

**Silicon Optronics, Inc.**

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Silicon Optronics, Inc.

### Opinion

We have audited the accompanying parent company only financial statements of Silicon Optronics, Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021 and 2020, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only 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 matters of the Company's parent company only financial statements for the year ended December 31, 2021 are described as follows:

#### Sales Revenue

The Company's sales revenue derived from its key customers accounted for a high proportion of the overall sales revenue. Since the sales amount from the transactions with these customers is significant to the overall sales revenue, we believe that there is a risk in the validity of the Company's sales transactions; therefore, the validity of sales revenue from the key customers has been identified as a key audit matter for the year ended December 31, 2021. For the accounting policies on the revenue recognition, please refer to Note 4 (k) to the parent company only financial statements.

Our main audit procedures performed in respect of the above-mentioned key audit matter are as follows:

1. We understood the internal controls on order approval and shipment procedures and tested the operating effectiveness such controls.
2. We understood the background of the key customers and assessed whether the transaction amounts and credit lines were comparable to the scope of such customers and whether they had been appropriately approved.
3. To confirm the validity of sales revenue, we selected samples of the sales transactions and inspected the customer orders as well, delivery orders and invoices that have been confirmed by the counterparties, and also whether the sales counterparties were the same as the counterparties collecting payment.

#### Inventory Valuation

As of December 31, 2021, the Company's inventory balance was \$1,517,061 thousand, accounting for 40% of the combined total assets. For the related accounting policies, please refer to Note 4 (e) to the parent company only financial statements. As the amount of the inventory is significant and the assessment of net realizable value involves significant management judgements, particularly with regard to estimates of inventory valuation and obsolescence loss, thus, inventory valuation was considered as a key audit matter. We have evaluated the appropriateness of the method used by the Company to calculate the inventory valuation and obsolescence loss at the end of the year and performed the following audit procedures:

1. Based on our understanding of the industry and nature of products of the Company, we verified the appropriateness of the method of inventory aging management, and also took samples of and tested whether the aging classification was appropriate.
2. We performed recalculations to determine if the assessment of the net realizable value was reasonable, and verified whether the inventories were measured at the lower of cost and net realizable value based on the most recent raw material quotes or sales data, and also assessed the reasonableness of the assessment of changes in the provision for inventory write-downs.
3. We obtained and verified the details of inventory valuation and obsolescence losses and aging data, and analyzed the reasons for the differences in the provision for loss in 2021 compared to 2020, to assess whether the provision for inventory valuation and obsolescence losses was appropriate.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021 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 audit resulting in this independent auditors' report are Ming-Yuan Chung and Tung-Hui Yeh.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 16, 2022

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, parent company only financial performance and parent company only 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 parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.*

# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020		LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 857,516	22	\$ 518,384	17	Contract liabilities - current (Note 19)	\$ 35,139	1	\$ 15,940	-
Financial assets at amortized cost - current (Notes 4, 7 and 25)	538,582	14	758,754	25	Accounts payable (Note 4)	348,900	9	116,620	4
Accounts receivable - net (Notes 4 and 8)	14,680	-	32,842	1	Accounts payable to related parties (Notes 4 and 26)	-	-	154,167	5
Inventories (Notes 4, 5 and 9)	1,517,061	40	849,523	29	Other payables to related parties (Notes 4 and 26)	11,512	-	7,873	-
Prepayments and other current assets (Notes 4, 14 and 25)	<u>34,005</u>	<u>1</u>	<u>20,230</u>	<u>1</u>	Other current liabilities (Notes 4 and 16)	179,172	5	86,840	3
Total current assets	<u>2,961,844</u>	<u>77</u>	<u>2,179,733</u>	<u>73</u>	Current tax liabilities (Notes 4 and 21)	149,168	4	47,029	2
					Lease liabilities - current (Notes 4 and 12)	4,210	-	4,168	-
<b>NON-CURRENT ASSETS</b>					Current portion of long - term borrowing (Note15)	100,000	3	-	-
Financial assets at amortized cost - noncurrent (Notes 4, 7, 25 and 27)	3,512	-	4,048	-	Refund liabilities - current (Note16)	<u>17,118</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment accounted for using the equity method (Notes 4 and 10)	277,919	7	268,231	9	Total current liabilities	<u>845,219</u>	<u>22</u>	<u>432,637</u>	<u>14</u>
Property, plant and equipment (Notes 4, 11 and 27)	486,952	13	512,650	17	<b>NON-CURRENT LIABILITIES</b>				
Right-of-use assets (Notes 4 and 12)	4,843	-	8,995	-	Long-term borrowings (Note 15)	250,000	7	350,000	12
Intangible assets (Notes 4 and 13)	980	-	103	-	Deferred income tax liabilities (Notes 4 and 21)	-	-	208	-
Deferred tax assets (Notes 4 and 21)	13,919	1	17,454	1	Lease liabilities -non-current (Notes 4 and 12)	706	-	4,916	-
Other non-current assets (Notes 4, 14 and 17)	<u>83,842</u>	<u>2</u>	<u>2,289</u>	<u>-</u>	Guarantee deposits	<u>6,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>871,967</u>	<u>23</u>	<u>813,770</u>	<u>27</u>	Total non-current liabilities	<u>257,683</u>	<u>7</u>	<u>355,124</u>	<u>12</u>
					Total liabilities	<u>1,102,902</u>	<u>29</u>	<u>787,761</u>	<u>26</u>
					<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)</b>				
<b>TOTAL</b>	<u>\$ 3,833,811</u>	<u>100</u>	<u>\$ 2,993,503</u>	<u>100</u>	Ordinary shares	781,529	20	781,059	26
					Capital surplus	1,132,749	30	1,131,714	38
					Retained earnings				
					Legal reserve	94,057	3	65,911	2
					Special reserve	4,250	-	2,365	-
					Unappropriated earnings	821,078	21	325,938	11
					Other equity				
					Exchange differences on translating the financial statements of foreign operations	(5,759)	-	(4,250)	-
					Treasury shares	<u>(96,995)</u>	<u>(3)</u>	<u>(96,995)</u>	<u>(3)</u>
					Total equity	<u>2,730,909</u>	<u>71</u>	<u>2,205,742</u>	<u>74</u>
					<b>TOTAL</b>	<u>\$ 3,833,811</u>	<u>100</u>	<u>\$ 2,993,503</u>	<u>100</u>

