoC and SIP system level integration. To pursue high-end processes, Alchip provides chip packaging and testing technology to gain competitive cost, power consumption, and volume advantages. Compared with traditional IC packaging, SiP package stacking technology reduces design time, increases packaging density, lowers risks, and saves system costs. In the future, SoCs will gradually move towards cross-platform collaboration to make the most of competitive integration through SiP/ SoC integration.
- (4) Trend IV: System manufacturers gradually move toward outsourcing ASIC design and production.  
Major system products manufacturers serving markets, such as cameras, tablet PCs, and smart phones, are under the dual pressures of providing more functional diversity at cost competitive prices. Increasingly, these companies are investigating the adoption of an ASIC strategy to gain differentiation and competitive advantages. System manufactures will concentrate more on keeping core firmware in-house and gradually move toward outsourcing ASIC design and production.

## B. Sales by region

Unit:NT\$thousand

Regions of sales	2021		2022	
	Amount	%	Amount	%
Taiwan	308,092	2.95	1,413,395	10.30
Japan	914,507	8.77	1,872,096	13.64
Mainland China	7,455,270	71.49	3,763,293	27.42
Europe	328,472	3.15	1,288,426	9.39
United States	1,421,935	13.64	5,384,959	39.23
Others	-	-	3,035	0.02
Total	10,428,276	100.00	13,725,204	100.00

## C. Market share

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

## D. Future Demand/Supply Conditions and Potential Market Growth

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

Across all geographic regions, North America's huge domestic market is the driving force behind our growth, and it will be a key area of focus for our future development. On the technology front, the Company constantly improves its FinFET technology (16nm and below) methodologies, improves its use of general commercial software for R&D design (EDA), and enhances its supplier chain management to make its customers' products market leaders.

## E. Competitive Niche

- (1) Advance process technology experience:

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

(2) Customization service:

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

(3) Quality Assurance:

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

(4) Master the advanced process design technologies:

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

(5) Reliability:

High-complexity SoCs face a plethora of reliability, quality, cost, and time for products to market challenges. The Company has completed more than 480 design projects since it started business in 2003 and has earned a number of industry and system company quality certifications. Regardless of complexity, Alchip has achieved first time silicon success on all its wafer starts. Alchip has accumulated this enviable record because it carefully considers all environment variation factors that can occur during early circuit design stages to eliminate the time and reduce the costs associated with re-designs and re-spins. Alchip achieves a high degree of reliability assurance through careful planning and implementation, concentration on reliability, pre-sale support, and continuous reliability improvement in related products.

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

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

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

(1) Advantageous factors:

- i. A complete Taiwan semiconductor industry supply chain: The semiconductor industry is characterized by a division of labor based on specialization and close relationship between upstream and downstream partners. The Republic of Taiwan has advanced-process wafer fabs, packaging, and testing houses and complete set of satellite suppliers, who offer a comparative advantage in the development of IC design services. Furthermore, Taiwan's convenient location attracts business from around the globe because of its first-class international competitiveness.
- ii. Heavy demand for semiconductor products from Taiwan: Taiwan's OEM/ODM businesses are known for their sub-contract manufacturing high production efficiency and economies of scale semiconductors and other electronic system products. This is reflected in the large demand for Taiwan's domestic market to support foreign manufacturers. On the whole, Taiwan's semiconductor industry is driven largely by demand for high-performance computing, artificial intelligence, 5G networks, self-driving cars. With the strong demands in high-end devices, industry prospects offer a promising outlook.
- iii. Support by government policy: The electronics industry has been strongly supported by the government of Taiwan through investments in the semiconductor OEM/ODM sector, and by fostering information technology, consumer electronics, and IC manufacturing industries. Talented people and industrial structure are viewed by the government as beneficial for long-term development.

(2) Disadvantageous factors and responsive measures:

- i. Since there are few engineers with advanced-process experience, talented people are difficult to find and develop. Retaining professional personnel has become increasingly competitive because of the flourishing of IC industry. Companies often pay a high price to recruit and train outstanding talents. As a result, The Company invests heavily in human resources to obtain, train and retain employees by strengthen their sense of belonging and loyalty.

**【Responsive Measure】**

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

**【Responsive Measure】**

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

## **5.2.2 Main Product Application and Production Flow**

---

### **A. Main product application**

Alchip's major products are divided into three categories:

- (1) Artificial Intelligence/High-Performance Computing/Communication market: The market for network, storage, and computing devices is growing. To meet higher standards for performance, these devices must use increasingly complex high-efficiency and high-density systems-on-chips (SoCs). Alchip has completed several high-performance computing (HPC) devices that are ranked at the top of the Green500 ratings for a Japanese system company. In addition, the Company has also completed a number of high-performance computing projects for CPU manufacturers in China. In the U.S. and Europe regions, Alchip has provided advanced process design and mass production for several high-profile high-performance computing and artificial intelligence customers.
- (2) Consumer electronics products: Alchip's consumer electronics experience includes designs for applications such as HD-TV, mobile phones, digital still and video cameras, entertainment systems, portable media players, and tablet PCs. Mobile communication devices applications cover MP3, camera, GPS, mobile TV, wireless, and gaming. The semiconductor consumer sector is the fastest growing segment. In response to the fierce competition in the market, Alchip provides predictable chip realization time, adopts applied efficiency circuits with empirical experiences, completes prototype chips and enters mass production in the shortest possible time to help customers achieve maximum returns on their investments.
- (3) Niche market products: These include ASIC designs for special applications such as automotive, surveillance systems, entertainment machines, and medical equipment and instruments.



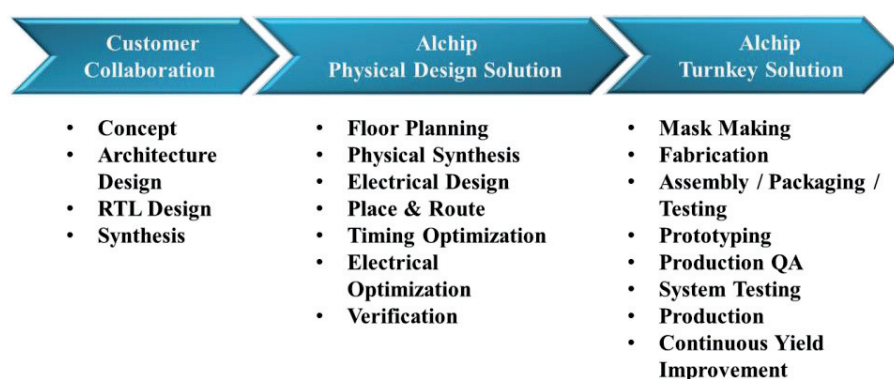
## B. Production process of major products:

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

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

Back-end design is divided into two phases. The first phase begins with the initialization of the design case and ends in receipt of customer's final Netlist. In the second phase, engineers use physical design software

to convert the Netlist into the actual device layout, and generate what is called a GDSII file that is used to print the manufacturing masks. This is commonly known as tape-out.



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

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

### 5.2.3 Raw Material Supply

Main raw material	Main source	Supply status
Wafer	Taiwan	Good

### 5.2.4 Major suppliers and customers

#### A. Major suppliers accounting for more than 10% of total purchase amount in years 2022 and 2021

Unit: NT\$ thousand

Item	Supplier	2021			2022			
		Amount	Percentage of full-year net purchase (%)	Relationship with the issuer	Supplier	Amount	Percentage of full-year net purchase (%)	Relationship with the issuer
1	TSMC	2,136,872	68.57	None	TSMC	8,740,145	66.15	None
2	ASE	425,262	13.65	None	Samsung	2,484,657	18.80	None
3	Samsung	412,127	13.23	None	-	-	-	-



Explanation: Alchip is a professional IC design company, and its main purchase item is wafer. Alchip pursues quality and ensures delivery time, and has the long-term cooperation and builds stable partnership with wafer foundries. The purchase item from Samsung company is High Bandwidth Memory(HBM),the increase in the purchase amount due to increase in customers' order. The purchase item from ASE company is Substrate, the decrease in purchase amount due to the decrease in demand.

#### B. Major customers contributing more than 10% of total sales amount in years 2022 and 2021

Unit: NT\$ thousand

Item	Customer	2021			2022			
		Amount	Percentage of full-year net sales (%)	Relationship with the issuer	Customer	Amount	Percentage of full-year net sales (%)	Relationship with the issuer
1	AD Company	2,613,937	25.07	None	AE Company	4,310,100	31.40	None
2	S Company	2,226,455	21.35	None	-	-	-	-

Explanation: The increase in the sales amount of AE Company was resulting from the increase of chip production. The decrease in the sales amount of AD Company and S Company was resulting from the decrease of chip production in 2022.

#### 5.2.5 Production output in years 2022 and 2021

Unit:thousand;NT\$thousand

Output	Year	2021		2022	
		Quantity	Value	Quantity	Value
Major Products					
ASIC and Chip production		16,637	7,282,317	20,347	8,020,778
NRE		(Note)	61,700	(Note)	87,758
Others		953	6,741	3,377	82,848
Total		17,590	7,350,758	23,724	8,191,384

Note: Alchip is a IC design company, The main business is to provide various services related to IC design commissioned by customers. Since the contracting specifications, committed costs, etc. differ from case to case, and the Company does not have its own fab capacity, the capacity for general manufacturing is not applicable.

