Silicon Optronics, Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Silicon Optronics, Inc.

By:

Xinping He
Chairman

March 16, 2022

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
300091 新竹市東區科學園區展業一路
2 號 6 樓

Deloitte & Touche
6F, Allied Association Industries
No. 2, Zhanye 1st Rd., Hsinchu Science Park
East Dist., Hsinchu 300091, Taiwan

Tel :+886 (3) 578-0899
Fax:+886 (3) 405-5999
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

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

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

Basis for Opinion

We conducted our 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2021 are described as follows:

<u>Sales Revenue</u>

The Group'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 Group'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 revenue recognition, please refer to Note 4(m) to the consolidated financial statements.

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

1. We understood internal controls on order approval and shipment procedures and tested the operating effectiveness of such controls.

2. We understood the background of the key customers and assessed whether the transaction amounts and credit line 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 as 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 Group's inventory balance was $1,517,061 thousand, accounting for 39% of the combined total assets. For the related accounting policies, please refer to Note 4(g) to the consolidated financial statements. As the amount of the inventory is significant and the assessment of net realizable value involves significant management judgments, 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 Group 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 Group, 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.

Other Matter

We have also audited the parent company only financial statements of Silicon Optronics, Inc. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 919,634	24	$ 547,597	18
Financial assets at amortized cost - current (Notes 4, 7 and 25)	538,582	14	758,754	25
Accounts receivable - net (Notes 4 and 8)	14,680	-	32,842	1
Inventories (Notes 4, 5 and 9)	1,517,061	39	849,523	29
Prepayments and other current assets (Notes 4, 14 and 25)	86,480	2	61,430	2
Total current assets	3,076,437	79	2,250,146	75
NON-CURRENT ASSETS				
Financial assets at amortized cost - noncurrent (Notes 4, 7, 25 and 27)	3,512	-	4,048	-
Property, plant and equipment (Notes 4, 11 and 27)	487,299	13	513,112	17
Right-of-use assets (Notes 4 and 12)	8,357	-	17,085	-
Goodwill (Notes 4 and 5)	199,228	5	199,228	7
Intangible assets (Notes 4 and 13)	5,458	-	7,784	-
Deferred tax assets (Notes 4 and 21)	13,919	1	17,454	1
Other non-current assets (Notes 4, 14 and 17)	84,703	2	3,161	-
Total non-current assets	802,476	21	761,872	25
TOTAL	$ 3,878,913	100	$ 3,012,018	100

	2021		2020	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Contract liabilities - current (Note 19)	$ 35,139	1	$ 15,940	1
Accounts payable (Note 4)	352,498	9	120,321	4
Accounts payable to related parties (Notes 4 and 26)	-	-	154,167	5
Other current liabilities (Notes 4 and 16)	228,995	6	100,836	3
Current tax liabilities (Notes 4 and 21)	149,388	4	47,664	2
Lease liabilities - current (Notes 4 and 12)	6,674	-	7,667	-
Current portion of long - term borrowing (Note15)	100,000	3	-	-
Refund liabilities - current (Note16)	17,118	-	-	-
Total current liabilities	889,812	23	446,595	15
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 15)	250,000	7	350,000	12
Deferred income tax liabilities (Notes 4 and 21)	-	-	208	-
Lease liabilities - non-current (Notes 4 and 12)	1,215	-	-	-
Guarantee deposits	6,977	-	-	-
Total non-current liabilities	258,192	7	350,208	12
Total liabilities	1,148,004	30	796,803	27
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 4, 18 and 23)				
Ordinary shares	781,529	20	781,059	26
Capital surplus	1,132,749	29	1,131,714	37
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	(96,995)	(3)	(96,995)	(3)
Total equity	2,730,909	70	2,205,742	73
TOTAL	$ 3,878,913	100	$ 3,002,545	100

