

Silicon Optronics, Inc. and Subsidiaries

**Consolidated Financial Statements for the
Nine months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Silicon Optronics, Inc. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, of changes in equity, and of cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as stated in the basic paragraph of the reserved conclusion, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 10, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$66,098 thousand and NT\$36,054 thousand, constituting 2% and 1% of the consolidated total assets, and total liabilities of NT\$36,489 thousand and NT\$13,100 thousand, constituting 3% and 2% of the consolidated total liabilities as of September 30, 2021 and 2020, respectively; and total comprehensive income of NT\$2,073 thousand, NT\$2,637 thousand, NT\$5,222 thousand and NT\$5,656 thousand, constituting 1%, 3%, 1% and 4% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2021 and 2020, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, and the information disclosed in the footnotes been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Silicon Optronics, Inc. and its subsidiaries as of September 30, 2021 and 2020, their consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020 and cash flows for the nine months ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

November 4, 2021

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the R.O.C.

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2021		December 31, 2020		September 30, 2020			September 30, 2021		December 31, 2020		September 30, 2020	
	(Reviewed)		(Audited)		(Reviewed)			(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 735,280	20	\$ 547,597	18	\$ 523,018	18	Contract liabilities - current (Note 19)	\$ 66,318	2	\$ 15,940	1	\$ 10,141	-
Financial assets at amortized cost - current (Notes 7 and 25)	968,766	27	758,754	25	288,538	10	Accounts payable	320,685	9	120,321	4	163,246	6
Accounts receivable - net (Note 8)	14,028	-	32,842	1	4,307	-	Accounts payable to related parties (Note 26)	-	-	154,167	5	131,509	5
Inventories (Note 9)	1,126,093	31	849,523	29	1,182,992	42	Other current liabilities (Note 16)	160,125	4	100,836	3	73,650	2
Prepayments and other current assets (Note 14)	69,857	2	61,430	2	68,348	3	Current tax liabilities (Notes 4 and 21)	127,937	4	47,664	2	27,155	1
Total current assets	<u>2,914,024</u>	<u>80</u>	<u>2,250,146</u>	<u>75</u>	<u>2,067,203</u>	<u>73</u>	Lease liabilities - current (Note 12)	7,659	-	7,667	-	7,624	-
							Long-term loan-current portion (Note 15)	50,000	1	-	-	-	-
							Refund liability (Note 16)	7,971	-	-	-	-	-
							Total current liabilities	<u>740,695</u>	<u>20</u>	<u>446,595</u>	<u>15</u>	<u>413,325</u>	<u>14</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent(Notes 7, 25 and 27)	3,500	-	4,048	-	2,548	-	Long-term loan (Note 15)	300,000	9	350,000	12	350,000	12
Property, plant and equipment (Notes 11 and 27)	497,824	14	513,112	17	529,985	18	Deferred income tax liabilities (Notes 4 and 21)	-	-	208	-	289	-
Right-of-use assets (Note 12)	11,600	-	17,085	-	18,658	1	Lease liabilities - non-current (Note 12)	3,638	-	9,473	-	11,352	1
Goodwill	199,228	6	199,228	7	199,228	7	Guarantee deposits	6,977	-	-	-	-	-
Intangible assets (Note 13)	5,848	-	7,784	-	8,512	-	Total non-current liabilities	<u>310,615</u>	<u>9</u>	<u>359,681</u>	<u>12</u>	<u>361,641</u>	<u>13</u>
Deferred tax assets (Notes 4 and 21)	15,808	-	17,454	1	19,040	1							
Other non-current assets (Notes 14 and 17)	5,545	-	3,161	-	3,096	-	Total liabilities	<u>1,051,310</u>	<u>29</u>	<u>806,276</u>	<u>27</u>	<u>774,966</u>	<u>27</u>
Total non-current assets	<u>739,353</u>	<u>20</u>	<u>761,872</u>	<u>25</u>	<u>781,067</u>	<u>27</u>							
							EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY(Note 18)						
							Common stock	781,509	21	781,059	26	781,059	27
							Capital surplus	1,132,749	31	1,131,714	37	1,131,714	40
							Retained earnings						
							Legal reserve	94,057	3	65,911	2	65,911	2
							Special reserve	4,250	-	2,365	-	2,365	-
							Unappropriated earnings	692,235	19	325,938	11	193,140	7
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	(5,738)	-	(4,250)	-	(3,890)	-
							Treasury shares	(96,995)	(3)	(96,995)	(3)	(96,995)	(3)
							Total equity	<u>2,602,067</u>	<u>71</u>	<u>2,205,742</u>	<u>73</u>	<u>2,073,304</u>	<u>73</u>
TOTAL	<u>\$ 3,653,377</u>	<u>100</u>	<u>\$ 3,012,018</u>	<u>100</u>	<u>\$ 2,848,270</u>	<u>100</u>	TOTAL	<u>\$ 3,653,377</u>	<u>100</u>	<u>\$ 3,012,018</u>	<u>100</u>	<u>\$ 2,848,270</u>	<u>100</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three months ended September 30				Nine months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 19)	\$ 1,113,850	100	\$ 928,521	100	\$ 3,123,345	100	\$ 2,067,379	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>685,298</u>	<u>61</u>	<u>731,049</u>	<u>79</u>	<u>2,024,817</u>	<u>65</u>	<u>1,656,233</u>	<u>80</u>
GROSS PROFIT	<u>428,552</u>	<u>39</u>	<u>197,472</u>	<u>21</u>	<u>1,098,528</u>	<u>35</u>	<u>411,146</u>	<u>20</u>
OPERATING EXPENSES (Notes 20 and 26)								
Selling and marketing expenses	6,178	1	5,863	1	19,426	-	16,737	1
General and administrative expenses	20,670	2	9,977	1	56,384	2	29,781	1
Research and development expenses	<u>103,491</u>	<u>9</u>	<u>78,405</u>	<u>8</u>	<u>288,726</u>	<u>9</u>	<u>205,140</u>	<u>10</u>
Total operating expenses	<u>130,339</u>	<u>12</u>	<u>94,245</u>	<u>10</u>	<u>364,536</u>	<u>11</u>	<u>251,658</u>	<u>12</u>
OPERATING INCOME	<u>298,213</u>	<u>27</u>	<u>103,227</u>	<u>11</u>	<u>733,992</u>	<u>24</u>	<u>159,488</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)								
Interest income	1,399	-	791	-	4,154	-	3,527	-
Other income	7	-	-	-	105	-	42	-
Other gains and losses	2,838	-	3,715	1	6,510	-	11,003	-
Financial costs	<u>(902)</u>	<u>-</u>	<u>(921)</u>	<u>-</u>	<u>(2,714)</u>	<u>-</u>	<u>(1,886)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,342</u>	<u>-</u>	<u>3,585</u>	<u>1</u>	<u>8,055</u>	<u>-</u>	<u>12,686</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	301,555	27	106,812	12	742,047	24	172,174	8
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(55,992)</u>	<u>(5)</u>	<u>(14,124)</u>	<u>(2)</u>	<u>(129,822)</u>	<u>(4)</u>	<u>(23,515)</u>	<u>(1)</u>
NET INCOME	245,563	22	92,688	10	612,225	20	148,659	7
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 18)	<u>(68)</u>	<u>-</u>	<u>(436)</u>	<u>-</u>	<u>(1,488)</u>	<u>-</u>	<u>(1,525)</u>	<u>-</u>
Total comprehensive income For The Period	<u>\$ 245,495</u>	<u>22</u>	<u>\$ 92,252</u>	<u>10</u>	<u>\$ 610,737</u>	<u>20</u>	<u>\$ 147,134</u>	<u>7</u>
EARNINGS PER SHARE (Note 22)								
Basic	<u>\$ 3.18</u>		<u>\$ 1.20</u>		<u>\$ 7.94</u>		<u>\$ 1.93</u>	
Diluted	<u>\$ 3.16</u>		<u>\$ 1.20</u>		<u>\$ 7.88</u>		<u>\$ 1.92</u>	