#### 5.2.6 Sales amount in years 2022 and 2021

Unit: NT\$ thousand

Shipments & Sales	Year	2021				2022			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Major Products									
ASIC and Chip production		3,616	275,630	11,506	9,966,056	2,673	1,375,758	17,323	12,062,144
NRE		(Note)	32,462	(Note)	143,540	(Note)	37,636	(Note)	192,448
Others		-	-	953	10,588	-	-	2,192	57,218
Total		3,616	308,092	12,459	10,120,184	2,673	1,413,394	19,515	12,311,810

Note:The main business of design service is to provide various services related to IC design



commissioned by customers. Since the business is contracted on a case-by-case basis, the sales for general manufacturing is not applicable.

### 5.3 Information on Employees

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

Year		2021	2022	The Current Year up to March 31, 2023
Number of Employees	Supervisor of Managerial Level or Above	139	149	147
	General staff	327	421	417
	Total	466	570	564
Average age		33.5	32.3	32.8
Average years of service		6.5	5.7	5.9
Percentage of Employees at Each Education Level	Ph.D.	1.1%	0.7%	0.7%
	Master	38.4%	36.0%	36.4%
	College	59.9%	62.8%	62.4%
	Senior High School and below (inclusive)	0.6%	0.5%	0.5%

### 5.4 Expenditure on Environmental Protection

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

### 5.5 Labor Relations

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

##### A. Employee benefit plans

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

##### B. Continuing education and training

To enhance employees' professional capabilities and achieve the company's goals in cultivation of talent, the Company makes annual training programs for employees based on the Company's development

strategy and employees' needs, scrupulously implements training, and conducts reviews and auditing on training performance in accordance with ISO Standard for Training Management and Process.

### **C. Retirement systems and status of their implementation**

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

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

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

### **E. Employee safety and environment management**

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

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

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

---

None.

## 5.6 IT Security Management

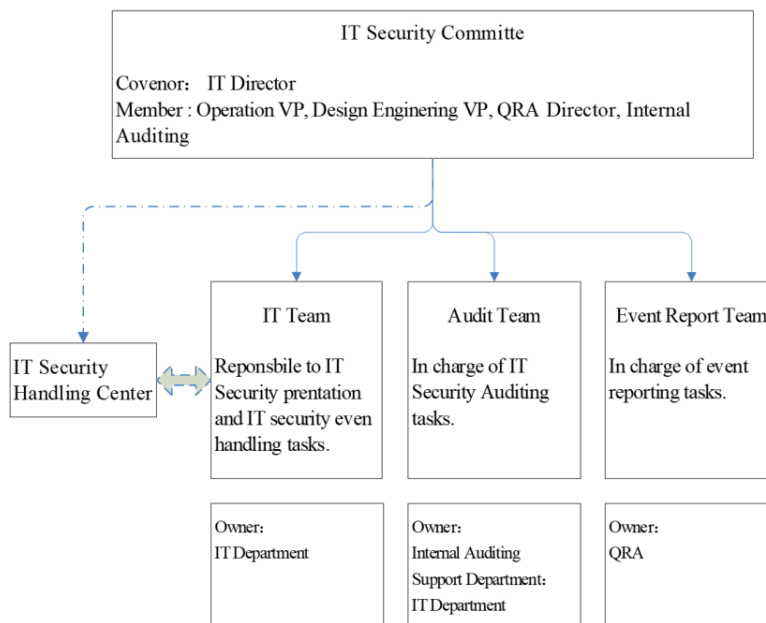
### 5.6.1 Structure, Policy and Resource

#### A. Information Security and Risk Management Structure

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

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

- Organizational Structure of Information Security Management Committee



#### B. Information Security Policy

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

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

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

### C. Management Strategy

#### 1. Multi-layer Information Security Protection

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

#### 2. Review and Continuous Improvement

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

#### 3. Information Security Monitoring

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

### 5.6.2 Damage and Impact

---

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

### 5.7 Material Contracts

---

Supply and sales contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts are either still

effective as of the date of the publication of annual report, or expired in the most recent year are listed as follows:

### 5.7.1 Alchip Technologies, Limited, Alchip(Holdco)

Agreement	Counterparty	Start/end Dates of contracts	Major content	Restrictive clauses
Partner	F Company	One year from March 13, 2009 (automatically extended for one year annually)	F Company appointed Alchip (Holdco) as its “Value Chain Aggregator”.	None
Software licensing	G Company	From April 1, 2003 to this day	G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of software license with Alchip (Holdco), Alchip (Shanghai) and Alchip (Jiana) on October 11, 2022. G Company licensed Alchip (Holdco), Alchip (TW), Alchip (JP), Alchip (Wuxi) 、 Alchip (Shanghai) 、Alchip(Guangzhou) 、Alchip (Jiana) and Alchip(USA) the right to use Licensed Products and patented technologies with expiration date on October 30, 2025).	None
Technology licensing	G Company	From April 1, 2003 to this day	G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of technology license with Alchip(TW Branch) and Alchip(Shanghai) on April 29, 2020. G Company licensed relevant patents on technologies to Alchip(TW Branch) and Alchip(Shanghai) for use with expiration date on May 5, 2023).	None
Technology licensing	G Company	From April 1, 2003 to this day	G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of technology license with Alchip (Jinan) and Alchip(Shanghai) on April 29, 2021. G Company licensed relevant patents on technologies to Alchip(Jinan) and Alchip (Shanghai) for use with expiration date on May 6, 2024).	None
Technology licensing	G Company	From April 1, 2003 to this day	G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of technology license with Alchip (Hefei) and Alchip(Shanghai) on November 26, 2021. G Company licensed relevant patents on technologies to Alchip(Hefei) and Alchip (Shanghai) for use with expiration date on November 30, 2024).	None
Technology licensing	G Company	From April 1, 2003 to this day	G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of	None

Agreement	Counterparty	Start/end Dates of contracts	Major content	Restrictive clauses
			technology license with Alchip (Guangzhou) and Alchip(Shanghai) on November 26, 2021. G Company licensed relevant patents on technologies to Alchip (Guangzhou) and Alchip (Shanghai) for use with expiration date on November 30,2024).	
Technology licensing	G Company	From April 1, 2003 to this day	G Company licensed Alchip (Holdco) the right to use Licensed Products (and it signed an amendment to the contract of technology license with Alchip(TW Branch) and Alchip(Shanghai) on October 14, 2022. G Company licensed relevant patents on technologies to Alchip(TW Branch) and Alchip(Shanghai) for use with expiration date on October 13, 2025).	None
Software licensing	H Company	From June 29, 2006 to the termination by H Company as agreed in the contract	H Company licensed Alchip (Holdco) the right to use Licensed Materials.	None

#### 5.7.2 Alchip Technologies, Limited, TW Branch

Agreement	Counterparty	Start/end dates of contracts	Major content	Restrictive clauses
Design and production	AE Company	From February 26, 2018 to this day.	Alchip (TW Branch) provides product R&D services, manufactures, and sells integrated circuit products to AE Company based on the Statement of Work attached with the contract.	None

## VI. Financial Highlights

### 6.1 Consolidated Balance Sheets

Unit: NT\$ thousand

Item	2018	2019	2020	2021	2022	
Current assets	2,883,785	4,108,247	7,693,440	11,557,631	18,240,447	
Property, Plant and Equipment	316,836	389,422	814,549	884,334	710,484	
Intangible assets	146,759	221,553	123,696	37,887	89,456	
Other Non-Current assets	16,326	14,987	15,968	71,940	114,352	
Total assets	3,717,404	5,225,066	9,112,980	13,257,637	19,738,125	
Current liabilities	Before distribution	768,574	1,815,666	5,131,391	2,839,007	6,607,763
	After distribution	859,259	2,029,777	5,596,778	3,629,331	(Note)
Non-current liabilities	27,931	107,655	93,347	70,426	128,308	
Total liabilities	Before distribution	796,505	1,923,321	5,224,738	2,909,433	6,736,071
	After distribution	887,190	2,137,432	5,690,125	3,699,757	(Note)
Equity attributable to owner of the company	2,920,899	3,301,745	3,888,242	10,348,204	12,993,494	
Share capital	597,731	606,129	620,285	706,876	719,280	
Capital surplus	1,456,360	1,534,620	1,684,359	7,292,281	7,792,801	
Retained earnings	Before distribution	821,922	1,164,749	1,785,555	2,696,969	3,735,808
	After distribution	731,237	950,638	1,320,168	1,906,645	(Note)
Other equity	44,886	(3,753)	(201,957)	(347,922)	745,605	
Treasury stock	-	-	-	-	-	
Non-controlling interest	-	-	-	-	8,560	
Total equity	Before distribution	2,920,899	3,301,745	3,888,242	10,348,204	13,002,054
	After distribution	2,830,214	3,087,634	3,422,855	9,557,880	(Note)

Note: Pending on the approval of 2023 shareholders' meeting.