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

# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 3,996,496	100	\$ 3,328,695	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>2,609,116</u>	<u>65</u>	<u>2,656,485</u>	<u>80</u>
GROSS PROFIT	<u>1,387,380</u>	<u>35</u>	<u>672,210</u>	<u>20</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	21,448	1	18,080	1
General and administrative expenses	75,847	2	45,670	1
Research and development expenses	<u>417,728</u>	<u>10</u>	<u>297,719</u>	<u>9</u>
Total operating expenses	<u>515,023</u>	<u>13</u>	<u>361,469</u>	<u>11</u>
OPERATING INCOME	<u>872,357</u>	<u>22</u>	<u>310,741</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	5,235	-	4,464	-
Other income (Note 20)	152	-	364	-
Other gains and losses (Note 20)	7,463	-	2,175	-
Financial costs (Note 20)	(3,553)	-	(2,708)	-
Share of income (loss) of subsidiaries (Notes 4 and 10)	<u>11,197</u>	<u>1</u>	<u>9,890</u>	<u>1</u>
Total non-operating income and expenses	<u>20,494</u>	<u>1</u>	<u>14,185</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	892,851	23	324,926	10
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(151,801)</u>	<u>(4)</u>	<u>(43,488)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>741,050</u>	<u>19</u>	<u>281,438</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	18	-	19	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	<u>(1,509)</u>	<u>-</u>	<u>(1,885)</u>	<u>-</u>
Total other comprehensive (loss) income	<u>(1,491)</u>	<u>-</u>	<u>(1,866)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 739,559</u>	<u>19</u>	<u>\$ 279,572</u>	<u>8</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 9.61</u>		<u>\$ 3.65</u>	
Diluted	<u>\$ 9.53</u>		<u>\$ 3.64</u>	

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

**SILICON OPTRONICS, INC.**

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

	<u>Ordinary Share Capital</u>		<u>Capital Surplus</u>	<u>Retained Earnings</u>			<u>Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations</u>	<u>Treasury Shares</u>	<u>Total Equity</u>
	<u>Number of Shares (In Thousands)</u>	<u>Amount</u>		<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>			
BALANCE, JANUARY 1, 2020	78,081	\$ 780,809	\$ 1,131,702	\$ 50,310	\$ -	\$ 216,659	\$ (2,365)	\$ (96,995)	\$ 2,080,120
Appropriation of 2019 earnings									
Legal reserve	-	-	-	15,601	-	(15,601)	-	-	-
Special reserve	-	-	-	-	2,365	(2,365)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(154,212)	-	-	(154,212)
Net profit for the year ended December 31, 2020	-	-	-	-	-	281,438	-	-	281,438
Other comprehensive loss for the year ended December 31, 2020	-	-	-	-	-	19	(1,885)	-	(1,866)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	281,457	(1,885)	-	279,572
Issuance of ordinary shares under employee share options	25	250	12	-	-	-	-	-	262
BALANCE, DECEMBER 31, 2020	78,106	781,059	1,131,714	65,911	2,365	325,938	(4,250)	(96,995)	2,205,742
Appropriation of 2020 earnings									
Legal reserve	-	-	-	28,146	-	(28,146)	-	-	-
Special reserve	-	-	-	-	1,885	(1,885)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(215,897)	-	-	(215,897)
Net profit for the year ended December 31, 2021	-	-	-	-	-	741,050	-	-	741,050
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	18	(1,509)	-	(1,491)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	741,068	(1,509)	-	739,559
Issuance of ordinary shares under employee share options	47	470	1,035	-	-	-	-	-	1,505
BALANCE, DECEMBER 31, 2021	<u>78,153</u>	<u>\$ 781,529</u>	<u>\$ 1,132,749</u>	<u>\$ 94,057</u>	<u>\$ 4,250</u>	<u>\$ 821,078</u>	<u>\$ (5,759)</u>	<u>\$ (96,995)</u>	<u>\$ 2,730,909</u>

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

# SILICON OPTRONICS, INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 892,851	\$ 324,926
Adjustments for:		
Depreciation expenses	99,227	85,926
Amortization expenses	2,598	2,750
Finance costs	3,553	2,708
Interest income	(5,235)	(4,464)
Share of loss of subsidiaries	(11,197)	(9,890)
Write-downs of inventories	(19,090)	22,512
Net (gain) loss on foreign currency exchange	531	2,881
Changes in operating assets and liabilities		
Accounts receivable	18,427	(21,686)
Inventories	(648,448)	(15,515)
Prepayments and other current assets	(13,775)	40,336
Contract liabilities	19,371	5,832
Accounts payable	233,802	(6,902)
Accounts payable to related parties	(155,010)	18,213
Other payables to related parties	3,639	1,563
Accrued expenses and other current liabilities	87,157	37,236
Refund liabilities	17,118	-
Net defined benefit liabilities	(35)	(35)
Cash generated from operations	525,484	486,391
Income tax paid	(46,335)	(5,700)
Net cash generated from operating activities	<u>479,149</u>	<u>480,691</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(601,348)	(671,516)
Proceeds from financial assets at amortized cost	821,480	50,012
Payments for property, plant and equipment	(64,385)	(66,739)
Increase in refundable deposits	(82,157)	-
Payments for intangible assets	(3,475)	(2,337)
Interest received	5,235	4,464
Net cash (used in) generated from investing activities	<u>75,350</u>	<u>(686,116)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	-	350,000
Proceeds of guarantee deposits received	6,977	-
Repayment of the principal portion of lease liabilities	(4,168)	(4,127)
Dividends paid	(215,897)	(154,212)
Exercise of employee share options	1,505	262
Interest paid	(3,553)	(2,708)
Net cash generated from (used in) financing activities	<u>(215,136)</u>	<u>189,215</u>

(Continued)

## SILICON OPTRONICS, INC.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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	2021	2020
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ <u>(231)</u>	\$ <u>110</u>
NET INCREASE IN CASH	339,132	(16,100)
CASH AT THE BEGINNING OF THE YEAR	<u>518,384</u>	<u>534,484</u>
CASH AT THE END OF THE YEAR	<u>\$ 857,516</u>	<u>\$ 518,384</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

# SILICON OPTRONICS, INC.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 16, 2022.

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendment 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.