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Share Capital		Capital Surplus	Retained Earnings			Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2020	78,081	\$ 780,809	\$ 1,131,702	\$ 50,310	\$ -	\$ 216,659	(\$ 2,365)	(\$ 96,995)	\$ 2,080,120
Appropriation and distribution of 2019 retained earnings									
Legal reserve	-	-	-	15,601	-	(15,601)	-	-	-
Special reserve	-	-	-	-	2,365	(2,365)	-	-	-
Cash dividends	-	-	-	-	-	(154,212)	-	-	(154,212)
Net income for the nine months ended September 30, 2020	-	-	-	-	-	148,659	-	-	148,659
Other comprehensive income(loss)for the nine months ended September 30, 2020	-	-	-	-	-	-	(1,525)	-	(1,525)
Total comprehensive income(loss)for the nine months ended September, 2020	-	-	-	-	-	148,659	(1,525)	-	147,134
Issuance of ordinary shares under employee share options	25	250	12	-	-	-	-	-	262
BALANCE, SEPTEMBER 30, 2020	78,106	\$ 781,059	\$ 1,131,714	\$ 65,911	\$ 2,365	\$ 193,140	(\$ 3,890)	(\$ 96,995)	\$ 2,073,304
BALANCE, JANUARY 1, 2021	78,106	\$ 781,059	\$ 1,131,714	\$ 65,911	\$ 2,365	\$ 325,938	(\$ 4,250)	(\$ 96,995)	\$ 2,205,742
Appropriation and distribution of 2020 retained earnings									
Legal reserve	-	-	-	28,146	-	(28,146)	-	-	-
Special reserve	-	-	-	-	1,885	(1,885)	-	-	-
Cash dividends	-	-	-	-	-	(215,897)	-	-	(215,897)
Net income for the nine months ended September 30, 2021	-	-	-	-	-	612,225	-	-	612,225
Other comprehensive income(loss)for the nine months ended September 30, 2021	-	-	-	-	-	-	(1,488)	-	(1,488)
Total comprehensive income(loss)for the nine months ended September 30, 2021	-	-	-	-	-	612,225	(1,488)	-	610,737
Issuance of ordinary shares under employee share options	45	450	1,035	-	-	-	-	-	1,485
BALANCE, SEPTEMBER 30, 2021	78,151	\$ 781,509	\$ 1,132,749	\$ 94,057	\$ 4,250	\$ 692,235	(\$ 5,738)	(\$ 96,995)	\$ 2,602,067

SILICON OPTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 742,047	\$ 172,174
Adjustments for:		
Depreciation expense	77,116	65,359
Amortization expense	5,267	5,624
Finance costs	2,714	1,886
Interest income	(4,154)	(3,527)
(Reversal) write downs of inventories	(9,917)	30,442
Net loss on foreign currency exchange	(785)	1,429
Changes in operating assets and liabilities		
Accounts receivable	19,130	7,075
Inventories	(266,653)	(356,914)
Prepayments and other current assets	(8,427)	34,923
Contract liabilities	50,400	93
Accounts payable	199,719	37,306
Accounts payables to related parties	(155,010)	(3,436)
Accrued expenses and other current liabilities	57,767	3,245
Refund liability	7,971	-
Cash generated from operations	717,185	(4,321)
Income tax paid	(48,111)	(7,115)
Net cash generated from (used in) operating activities	<u>669,074</u>	<u>(11,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(592,242)	(200,016)
Proceeds from financial assets at amortized cost	381,962	50,000
Payments of property, plant and equipment	(54,191)	(44,870)
Increase in refundable deposits	(2,400)	(147)
Payments for intangible assets	(3,475)	(2,337)
Payments for right-of-use assets	(502)	-
Interest received	4,154	3,527
Net cash used in investing activities	<u>(266,694)</u>	<u>(193,843)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	-	350,000
Proceeds from guarantee deposits received	6,977	-
Repayment of the principal portion of lease liabilities	(5,713)	(5,523)
Cash dividend payment	(215,897)	(154,212)
Exercise of employee share options	1,485	262
Interest paid	(2,714)	(1,886)
Net cash generated from (used in) investing activities	<u>215,862</u>	<u>188,641</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>1,165</u>	(<u>2,050</u>)
NET INCREASE IN CASH	<u>187,683</u>	(<u>18,688</u>)
CASH AT THE BEGINNING OF PERIOD	<u>547,597</u>	<u>541,706</u>
CASH AT THE END OF PERIOD	<u>\$ 735,280</u>	<u>\$ 523,018</u>

SILICON OPTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

1. GENERAL INFORMATION

Silicon Optronics, Inc. (the “Company”) was incorporated in the Republic of China (“ROC”) on May 24, 2004 and commenced business on May 27, 2004. The Company’s main business activities include the design, development and sales of complementary metal-oxide semiconductors.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2018.