## 6.2 Consolidated Statements of Comprehensive Income

Unit: NT\$ thousand

Item	2018	2019	2020	2021	2022
Operating revenues	3,450,678	4,331,956	7,078,919	10,428,276	13,725,204
Gross profit	1,291,441	1,611,042	2,307,267	3,562,565	4,429,571
Profit (loss) from operations	321,925	432,878	987,143	1,827,955	2,311,055
Non-operating income & expenses	12,880	92,405	98,647	73,110	72,065
Profit(loss)before income tax	334,805	525,283	1,085,790	1,901,065	2,383,120
Net profit(loss) from operations of continued segments	257,357	433,512	834,917	1,489,723	1,833,293
Net profit(loss)	257,357	433,512	834,917	1,489,723	1,833,293
Other comprehensive income(loss) (net of income tax)	81,936	(48,639)	(198,204)	(98,020)	1,093,527
Total comprehensive income(loss)	339,293	384,873	636,713	1,391,703	2,926,820
Net income attributable to shareholders of the parent	257,357	433,512	834,917	1,489,723	1,834,414
Net income attributable to non-controlling interest	-	-	-	-	(1,121)
Comprehensive income attributable to Shareholders of the parent	339,293	384,873	636,713	1,391,703	2,927,941
Comprehensive income attributable to non-controlling interest	-	-	-	-	(1,121)
Earnings(loss) per share (NT\$)	4.22	7.20	13.61	21.34	25.69

## 6.3 CPA opinions from 2018 to 2022

Year	CPA	Accounting Firm	Auditor's Opinion
2018	Yi-Wen Wang, Cheng-Ming Lee	Deloitte & Touche	Unqualified opinion
2019	Yi-Wen Wang, Cheng-Ming Lee	Deloitte & Touche	Unqualified opinion
2020	Yi-Wen Wang, Shih-Tsung Wu	Deloitte & Touche	Unqualified opinion
2021	Yi-Wen Wang, Li-Chun Chang	Deloitte & Touche	Unqualified opinion
2022	Yi-Wen Wang, Li-Chun Chang	Deloitte & Touche	Unqualified opinion



## 6.4 Five -Year Financial Analysis

Item		2018	2019	2020	2021	2022
Financial structure	Debt ratio(%)	21.43	36.81	57.33	21.95	34.13
	Ratio of long-term capital to property, plant and equipment(%)	930.71	875.50	488.81	1,178.13	1,846.88
Liquidity	Current ratio (%)	375.21	226.27	149.93	407.10	276.05
	Quick ratio (%)	322.36	189.67	111.00	329.26	127.49
	Interest earned ratio (times)	376.76	117.32	275.61	735.00	831.93
Operating performance	Accounts receivable turnover (times)	6.26	5.37	9.08	12.8	10.83
	Days sales outstanding	58	68	40	29	34
	Inventory turnover (times)	9.20	5.49	5.67	99	1.79
	Accounts payable turnover (times)	23.67	9.88	12.20	18.02	7.97
	Average inventory turnover days	40	66	64	61	204
	Property, plant and equipment turnover (times)	11.77	12.27	11.76	12.28	17.21
	Total assets turnover (times)	1.01	0.97	0.99	0.93	0.83
Profitability	Return on total assets (%)	7.55	9.78	11.69	13.34	11.13
	Return on equity (%)	9.13	13.93	23.22	20.93	15.70
	Pre-tax income to paid-in capital (%)	56.01	86.66	175.05	268.94	331.32
	Net margin(%)	7.46	10.01	11.79	14.29	13.36
	Basic earnings per share (NT\$)	4.22	7.20	13.61	21.34	25.69
Cash flow	Cash flow ratio (%)	132.66	91.67	88.75	12.17	(3.72)
	Cash flow adequacy ratio (%)	112.50	122.29	155.93	117.98	43.85
	Cash reinvestment ratio (%)	16.64	26.07	61.87	(0.84)	(5.43)
Leverage	Operating leverage	6.15	5.80	3.60	2.96	2.79
	Financial leverage	1.00	1.01	1.00	1.00	1.00

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

- (1) Debt Ratio increased by 55%, mainly due to increase in receive in advance from customer and accounts payable in 2022.
- (2) Ratio of long-term capital to property, plant and equipment increased 57%, mainly due to increase in shareholders' equity in 2022.
- (3) Current Ratio, Quick Ratio decreased by 32% and 61%, respectively, mainly due to increase in receive in advance from customer and accounts payable in 2022 .
- (4) Inventory turnover (times), Average inventory turnover days decrease 70% and increase 234%, respectively, mainly due to increase in inventories in 2022.
- (5) Accounts Payable Turnover Rate decreased by 56%, mainly due to increase in accountants payable in 2022.
- (6) Property, plant and equipment turnover (times) increase 40%, mainly due to increase in operating revenue in 2022.
- (7) Return on equity decrease 25%, due to increase in shareholders' equity in 2022.
- (8) Pre-tax income to paid-in capital, EPS increased by 23% and 20% , respectively, mainly due to increase of net profit in 2022.
- (9) Cash flow ratio, Cash flow adequacy ratio ,Cash reinvestment ratio decreased by 131% , 63% and 546%, respectively, mainly due to increase in inventories , increase in cash used in operating activities in 2022.

Note1: Financial analysis equations:

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

## 6.5 Audit Committee's Review Report

---

### **Alchip Technologies, Limited AUDIT COMMITTEE'S REVIEW REPORT**

To: Shareholders' Annual General Meeting for Year 2023, Alchip Technologies, Limited

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of Alchip Technologies, Limited 2022 Business Report, Consolidated Financial Statements and Dividend Distribution proposal. The Consolidated Financial Statements have been duly audited by Certified Public Accountants Yi-Wen Wang and Li-Chun Chang of Deloitte & Touche. The above Business Report, Consolidated Financial Statements and Dividend Distribution proposal have been examined and determined to be correct and accurate by the undersigned. This Report is duly submitted in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of the Company Law.

The Audit Committee, Chairman:

Mr. Mao-Wei Hung



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

---

Please refer to pages 142 to 210.

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

---

Not applicable.

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

---

None.

## VII. Financial Status, Operating Results, and Risk Management

### 7.1 Financial Status

Unit: NT\$ thousand

Item	2021	2022	Difference	
			Amount	%
Current Assets	11,557,631	18,240,447	6,682,816	57.82
Property, Plant and Equipment	884,334	710,484	(173,850)	(19.66)
Intangible Assets	37,887	89,456	51,569	136.11
Other Non-Current Assets	71,940	114,352	42,412	58.96
<b>Total Assets</b>	<b>13,257,637</b>	<b>19,738,125</b>	<b>6,480,488</b>	<b>48.88</b>
Current Liabilities	2,839,007	6,607,763	3,768,756	132.75
Non-Current Liabilities	70,426	128,308	57,882	82.19
Other Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>2,909,433</b>	<b>6,736,071</b>	<b>3,826,638</b>	<b>131.53</b>
Share Capital	706,876	719,280	12,404	1.75
Capital Surplus	7,292,281	7,792,801	500,520	6.86
Retained Earnings	2,696,969	3,735,808	1,038,839	38.52
Other Equity	(347,922)	745,605	1,093,527	314.30
<b>Total Equity</b>	<b>1,0348,204</b>	<b>13,002,054</b>	<b>2,653,850</b>	<b>25.65</b>

1. Analysis for changes that exceed 20% and reached NT\$10 millionn in past the two years:
  - (1) Current Assets : Mainly due to increase in inventories in 2022.
  - (2) Intangible Assets : Mainly due to increase in purchase of intellectual property in 2022.
  - (3) Other Non-Current Assets : Mainly due to increase in refundable deposits in 2022.
  - (4) Current liabilities : Mainly due to increase in receive in advance from customer and accounts payable in 2022.
  - (5) Non-Current Liabilities : Mainly due to increase in lease liabilities deferred tax liabilities in 2022.
  - (6) Retained Earnings : Mainly due to increase in net profit in 2022.
  - (7) Other Equity : Mainly due to changes of Exchange differences arising on translation to the presentation currency.
2. The changes had no major impact on Alchip's financial position.

## 7.2 Operating Results

### 7.2.1 Financial performance analysis for the previous 2 years

Unit: NT\$ thousand

Item	2021	2022	Difference	
			Amount	%
Operating revenues	10,428,276	13,725,204	3,296,928	31.62
Operating costs	6,865,711	9,295,633	2,429,922	35.39
Gross profit	3,562,565	4,429,571	867,006	24.34
Operating expenses	1,734,610	2,118,516	383,906	22.13
Profit from operations	1,827,955	2,311,055	483,100	26.43
Non-operating income and expenses	73,110	72,065	(1,045)	(1.43)
Profit before income tax	1,901,065	2,383,120	482,055	25.36
Income tax expense	411,342	549,827	138,485	33.67
Net profit	1,489,723	1,833,293	343,570	23.06
Other comprehensive income(loss)	(98,020)	1,093,527	1,191,547	1,215.62
Total comprehensive income(loss) for the year	1,391,703	2,926,820	1,535,117	110.30

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

- (1) Operating revenue : Mainly due to increase in the revenue of chip production in 2022.
- (2) Operating costs : Mainly due to increase in chip production business as well as increase in production cost in 2022.
- (3) Operating expenses : Mainly due to increase in pay raise in 2022.
- (4) Gross profit, Profit (loss) from operations, Profit before income tax, Net profit: Mainly due to the increase in operating revenues in 2022.
- (5) Income tax expense : Mainly due to increase in profit before income tax in 2022.
- (6) Other comprehensive income(loss) : Mainly due to exchange differences arising on translation to the presentation currency.
- (7) Total comprehensive income(loss) for the year : Mainly due to aforementioned changes.