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED 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, 19 and 30)	$ 3,996,496	100	$ 3,328,695	100
OPERATING COSTS (Notes 9, 20 and 26)	2,609,116	65	2,656,485	80
GROSS PROFIT	1,387,380	35	672,210	20
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	25,023	1	20,291	1
General and administrative expenses	75,847	2	45,670	1
Research and development expenses	402,551	10	284,672	8
Total operating expenses	503,421	13	350,633	10
OPERATING INCOME	883,959	22	321,577	10
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	5,285	-	4,488	-
Other income	526	-	458	-
Other gains and losses	8,291	1	3,519	-
Financial costs	(3,613)	-	(2,803)	-
Total non-operating income and expenses	10,489	1	5,662	-
PROFIT BEFORE INCOME TAX	894,448	23	327,239	10
INCOME TAX EXPENSE (Notes 4 and 21)	(153,398)	(4)	(45,801)	(2)
NET INCOME	741,050	19	281,438	8
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	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 18)	(1,509)	-	(1,885)	-
Total other comprehensive (loss) income	(1,491)	-	(1,866)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 739,559	19	$ 279,572	8

(Continued)

SILICON OPTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 22)				
Basic	$ 9.61		$ 3.65	
Diluted	$ 9.53		$ 3.64	

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	Ordinary Share Capital			Retained Earnings			Other Equity		
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
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 Silicon Optronics, Inc.	-	-	-	-	-	(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 Silicon Optronics, Inc.	-	-	-	-	-	(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	78,153	$ 781,529	$ 1,132,749	$ 94,057	$ 4,250	$ 821,078	$ (5,759)	$ (96,995)	$ 2,730,909

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 894,448	$ 327,239
Adjustments for:		
Depreciation expenses	103,727	90,351
Amortization expenses	6,825	7,422
Finance costs	3,613	2,803
Interest income	(5,285)	(4,488)
Write downs of inventories	(19,090)	22,512
Net loss (gain) on foreign currency exchange	(143)	1,443
Changes in operating assets and liabilities		
Accounts receivable	18,427	(21,686)
Inventories	(648,448)	(15,515)
Prepayments and other current assets	(25,050)	41,354
Contract liabilities	19,371	5,832
Accounts payable	233,698	(7,098)
Accounts payables to related parties	(155,010)	18,213
Accrued expenses and other current liabilities	122,984	46,613
Refund liabilities	17,118	-
Net defined benefit assets	(35)	(35)
Cash generated from operations	567,150	514,960
Income tax paid	(48,347)	(7,387)
Net cash generated from operating activities	518,803	507,573
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(601,348)	(671,516)
Proceeds from financial assets at amortized cost	821,480	50,012
Payments of property, plant and equipment	(64,444)	(66,842)
Increase in refundable deposits	(82,157)	(147)
Payments for intangible assets	(4,680)	(3,608)
Payments for right-of-use assets	(500)	-
Interest received	5,285	4,488
Net cash generated from (used in) investing activities	73,636	(687,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	-	350,000
Proceeds of guarantee deposits received	6,977	-
Repayment of the principal portion of lease liabilities	(9,143)	(7,426)
Dividends paid	(215,897)	(154,212)
Exercise of employee share options	1,505	262
Interest paid	(3,613)	(2,803)
Net cash generated from (used in) financing activities	(220,171)	185,821

(Continued)

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

	2021	2020
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (231)	$ 110
NET INCREASE IN CASH	372,037	5,891
CASH AT THE BEGINNING OF THE YEAR	547,597	541,706
CASH AT THE END OF THE YEAR	$ 919,634	$ 547,597

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the 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 material impact on the Group's accounting policies.

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

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

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

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

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

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

1) Annual Improvements to IFRS Standards 2018-2020

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

2) Amendments to IFRS 3 "'Reference to the Conceptual Framework"

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. 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 Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e.its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Refer to Notes 10 and 29 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each entity, transactions in currencies other than the entity’s functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Group’s foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

g. 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.

h. 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. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over the lease term. 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.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. 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) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) 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.

k. 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 Group 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, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially 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 deposit 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 Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Group'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 Group'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.

m. Revenue recognition

The Group 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 Group 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.

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

n. Leases

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

The Group 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 Group 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 consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprises fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the 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 consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. 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.

p. 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 Group'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.

q. 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 Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of [the recent development of 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.