The consolidated financial statements of the Company and its subsidiary (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 04, 2021.

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)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies

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

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

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

Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

4) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

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

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

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

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

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

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability. Except for the above impact, as of the date the consolidated financial statements were authorized

for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have 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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Refer to Notes 10 and 29 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. For other-related information. Except for the following, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 182	\$ 263	\$ 286
Bank deposits	595,848	547,334	472,732
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits in banks	<u>139,250</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 735,280</u>	<u>\$ 547,597</u>	<u>\$ 523,018</u>

The market interest rate intervals of the time deposits held in banks at the end of the reporting period were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits	0.29%	-	0.38%

7. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Time deposit with original maturities of more than 3 months (a)	<u>\$ 968,766</u>	<u>\$ 758,754</u>	<u>\$ 288,538</u>
<u>Non-current</u>			
Pledged time deposits (a and c)	<u>\$ 3,500</u>	<u>\$ 4,048</u>	<u>\$ 2,548</u>

- a. The interest rates rangess of time deposits with original maturities of more than 3 months were 0.08%-2.40%、0.08%-2.40% and 0.45%-2.80% per annum as of September 30, 2021、December 31, 2020 and September 30, 2020, respectively.
- b. Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- c. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8. ACCOUNTS RECEIVABLE

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Accounts receivable - unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 14,028	\$ 32,842	\$ 4,307
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,028</u>	<u>\$ 32,842</u>	<u>\$ 4,307</u>

The average credit period of sales of goods was 30 days. No interest was charged on trade receivables.

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

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 by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. 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.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

September 30, 2021

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 14,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,028
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 14,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,028</u>

December 31, 2020

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 16,224	\$ 16,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,842
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 16,224</u>	<u>\$ 16,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,842</u>

September 30, 2020

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 1,690	\$ 2,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,307
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 1,690</u>	<u>\$ 2,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,307</u>

9. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	\$ 536,084	\$ 170,650	\$ 412,186
Work in progress	588,528	675,500	769,003
Raw materials	<u>1,481</u>	<u>3,373</u>	<u>1,803</u>
Total	<u>\$ 1,126,093</u>	<u>\$ 849,523</u>	<u>\$ 1,182,992</u>

the loss of NT\$5,459 thousand and NT\$5,640 thousand for the three -month periods ended September 30, 2021 and 2020, and the loss of NT\$(9,917) thousand and NT\$30,442 thousand for the nine - month periods ended September 30, 2021 and 2020 respectively, due to the sale of stagnant inventories write-down of inventories to net realizable value.

10. SUBSIDIARIES

Investor	Investee	Main Business	Percentage% of Ownership		
			September 30, 2021	December 31, 2020	September 30, 2020
Silicon Optronics, Inc.	NUEVA IMAGING, INC. (“NUEVA”)	Research and development and design of high order CMOS Image Sensor products	100%	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. (“Silicon Cayman”)	Investment business	100%	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the remaining entities are non-major subsidiaries Silicon Optronics (Shanghai) Co., Ltd. is an immaterial subsidiary; its financial statements have not been reviewed.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Prepayment for Business Facilities	Total
Cost								
Balance at January 1, 2021	\$ 1,584	\$ 473,084	\$ 12,665	\$ 1,153	\$ 1,665	\$ 108,800	\$ -	\$ 598,951
Additions	644	-	4,752	118	31	49,926	-	55,471
Disposal	(978)	-	(1,074)	(155)	(29)	(42,632)	-	(44,868)
Effect of exchange rate changes	(5)	-	-	(16)	(37)	-	-	(58)
Balance at September 30, 2021	<u>\$ 1,245</u>	<u>\$ 473,084</u>	<u>\$ 16,343</u>	<u>\$ 1,100</u>	<u>\$ 1,630</u>	<u>\$ 116,094</u>	<u>\$ -</u>	<u>\$ 609,496</u>
Accumulated depreciation								
Balance at January 1, 2021	\$ 1,260	\$ 21,026	\$ 4,643	\$ 846	\$ 1,556	\$ 55,325	\$ -	\$ 84,656
Depreciation expense	201	23,654	3,155	135	25	43,580	-	70,750
Disposal	(978)	-	(1,074)	(155)	(29)	(42,632)	-	(44,868)
Effect of exchange rate changes	(4)	-	-	(12)	(33)	-	-	(49)
Balance at September 30, 2021	<u>\$ 479</u>	<u>\$ 44,680</u>	<u>\$ 6,724</u>	<u>\$ 814</u>	<u>\$ 1,519</u>	<u>\$ 56,273</u>	<u>\$ -</u>	<u>\$ 110,489</u>
Accumulated impairment								
Balance at January 1, 2021 and September 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2021	<u>\$ 324</u>	<u>\$ 452,058</u>	<u>\$ 6,839</u>	<u>\$ 307</u>	<u>\$ 109</u>	<u>\$ 53,475</u>	<u>\$ -</u>	<u>\$ 513,112</u>
Balance at September 30, 2021	<u>\$ 766</u>	<u>\$ 428,404</u>	<u>\$ 8,436</u>	<u>\$ 286</u>	<u>\$ 111</u>	<u>\$ 59,821</u>	<u>\$ -</u>	<u>\$ 497,824</u>
Cost								
Balance at January 1, 2020	\$ 1,464	\$ -	\$ 13,586	\$ 1,137	\$ 1,672	\$ 96,810	\$ 472,972	\$ 587,641
Additions	115	-	3,831	-	32	54,613	112	58,703
Disposal	-	-	(2,838)	-	-	(41,741)	-	(44,579)
Effect of exchange rate changes	-	473,084	-	-	-	-	(473,084)	-
Balance at September 30, 2020	(3)	-	-	(8)	(47)	-	-	(58)
Balance at September 30, 2020	<u>\$ 1,576</u>	<u>\$ 473,084</u>	<u>\$ 14,579</u>	<u>\$ 1,129</u>	<u>\$ 1,657</u>	<u>\$ 109,682</u>	<u>\$ -</u>	<u>\$ 601,707</u>
Accumulated depreciation								
Balance at January 1, 2020	\$ 980	\$ -	\$ 6,173	\$ 639	\$ 1,607	\$ 46,642	\$ -	\$ 56,041
Depreciation expense	205	13,141	2,917	153	49	42,665	-	59,130
Disposal	-	-	(2,838)	-	-	(41,741)	-	(44,579)
Effect of exchange rate changes	-	-	-	-	-	-	-	-
Balance at September 30, 2020	(2)	-	-	(5)	(46)	-	-	(53)
Balance at September 30, 2020	<u>\$ 1,183</u>	<u>\$ 13,141</u>	<u>\$ 6,252</u>	<u>\$ 787</u>	<u>\$ 1,610</u>	<u>\$ 47,566</u>	<u>\$ -</u>	<u>\$ 70,539</u>
Accumulated impairment								
Balance at January 1, 2020 and September 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2020	<u>\$ 484</u>	<u>\$ -</u>	<u>\$ 6,230</u>	<u>\$ 498</u>	<u>\$ 65</u>	<u>\$ 50,168</u>	<u>\$ 472,972</u>	<u>\$ 530,417</u>
Balance at September 30, 2020	<u>\$ 393</u>	<u>\$ 459,943</u>	<u>\$ 7,144</u>	<u>\$ 342</u>	<u>\$ 47</u>	<u>\$ 62,116</u>	<u>\$ -</u>	<u>\$ 529,985</u>