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

### 7.2.2 Sales forecast and basis

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

### 7.2.2 Possible financial impacts and response plans

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

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash flow analysis

Unit: NT\$ thousand

Item \ Year	2021	2022	Increase/Decrease	
			Amount	%
Operating activities	345,392	(245,839)	(591,231)	(171.18)
Investing activities	(5,711,400)	1,476,138	7,187,538	125.85
Financing activities	4,773,354	(765,728)	(5,539,082)	(116.04)

Analysis of changes:

- (1) Operating activities : A decrease in cash used in operating activities mainly due to increase in inventories in 2022.
- (2) Investing activities : A increase in cash generated from investing activities mainly due to increase in time deposits matured in 2022.
- (3) Financing activities : A increase in cash generated in financing activities mainly due to capital increase from GDR offering in 2021. A decrease in cash used in financing activities is mainly due to cash dividends payment in 2022.

### 7.3.2 Improvement plans for Cash Shortfall

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

### 7.3.3 Analysis of cash liquidity for the next year

Unit: NT\$ thousand

Cash balance, beginning of year (1)	Expected annual net cash inflow from operating activities (2)	Expected cash outflow from investing and financing activities(3)	Cash surplus (deficit) (1)+(2)-(3)	Remediation measures against expected cash flow deficits	
				Investment plans	Wealth management
4,775,301	6,080,580	3,163,130	7,692,751	None	None

1. Cash liquidity analysis:

- (1) Operating activities: The 2023 net cash inflow is expected to come mainly from 2023 profit before tax.
- (2) Investing activities: The 2023 net cash outflow is expected for the purchase of equipment and intellectual property.
- (3) Financing activities: The 2023 net cash outflow is expected for the cash dividends payment.

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

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

None.

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

Unit:NT\$thousand

Item	Investment Profit (Loss) in 2022	Investment Policy	Reasons for the Profits/Losses	Improvement Plan	Investment plan for the coming year
Alchip (HK)	(11,576)	Invest in subsidiaries in China	Investment losses from equity method investment	Not applicable	None
Alchip (US)	7,914	An office to develop U.S. market	Maintained a stable operating status	Not applicable	None
Alchip (JP)	69	An office to develop Japan market	Maintained a stable operating status	Not applicable	None
Alchip (TW)	(100,211)	Provide ASIC and SoC services	Maintained a stable operating status	Not applicable	None
Alchip BVI	11,209	General investment	Maintained a stable operating status	Not applicable	None
Alchip (SH)	(45,232)	An office to develop the China market, and provide sales and R&D support	Maintained a stable operating status	Not applicable	None
Alchip (Wuxi)	(18,190)	Provide R&D support	Maintained a stable operating status	Not applicable	None
Alchip (Hefei)	2,530	Provide R&D support	Maintained a stable operating status	Not applicable	None
Alchip (Jinan)	22,865	Provide R&D support	Maintained a stable operating status	Not applicable	None
Alchip(Guangzhou)	26,668	Provide R&D support	Maintained a stable operating status	Not applicable	None
Alchip(Chongqing)	1,506	Provide R&D support	Maintained a stable operating status	Not applicable	None



Chiptopia (Shanghai)	25,900	Software development and service	Maintained a stable operating status	Not applicable	None
-------------------------	--------	----------------------------------------	-----------------------------------------------	-------------------	------

## 7.6 Risk Management

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

#### A. Interest rate

The Company's interest expenses was NT\$2,868 thousand in 2022, accounted for 0.02% of annual operating income. Therefore, interest rate fluctuation in future have no material impact on the Company's operation and profit.

#### B. Foreign exchange rate

The Group has the U.S. Dollar and Japanese Yen as its functional currency, as the Group's sales and purchases were mainly settled in U.S. Dollar. It also holds other currencies to meet subsidiaries' working capital requirements. The Company's foreign exchange losses were NT\$65,303 thousand in 2022 and the foreign exchange gains were NT\$14,600 thousand in 2021, accounted for 0.48% and 0.14% of annual operating revenues, respectively, which have little impact on the Company's operations and profits.

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

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

#### C. Inflation/deflation

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

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

The Company's conservative financial management, and does not engaged in investmetns that are either high-risk or high-leveraged and derivatives transactionsr. Any lending or endorsement guarantees will be conducted in accordance with relevant requirements prescribed in the Company's "Guideline for Acquisition and Disposal

of Assets”, “The Guideline for Loaning Funds to Others”, and “The Guideline For Endorsement and Guaranty”. No loss has occurred by now.

### **7.6.3 Future research & development plans and expected spending**

---

In response to future growth, the Company will continuously invest R&D resources in development of high-end System on Chip (SoC) for advanced processes (16, 12 and 7nm) and R&D in design for customized circuit Silicon Intellectual Property (IP). Major R&D items include: Low Power Design Flow, Clocking Optimization technique, Signal Integrity management technology, design and development of customized circuit Silicon Intellectual Property, such as design and development of high-speed Mobile Industry Processor Interface (MIPI) circuit, performance enhancement of high-end microprocessor and peripheral Silicon Intellectual Property, high-end multi-chip packaging design technology, and so on.

In 2022 and 2021, the Company invested NT\$1,170,945 thousand and NT\$989,405 thousand in R&D, respectively, both reached hundred million NT dollars. It will continue to invest R&D resources in the future depending on the product development plan. However, if the Company does not continue to invest R&D in the future, products development and relevant R&D plans will be limited. Moreover the Company may be unable to meet customer needs or market trends and then even will loss orders. As a result, it will have a material adverse effect on the company’s operations.

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

---

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

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

---

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

#### **A. Information Technology Security Risks and Management Measures**

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

Malicious hackers can also try to insert computer virus, malware or ransomware into the network system of Alchip to achieve their ill intentions, including interfering with our operation, seeking profits from the Company, obtaining control of the computer system, or prying into confidential information. These attacks

may cause the company to compensate the customer for the loss due to the delay or interruption of the production or bear costs to implement improvement measures to further strengthen the company's network security system. It may also make Alchip bear major legal liabilities or regulatory investigations caused by the leakage of confidential information of its employees, customers or third-party manufacturers to which the Company has confidentiality obligations.

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

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

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

---

None.

#### **7.6.7 Expected benefits and risks associated with mergers and acquisitions**

---

Not applicable.

#### **7.6.8 Expected benefits and risks associated with facility expansion**

---

Not applicable.

#### **7.6.9 Risks associated with purchase concentration and sales concentration**

---

##### **A. Concentration of purchasing**

The Company's main raw material is wafer, and mainly purchased from Taiwan Semiconductor Manufacturing Company Limited (hereinafter referred to as "TSMC"). There has indeed been a concentration phenomenon in purchasing operations. Since the Company does not sign a long-term supply contract with the wafer foundry, once the wafer foundry does not give adequate support capacity, risks of shortage or interruptions may occur in the Company. However, the Company develops relationships of strategic alliance and business bond with suppliers for wafer capacity, and provides timely the latest application trends in products on the market and estimated sales of products in order for wafer foundries to

support the capacity requirements. Meanwhile, it obtains TSMC's capacity plan for more than half a year to meet the demand for material preparation of production. In addition, the Company has built the second source of supply to increase the flexibility of source of supply and avoid any circumstance such as shortage or interruptions of supply.

#### **B. Concentration of Sales**

The top sales customer of the Company were the customer of AE Company, with proportion of 31.4%. The Company constantly endeavored to develop new customers and diversify customer base in the past year. The benefit thereof will be revealed in 2023.

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

---

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

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

---

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

#### **7.6.12 Litigation or non-litigation matters**

---

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

- A. For litigious or non-litigious proceedings or administrative disputes involving the company with respect to which a judgment has become final and unappealable in the most recent two years or in the current year up to the date of the publication of the annual report, and for any such matter still pending. If the outcome could materially impact shareholders' equity or the prices of the company's securities, the annual report shall list the facts of the dispute, amount of money at stake in the dispute, the date of commencement of proceedings, the main parties to the dispute, and current status of the dispute's handling:** None.
- B. For litigious or non-litigious proceedings or administrative disputes involving a company director, the general manager, a de facto responsible person, a 10 percent or greater major shareholder, or a controlled company, if a judgment has become final and unappealable in the most recent two years and the current year up to the date of the publication of the annual report, or if such a matter is still pending, if the outcome could materially impact shareholders' equity or the prices of the company's securities, the annual report shall list the facts of the dispute, amount of money at stake in the dispute, the date of commencement of proceedings, the main parties to the dispute, and current status of the dispute's handling:** None.
- C. Where any of the situations set out under Article 157 of the Securities and Exchange Act has occurred with respect to a company director, managerial officer, or 10 percent or greater major shareholder within the preceding two years, or in the current year up to the date of publication of the annual report,**

**the prospectus shall indicate that fact and describe the current status of the company's handling of the matter:** None.

#### **7.6.13 Other Material Risks**

---

None.