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).

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

Note 4: Except for deferred taxes that 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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

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

##### b. Basis of preparation

The parent company only 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.

When preparing the parent company only financial statements, the Company accounted for subsidiaries and associates using the equity method. In order for the amount of net income, other comprehensive income and equity in the parent company only financial statements to agree with the amount attributable to shareholders of the parent company in the consolidated financial statements, the differences in the accounting treatments between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company 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. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 that are measured at historical cost in a foreign currency are not retranslated.

At the time of the preparation of the parent company only financial statements, the assets and liabilities of the Company and its foreign operations (including subsidiaries operating in other countries or those using currencies which are different from the Company's functional currency) are converted into NT dollars at each balance sheet date. Income and expense items are translated at the average exchange rates for the period and the resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost and 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary refers to an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, changes to the Company's share of other equity in the subsidiary are recognized based on its shareholding ratio.

When the Company's change in the ownership interest in the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of loss in the subsidiary is equal to or exceeds its interest in the subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss according to the shareholding ratio.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the

recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

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.

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

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, for any indication of 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 a corporate asset, the asset is tested for impairment in the context of the cash-generating unit to which the asset belongs.

Corporate assets are allocated to the individual 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 is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit 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 Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue 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 category

Financial assets are classified as financial assets at amortized cost.

i. Financial assets at amortized cost

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

- i) The financial asset is 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 asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables time deposits with original maturities of more than 3 months and refundable 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.

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

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

Cash equivalents include time deposits 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.

b) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company 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 Company 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 reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of image sensing products. Revenue and receivables from the sale of goods are recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risk of obsolescence. The transaction price received in advance is recognized as a contract liability until the goods has been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing entrusted design services in accordance with customer contract specifications and are recognized when performance obligations are fulfilled.

l. Leases

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

The Company as lessee

Except for short-term leases and low-value asset leases that are recognized as expenses on a straight-line basis over the lease terms, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Subsequently, the right-of-use assets are 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 parent company only balance sheet.

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 comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If implicit rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the parent company only balance sheets

m. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

n. Employee benefits

Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Share-based payment arrangements

Employee share options granted

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 Company's best estimates of the number of shares or options that are

expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

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

p. Taxation

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

1) Current tax

Income tax payable (refundable) 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

The Company considers the possible impact of [the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the 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.

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

#### a. Write-down 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 disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

#### b. Impairment of goodwill included in investments in subsidiaries

When determining whether the goodwill included in investments in subsidiaries is impaired, the goodwill acquired from a business combination is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination on the acquisition date, and the value in use of the cash generating unit to which goodwill has been allocated is estimated. In order to calculate the value in use, the management should estimate the future cash flows expected to arise from the cash-generating unit of the goodwill has been allocated and determine the appropriate discount rate to use in calculating the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 172	\$ 173
Bank deposits	718,944	518,211
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>138,400</u>	<u>-</u>
	<u>\$ 857,516</u>	<u>\$ 518,384</u>

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

	<u>December 31</u>	
	2021	2020
Time deposits	0.35%	-

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Time deposit with original maturities of more than 3 months (a)	<u>\$ 538,582</u>	<u>\$ 758,754</u>
<u>Non-current</u>		
Pledged time deposits (a and c)	<u>\$ 3,512</u>	<u>\$ 4,048</u>

- a. The interest rates ranges of time deposits with original maturities of more than 3 months were 0.08%-2.45% and 0.08%-2.4% per annum as of December 31, 2021 and 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

	<u>December 31</u>	
	2021	2020
<u>Accounts receivable-unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 14,680	\$ 32,842
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 14,680</u>	<u>\$ 32,842</u>

### At amortized cost

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

The Company 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 Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2021

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 13,369	\$ 1,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,680
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 13,369</u>	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,680</u>

December 31, 2020

Item	Not Past Due	Past Due Up to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 150 Days	Past Due 151 to 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>

**9. INVENTORIES**

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Finished goods	\$ 814,864	\$ 170,650
Work in progress	698,577	675,000
Raw materials	<u>3,620</u>	<u>3,373</u>
	<u>\$ 1,517,061</u>	<u>\$ 849,523</u>

The cost of goods sold related to inventories for the years ended December 31, 2021 and 2020 was \$2,609,116 thousand and \$2,656,485 thousand, which included inventory write-downs of \$(19,090) thousand and \$22,512 thousand, respectively, due to the sale of stagnant inventories write-down of inventories to net realizable value.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in subsidiaries

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
NUEVA IMAGING, INC.	\$ 245,698	\$ 243,371
Silicon Optronics (Cayman) Co., Ltd.	<u>32,221</u>	<u>24,860</u>
	<u>\$ 277,919</u>	<u>\$ 268,231</u>

### Name of subsidiary

	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
NUEVA IMAGING, INC.	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	100%	100%

The share of profit and loss and other comprehensive income of the subsidiaries accounted for using the equity method for the years ended December 31, 2021 and 2020 was recognized based on the subsidiaries' financial statements audited by the accountants for the same periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Prepayment For Business Facilities	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 1,273	\$ 473,084	\$ 12,665	\$ 155	\$ 29	\$ 108,800	\$ -	\$ 596,006
Additions	615	-	4,089	118	-	64,555	-	69,377
Disposal	<u>(978)</u>	<u>-</u>	<u>(3,095)</u>	<u>(155)</u>	<u>(29)</u>	<u>(49,307)</u>	<u>-</u>	<u>(53,564)</u>
Balance at December 31, 2021	<u>\$ 910</u>	<u>\$ 473,084</u>	<u>\$ 13,659</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 124,048</u>	<u>\$ -</u>	<u>\$ 611,819</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	\$ 1,035	\$ 21,026	\$ 4,643	\$ 116	\$ 28	\$ 55,325	\$ -	\$ 82,173
Depreciation expense	224	31,538	4,319	65	1	58,928	-	95,075
Disposal	<u>(978)</u>	<u>-</u>	<u>(3,095)</u>	<u>(155)</u>	<u>(29)</u>	<u>(49,307)</u>	<u>-</u>	<u>(53,564)</u>
Balance at December 31, 2021	<u>\$ 281</u>	<u>\$ 52,564</u>	<u>\$ 5,867</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 64,946</u>	<u>\$ -</u>	<u>\$ 123,684</u>
<u>Accumulated impairment</u>								
Balance at January 1, 2021 and December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2021	<u>\$ 629</u>	<u>\$ 420,520</u>	<u>\$ 6,609</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 59,102</u>	<u>\$ -</u>	<u>\$ 486,952</u>