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

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	$ 172	$ 263
Bank deposits	781,062	547,334
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits in banks	138,400	-
	$ 919,634	$ 547,597

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

	December 31	
	2021	2020
Time deposits	0.35%	-

7. FINANCIAL ASSETS AT AMORTIZED COST

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

a. The interest rates ranges of time deposits with original maturities of more than 3 months were 0.08%-2.45% and 0.08%-2.40% 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

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

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

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

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

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

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	$ 13,369	$ 1,311	$ -	$ -	$ -	$ -	$ -	$ 14,680

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	$ 16,224	$ 16,618	$ -	$ -	$ -	$ -	$ -	$ 32,842

9. INVENTORIES

The movements in the allowance for doubtful accounts were as follows:

	December 31	
	2021	2020
Finished goods	$ 814,864	$ 170,650
Work in progress	698,577	675,500
Raw materials	3,620	3,373
Balance at December 31	$ 1,517,061	$ 849,523

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. SUBSIDIARIES

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

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the remaining entities are non-major subsidiaries. The financial reports of the above subsidiaries had been audited by accountants.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Prepayment for Business Facilities	Total
Cost								
Balance at January 1, 2021	$ 1,584	$ 473,084	$ 12,665	$ 1,153	$ 1,655	$ 108,800	$ -	$ 598,951
Additions	643	-	4,089	118	31	64,555	-	69,436
Disposal	(978)	-	(3,095)	(155)	(29)	(49,307)	-	(53,564)
Effect of exchange rate changes	(3)	-	-	(7)	(44)	-	-	(54)
Balance at December 31, 2021	$ 1,246	$ 473,084	$ 13,659	$ 1,109	$ 1,623	$ 124,048	$ -	$ 614,769
Accumulated depreciation								
Balance at January 1, 2021	$ 1,260	$ 21,026	$ 4,643	$ 846	$ 1,556	$ 55,325	$ -	$ 84,656
Depreciation expense	256	31,538	4,319	170	33	58,928	-	95,244
Disposal	(978)	-	(3,095)	(155)	(29)	(49,307)	-	(53,564)
Effect of exchange rate changes	(3)	-	-	(5)	(41)	-	-	(49)
Balance at December 31, 2021	$ 535	$ 52,564	$ 5,867	$ 856	$ 1,519	$ 64,946	$ -	$ 126,287
Accumulated impairment								
Balance at January 1, 2021 and December 31, 2021	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ 1,183
Carrying amounts at December 31, 2021	$ 711	$ 420,520	$ 6,609	$ 253	$ 104	$ 59,102	$ -	$ 487,299
Cost								
Balance at January 1, 2020	$ 1,464	$ -	$ 13,586	$ 1,137	$ 1,672	$ 96,810	$ 472,972	$ 587,641
Additions	115	-	4,553	-	103	59,812	112	64,695
Disposal	-	-	(5,474)	-	(32)	(47,822)	-	(53,328)
Reclassified	-	473,084	-	-	-	-	(473,084)	-
Effect of exchange rate changes	5	-	-	16	(78)	-	-	(57)
Balance at December 31, 2020	$ 1,584	$ 473,084	$ 12,665	$ 1,153	$ 1,665	$ 108,800	$ -	$ 598,951

(Continued)

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Prepayment for Business Facilities	Total
Accumulated depreciation								
Balance at January 1, 2020	$ 980	$ -	$ 6,173	$ 639	$ 1,607	$ 46,642	$ -	$ 56,041
Depreciation expense	276	21,026	3,944	195	57	56,505	-	82,003
Disposal	-	-	(5,474)	-	(32)	(47,822)	-	(53,328)
Effect of exchange rate changes	4	-	-	12	(76)	-	-	(60)
Balance at December 31, 2020	$ 1,260	$ 21,026	$ 4,643	$ 846	$ 1,556	$ 55,325	$ -	$ 84,656
Accumulated impairment								
Balance at January 1, 2020 and December 31, 2020	$ -	$ -	$ 1,183	$ -	$ -	$ -	$ -	$ 1,183
Carrying amounts at December 31, 2020	$ 324	$ 452,058	$ 6,839	$ 307	$ 109	$ 53,475	$ -	$ 513,112