#### **7.7 Other Material Matters**

---

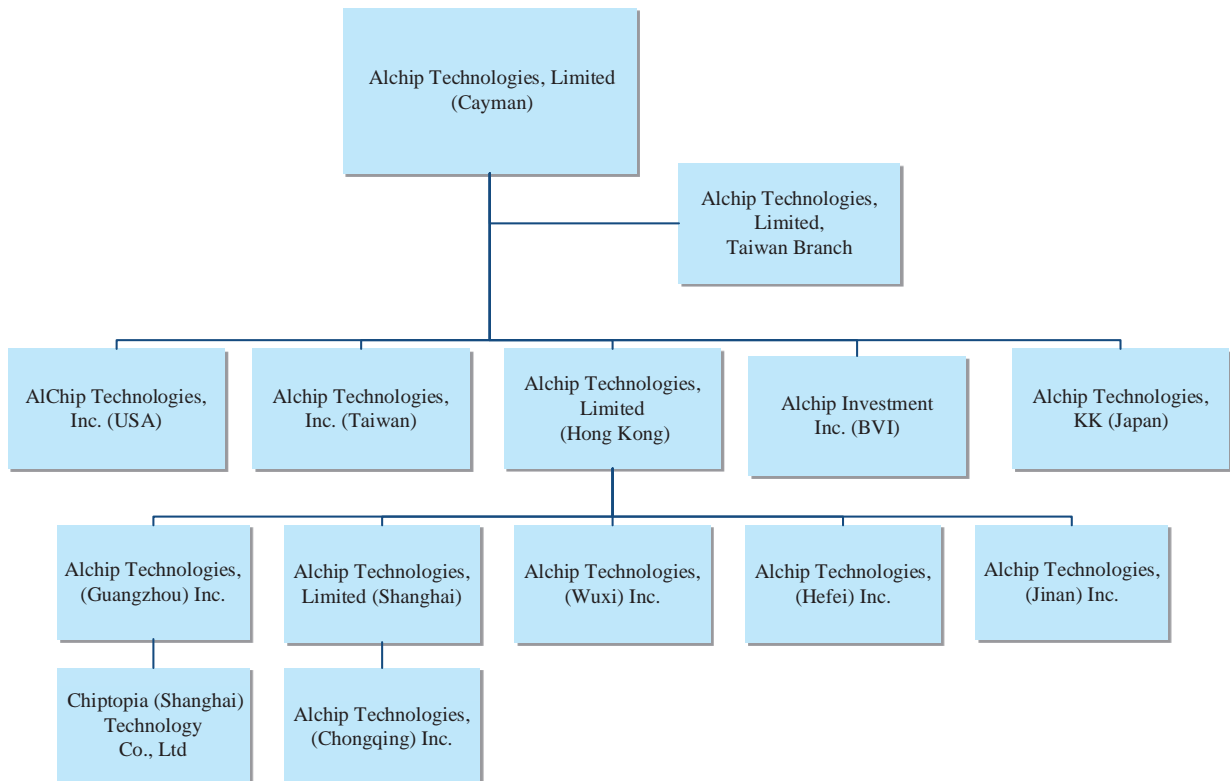
None.

## VIII. Special Disclosure

### 8.1 Information Related to the Company's Affiliated Companies

#### 8.1.1 Consolidated Business Reports

##### 8.1.1.1 Affiliated companies chart



### 8.1.1.2 Affiliated Companies

December 31, 2022;Unit: thousand

Company Name	Major Businesses	Date of Incorporation	Place of Registration	Capital Stock
Alchip HongKong	General investment	2002	Hong Kong	US\$18,129
Alchip US	Sales	2003	USA	US\$3,910
Alchip Japan	Sales and R&D	2004	Japan	YEN100,000
Alchip Taiwan	ASIC and SoC services	2005	Taiwan	NT\$100
Alchip BVI	General investment	2015	BVI	US\$15,100
Alchip Shanghai	R&D, ASIC and SoC service and sales	2002	Mainland China	US\$12,800
Alchip Wuxi	R&D, ASIC and SoC service	2012	Mainland China	US\$2,000
Alchip Hefei	R&D, ASIC and SoC service	2016	Mainland China	US\$500
Alchip Jinan	R&D, ASIC and SoC service	2018	Mainland China	US\$784
Alchip Guangzhou	R&D, ASIC and SoC service	2020	Mainland China	US\$1,600
Alchip Chongqing	R&D, ASIC and SoC service	2021	Mainland China	RMB5,000
Chiptopia Shanghai	Software development, ASIC and SoC service	2021	Mainland China	RMB7,500

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

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

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

December 31, 2022

Company Name	Title	Representative	Number of Shares	% of holding
Alchip HongKong	Chairman	Kinying Kwan	Alchip Technologies (Cayman) holds 14,165,970 thousand shares	100%
	Director	Kinying Kwan		
Alchip US	Director	Kinying Kwan	Alchip Technologies (Cayman) holds 391,000 thousand shares	100%
	GM	HiroyukiNagashima		
Alchip Japan	Chairman	Hiroyuki Furuzono	Alchip Technologies (Cayman) holds 1 thousand shares	100%
	GM	Hiroyuki Furuzono		
	Director	Hiroyuki Furuzono		
	Director	Kozo Fujita		
	Director	Kinying Kwan		
Alchip Taiwan	Supervisor	Junichiro Hosaka	Alchip Technologies (Cayman) holds 10 thousand shares	100%
	Chairman	Kinying Kwan		
Alchip BVI	CEO	Johnny Shyang-Lin Shen	Alchip Technologies (Cayman) holds 15,100 thousand shares	100%
	Director	Kinying Kwan		
Alchip Shanghai	Director	Daniel Wang	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong	100%
	Director	Nancy Chan		
Alchip Shanghai	Chairman	Andy Lin	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong	100%
	GM	Andy Lin		
Alchip Wuxi	Chairman	Andy Lin	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong	100%
	GM	Andy Lin		
	Director	Daniel Wang		
	Director	Leo Cheng		
Alchip Hefei	Supervisor	Johnny Shyang- Lin Shen	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong	100%
	Chairman	Andy Lin		
	GM	Andy Lin		
	Director	Daniel Wang		
	Director	Leo Cheng		
Alchip Jinan	Supervisor	Johnny Shyang- Lin Shen	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong	100%
	Chairman	Andy Lin		
	GM	Andy Lin		
	Director	Daniel Wang		
Alchip Guangzhou	Director	Leo Cheng	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip HongKong	100%
	Director	Daniel Wang		
	GM	Andy Lin		
	Chairman	Andy Lin		
	Supervisor	Johnny Shyang- Lin Shen		
Alchip Chongqing	Director	Leo Cheng	Alchip Technologies (Cayman) holds 100% shareholder rights through Alchip Shanghai	100%
	Director	Johnny Shyang- Lin Shen		
	GM	Andy Lin		
	Chairman	Andy Lin		
	Supervisor	James Huang		



Chiptopia Shanghai	Chairman	Yun-Tao Liao	Alchip Technologies (Cayman) holds 87% shareholder rights through Alchip Guangzhou	87%
	GM	Yun-Tao Liao		
	Director	Ning Gui		
	Director	Andy Lin		
	Director	Daniel Wang		
	Director	Leo Cheng		
	Supervisor	James Huang		

### 8.1.1.6 Operation Highlights of Company's Affiliated Companies

December 31, 2022; Unit: NT\$ thousand

Company	Assets	Liabilities	Net Worth	Revenue	Operating Profit(Loss)	Net Profit(Loss)	EPS (NT\$)
Alchip Hong Kong	1,296,248	158	1,296,090	0	(223)	(11,576)	-
Alchip US	40,704	15,493	25,211	61,024	7,714	7,914	-
Alchip Japan	466,080	375,522	90,557	783,010	5,167	69	-
Alchip Taiwan	491,286	14,869	476,417	0	(107,494)	(100,211)	-
Alchip BVI	532,730	54	532,676	0	(71)	11,209	-
Alchip Shanghai	943,643	207,033	736,610	680,909	(16,587)	(45,232)	-
Alchip Wuxi	262,968	59,007	203,961	160,316	(20,825)	(18,190)	-
Alchip Hefei	228,691	72,006	156,685	225,888	(20,974)	2,530	-
Alchip Jinan	132,808	97,412	35,396	181,490	21,510	22,865	-
Alchip Guangzhou	430,014	269,394	160,620	517,546	8,815	26,668	-
Alchip Chongqing	54,269	28,844	25,425	44,354	2,586	1,506	-
Chiptopia Shanghai	68,384	7,367	61,017	41,122	27,250	25,900	-

### 8.1.2 Consolidated financial statements of subsidiaries

It is same as the consolidated financial statements of the Company. Please refer to pages 142~210.

### 8.1.3 Reports on Subsidiaries

Not applicable.

### 8.2 Private Placement Securities

None.

### 8.3 Holding or Disposal of Company's Stock by Subsidiaries

None.

### 8.4 Other Necessary Supplements

None.