The Group’s property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Testing equipment	2-5 years
R&D equipment	15 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amount</u>			
Buildings	\$ <u>11,600</u>	\$ <u>17,085</u>	\$ <u>18,658</u>
	Three months Ended September 30	Nine months Ended September 30	
	2021	2020	2021
Additions to right-of-use assets			\$ <u>502</u>
Depreciation charge for right-of-use assets			\$ <u>-</u>
Buildings	\$ <u>2,118</u>	\$ <u>2,118</u>	\$ <u>6,366</u>
			\$ <u>6,229</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amount</u>			
Current	\$ <u>7,659</u>	\$ <u>7,667</u>	\$ <u>7,624</u>
Non-current	\$ <u>3,638</u>	\$ <u>9,473</u>	\$ <u>11,352</u>

The discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1%	1%	1%

c. Material lease activities and terms (the Group is lessee)

The Group did not have significant new lease contracts in September 30, 2021 and 2020. The Group leases buildings for the use of offices with lease terms of 3-4 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	Three months ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	\$ <u>127</u>	\$ <u>127</u>	\$ <u>379</u>	\$ <u>379</u>
Expenses relating to low-value asset leases	\$ <u>14</u>	\$ <u>15</u>	\$ <u>47</u>	\$ <u>44</u>
Total cash outflow for leases			(\$ <u>6,245</u>)	(\$ <u>5,946</u>)

13. INTANGIBLE ASSETS

	Patents	Software	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 14,169	\$ 25,877	\$ 40,046
Additions	-	3,475	3,475
Effect of exchange rate changes	(<u>313</u>)	(<u>444</u>)	(<u>757</u>)
Balance at September 30, 2021	\$ <u>13,856</u>	\$ <u>28,908</u>	\$ <u>42,764</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ 8,738	\$ 23,524	\$ 32,262
Amortization expense	2,094	3,173	5,267
Effect of exchange rate changes	(<u>209</u>)	(<u>404</u>)	(<u>613</u>)

Balance at September 30, 2021	\$ 10,623	\$ 26,293	\$ 36,916
Balance at January 1, 2021	\$ 5,431	\$ 2,353	\$ 7,784
Balance at September 30, 2021	<u>\$ 3,233</u>	<u>\$ 2,615</u>	<u>\$ 5,848</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 14,915	\$ 23,306	\$ 38,221
Additions	-	2,337	2,337
Effect of exchange rate changes	(438)	(581)	(1,019)
Balance at September 30, 2020	<u>\$ 14,477</u>	<u>\$ 25,062</u>	<u>\$ 39,539</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 6,215	\$ 19,954	\$ 26,169
Amortization expense	2,225	3,399	5,624
Effect of exchange rate changes	(236)	(530)	(766)
Balance at September 30, 2020	<u>\$ 8,204</u>	<u>\$ 22,823</u>	<u>\$ 31,027</u>
Balance at January 1, 2020	<u>\$ 8,700</u>	<u>\$ 3,352</u>	<u>\$ 12,052</u>
Balance at September 30, 2020	<u>\$ 6,273</u>	<u>\$ 2,239</u>	<u>\$ 8,512</u>

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended September 30, 2020 and 2021.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	3-7 years
Software	1-3 years

14. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Prepaid income tax	\$ 42,947	\$ 41,175	\$ 35,785
Tax receivables of business tax	23,914	18,054	30,320
Prepayments for purchases	1,992	1,187	758
Others	<u>1,004</u>	<u>1,014</u>	<u>1,485</u>
	<u>\$ 69,857</u>	<u>\$ 61,430</u>	<u>\$ 68,348</u>
<u>Non-current</u>			
Refundable deposits	\$ 4,171	\$ 1,787	\$ 1,776
Net defined benefit assets	<u>1,374</u>	<u>1,374</u>	<u>1,320</u>
	<u>\$ 5,545</u>	<u>\$ 3,161</u>	<u>\$ 3,096</u>

15. LONG-TERM LOAN

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Secured loan (Note 27)</u>			
Bank loan	\$ 350,000	\$ 350,000	\$ 350,000
Less: Current portion	<u>50,000</u>	<u>-</u>	<u>-</u>
Bank loan	<u>\$ 300,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>

In the year ended December 31, 2020, the Group acquired new bank loan facilities in the amount of \$350,000 thousand, with a floating interest rate of 0.98767% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semiannual installments starting from April 2022. The loan is to be repaid before April 1, 2025.