(Concluded)

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

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

After considering the progress of product research and development and the use of research and development equipment, on March 16, 2022, the Group 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

	December 31	
	2021	2020
Carrying amount		
Buildings	$ 8,357	$ 17,085

	For the Year Ended December 31	
	2021	2020
Depreciation charge for right-of-use assets		
Buildings	$ 8,483	$ 8,348

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

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	$ 6,674	$ 7,667
Non-current	$ 1,215	$ 9,473

The discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	1%	1%

c. Material lease activities and terms

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

d. Other lease information

	December 31	
	2021	2020
Expenses relating to short-term leases	$ 505	$ 505
Expenses relating to low-value asset leases	$ 60	$ 59
Total cash outflow for leases	$ (9,840)	$ (8,198)

13. INTANGIBLE ASSETS

	Patents	Software	Total
Cost			
Balance at January 1, 2021	$ 14,169	$ 25,877	$ 40,046
Additions	-	4,680	4,680
Reclassified	-	(8,043)	(8,043)
Effect of exchange rate changes	(398)	(578)	(976)
Balance at December 31, 2021	$ 13,771	$ 21,936	$ 35,707
Accumulated amortization			
Balance at January 1, 2021	$ 8,738	$ 23,524	$ 32,262
Amortization expense	2,786	4,039	6,825
Reclassified	-	(8,043)	(8,043)
Effect of exchange rate changes	(278)	(517)	(795)
Balance at December 31, 2021	$ 11,246	$ 19,003	$ 30,249
Carrying amounts at December 31, 2021	$ 2,525	$ 2,933	$ 5,458

(Continued)

	Patents	Software	Total
Cost			
Balance at January 1, 2020	$ 14,915	$ 23,306	$ 38,221
Additions	-	3,608	3,608
Effect of exchange rate changes	(746)	(1,037)	(1,783)
Balance at December 31, 2020	$ 14,169	$ 25,877	$ 40,046
Accumulated amortization			
Balance at January 1, 2020	$ 6,215	$ 19,954	$ 26,169
Amortization expense	2,940	4,482	7,422
Effect of exchange rate changes	(417)	(912)	(1,329)
Balance at December 31, 2020	$ 8,738	$ 23,524	$ 32,262
Carrying amounts at December 31, 2020	$ 5,431	$ 2,353	$ 7,784

(Concluded)

Except for the recognition of amortization expense, there were no significant additions, disposals and impairment of the Group's other intangible assets for the years ended December 31, 2021 and 2020.

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

Patents	3-7 years
Software	3 years

14. OTHER ASSETS

	December 31	
	2021	2020
Current		
Prepaid income tax	$ 52,265	$ 41,175
Tax receivables	30,605	18,054
Prepayments for purchases	2,322	1,187
Others	1,288	1,014
	$ 86,480	$ 61,430
Non-current		
Refundable deposits	$ 83,276	$ 1,787
Net defined benefit assets	1,427	1,374
	$ 84,703	$ 3,161

15. LONG-TERM BORROWINGS

	December 31	
	2021	**2020**
Secured borrowings (Note 27)		
Bank borrowings	$ 350,000	$ 350,000
Less: Current portion	100,000	-
Long term borrowing	$ 250,000	$ 350,000

In April, 2020 the Group 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 semiannual installments staring from April 2022. The loan is to be repaid before April 1, 2025.

16. OTHER LIABILITIES

	December 31	
	2021	**2020**
Current		
Other payables		
Payables for bonuses	$ 114,094	$ 35,536
Payables for employees' compensation	78,500	28,570
Payables for purchases of equipment	10,222	5,207
Payables for remuneration of directors	10,000	3,750
Payables for processing	861	13,787
Others	15,167	13,852
	228,844	100,702
Other liabilities		
Receipts under custody	151	134
	$ 228,995	$ 100,836
Refund liabilities (1)	$ 17,118	$ -

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of estimated customer returns, discounts and other similar allowances. Based on historical experience and consideration of different contractual conditions, the Group has estimated the possible sales returns and discounts and recognized the refund liability accordingly.