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

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

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

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

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

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

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



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

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>scheduled meeting date of the shareholders' meeting, whereas if two (2) or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.</p> <p>4. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.</p> <p>5. In case a shareholder has exercised his/her/its voting power in writing or by way of electronic transmission,</p>		<p>revocation of the power of attorney when shareholders do not attend the shareholders' meeting in person.</p>	

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

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>agreement in regard to the appraisal price of the Shares held by such requesting Member, the Company shall pay such price within ninety days after the date on which the resolution was adopted. In the event the requesting Member and the Company fail to reach any agreement with respect to the appraisal price, the Company shall pay the price to which the Company considers to be fair price, to the requesting Member within ninety days after the date of the relevant resolution. If the Company fails to pay the price to which the Company considers to be the fair price within ninety days after the date in which the resolution was adopted, the Company shall be deemed to have agreed to the appraisal price requested by the dissenting Member.</p> <p>3. The Member who has voted against such resolution or forfeited his voting right at the shareholders' meeting may execute the right under the Paragraph I of Section I. In the event the Company and the requesting Member fail to reach the agreement with respect to the appraisal price within sixty days after the resolution date, the Company shall, within thirty days</p>			

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>after such sixty-day period, file a petition to Taipei District Court or a ruling on the appraisal price against all the requesting Members as the opposing party.</p> <p>4. The number of shares held by the Member who forfeited his voting right shall not be counted toward the number of votes represented by the Members present at a general meeting.</p>			
<p>Any of the following proposals involving material rights or interests of shareholders shall not be adopted without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the above mentioned, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares:</p> <p>1. A company enters into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others, transfer the whole or any essential part of its business or assets, accept the</p>	<p>1. Article 185 of the Company Act  2. Article 277 of the Company Act  3. Article 159 of the Company Act  4. Article 240 of the Company Act  5. Article 316 of the Company Act  6. Article 29 of Business Mergers And Acquisitions Act</p>	<p>1. According to Article 60 of the Company Law of Cayman Islands, a special resolution means a resolution that has been passed by a majority of not less than two-thirds (where there is any higher percentage of the total number of the voting rights is required in the Articles of Association, such higher percentage shall prevail) of such members as, being entitled to do so, vote in person or, where a power of attorney is allowed, by a proxy at a shareholders' meeting. As usually prescribed by a general Cayman Company's Articles of Association, a special resolution by which such proposal should be adopted shall be specified in the shareholders' meeting notice. A written resolution signed by all shareholders, provided that it has been authorized by the company's Articles of Association, is also deemed as a special resolution made.</p>	<p>1. Article 1.1 of the Company's Articles of Association  (a) Provisions of the Company's Articles of Association  According to Article 1.1 of the Company's Articles of Association, a special resolution means "a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. means a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose</p>

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

<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p> <p>Islands does not require them to be adopted by a certain majority; however, it may be prescribed in the company's Articles of Association.</p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p> <p>outstanding in person or by a proxy, and in which at least two-thirds of the votes cast by the shareholders present (including shareholders present by a proxy) are in favor of the resolution.</p> <p>(b) Reasons for discrepancy According to the Cayman Islands legal opinions, the special resolution is subject to the Company Law of Cayman Islands, and according to which, any resolution adopted by shareholders lower than the majority threshold for a matter that requires a special resolution is deemed invalid. And Article 1.1 of the company's Articles of Association defines separately "Supermajority Resolution" as "a resolution adopted by a majority vote of the Members present and entitled to vote on such resolution at a general meeting attended in person or by proxy by Members who represent two-thirds or more of the total issued, outstanding Shares of the Company or, (ii) if the total number of Shares represented by the Members present at the general meeting is less than two-thirds of the total issued, outstanding Shares of the Company, but more than half of the total issued, outstanding Shares of the Company, a resolution adopted at such general</p>
--------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p>
			<p>meeting by the Members who represent two-thirds or more of the Shares present and entitled to vote on such resolution.”</p> <p>For any matter of material significance on the protection of shareholders' rights and interests as stated left, if it should be adopted by a special resolution pursuant to the Company Law of Cayman Islands, it will be still listed as one of matters under “Special Resolution” in the company's Articles of Association; otherwise, it will be listed as one of matters under “Supermajority Resolution.”</p> <p>2. Article 14.3 of the company's Articles of Association (moved to Article 14.4 if the proposed amendment to the Articles of Association is adopted at the annual general meeting of 2018)</p> <p>(a) Provisions of the company's Articles of Association: According to Article 14.3 of the company's Articles of Association, “Subject to the provisions of the Statute, the Articles, and the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass (a)a Supermajority Resolution, if the Company resolves that it be wound</p>



<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p>
			<p>up voluntarily because it is unable to pay its debts as they fall due; or  (b)a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above." The slight difference between it and the matters of material significance on the protection of shareholders' rights and interests as stated left lies in: based on the reasons for resolution to dissolve, the company's Articles of Association lists the resolution for dissolution as one of matters under "Supermajority Resolution" or "Special Resolution," respectively. In comparison, the matters of material significance on the protection of shareholders' rights and interests always require to be adopted by "Supermajority Resolution."  (b) Reasons for discrepancy:  According to the Cayman Islands legal opinions, the Company Law of Cayman Islands provides that a company shall resolve that it be wound up voluntarily for reasons other than being unable to pay its debts as they fall due by a special resolution. Thus the difference arises out of the laws of Cayman Islands. From the above, we can know that</p>

<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p>
			<p>such difference comes from what is limited by law of Cayman Islands. Therefore, "if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due," a Supermajority Resolution shall be adopted at the shareholders' meeting as prescribed in the company's Articles of Association, while a company is being wound up voluntarily for reasons other than the reason stated in Article 14.3(a), it will be listed as one of matters under "Special Resolution" as required by the Company Law of Cayman Islands. Such difference comes from what is limited by law of Cayman Islands, which should not have a material adverse effect on the Company's shareholders' rights and interests.</p>
<p><b>III. Authorities and responsibilities of directors and supervisors</b> The remuneration of directors, if not prescribed in the Articles of Association, shall be determined by a meeting of shareholders and cannot be ratified by a meeting of shareholders.</p>	<p>Paragraph 1, Article 196 of the Company Act</p>	<p>The Company Law of Cayman Islands does not clearly specify how to determine remuneration of directors; however, it may be prescribed in the company's Articles of Association.</p>	<p>Although neither the remuneration of directors is clearly specified nor it shall be determined by a meeting of shareholders is specified in the company's Articles of Association, referring to per Explanation Shang-Zi No. 09302030870 filed on March 8, 2004 by the Ministry of Economic Affairs and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on</p>

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>In case a director has, in the course of performing his/her duties, committed any act resulting in material damages to the company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the shareholders' meeting, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, institute a lawsuit in the court for a judgment in respect of such matter. The Taiwan Taipei District Court, R.O.C, may be the court of the first instance for this matter.</p>	<p>Article 200 of the Company Act</p>	<p>1. The Company Law of Cayman Islands does not clearly specify that the minority shareholders may institute a lawsuit in the court of Cayman Islands for discharge of directors.</p> <p>2. In general, the procedure for discharge of directors is prescribed in the company's Articles of Association, and that an ordinary resolution should be adopted at the shareholders' meeting is typically prescribed.</p> <p>3. According to shareholders' remedies required by the common law, in a lawsuit accusing a director of bringing about infringement to the company, the proper plaintiff in form should be the company per se and not an individual shareholder or minority shareholders. There are only a few of exceptions for the above principle, including that when the conduct of a director constitutes a fraud against the minority shareholders and the person who commits such fraud is a company's controller, the minority</p>	<p>the Stock Exchange or Traded Over the Counter," the Company's Board of Director has established a remuneration committee. Therefore, the provisions as stated left should not have a material adverse effect on the Company's shareholders' rights and interests.</p> <p>(1) Provisions of the company's Articles of Association: According to Article 28.2 (j) of the company's Articles of Association, "Subject to the provisions of the Statute, and the Articles or the Applicable Public Company Rules, in the event that he has, in the course of performing his duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of issued, outstanding Shares shall have the right, within thirty days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgment by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the</p>

<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p>
<p>1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</p>	<p>Article 216 to 222 of the Company Act</p>	<p>shareholders who have suffered the fraud may institute a lawsuit in the court. 4. Since the court of the Cayman Islands cannot ratify and enforce foreign non-monetary judgments before re-examination on the legal basis of the said dispute, such stipulation added in the company's Articles of Association may not be executed under the Company Law of Cayman Islands. Directors may be discharged according to the procedure prescribed in the Company's Articles of Association.</p>	<p>forgoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (j), final judgment shall be given by such competent court." It is slightly different from the protection of significance on the protection of shareholders' rights and interests as stated left. (2)Reasons for discrepancy: The Company Law of Cayman Islands does not clearly specify that the minority shareholders are allowed to enter a petition in the court of Cayman Islands for discharge of directors. Under the common law, the subrogation litigation of shareholders will be claimed only under rare circumstances. Thus the company's Articles of Association prescribes that a shareholder shall institute a lawsuit in a competent court. Since shareholders may discharge a directors according to the company's Articles of Association, it should not have a material adverse effect on the Company's shareholders' rights and interests.</p>
<p>1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</p>	<p>Article 216 to 222 of the Company Act</p>	<p>The Company Law of Cayman Islands has no corresponding concept of "Supervisor".The effect that supervisors are installed in accordance with the company's Articles of Association is not clear.</p>	<p>Article 32.6 of the company's Articles of Association As described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules</p>

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>2. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election.</p> <p>3. In case all supervisors of a company are discharged, the Board of Directors shall, within sixty (60) days, convene a special meeting of shareholders to elect new supervisors.</p> <p>4. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the meeting of shareholders.</p> <p>6. In performing their functional duties of auditing, the supervisors may appoint a certified public accountant to conduct the auditing in their behalf.</p> <p>7. Supervisors of a company may attend the meeting of the Board of Directors to give their opinions. In</p>			<p>Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors". The Company has installed an audit committee by all independent directors (Article 32.6 of Articles of Association); therefore, supervisors are not required to be installed additionally. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p>