(Continued)

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Prepayment For Business Facilities	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 1,158	\$ -	\$ 13,586	\$ 155	\$ 29	\$ 96,810	\$ 472,972	\$ 584,710
Additions	115	-	4,553	-	-	59,812	112	64,592
Disposal	-	-	(5,474)	-	-	(47,822)	-	(53,296)
Reclassified	-	473,084	-	-	-	-	(473,084)	-
Balance at December 31, 2020	<u>\$ 1,273</u>	<u>\$ 473,084</u>	<u>\$ 12,665</u>	<u>\$ 155</u>	<u>\$ 29</u>	<u>\$ 108,800</u>	<u>\$ -</u>	<u>\$ 596,006</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	\$ 792	\$ -	\$ 6,173	\$ 65	\$ 22	\$ 46,642	\$ -	\$ 53,694
Depreciation expense	243	21,026	3,944	51	6	56,505	-	81,775
Disposal	-	-	(5,494)	-	-	(47,822)	-	(53,296)
Balance at December 31, 2020	<u>\$ 1,035</u>	<u>\$ 21,026</u>	<u>\$ 4,643</u>	<u>\$ 116</u>	<u>\$ 28</u>	<u>\$ 55,325</u>	<u>\$ -</u>	<u>\$ 82,173</u>
<u>Accumulated impairment</u>								
Balance at January 1, 2020 and December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Carrying amounts at December 31, 2020	<u>\$ 238</u>	<u>\$ 452,058</u>	<u>\$ 6,839</u>	<u>\$ 39</u>	<u>\$ 1</u>	<u>\$ 53,475</u>	<u>\$ -</u>	<u>\$ 512,650</u>

(Concluded)

The Company'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

After considering the progress of product research and development and the use of research and development equipment, on March 16, 2022, the Company decided to dispose of the research and development equipment. The book value of the assets to be authorized for disposal of NT\$417,891 thousand on January 31, 2022 was used as a reference for the transaction price.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Buildings	<u>\$ 4,843</u>	<u>\$ 8,995</u>
<b><u>For the Year Ended December 31</u></b>		
	<b><u>2021</u></b>	<b><u>2020</u></b>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 4,152</u>	<u>\$ 4,151</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 4,210	\$ 4,168
Non-current	<u>\$ 706</u>	<u>\$ 4,916</u>

The discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Buildings	1%	1%

c. Material lease activities and terms

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

d. Other lease information

	<u>December 31</u>	
	2021	2020
Expenses relating to short-term leases	<u>\$ 505</u>	<u>\$ 505</u>
Expenses relating to low-value asset leases	<u>\$ 60</u>	<u>\$ 59</u>
Total cash outflow for leases	<u>\$ (4,805)</u>	<u>\$ (4,804)</u>

### 13. INTANGIBLE ASSETS

	<b>Software</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 5,827
Additions	3,475
Disposal	<u>(8,043)</u>
Balance at December 31, 2021	<u>\$ 1,259</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 5,724
Amortization expense	2,598
Disposal	<u>(8,043)</u>
Balance at December 31, 2021	<u>\$ 279</u>
Carrying amounts at December 31, 2021	<u>\$ 980</u>

(Continued)

	<b>Software</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 3,490
Additions	2,337
Disposal	<u>-</u>
Balance at December 31, 2020	<u>\$ 5,827</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 2,974
Amortization expense	2,750
Disposal	<u>-</u>
Balance at December 31, 2020	<u>\$ 5,724</u>
Carrying amounts at December 31, 2020	<u>\$ 103</u> (Concluded)

Except for the recognition of amortization expense, there were no significant addition, disposal and impairment of the Company's other intangible assets for the year ended December 31, 2020 and 2021.

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

Software	3 years
----------	---------

#### 14. OTHER ASSETS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Tax receivables	\$ 30,605	\$ 18,054
Prepaid technical service fees	2,322	1,124
Others	<u>1,078</u>	<u>1,052</u>
	<u>\$ 34,005</u>	<u>\$ 20,230</u>
<u>Non-current</u>		
Refundable deposits	\$ 82,415	\$ 915
Net defined benefit assets	<u>1,427</u>	<u>1,374</u>
	<u>\$ 83,842</u>	<u>\$ 2,289</u>

## 15. LONG-TERM BORROWINGS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings (Note 27)</u>		
Bank borrowing	\$ 350,000	\$ 350,000
Less- current portion	<u>100,000</u>	<u>-</u>
Long term borrowing	<u>\$ 250,000</u>	<u>\$ 350,000</u>

In the year ended April 2020, the Company acquired new bank borrowing facilities in the amount of \$350,000 thousand, with a floating interest rate of 0.99111% per annum. Interest is paid monthly, and the principal is to be repaid in seven equal semi-annual installments starting from April 2022. The loan is to be repaid before April 1, 2025.

## 16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Other payables		
Payables for employees' compensation	\$ 78,500	\$ 28,570
Payables for bonuses	64,439	21,623
Payables for purchases of equipment	10,222	5,207
Payables for remuneration of directors	10,000	3,750
Payable for processing	861	13,787
Others	<u>14,999</u>	<u>13,769</u>
	179,021	86,706
Other liabilities		
Receipts under custody	<u>151</u>	<u>134</u>
	<u>\$ 179,172</u>	<u>\$ 86,840</u>
Refund liabilities	<u>\$ 17,118</u>	<u>\$ -</u>