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.

Silicon Optronics (Shanghai) Co., Ltd. is a member of a state-managed retirement benefit plan operated by the government of the People's Republic of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

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 consolidated balance sheets in respect of the Company's benefit plans are as follows:

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

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2021	$ 285	$ (1,659)	$ (1,374)
Net interest expense (income)	1	(7)	(6)
Recognized in profit or loss	1	(7)	(6)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	(18)	-	(18)
Actuarial loss - experience adjustments	23	(23)	-
Recognized in other comprehensive loss (income)	5	(23)	(18)
Contributions from the employer	-	(29)	(29)
Balance at December 31, 2021	$ 291	$ (1,718)	$ (1,427)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2020	$ 249	$ (1,569)	$ (1,320)
Net interest expense (income)	3	(13)	(10)
Recognized in profit or loss	3	(13)	(10)
Remeasurement			
Actuarial (gain) loss			
Actuarial loss - changes in financial assumptions	17	-	17
Actuarial loss - experience adjustments	16	(52)	(36)
Recognized in other comprehensive loss (income)	33	(52)	(19)
Contributions from the employer	-	(25)	(25)
Balance at December 31, 2020	$ 285	$ (1,659)	$ (1,374)

(Concluded)

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:

	December 31	
	2021	2020
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:

	December 31	
	2021	**2020**
Discount rate		
0.25% increase	$ (11)	$ (11)
0.25% decrease	$ 11	$ 11
Expected rate of salary increase/decrease		
0.25% increase	$ 10	$ 10
0.25% decrease	$ (10)	$ (10)

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.

	December 31	
	2021	**2020**
Expected contributions to the plans for the next year	$ 22	$ 22
Average duration of the defined benefit obligation	15 years	16 years

18. EQUITY

a. Ordinary shares

	December 31	
	2021	**2020**
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	78,153	78,106
Shares issued	$ 781,529	$ 781,059

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

	December 31	
	2021	**2020**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 1,115,462	$ 1,114,427
May be used to offset a deficit only		
Arising from employee share options exercised price	12,286	12,269
May not be used for any purpose		
Arising from employee share options	5,001	5,018
	$ 1,132,749	$ 1,131,714

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

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

	Premium on Issue of Shares	Arising from Employee Share Options	Total
Balance at January 1, 2020	$ 1,114,415	$ 17,287	$ 1,131,702
Issuance of ordinary shares under employee share options	12	-	12
Balance at December 31, 2020	1,114,427	17,287	1,131,714
Issuance of ordinary shares under employee share options	1,035	-	1,035
Balance at December 31, 2021	$ 1,115,462	$ 17,287	$ 1,132,749

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' meetings on July 1, 2021 and June 16, 2020, respectively, were as follows:

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

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:

	Appropriation of Earnings
Legal reserve	$ 74,107
Special reserve	1,509
Cash dividends	270,035
Dividends per share (NT$)	$ 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

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

e. Treasury shares

	For the Year Ended December 31	
	2021	2020
Treasury shares (In thousands of shares)	1,000	1,000

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

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

a. Contract balances

	December 31		
	2021	2020	2019
Accounts receivable (Note 8)	$ 14,680	$ 32,842	$ 11,260
Contract liabilities - current			
Sale of goods	$ 35,139	$ 15,940	$ 10,090

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

	For the Year Ended December 31	
	2021	2020
From the contract liabilities at the beginning of the year		
Sale of goods	$ 12,696	$ 7,408

b. Disaggregation of revenue

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

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2021	2020
Financial assets at amortized cost	$ 4,525	$ 2,949
Bank deposit	753	1,531
Others	7	8
	$ 5,285	$ 4,488

b. Other income

	For the Year Ended December 31	
	2021	2020
Others	$ 526	$ 458

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange gain	$ 8,451	$ 3,553
Other losses	(160)	(34)
	$ 8,291	$ 3,519

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	$ 3,481	$ 2,595
Interest on lease liabilities	132	208
	$ 3,613	$ 2,803