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

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>The Taiwan Taipei District Court, R.O.C, may be the court of the first instance for this matter.</p> <p>3. In addition to the events that the board of directors does not or is unable to convene a shareholders meeting, the supervisors may, for the benefit of the company, convene shareholders meeting when necessary.</p>		<p>the minority shareholders and the person who commits such fraud is a company's controller, the minority shareholders who have suffered the fraud may institute a lawsuit in the court.</p> <p>3. Since the court of the Cayman Islands cannot ratify and enforce foreign non-monetary judgments before re-examination on the legal basis of the said dispute, such stipulation added in the company's Articles of Association may not be executed under the Company Law of Cayman Islands. Directors may be discharged according to the procedure prescribed in the company's Articles of Association.</p>	
<p>In case a director or supervisor (applicable to companies who install supervisors) of a company whose shares are issued to the public has created a pledge on the company's shares more than half of the company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised and the excessive portion of shares shall not be counted in the number of votes of shareholders present at the meeting.</p>	<p>Articles 197-1 and 227 of the Company Act</p>	<p>The fact that shares held by directors shall have no voting power (under which circumstances) is not required by the Company Law of Cayman Islands; however, the relevant procedures may be prescribed in the Articles of Association.</p>	<p>Article 24.3 of the company's Articles of Association</p> <p>In addition, as described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors". The Company has installed an audit committee by all independent directors; therefore, supervisors are not required to be installed additionally. Such difference should not have a material adverse effect on the Company's shareholders' rights and</p>

Matters of material significance on the protection of shareholders' rights and interests	Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"	Regulations relating to the laws of the foreign issuer's country of registration place	Provisions in the Company's Articles of Association and reasons for the discrepancy
<p>1. The director of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company therefrom. In case the director of a company does anything for himself/herself or on behalf of another person, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company.</p> <p>2. If the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.</p> <p>3. The managerial officer or supervisor of a company, acting within the scope of their duties, shall assume the liabilities for the damage in the</p>	<p>Paragraph 2, Article 8, Paragraph 3, Article 23 of the Company Act Paragraph 1 and 2, Article 5 of Business Mergers And Acquisitions Act of Taiwan</p>	<p>1. The Company Law of Cayman Islands includes specifically obligations of directors as clear directions. According to the common law of Cayman Islands, each shareholder being liable to (1) fiduciary duties, and (2) exercise the due care of a good administrator for the company (duty of care). The company may claim compensation against the directors who have violated the above duties. In addition, directors who have violated their duties acquire interests shall be bound to return the same to the company.</p> <p>2. Based on principles of common law, in the course of operation for management of the company's businesses, the acts of a director representing the company will be deemed as the acts of the company per se. If the conduct thereof causes damage of any third party, the company, not the director, shall be bound to be liable the third party for the acts. The third party caused by the damage cannot demand from the</p>	<p>interests. Thus supervisors are not included in the above mentioned Articles of Association. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p> <p>Article 26.5 of the company's Articles of Association</p> <p>However, if the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, such other person may not be able to claim compensation directly from such director under the law of Cayman Islands. Even the company's Articles of Association requires that the director shall be jointly liable for compensation with the company to the other person, the base of such claim will be unable to be created.</p> <p>In addition, although Article 26.5 of the company's Articles of Association has required that such clause of obligation is also applicable to managerial officers; however, it shall be entered into the contracts with managerial officers in accordance with the law of Cayman Islands. Therefore, if the responsibilities of managerial officers for the matters of material significance on the protection of</p>



<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p> <p>same manner as directors of a company do.</p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p> <p>company the compensation and impose obligations on the directors according to the company's Articles of Association. Any third party who is not a shareholder cannot execute it according to the company's Articles of Association. The company who is liable for the damage to be sustained by the third party because the directors who have violated the duties may claim reimbursement against the directors caused the damage.</p> <p>3. The managerial officer generally has no fiduciary duties for the company. Since managerial officers are not the parties pursuant to the Articles of Association, no execution effect is present even it is prescribed in the Articles of Association. The above duties shall be entered into the contracts with managerial officer.</p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p> <p>shareholders' rights and interests as stated left will be implemented, the Company shall enter into the contracts with managerial officers. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p>
<p>Where a juristic person acts as a shareholder of a company, its authorized representative may be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company.</p>	<p>Paragraph 2, Article 27 of the Company Act</p>	<p>1.The fact that an authorized representative of a juristic person acting as a shareholder being elected as a director is not regulated by the Company Law of Cayman Islands; however, it may be prescribed in the Articles of Association.</p> <p>2.The Company Law of Cayman Islands has no corresponding concept of "Supervisor." The effect that supervisors are installed in accordance</p>	<p>Article 27.4 of the Company's Articles of Association</p> <p>As described in the former section of Paragraph 2, Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings "A foreign issuer shall install either an audit committee or supervisors." The Company has installed an audit committee by all independent directors; therefore, supervisors are not required to</p>

<p><b>Matters of material significance on the protection of shareholders' rights and interests</b></p>	<p><b>Applicable laws and regulations of "Company Act" or "Securities and Exchange Act"</b></p>	<p><b>Regulations relating to the laws of the foreign issuer's country of registration place</b></p> <p>with the company's Articles of Association is not clear.</p>	<p><b>Provisions in the Company's Articles of Association and reasons for the discrepancy</b></p> <p>be installed additionally. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests. Thus supervisors are not included in the above mentioned Articles of Association. Such difference should not have a material adverse effect on the Company's shareholders' rights and interests.</p>
--------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**8.6 Any Events in 2022 and as of the Date of Publication of the Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Article 36-3-2 of the Securities and Exchange Law of Taiwan**

---

None.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Alchip Technologies, Limited

### Opinion

We have audited the accompanying consolidated financial statements of Alchip Technologies, Limited (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	%
<b>CURRENT ASSETS</b>				
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	<u>130,278</u>	<u>1</u>	<u>40,077</u>	<u>-</u>
Total current assets	<u>18,240,447</u>	<u>92</u>	<u>11,557,631</u>	<u>87</u>
<b>NON-CURRENT ASSETS</b>				
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	<u>114,352</u>	<u>1</u>	<u>71,940</u>	<u>1</u>
Total non-current assets	<u>1,497,678</u>	<u>8</u>	<u>1,700,006</u>	<u>13</u>
<b>TOTAL</b>	<u>\$ 19,738,125</u>	<u>100</u>	<u>\$ 13,257,637</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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	<u>31,746</u>	<u>-</u>	<u>15,170</u>	<u>-</u>
Total current liabilities	<u>6,607,763</u>	<u>33</u>	<u>2,839,007</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 22)	35,696	-	-	-
Lease liabilities (Note 14)	70,326	1	50,339	1
Deferred revenue	<u>22,286</u>	<u>-</u>	<u>20,087</u>	<u>-</u>
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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19)</b>				
Share capital	<u>719,280</u>	<u>4</u>	<u>706,876</u>	<u>5</u>
Capital surplus	<u>7,792,801</u>	<u>39</u>	<u>7,292,281</u>	<u>55</u>
Retained earnings				
Special reserve	347,922	2	201,957	1
Unappropriated earnings	<u>3,387,886</u>	<u>17</u>	<u>2,495,012</u>	<u>19</u>
Total retained earnings	<u>3,735,808</u>	<u>19</u>	<u>2,696,969</u>	<u>20</u>
Other equity	<u>745,605</u>	<u>4</u>	<u>(347,922)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	12,993,494	66	10,348,204	78
<b>NON-CONTROLLING INTERESTS</b>	<u>8,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>13,002,054</u>	<u>66</u>	<u>10,348,204</u>	<u>78</u>
<b>TOTAL</b>	<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	%
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 642,726</u>	<u>100</u>	<u>\$ 478,961</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 18 and 19)</b>				
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
<b>NON-CONTROLLING INTERESTS</b>				
Total equity	<u>423,382</u>	<u>66</u>	<u>373,851</u>	<u>78</u>
<b>TOTAL</b>	<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			Total Equity	
	Share Capital	Share Premium	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	Treasury Shares		Non-controlling Interests
			Share Options	Total							
BALANCE AT JANUARY 1, 2021	\$ 620,285	\$ 1,531,482	\$ 152,877	\$ 1,684,359	\$ 67,693	\$ 1,717,862	\$ (221,446)	\$ 19,489	\$ -	\$ 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	
Appropriation of 2020's earnings	-	-	-	-	134,264	(134,264)	-	-	-	-	
Special reserve	-	-	-	-	-	(465,387)	-	-	-	(465,387)	
Cash dividends	-	-	-	-	-	-	-	-	-	-	
Share-based payments	-	-	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	
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,489,723	-	-	-	1,489,723	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	(196,846)	98,826	-	(98,020)	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,489,723	(196,846)	98,826	-	1,391,703	
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(206,489)	(206,489)	
Cancellation of treasury shares	(4,220)	(41,402)	-	(41,402)	-	(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)	-	-	
BALANCE AT DECEMBER 31, 2021	706,876	6,947,143	345,138	7,292,281	201,957	2,495,012	(418,292)	70,370	-	10,348,204	
Appropriation of 2021's earnings	-	-	-	-	145,965	(145,965)	-	-	-	-	
Special reserve	-	-	-	-	-	(790,324)	-	-	-	(790,324)	
Cash dividends	-	-	-	-	-	-	-	-	-	-	
Share-based payments	-	-	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	
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	-	1,834,414	-	-	-	1,834,414	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	(1,160,604)	(67,077)	-	(1,093,527)	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	1,834,414	(1,160,604)	(67,077)	-	2,927,941	
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(5,251)	-	-	-	(5,251)	
BALANCE AT DECEMBER 31, 2022	\$ 719,280	\$ 7,007,228	\$ 695,573	\$ 7,792,801	\$ 347,922	\$ 3,387,886	\$ 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											
	Share Capital	Share Premium		Capital Surplus		Special Reserve	Retained Earnings		Other Equity			
		Share Capital	Share Premium	Share Options	Total		Unappropriated Earnings	Total	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	Treasury Shares	Total
BALANCE AT JANUARY 1, 2021	\$ 19,512	\$ 49,348	\$ 5,049	\$ 54,397	\$ 2,799	\$ 59,222	\$ 62,021	\$ 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	-	-	-	-	4,749	(4,749)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(16,810)	(16,810)	-	-	-	-	(16,810)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-
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
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)
Cancellation 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	-	-	-	-	5,236	(5,236)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(26,772)	(26,772)	-	-	-	-	(26,772)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-
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)
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	\$ 23,043	\$ 249,191	\$ 22,461	\$ 271,652	\$ 12,784	\$ 116,106	\$ 128,890	\$ (714)	\$ 246	\$ 423,117	\$ 265	\$ 423,382