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before

the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company's benefit plans are as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 291	\$ 285
Fair value of plan assets	<u>(1,718)</u>	<u>(1,659)</u>
Net defined benefit assets	<u>\$ (1,427)</u>	<u>\$ (1,374)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Balance at January 1, 2021	\$ 285	\$ (1,659)	\$ (1,374)
Net interest expense (income)	<u>1</u>	<u>(7)</u>	<u>(6)</u>
Recognized in profit or loss	<u>1</u>	<u>(7)</u>	<u>(6)</u>
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	(18)	-	(18)
Actuarial loss - experience adjustments	<u>23</u>	<u>(23)</u>	<u>-</u>
Recognized in other comprehensive loss (income)	<u>5</u>	<u>(23)</u>	<u>(18)</u>
Contributions from the employer	<u>-</u>	<u>(29)</u>	<u>(29)</u>
Balance at December 31, 2021	<u>\$ 291</u>	<u>\$ (1,718)</u>	<u>\$ (1,427)</u>
Balance at January 1, 2020	\$ 249	\$ (1,569)	\$ (1,320)
Net interest expense (income)	<u>3</u>	<u>(13)</u>	<u>(10)</u>
Recognized in profit or loss	<u>3</u>	<u>(13)</u>	<u>(10)</u>
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	17	-	17
Actuarial loss - experience adjustments	<u>16</u>	<u>(52)</u>	<u>(36)</u>
Recognized in other comprehensive loss (income)	<u>33</u>	<u>(52)</u>	<u>(19)</u>
Contributions from the employer	<u>-</u>	<u>(25)</u>	<u>(25)</u>
Balance at December 31, 2020	<u>\$ 285</u>	<u>\$ (1,659)</u>	<u>\$ (1,374)</u>

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

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

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.8%	0.4%
Expected rate of salary increase	3.0%	3.0%

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	<u>\$ (11)</u>	<u>\$ (11)</u>
0.25% decrease	<u>\$ 11</u>	<u>\$ 11</u>
Expected rate of salary increase/decrease		
0.25% increase	<u>\$ 10</u>	<u>\$ 10</u>
0.25% decrease	<u>\$ (10)</u>	<u>\$ (10)</u>

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 22</u>	<u>\$ 22</u>
Average duration of the defined benefit obligation	15 years	16 years

## 18. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>78,133</u>	<u>78,106</u>
Shares issued	<u>\$ 781,529</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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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
<u>May be used to offset a deficit only</u>		
Arising from exercise of employee share options	12,286	12,269
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>5,001</u>	<u>5,018</u>
	<u>\$ 1,132,749</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:

	<b>Premium on Issue of Shares</b>	<b>Arising from Employee Share Options</b>	<b>Total</b>
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 December 31, 2020	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 December 31, 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, a special reserve may be allocated or reversed in accordance with the law 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.

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

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

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

The appropriations of earnings for 2021 had been proposed by the Company’s board of directors on March 16, 2022. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 74,107
Special reserve	1,509
Cash dividends	270,035
Dividends per share	\$ 3.5

The appropriations of earnings for 2021 are subject to the resolution of the shareholders’ in their meeting to be held on June 23, 2022.

d. Other equity items

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ (4,250)	\$ (2,365)
Exchange differences on translation of the financial statements of foreign operations	<u>(1,509)</u>	<u>(1,885)</u>
Balance, end of year	<u>\$ (5,759)</u>	<u>\$ (4,250)</u>

e. Treasury shares

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Treasury shares (in thousands of shares)	<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.

In October 2019, the Company completed the repurchase of 1,000 thousand shares for \$96,995 thousand.

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 3,992,611	\$ 3,249,068
Others	<u>3,885</u>	<u>79,627</u>
	<u>\$ 3,996,496</u>	<u>\$ 3,328,695</u>

a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2019</b>
Accounts receivable (Note 8)	<u>\$ 14,680</u>	<u>\$ 32,842</u>	<u>\$ 11,260</u>
Contract liabilities - current			
Sale of goods	<u>\$ 35,139</u>	<u>\$ 15,940</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:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 12,696</u>	<u>\$ 7,408</u>

b. Disaggregation of revenue

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<u>Primary geographical markets</u>		
Hong Kong	\$ 3,475,865	\$ 3,007,489
Taiwan (the Company's operating location)	236,401	87,107
Others	<u>284,230</u>	<u>234,099</u>
	<u>\$ 3,996,496</u>	<u>\$ 3,328,695</u>
<u>Major goods</u>		
CMOS	\$ 3,967,619	\$ 3,237,207
Other	<u>28,877</u>	<u>91,488</u>
	<u>\$ 3,996,496</u>	<u>\$ 3,328,695</u>

**20. NET PROFIT FROM CONTINUING OPERATIONS**

a. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Financial asset at amortized cost	\$ 4,525	\$ 1,531
Bank deposits	703	2,925
Others	<u>7</u>	<u>8</u>
	<u>\$ 5,235</u>	<u>\$ 4,464</u>

b. Other income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Others	<u>\$ 152</u>	<u>\$ 364</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net foreign exchange gain	\$ 7,530	\$ 2,179
Other expenses	<u>(67)</u>	<u>(4)</u>
	<u>\$ 7,463</u>	<u>\$ 2,175</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 3,481	\$ 2,595
Interest on bank loans	<u>72</u>	<u>113</u>
	<u>\$ 3,553</u>	<u>\$ 2,708</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 95,075	\$ 81,775
Right-of-use assets	4,152	4,151
Intangible assets	<u>2,598</u>	<u>2,750</u>
Total	<u>\$ 101,825</u>	<u>\$ 88,676</u>
An analysis of depreciation by function		
Operating costs	\$ 20,980	\$ 20,038
Operating expenses	<u>78,247</u>	<u>65,888</u>
	<u>\$ 99,227</u>	<u>\$ 85,926</u>
An analysis of amortization by function		
Research and development expenses	<u>\$ 2,598</u>	<u>\$ 2,750</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plans	\$ 3,213	\$ 3,097
Defined benefit plans	<u>(6)</u>	<u>(10)</u>
	3,207	3,087
Other employee benefits	<u>229,517</u>	<u>124,038</u>
Total employee benefits expense	<u>\$ 232,724</u>	<u>\$ 127,125</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 232,724</u>	<u>\$ 127,125</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 a rate of no higher than 3%. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020 were resolved in the board of directors' meetings on March 16, 2022 and March 10, 2021, respectively.