16. OTHER LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Other payables			
Payables for bonuses	\$ 67,463	\$ 35,536	\$ 21,346
Payables for employees' compensation	65,110	28,570	16,704

Payables for remuneration of directors	8,130	3,750	1,875
Payables for purchases of equipment	6,563	5,207	21,171
Payables for processing	866	13,787	-
Others	<u>11,846</u>	<u>13,852</u>	<u>12,422</u>
	159,978	100,702	73,518
Other liabilities			
Receipts under custody	<u>147</u>	<u>134</u>	<u>132</u>
	<u>\$ 160,125</u>	<u>\$ 100,836</u>	<u>\$ 73,650</u>
Refund liabilities (a)	<u>\$ 7,971</u>	<u>\$ -</u>	<u>\$ -</u>

a. Sales revenue is measured at the fair value of the consideration received or receivable, and deducted from estimated customer returns, discounts and other similar discounts. Based on historical experience and considering different contract conditions, the combined company estimates the possible sales discounts and recognizes the refund liabilities accordingly.

17. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2021 and 2020, the pension expenses of defined benefit plans were \$5 thousand and \$7 thousand, respectively, for the nine months ended September 30, 2021 and 2020 are NT\$23 thousand and NT\$19 thousand, respectively and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

18. EQUITY

a. Common stock

	September 30, 2021	December 31, 2020	September 30, 2020
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>78,151</u>	<u>78,106</u>	<u>78,106</u>
Shares issued	<u>\$ 781,509</u>	<u>\$ 781,059</u>	<u>\$ 781,059</u>

A total of 6,000 thousand shares from the authorized share capital was reserved for the issuance of employee share options. The increase in the Company's share capital is mainly due to the employees' exercise of their employee share options.

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of ordinary shares	\$ 1,115,462	\$ 1,114,427	\$ 1,114,427
<u>May be used to offset a deficit only</u>			
Arising from employee share options exercised price	12,277	12,269	12,269
<u>May not be used for any purpose</u>			
Arising from employee share options	<u>5,010</u>	<u>5,018</u>	<u>5,018</u>
	<u>\$ 1,132,749</u>	<u>\$ 1,131,714</u>	<u>\$ 1,131,714</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Reconciliations of the balance for each class of capital surplus were as follows:

	Premium on Issue of Shares	Arising from Employee Share Options	Total
Balance at January 1, 2020	\$ 1,114,415	\$ 17,287	\$ 1,131,702
Issuance of ordinary shares under employee share options	<u>12</u>	<u>-</u>	<u>12</u>
Balance at September 30, 2020	<u>\$ 1,114,427</u>	<u>\$ 17,287</u>	<u>\$ 1,131,714</u>
Balance at January 1, 2021	\$ 1,114,427	\$ 17,287	\$ 1,131,714
Issuance of ordinary shares under employee share options	<u>1,035</u>	<u>-</u>	<u>1,035</u>
Balance at September 30, 2021	<u>\$ 1,115,462</u>	<u>\$ 17,287</u>	<u>\$ 1,132,749</u>

c. Retained earnings and dividend policy

Under the Company's articles of incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, 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 should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 20 (g).

Considering that the Company is in a period of operational growth, taking into account the interests of the company's shareholders and long-term capital and business planning, no more than 90% of the accumulated distributable earnings should be distributed as dividends, out of which no less than 10% of the total dividends distributed should be in the form of cash dividends. If the Company has no distributable earnings for the year, or if there are earnings but the amount of earnings is much lower than that distributed in the previous year, or considering the Company's financial, business and operational factors, the Company may distribute all or part of the earnings in accordance with the law or regulations of the competent authorities.

The appropriations of earnings for 2020 and 2019, which had been approved in the shareholders' meetings on July 1, 2021 and June 16, 2020, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 28,146	\$ 15,601
Special reserve	\$ 1,885	\$ 2,365
Cash dividends	\$ 215,897	\$ 154,212
Dividends per share (NT\$)	\$ 2.8	\$ 2.0

d. Other equity items

	Nine months Ended September 30	
	2021	2020
Balance, beginning of year	(\$ 4,250)	(\$ 2,365)
Exchange differences on translation of the financial statements of foreign operations	(<u>1,488</u>)	(<u>1,525</u>)
Balance, end of year	(<u>\$ 5,738</u>)	(<u>\$ 3,890</u>)

e. Treasury shares

	September 30, 2021	December 31, 2020	September 30, 2020
Treasury shares (In thousand of shares)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The Company resolved in its board of directors' meeting held on August 12, 2019 to buy back 1,000 thousand of its ordinary shares listed on the Taiwan Stock Exchange within the period starting August 13, 2019 to October 12, 2019 for transfer to its employees, at a purchase price ranging from NT\$53 to NT\$115 per share.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. REVENUE

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
	Revenue from contracts with customers			
Revenue from the sale of goods	\$ 1,113,850	\$ 906,418	\$ 3,123,218	\$ 2,012,822
Others	-	22,103	127	54,557
	<u>\$ 1,113,850</u>	<u>\$ 928,521</u>	<u>\$ 3,123,345</u>	<u>\$ 2,067,379</u>

a. Contract balances

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Accounts receivable (Note 8)	<u>\$ 14,028</u>	<u>\$ 32,842</u>	<u>\$ 4,307</u>	<u>\$ 11,260</u>
Contract liabilities - current				
Sale of goods	<u>\$ 66,318</u>	<u>\$ 15,940</u>	<u>\$ 10,141</u>	<u>\$ 10,090</u>

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year is as follows:

	Nine months Ended September 30	
	2021	2020
	From the contract liabilities at the beginning of the year	
Sale of goods	<u>\$ 11,323</u>	<u>\$ 5,494</u>

b. Disaggregation of revenue

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
	<u>Primary geographical markets</u>			
Hong Kong	\$ 959,302	\$ 839,498	\$ 2,750,186	\$ 1,871,306
Taiwan (the Group's operating location)	79,143	22,171	176,805	51,567
Others	75,405	66,852	196,354	144,506
	<u>\$ 1,113,850</u>	<u>\$ 928,521</u>	<u>\$ 3,123,345</u>	<u>\$ 2,067,379</u>
<u>Major goods</u>				
CMOS	\$ 1,101,083	\$ 904,994	\$ 3,102,685	\$ 2,007,654
Others	12,767	23,527	20,660	59,725
	<u>\$ 1,113,850</u>	<u>\$ 928,521</u>	<u>\$ 3,123,345</u>	<u>\$ 2,067,379</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
	Financial assets at amortized cost	\$ 1,223	\$ 409	\$ 3,540
Bank deposit	175	381	609	2,443
Others	1	1	5	5
	<u>\$ 1,399</u>	<u>\$ 791</u>	<u>\$ 4,154</u>	<u>\$ 3,527</u>

b. Other income

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Others	\$ <u>7</u>	\$ <u>-</u>	\$ <u>105</u>	\$ <u>42</u>

c. Other gains and losses

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Net foreign exchange gain	\$ 2,838	\$ 3,745	\$ 6,609	\$ 11,037
Other losses	<u>-</u>	<u>(30)</u>	<u>(99)</u>	<u>(34)</u>
	\$ <u>2,838</u>	\$ <u>3,715</u>	\$ <u>6,510</u>	\$ <u>11,003</u>

d. Finance costs

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 871	\$ 871	\$ 2,608	\$ 1,722
Interest on lease liabilities	<u>31</u>	<u>50</u>	<u>106</u>	<u>164</u>
	\$ <u>902</u>	\$ <u>921</u>	\$ <u>2,714</u>	\$ <u>1,886</u>

e. Depreciation and amortization

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 24,423	\$ 24,017	\$ 70,750	\$ 59,130
Right-of-use assets	2,118	2,118	6,366	6,229
Intangible assets	<u>1,760</u>	<u>1,840</u>	<u>5,267</u>	<u>5,624</u>
Total	\$ <u>28,301</u>	\$ <u>27,975</u>	\$ <u>82,383</u>	\$ <u>70,983</u>
An analysis of depreciation by function				
Operating costs	\$ 5,137	\$ 5,029	\$ 15,031	\$ 15,404
Operating expenses	<u>21,404</u>	<u>21,106</u>	<u>62,085</u>	<u>49,955</u>
	\$ <u>26,541</u>	\$ <u>26,135</u>	\$ <u>77,116</u>	\$ <u>65,359</u>
An analysis of amortization by function				
Research and development expenses	\$ <u>1,760</u>	\$ <u>1,840</u>	\$ <u>5,267</u>	\$ <u>5,624</u>

f. Employee benefits expense

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits				
Defined contribution plans	\$ 845	\$ 769	\$ 2,464	\$ 2,318
Defined benefit plans	<u>5</u>	<u>7</u>	<u>23</u>	<u>19</u>
	850	776	2,487	2,337
Other employee benefits	<u>91,936</u>	<u>55,072</u>	<u>252,839</u>	<u>141,152</u>
Total employee benefits expense	\$ <u>92,786</u>	\$ <u>55,848</u>	\$ <u>255,326</u>	\$ <u>143,489</u>
An analysis of employee benefits expense by function				
Operating expenses	\$ <u>92,786</u>	\$ <u>55,848</u>	\$ <u>255,326</u>	\$ <u>143,489</u>

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a

rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. The employees' compensation and remuneration of directors for the three months ended September 30, 2020 and 2019, were as follows:

Accrual rate

	Nine months Ended September 30	
	2021	2020
Employees' compensation	8%	8%
Remuneration of directors and supervisors	1%	2%

Amount

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Employees' compensation	\$ 26,520	\$ 9,341	\$ 65,110	\$ 14,952
Remuneration of directors and supervisors	\$ 3,610	\$ 625	\$ 8,130	\$ 1,875

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. The appropriations of employees' compensation and remuneration of directors and supervisors for 2020 and 2019 that were resolved by the board of directors on March 10, 2021 and March 17, 2020, respectively, are as shown below:

	For the Year Ended December 31	
	2020	2019
Employees' compensation	\$ 28,570	\$ 16,030
Remuneration of directors and supervisors	3,750	2,500

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current year	\$ 55,092	\$ 15,312	\$ 126,701	\$ 27,444
Income tax on unappropriated earnings	1,776	-	1,776	-
Adjustments for prior years	-	-	(93)	2,206
Deferred tax				
In respect of the current year	(876)	(1,188)	1,438	(6,135)
Income tax expense recognized in profit or loss	\$ 55,992	\$ 14,124	\$ 129,822	\$ 23,515

b. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Three months Ended		Nine months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Basic earnings per share	\$ 3.18	\$ 1.20	\$ 7.94	\$ 1.93
Diluted earnings per share	\$ 3.16	\$ 1.20	\$ 7.88	\$ 1.92

Unit: NT\$ Per Share

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	Three months Ended		Nine months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Earnings used in the computation of basic earnings per share	\$ 245,563	\$ 92,688	\$ 612,225	\$ 148,659
Effect of potentially dilutive ordinary shares:				
Employee share options	-	-	-	-
Bonuses issued to employees	-	-	-	-
Earnings used in the computation of diluted earnings per share	\$ 245,563	\$ 92,688	\$ 612,225	\$ 148,659

Number of shares

	Three months Ended		Nine months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,117	77,106	77,111	77,105
Effect of potentially dilutive ordinary shares:				
Employee share options	28	-	31	1
Bonuses issued to employees	447	176	513	232
Weighted average number of ordinary shares used in the computation of diluted earnings per share	77,592	77,282	77,655	77,338

Unit: In Thousands of Shares

Since the Group can offer to settle the bonuses to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2012, each option entitles the holder to subscribe for one thousand ordinary

shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Qualified employees of the Company were granted 5,000 options on July 22, 2021, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 5,000 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

Information on employee share options is as follows:

Nine months Ended September 30, 2021	2013 Employee Share Option Plan		2012 Employee Share Option Plan	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	100	\$ 33.00	605	\$ 17.17
Options exercised	(45)	32.21	-	-
Option expired	55	32.21	605	17.17
Balance at September 30	55		605	
For the Nine months Ended September 30, 2020				
Balance at January 1	100	\$ 33.00	630	\$ 17.31
Options exercised	-	-	(25)	10.50
Option expired	100	33.00	605	17.17
Balance at September 30	100		605	