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\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
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 Depositary 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>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>				
	<u>(770)</u>	<u>462,070</u>	<u>(829)</u>	<u>(146,503)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>16,456</b>	<b>926,641</b>	<b>(22,048)</b>	<b>(739,157)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>139,041</u>	<u>3,848,660</u>	<u>161,089</u>	<u>4,587,817</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
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>	
	<u>2022</u>	<u>2021</u>
<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>	
	<u>2022</u>	<u>2021</u>
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 Uniconn 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>

	<b>Credit Rating</b>		
	<b>Performing (12-month ECLs)</b>	<b>Doubtful (Lifetime ECLs - Not Credit Impaired)</b>	<b>In default (Lifetime ECLs - Credit Impaired)</b>
<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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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>
<u>US\$</u>		
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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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)

	<b>Machinery Equipment</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Transportation Equipment</b>	<b>Total</b>
<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	\$ 10,166	\$ 342	\$ 8,888	\$ 317
Expenses relating to low-value asset leases	\$ 28	\$ 1	\$ 33	\$ 1
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 12,474	\$ 419	\$ 13,437	\$ 480
Total cash outflow for leases	\$ (80,927)	\$ (2,716)	\$ (75,545)	\$ (2,697)

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	(53,502)	(631)	(54,133)
Balance at December 31, 2021	\$ 1,845,710	\$ 22,072	\$ 1,867,782
<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	49,313	498	49,811
Balance at December 31, 2021	\$ (1,810,860)	\$ (19,035)	\$ (1,829,895)
Carrying amount at December 31, 2021	\$ 34,850	\$ 3,037	\$ 37,887
<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	200,456	2,433	202,889
Balance at December 31, 2022	\$ 2,370,273	\$ 25,039	\$ 2,395,312

(Continued)

NT\$	<b>Silicon Intellectual Property (SIP)</b>	<b>Software Cost</b>	<b>Total</b>
<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\$	<b>Silicon Intellectual Property (SIP)</b>	<b>Software Cost</b>	<b>Total</b>
<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>	
	<u>2022</u>	<u>2021</u>
<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 Depository 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:

	<b>2021</b>			
	<b>Appropriation of Earnings (In Thousand)</b>		<b>Dividends Per Share (In Dollar)</b>	
	<b>US\$</b>	<b>NT\$</b>	<b>US\$</b>	<b>NT\$</b>
Cash dividends	<u>\$ 26,772</u>	<u>\$ 790,324</u>	\$ 0.377	\$ 11.14
Special reserve	<u>\$ 5,236</u>	<u>\$ 145,965</u>		
	<b>2020</b>			
	<b>Appropriation of Earnings (In Thousand)</b>		<b>Dividends Per Share (In Dollar)</b>	
	<b>US\$</b>	<b>NT\$</b>	<b>US\$</b>	<b>NT\$</b>
	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:

	<b>2022</b>			
	<b>Appropriation of Earnings (In Thousand)</b>		<b>Dividends Per Share (In Dollar)</b>	
	<b>US\$</b>	<b>NT\$</b>	<b>US\$</b>	<b>NT\$</b>
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 1/48<sup>th</sup> 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 1/48<sup>th</sup> 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:

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
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:

<b>December 31</b>				
<b>2022</b>		<b>2021</b>		
<b>Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (In Years)</b>	<b>Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (In Years)</b>	
\$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:

	<b>November 15, 2022</b>	<b>August 26, 2022</b>	<b>April 29, 2022</b>	<b>March 9, 2022</b>
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

**For the Year Ended December 31**

	<b>2022</b>	<b>2021</b>
<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

	<b>2022</b>	<b>2021</b>
<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

**For the Year Ended December 31**

	<b>2022</b>	<b>2021</b>
<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)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<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****2022****2021**US\$

Post-employment benefits

Defined contribution plan

\$ 2,040

\$ 1,851

Share-based payments (Note 19)

12,815

8,722

Other employee benefits

40,13638,600\$ 54,991\$ 49,173

An analysis of employee benefits expense by function

Operating costs

\$ 430

\$ 421

Operating expenses

54,56148,752\$ 54,991\$ 49,173

(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:

	<b>2022</b>	
	<b>US\$</b>	<b>NT\$</b>
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>
	<b>2021</b>	
	<b>US\$</b>	<b>NT\$</b>
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

<b>Deferred Tax Liability</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
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\$

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
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>

<b>Deferred Tax Liability</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
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\$

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
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>-</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>-</u>	<u>(129)</u>	<u>-</u>
	<u>\$ 37,290</u>	<u>\$ 32,605</u>	<u>\$ -</u>	<u>\$ (2,028)</u>	<u>\$ 67,867</u>

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

US\$

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
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>-</u>	<u>-</u>	<u>34</u>
	1,031	1,441	-	(20)	2,452
Loss carryforward	<u>278</u>	<u>(278)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,309</u>	<u>\$ 1,163</u>	<u>\$ -</u>	<u>\$ (20)</u>	<u>\$ 2,452</u>

<b>Deferred Tax Liability</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
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.

	<b>December 31, 2022</b>
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:

	<b>December 31</b>	
	<b>US\$</b>	<b>NT\$</b>
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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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**

	<b>Profit</b>	
	<b>2022</b>	<b>2021</b>
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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<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
<u>NT\$</u>		
Secured other loan		
Amount used	\$ -	\$ -
Amount unused	<u>767,750</u>	<u>692,000</u>
	<u>\$ 767,750</u>	<u>\$ 692,000</u>
<u>US\$</u>		
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.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
<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

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount (US\$ in Thousands)</b>
<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)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount (US\$ in Thousands)</b>
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>

Financial liabilities

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)

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount (US\$ in Thousands)</b>
<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)

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<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:

<b>Customer</b>	<b>2022</b>			<b>2021</b>		
	<b>US\$</b>	<b>NT\$</b>	<b>%</b>	<b>US\$</b>	<b>NT\$</b>	<b>%</b>
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.



TABLE 1

## 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	Shares (In Thousands)	December 31, 2022			Note
					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	-
	NORDEUTSCHE 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 LIBS 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)	Unicorn 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)

TABLE 2

## ALCHIP TECHNOLOGIES, LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Purchases/ Sales	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
				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)	-

**TABLE 3**

**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			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount (Note 4)	Payment Terms	
0	The Company	Alchip KK Alchip KK	a a	Accounts receivable Operating revenue	\$ 172,230 38,429	Based on regular items Based on regular items	1 1
1	Alchip Wuxi	Alchip Guangzhou Alchip Guangzhou Alchip Chongqing Alchip Chongqing	c c c c	Accounts receivable Operating revenue Accounts receivable Operating revenue	111,647 102,223 22,005 20,147	Based on regular items Based on regular items Based on regular items Based on regular items	1 1 - -
2	Alchip Hefei	Alchip Guangzhou Alchip Guangzhou Alchip Shanghai Alchip Shanghai	c c c c	Accounts receivable Operating revenue Accounts receivable Operating revenue	64,788 59,319 18,660 107,761	Based on regular items Based on regular items Based on regular items Based on regular items	- - - 1
3	Alchip Jman	Alchip Guangzhou Alchip Guangzhou Alchip Shanghai	c c c	Accounts receivable Operating revenue Operating revenue	46,650 83,075 80,739	Based on regular items Based on regular items Based on regular items	- 1 1
4	Alchip US	The Company The Company	b b	Accounts receivable Operating revenue	17,402 61,024	Based on regular items Based on regular items	- -
5	Alchip Chongqing	Alchip Guangzhou Alchip Guangzhou	c c	Accounts receivable Operating revenue	17,584 44,354	Based on regular items Based on regular items	- -

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

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

Note 2: Relationship types are as follows:

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

Note 3: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 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			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)	-
	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	-
	Alchip KK	Japan	Sales of ASIC and SOC.	33,902 (JPY 100,000)	33,902 (JPY 100,000)	1	100	90,557	69	-
	Alchip TW Alchip BVI	Taiwan Tortola British Virgin Islands	ASIC and SOC services. Investment	100 473,317 (US\$ 15,100)	100 473,317 (US\$ 15,100)	10 15,100	100 100	476,417 532,676	(100,211) 11,209	- -

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

TABLE 6

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

(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)



Alchip Technologies, Limited

Chairman Kinying Kwan

Address : 9F., No.12, Wenhua St., Neihu Dist., Taipei 114

Tel : (02) 2799-2318