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	8.00%	8.00%
Remuneration of directors and supervisors	1.02%	1.05%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	\$ 78,500	\$ 28,570
Remuneration of directors and supervisors	10,000	3,750

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 147,381	\$ 47,347
Income tax on unappropriated earnings	1,776	-
Adjustments for prior years	<u>(683)</u>	<u>772</u>
	148,474	48,119
Deferred tax		
In respect of the current year	<u>3,327</u>	<u>(4,631)</u>
Income tax expense recognized in profit or loss	<u>\$ 151,801</u>	<u>\$ 43,488</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 892,851</u>	<u>\$ 324,926</u>
Income tax expense calculated at the statutory rate	\$ 178,570	\$ 64,985
Income tax on unappropriated earnings	1,776	-
Nondeductible expenses in determining taxable income	(2,239)	(1,978)
Unrecognized deductible temporary differences	(3,327)	4,631
Investment credits of the current year	(25,623)	(20,291)
Deferred tax		
Temporary differences	3,327	(4,631)
Adjustments for prior years' tax	<u>(683)</u>	<u>772</u>
Income tax expense recognized in profit or loss	<u>\$ 151,801</u>	<u>\$ 43,488</u>

b. Current tax liabilities

	<b><u>December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Current tax liabilities		
Income tax payable	<u>\$ 149,168</u>	<u>\$ 47,029</u>

c. Deferred tax assets and liabilities

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

For the Year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Allowance for impairment loss	\$ 17,454	\$ (3,818)	\$ 13,636
Foreign exchange loss	<u>-</u>	<u>283</u>	<u>283</u>
	<u>\$ 17,454</u>	<u>\$ (3,535)</u>	<u>\$ 13,919</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	<u>\$ 208</u>	<u>\$ (208)</u>	<u>\$ -</u>

For the Year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>			
Allowance for impairment loss	<u>\$ 12,952</u>	<u>\$ 4,502</u>	<u>\$ 17,454</u>
<u>Deferred tax liabilities</u>			
Gain on foreign currency exchange	<u>\$ 337</u>	<u>\$ (129)</u>	<u>\$ 208</u>

d. Income tax assessments

The Company's tax returns through 2019 have been assessed by the tax authorities.

**22. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	<u>\$ 9.61</u>	<u>\$ 3.65</u>
Diluted earnings per share	<u>\$ 9.53</u>	<u>\$ 3.64</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Earnings used in the computation of basic earnings per share	\$ 741,050	\$ 281,438
Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 741,050</u>	<u>\$ 281,438</u>

Number of shares

**Unit: In Thousands of Shares**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,121	77,105
Effect of potentially dilutive ordinary shares:		
Employee share options	25	1
Bonuses issued to employees	<u>624</u>	<u>278</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,770</u>	<u>77,384</u>

Since the Company 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, 2013. 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 options 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.

Information on employee share options is as follows:

	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\$)
<u>For the year ended December 31, 2021</u>				
Balance at January 1	100	\$ 33.00	605	\$ 17.17
Options exercised	<u>(45)</u>	32.21	<u>(2)</u>	10.25
Balance at December 31	<u>55</u>	32.21	<u>603</u>	17.20
Options exercisable, end of period	<u>55</u>		<u>603</u>	
<u>For the year ended December 31, 2020</u>				
Balance at January 1	100	\$ 33.00	630	\$ 17.31
Options exercised	<u>-</u>	-	<u>(25)</u>	10.50
Balance at December 31	<u>100</u>	33.00	<u>605</u>	17.17
Options exercisable, end of period	<u>100</u>		<u>605</u>	

Information on outstanding options as follows:

Share Option Plan	December 31, 2021		Share Option Plan	December 31, 2020	
	Range of Exercise Price(NT\$)	Weighted- average Remaining Contractual Life (In Years)		Range of Exercise Price(NT\$)	Weighted- average Remaining Contractual Life (In Years)
2013 Employee share option plan	\$ 32.21	1.62	2013 Employee share option plan	\$ 32.21-33.00	2.62
2012 Employee share option plan	10.25-19.03	0.82	2012 Employee share option plan	10.25-19.03	1.82

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\$)	\$33.00
Expected volatility	37.60%-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\$)	\$19.50
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 Company manages its capital to ensure that will be able to continue as a going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Company 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 Company may adjust the number of new shares issued, and/or the amount of new debt issued or existing debt redeemed.

The Company 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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,496,705	\$ 1,314,943
<u>Financial liabilities</u>		
Amortized cost (Note 2)	721,495	647,654

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, refundable deposit 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), current portion of long-term borrowing, long-term debt and guarantee deposits.

### c. Financial risk management objectives and policies

The Company's major financial instruments included accounts receivable, accounts payable and long-term borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports 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 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).

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

a) Foreign currency risk

The Company has foreign currency sales and purchases, which expose the Company to foreign currency risk. Approximately 98% of the Company's sales is denominated in currencies other than the functional currency of the Company, whilst almost 97% of costs is denominated in the Company'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 Company 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 years ended December 31, 2021 and 2020 would decrease/increase by \$1,174 thousand and \$285 thousand, respectively.

b) Interest rate risk

The Company 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 680,494	\$ 762,802
Cash flow interest rate risk		
Financial assets	718,934	518,201
Financial liabilities	350,000	350,000

Sensitivity analysis

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 years ended December 31, 2021 and 2020 would have increased/decreased by \$1,845 thousand and \$841 thousand, respectively.

2) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company 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 parent company only balance sheets.

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

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company. For the Company'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 Company'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 Company 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.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 353	\$ 707	\$ 3,180	\$ 707
Accounts payable	269,324	79,576	-	-
Other payables - related parties	11,512	-	-	-
Payable for processing	-	861	-	-
Payables on equipment	5,154	5,068	-	-
Long-term borrowings	<u>289</u>	<u>578</u>	<u>102,189</u>	<u>253,304</u>
	<u>\$ 286,632</u>	<u>\$ 86,790</u>	<u>\$ 105,369</u>	<u>\$ 254,011</u>

#### Additional information about the maturity analysis for financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ 4,240	\$ 707	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>103,056</u>	<u>253,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 107,296</u>	<u>\$ 254,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1 Year to 5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 353	\$ 707	\$ 3,180	\$ 4,947
Accounts payable	95,205	21,415	-	-
Accounts payable - related parties	132,384	21,783	-	-
Other payables - related parties	7,873	-	-	-
Payables on processing	-	13,787	-	-
Payables on equipment	2,771	2,436	-	-
Long-term borrowings	<u>289</u>	<u>576</u>	<u>2,591</u>	<u>356,333</u>
	<u>\$ 238,875</u>	<u>\$ 60,704</u>	<u>\$ 5,771</u>	<u>\$ 361,280</u>