Information on outstanding options as follows:

September 30, 2021			December 31, 2020			September 30, 2020		
Share Option Plan	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (In Years)	Share Option Plan	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (In Years)
2013 Employee share option plan	\$ 32.21	1.87	2013 Employee share option plan	\$ 32.21-33.00	2.62	2013 Employee share option plan	\$ 32.21-33.00	2.87
2012 Employee share option plan	10.25-19.03	1.07	2012 Employee share option plan	10.25-19.03	1.82	2012 Employee share option plan	10.25-19.03	2.07

The resolution for the granting of the 2013 employee share options was passed in the board of directors' meeting on June 10, 2014, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$13.55
Exercise price (NT\$)	\$46.00
Expected volatility	33.73%-37.88%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.68%-1.12%
Fair value of stock options	0.05-0.55

The resolution for the granting of the 2013 employee share options was passed in the board of directors' meeting on August 13, 2013, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$11.18
Exercise price (NT\$)	\$33.0
Expected volatility	37.6%-41.65%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.82%-1.07%
Fair value of stock options	0.18-0.93

The resolution for the granting of the 2012 employee share options was passed in the board of directors' meeting on November 13, 2012, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$12.29
Exercise price (NT\$)	\$19.5

Expected volatility	44.34%-54.56%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.75%-0.85%
Fair value of stock options	1.67-3.94

The resolution for the granting of the 2012 employee share options was passed in the board of directors' meeting on May 25, 2012, and their fair values were assessed using the Black-Scholes pricing model; the inputs to the model are as follows:

Grant-date share price (NT\$)	\$10.10
Exercise price (NT\$)	\$10.50
Expected volatility	46.76%-47.19%
Expected life	6-7 years
Expected dividend yield	-
Risk-free interest rate	1.09%-1.15%
Fair value of stock options	4.45-4.81

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values.

b. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 1,725,745	\$ 1,345,028	\$ 820,187
<u>Financial liabilities</u>			
Amortized cost (Note 2)	685,091	643,482	665,926

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposits and pledged time deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), other payables (including related parties), Long-term loan-current portion, long-term debt and refund liability.

c. Financial risk management objectives and policies

The Group's major financial instruments included accounts receivable, accounts payable and long-term borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 97% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 97% of costs is denominated in the entity's functional currency. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuations in the USD.

The sensitivity analysis regarding foreign currency risk is mainly calculated for USD denominated monetary items on the balance sheet date.

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the Nine months Ended September 30, 2021 and 2020 would decrease/increase by \$2,266 thousand and \$476 thousand, respectively.

b) Interest rate risk

The Group is exposed to interest rate risk arising from financial assets and financial liabilities at both fixed and floating interest rates.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Financial assets	\$ 1,111,516	\$ 762,802	\$ 341,086
Cash flow interest rate risk			
Financial assets	595,838	547,324	472,722

Financial liabilities	350,000	350,000	350,000
<u>Sensitivity analysis</u>			

The sensitivity analysis regarding interest rate risk is calculated based on the changes in the cash flow of floating-rate liabilities on the balance sheet date. If interest rates had been 0.5% higher/lower, pre-tax profit for the Nine months Ended September 30, 2021 and 2020 would have increased/decreased by \$922 thousand and \$460 thousand, respectively.

2) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations and resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation mainly arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group transacts with a large number of unrelated customers, thus, no concentration of credit risk was observed.

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. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

Bank borrowings are significant sources of liquidity for the Group. For the Group's unutilized financing facilities, please refer to (2) Financing facilities below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had 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 tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

September 30, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	\$ 644	\$ 1,289	\$ 5,799	\$ 3,711
Accounts payable	264,668	56,017	-	-
Payables for processing	-	866	-	-
Payables for purchases of equipment	3,933	2,630	-	-
Long-term loan	288	576	52,508	304,687
	<u>\$ 269,533</u>	<u>\$ 61,378</u>	<u>\$ 58,307</u>	<u>\$ 308,398</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
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Non-derivative financial liabilities				
Leas liabilities	\$ 650	\$ 1,300	\$ 5,849	\$ 9,687
Accounts payable	95,205	25,116	-	-
Accounts payable - related parties	132,384	21,783	-	-
Payables for processing	-	13,787	-	-
Payables for purchases of equipment	2,771	2,436	-	-
Long-term loan	<u>288</u>	<u>576</u>	<u>2,591</u>	<u>356,333</u>
	<u>\$ 231,298</u>	<u>\$ 64,998</u>	<u>\$ 8,440</u>	<u>\$ 366,020</u>

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Leas liabilities	\$ 632	\$ 1,900	\$ 5,730	\$ 11,696
Accounts payable	137,737	25,509	-	-
Accounts payable - related parties	116,732	14,777	-	-
Payables for purchases of equipment	4,076	17,095	-	-
Long-term loan	<u>288</u>	<u>576</u>	<u>2,591</u>	<u>357,198</u>
	<u>\$ 259,465</u>	<u>\$ 59,857</u>	<u>\$ 8,321</u>	<u>\$ 368,894</u>

b) Financing facilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Secured bank overdraft facilities:			
Amount used	\$ 350,000	\$ 350,000	\$ 350,000
Amount unused	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>

26. 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. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties(Non-related parties after April 18, 2021)

b. Purchases

	<u>Three months Ended September 30</u>		<u>Nine months Ended September 30</u>	
<u>Related Party Category</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Substantive related parties				
Powerchip Semiconductor Manufacturing Corp.	<u>\$ -</u>	<u>\$ 304,704</u>	<u>\$ 437,695</u>	<u>\$ 1,114,229</u>

The purchase prices and payment terms were based on negotiations and thus not comparable with those in the market.

c. Research and development expenses

Related Party Category	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Substantive related parties				
Powerchip Semiconductor Manufacturing Corp.	\$ -	\$ 1,303	\$ -	\$ 4,702

d. Accounts payable to related parties

Related Party Category	September 30, 2021	December 31, 2020	September 30, 2020
Substantive related parties			
Powerchip Semiconductor Manufacturing Corp.	\$ -	\$ 154,167	\$ 131,509

e. Other transactions with related parties

The Group signed a joint development contract with Powerchip Semiconductor Manufacturing Co., Ltd. According to the contract, the Group will provide some machinery and equipment for the purpose of research and development.

f. Remuneration of key management personnel

	Three months Ended September 30		Nine months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 12,267	\$ 6,535	\$ 27,855	\$ 18,839

The remuneration of directors and other key management personnel is determined by the remuneration committee based on with individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral for long-term bank borrowings and as guarantee for the tariff on imported raw materials:

	September 30, 2021	December 31, 2020	September 30, 2020
Property, plant and equipment - R&D equipment	\$ 428,404	\$ 452,058	\$ 459,943
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	3,500	4,048	2,548
	\$ 431,904	\$ 456,106	\$ 462,491

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 the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

September 30, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	\$ 21,540	27.85 (USD:NTD)	\$ 599,911
CNY	2,274	4.305 (RMB:NTD)	9,790
			\$ 609,701
Financial liabilities			
Monetary items			
USD	13,404	27.85 (USD:NTD)	\$ 373,315

Decmeber 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			

USD	\$	11,060	28.48(USD:NTD)	\$	314,965
CNY		2,237	4.377(RMB:NTD)		<u>9,792</u>
					<u>\$ 324,757</u>

Financial liabilities

Monetary items					
USD		10,019	28.48(USD:NTD)	\$	<u>285,331</u>

September 30, 2020

		<u>Foreign Currency</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>					
Monetary items					
USD	\$	11,637	29.10(USD:NTD)	\$	338,617
CNY		2,225	4.269(RMB:NTD)		<u>9,497</u>
					<u>\$ 348,114</u>

Financial liabilities

Monetary items					
USD		10,000	29.10(USD:NTD)	\$	<u>291,001</u>

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the presentation currency and the respective functional currencies were disclosed. The significant unrealized foreign exchange gains (losses) were as follows:

		Three months Ended September 30			
		2021		2020	
<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	
NTD	1 (NTD:NTD)	\$ 2,891	1 (NTD:NTD)	\$ 3,659	
CNY	4.337 (CNY:NTD)	(54)	4.257 (CNY:NTD)	86	
USD	27.858 (USD:NTD)	<u>1</u>	29.45 (USD:NTD)	<u>-</u>	
		<u>\$ 2,838</u>		<u>\$ 3,745</u>	

		Nine months Ended September 30			
		2021		2020	
<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	
NTD	1 (NTD:NTD)	\$ 5,643	1 (NTD:NTD)	\$ 9,586	
CNY	4.337 (CNY:NTD)	299	4.259 (CNY:NTD)	1,147	
USD	28.067 (USD:NTD)	<u>667</u>	29.817 (USD:NTD)	<u>304</u>	
		<u>\$ 6,609</u>		<u>\$ 11,037</u>	

29. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
- 1) Financing provided to others: None;
 - 2) Endorsements/guarantees provided: None;
 - 3) Marketable securities held (excluding investments in subsidiaries): None;
 - 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 of at least NT\$100 million or 20% of the paid-in capital: See Table 1;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 9) Information about the derivative instruments transaction: None;
 - 10) Intercompany relationships and significant intercompany transactions: See Table 2;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3;
 - c. Information on investments in mainland China: See Table 4.
 - d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 5

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The segment revenues and operating results for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020 are shown in the consolidated income statements for the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021 and 2020. The segment assets as of September 30, 2021, December 31, 2020 and September 30, 2020 are shown in the consolidated balance sheets as of September 30, 2021, December 31, 2020 and September 30, 2020.

TABLE 1

SILICON OPTRONICS, INC. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Silicon Optronics, Inc.	Powerchip Semiconductor Manufacturing Corp.	Substantive related parties	Purchase	\$ 437,695	19	Note 2	-	-	\$ -	-	-

Note 1: Non-related parties after April 18, 2021.

Note 2: Mainly paid on the 30th days after the month of the invoice date.

SILICON OPTRONICS, INC. AND SUBSIDIARIES
 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 NINE MONTHS ENDED SEPTEMBER 30, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2021		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 29,011	1%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	2,681	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	79,403	3%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	7,167	-	-

Note 1: Represents the transactions from parent company to subsidiary.

Note 2: The intercompany transactions, prices and terms are determined in accordance with mutual agreements.

SILICON OPTRONICS, INC. AND SUBSIDIARIES
 INFORMATION ON INVESTEEES
 SEPTEMBER 30, 2021
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Accounted for using the Equity Method	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2021			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				September 30, 2021	December 31, 2020	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Silicon Optronics, Inc.	NUEVA IMAGING INC.	USA	Product development & design of high-end CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 245,054	\$ 2,697	\$ 2,697	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	29,609	5,222	5,222	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES
 INFORMATION ON INVESTMENTS IN MAINLAND CHINA
 NINE MONTHS ENDED SEPTEMBER 30, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (US\$ in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (US\$ in Thousands)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021 (US\$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2021	Accumulated Repatriation of Investment Income as of September 30, 2021	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US\$ 175 thousand	Note 1	\$ 4,874 (US\$ 175 thousand)	\$ -	\$ -	\$ 4,874 (US\$ 175 thousand)	\$ 5,222	100	\$ 5,222	\$ 29,609	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021 (US\$ in Thousands)	Investment Amount Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (US\$ in Thousands)
\$ 4,874 (US\$ 175 thousand)	Note 1	\$ 1,561,240

Note 1: Through Silicon Optronics (Cayman) Co., Ltd.'s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US\$ 175 thousand.

Note 2: Amount was recognized on the basis of the audited financial statements.

Note 3: Based on the exchange rate as of September 30, 2021.

TABLE 5**SILICON OPTRONICS, INC. AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
NINE MONTHS ENDED SEPTEMBER 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Samoa Shangzhao Lake Co., Ltd.	17,691,413	22.63
Samoa Full Guest Investment Limited	4,875,458	6.23
Xiao Dong Luo	4,583,587	5.86

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.