Additional information about the maturity analysis for financial liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ 4,240	\$ 4,947	\$ -	\$ -	\$ -	\$ -
Interest rate liabilities	<u>3,456</u>	<u>356,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,696</u>	<u>\$ 361,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
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>
Secured bank overdraft facilities:		
Amount used	\$ 350,000	\$ 350,000
Amount unused	<u>100,000</u>	<u>250,000</u>
	<u>\$ 450,000</u>	<u>\$ 600,000</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Silicon Optronics (Shanghai) Co., Ltd.	Subsidiaries
NUEVA IMAGING, INC.	Subsidiaries
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties (Non-related since April 18, 2021)

b. Purchases

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	\$ <u>437,695</u>	\$ <u>1,473,297</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

<u>Related Party Category</u>	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	\$ <u>-</u>	\$ <u>4,702</u>

d. Technical service expense

<u>Related Party Category</u>	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	\$ 113,784	\$ 71,022
NUEVA IMAGING, INC.	<u>41,114</u>	<u>38,501</u>
	<u>\$ 154,898</u>	<u>\$ 109,523</u>

The technical service contracts between the Company and its related parties are based on the prices and terms agreed upon by both parties, therefore no other appropriate transaction counterparties are available for comparison.

e. Account payable to related parties

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	\$ <u>          -</u>	\$ <u>154,167</u>

f. Other payables to related parties

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
Silicon Optronics (Shanghai) Co., Ltd.	\$ 8,887	\$ 4,909
NUEVA IMAGING, INC.	<u>2,625</u>	<u>2,964</u>
	<u>\$ 11,512</u>	<u>\$ 7,873</u>

g. Other transactions with related parties

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

h. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ <u>15,226</u>	\$ <u>7,470</u>

The remuneration of directors and other key management personnel departments is determined by the remuneration committee based on 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment - R&D equipment	\$ 420,520	\$ 452,058
Pledged time deposits (classified as financial assets at amortized cost-noncurrent)	<u>3,512</u>	<u>4,048</u>
	<u>\$ 424,032</u>	<u>\$ 456,106</u>

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

The Company'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:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,962	27.68 (USD:NTD)	\$ 497,189
CNY	2,282	4.344 (CNY:NTD)	<u>9,915</u>
			<u>\$ 502,104</u>

Financial liabilities

Monetary items			
USD	13,721	27.68 (USD:NTD)	<u>\$ 379,809</u>

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,019	28.48 (USD:NTD)	\$ 313,810
CNY	2,237	4.377 (CNY:NTD)	<u>9,792</u>
			<u>\$ 323,602</u>

Financial liabilities

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

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

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	27.68 (USD:NTD)	\$ (953)	28.48 (USD:NTD)	\$ 1,430
CNY	4.344 (CNY:NTD)	<u>(464)</u>	4.377 (CNY:NTD)	<u>(390)</u>
		<u>\$ (1,417)</u>		<u>\$ 1,040</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: Please see Table 1 attached;
  - 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;
- 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 2 attached;
- c. Information on investments in mainland China: Please see Table 3 attached.
- d. Information on major shareholders: The name, amount and proportion of shareholders with a shareholding ratio of 5% or more: Please see Table 4 attached.

**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  
FOR THE YEAR ENDED DECEMBER 31, 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	14	Note 2	\$ -	-	\$ -	-	-

Note 1: Non-related since April 18, 2021.

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

**SILICON OPTRONICS, INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**

**DECEMBER 31, 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 December 31, 2021			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				December 31, 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 order CMOS Image Sensor	\$ 358,500	\$ 358,500	6,000	100	\$ 245,698	\$ 3,633	\$ 3,633	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	32,221	7,564	7,564	Subsidiary

## SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Main Businesses and Products	Paid-in Capital (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 December 31, 2021 (US\$ in Thousands)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment (%)	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Silicon Optronics (Shanghai) Co., Ltd.	Scale Integration and design of related electronic products, R&D and testing and technical service consulting and transfer of finished products.	US\$ 175 thousand	Note 1	\$ 4,844 (US\$ 175) thousand	\$ -	\$ -	\$ 4,844 (US\$ 175) thousand	\$ 7,564	100	\$ 7,564	\$ 32,221	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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)
\$ 4,844 (US\$ 175) thousand	Note 1	\$ 1,638,545

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

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

Note 3: Based on the exchange rate as of December 31, 2021.

**SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 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 parent company only 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.

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**SILICON OPTRONICS, INC.****STATEMENT OF CASH****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash in banks		
Time deposits	Including US\$5,000 @27.68	\$ 138,400
Current accounts	Including NT\$482,714 thousand; US\$8,494 thousand @27.68 and CNY\$254 thousand @4.344	718,934
Checking deposits		10
Cash in stock	Including CNY\$28 thousand @4.344	122
Cash on hand		<u>50</u>
		<u>\$ 857,516</u>

**SILICON OPTRONICS, INC.**

**STATEMENT OF ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2021**

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

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<b>Client Name</b>	<b>Amount</b>
Client A	\$ 6,866
Client B	5,049
Client C	2,086
Client D	<u>679</u>
	<u>\$ 14,680</u>

**SILICON OPTRONICS, INC.****STATEMENT OF INVENTORY****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Finished goods	\$ 814,864	\$ 1,308,821
Work in progress	698,577	1,081,780
Raw materials	<u>3,620</u>	<u>7,945</u>
	<u>\$ 1,517,061</u>	<u>\$ 2,398,546</u>

## SILICON OPTRONICS, INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2021		Investment Gain (Loss) Recognized by Using Equity Method (Note 1)	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Balance, December 31, 2021			Net Asset Value
	Number of Shares (In Thousands)	Amount			Number of Shares (In Thousands)	%	Amount	
NUUEVA IMAGING, INC.	6,000	\$ 243,371	\$ 3,633	\$ (1,306)	6,000	100	\$ 245,898	\$ 46,470
Silicon Optronics (Cayman) Co., Ltd.	170	<u>24,860</u>	<u>7,564</u>	<u>(203)</u>	170	100	<u>32,221</u>	<u>32,221</u>
		<u>\$ 268,231</u>	<u>\$ 11,197</u>	<u>\$ (1,509)</u>			<u>\$ 277,919</u>	<u>\$ 78,691</u>

Note 1: The net value was based on audited financial statements of the same period.

Note 2: Above investments accounted for using equity method were not pledged as security.

**SILICON OPTRONICS, INC.**

**STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Buildings</b>
Cost	
Balance at January 1, 2021 and December 31, 2021	\$ <u>17,297</u>
Accumulated depreciation	
Balance at January 1, 2021	8,302
Depreciation	<u>4,152</u>
Balance at December 31, 2021	<u>12,454</u>
Carrying amount at December 31, 2021	<u>\$ 4,843</u>

**SILICON OPTRONICS, INC.**

**STATEMENT OF PAYABLES**

**DECEMBER 31, 2021**

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

---

<b>Name</b>	<b>Amount</b>
Non- related parties	
A Vendor	\$ 205,789
B Vendor	87,242
C Vendor	26,121
Other (Note)	<u>29,748</u>
	<u>\$ 348,900</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## SILICON OPTRONICS, INC.

STATEMENT OF LONG-TERM LOANS  
DECEMBER 31, 2021

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

Type	Summary	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Pledged as Collateral or Provided as Guarantee
Secured borrowings					
KGI commercial Bank Co., Ltd. (Note 1)	R&D equipment purchase	\$ 350,000	2020.4.1-2025.4.1	0.99111	R&D equipment
Less: Current portion		<u>(100,000)</u>			
		<u>\$ 250,000</u>			

Note 1: Interest is paid monthly, and principal is repaid in seven equal semiannual installments starting from April 2022. The Company has completed repayment of the loan before April 1, 2025

**SILICON OPTRONICS, INC.**

**STATEMENT OF LEASE LIABILITIES**

**DECEMBER 31, 2021**

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

---

<b>Item</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Balance, End of Year</b>
Buildings	2019.1.1-2023.3.1	1	\$ 4,916
Less: Lease liabilities - current			<u>(4,210)</u>
Lease liabilities - non-current			<u>\$ 706</u>

**SILICON OPTRONICS, INC.**

**STATEMENT OF NET REVENUE**

**DECEMBER 31, 2021**

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

---

<b>Item</b>	<b>Quantity</b>	<b>Unit</b>	<b>Amount</b>
CMOS	135,776	Thousand pieces	\$ 3,967,619
Others			<u>28,877</u>
			<u>\$ 3,996,496</u>

**SILICON OPTRONICS, INC.****STATEMENT OF OPERATING COSTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Raw materials	
Raw materials at the beginning of the year	\$ 3,373
Purchases in the current year	2,056,790
Transfer out to expenses	(289)
Raw materials at the end of the year	<u>(3,620)</u>
Consumption of raw materials	2,056,254
Manufacturing fee	<u>1,223,741</u>
Manufacturing cost	3,279,995
Work in progress at the beginning of the year	675,500
Transfer out to expenses	(5,793)
Work in progress at the end of the year	<u>(698,577)</u>
Finished goods cost	3,251,125
Finished goods at the beginning of the year	170,650
Others	(2,164)
Finished goods at the end of the year	<u>(814,864)</u>
Cost of goods sold	2,604,747
Other adjustments	2,869
Labor cost	<u>1,500</u>
Operating cost	<u>\$ 2,609,116</u>

**SILICON OPTRONICS, INC.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Marketing Expense</b>	<b>General and Administrative Expense</b>	<b>Research and Development Expense</b>
Payroll and related expense	\$ 14,536	\$ 38,899	\$ 154,660
Pension expense	208	647	2,352
Director's remuneration	-	10,000	-
Import and export fee	1,137	30	158
Shipping fee	4,686	11	8
Park management fee	-	7,656	-
Professional service fee	3	3,858	656
Technical services	-	-	154,898
Depreciation fee	-	4,218	74,029
Others (Note)	<u>878</u>	<u>10,528</u>	<u>30,967</u>
	<u>\$ 21,448</u>	<u>\$ 75,847</u>	<u>\$ 417,728</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## SILICON OPTRONICS, INC.

**SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In thousands of New Taiwan Dollars)**

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employee benefits expenses						
Salary and bonus	\$ -	\$ 208,095	\$ 208,095	\$ -	\$ 109,981	\$ 109,981
Insurance	-	6,441	6,441	-	5,328	5,328
Pension	-	3,207	3,207	-	3,087	3,087
Remuneration of directors	-	10,000	10,000	-	3,750	3,750
Others	-	4,981	4,981	-	4,979	4,979
	<u>\$ -</u>	<u>\$ 232,724</u>	<u>\$ 232,724</u>	<u>\$ -</u>	<u>\$ 127,125</u>	<u>\$ 127,125</u>
Depreciation	\$ 20,980	\$ 78,247	\$ 99,227	\$ 20,038	\$ 65,888	\$ 85,926
Amortization	\$ -	\$ 2,598	\$ 2,598	\$ -	\$ 2,750	\$ 2,750

Note 1: For the year of 2021 and 2020, the Company had an average of 65 and 62 employees, respectively, which included 3 non-employee directors for both years.

Note 2: Average labor costs for the years ended December 31, 2021 and 2020 were NT\$3,592 thousand and NT\$2,091 thousand, respectively.

Note 3: Average salary and bonus for the years ended December 31, 2021 and 2020 were NT\$3,356 thousand and NT\$1,864 thousand, respectively. The average salary and bonus decreased by 80.04% year over year.

Note 4: The Company has established an audit committee, and the remuneration of independent directors has been incorporated into the remuneration of the directors for disclosure.

Note 5: The Company's salary and remuneration policy (including directors, independent directors, managers and employees): The Company's salary and remuneration policy is to provide employees with salaries and benefits above the average level of the industry. Employee remuneration includes monthly salary, quarterly settlement of bonuses for operating performance, and employee remuneration based on annual profitability. The amount and distribution of the Company's employee compensation are proposed by the remuneration committee to the board of directors, and the board of directors approves it. Please refer to Note 20 (g) Employee Compensation and Directors' Compensation for relevant information about the Company's employee compensation and director's compensation allotment.