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	$ 95,244	$ 82,003
Right-of-use assets	8,483	8,348
Intangible assets	6,825	7,422
Total	$ 110,552	$ 97,773

(Continued)

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	$ 20,980	$ 20,038
Operating expenses	82,747	70,313
	$ 103,727	$ 90,351
An analysis of amortization by function		
Research and development expenses	$ 6,825	$ 7,422

(Concluded)

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	$ 3,213	$ 3,097
Defined benefit plans	(6)	(10)
	3,207	3,087
Other employee benefits	353,091	206,091
Total employee benefits expense	$ 356,298	$ 209,178
An analysis of employee benefits expense by function		
Operating expenses	$ 356,298	$ 209,178

g. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were resolved in the board of directors' meetings on March 16, 2022 and March 10, 2021, respectively, were as follows:

Accrual rate

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

Amount

	For the Year Ended December 31	
	2021	2020
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 consolidated 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 consolidated 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

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2021	**2020**
Current tax		
In respect of the current year	$ 148,186	$ 47,990
Income tax on unappropriated earnings	1,776	-
Adjustments for prior years	109	2,442
	150,071	50,432
Deferred tax		
In respect of the current year	3,327	(4,631)
Income tax expense recognized in profit or loss	$ 153,398	$ 45,801

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

	For the Year Ended December 31	
	2021	**2020**
Profit before tax from continuing operations	$ 894,448	$ 327,239
Income tax expense calculated at the statutory rate	$ 179,375	$ 65,628
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	109	2,442
Income tax expense recognized in profit or loss	$ 153,398	$ 45,801

b. Current tax assets and liabilities

	December 31	
	2021	**2020**
Current tax liabilities		
Income tax payable	$ 149,388	$ 47,664

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

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

For the Year Ended December 31, 2020

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

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

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	$ 9.61	$ 3.65
Diluted earnings per share	$ 9.53	$ 3.64

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

	For the Year Ended December 31	
	2021	2020
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	-	-
Earnings used in the computation of diluted earnings per share	$ 741,050	$ 281,438

Number of shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2021	2020
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	624	278
Weighted average number of ordinary shares used in the computation of diluted earnings per share	77,770	77,384

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

23. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 2,000 options on July 29, 2013 and 3,200 options on May 16, 2012, each option entitles the holder to subscribe for one thousand ordinary shares of the Company, and the total number of new ordinary shares required to be issued for the exercise of the employee share option is 2,000 shares and 3,200 shares, respectively. The options granted are valid for 10 years and exercisable at certain percentages after the second year from the grant date.

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

Information on employee share options is as follows:

	2013 Employee Share Option Plan		2012 Employee Share Option Plan	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
For the year ended December 31, 2021				
Balance at January 1	100	$ 33.00	605	$ 17.17
Options exercised	(45)	32.21	(2)	10.25
Balance at December 31	55	32.21	603	17.20
Options exercisable, end of period	55		603	
For the year ended December 31, 2020				
Balance at January 1	100	$ 33.00	630	$ 17.31
Options exercised	-	-	(25)	10.50
Balance at December 31	100	33.00	605	17.17
Options exercisable, end of period	100		605	

Information on outstanding options as follows:

December 31, 2021			December 31, 2020		
Share Option Plan	**Range of Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (In Years)**	**Share Option Plan**	**Range of Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (In Years)**
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$)	$11.18
Exercise price (NT$)	$33.0
Expected volatility	37.6%-41.65%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.82%-1.07%
Fair value of stock options	0.18-0.93

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

Grant-date share price (NT$)	$12.29
Exercise price (NT$)	$19.5
Expected volatility	44.34%-54.56%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.75%-0.85%
Fair value of stock options	1.67-3.94

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

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

24. CAPITAL MANAGEMENT

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

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

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

25. FINANCIAL INSTRUMENTS

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

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

b. Categories of financial instruments

	December 31	
	2021	**2020**
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	$ 1,559,684	$ 1,345,028
<u>Financial liabilities</u>		
Amortized cost (Note 2)	713,581	643,482

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 98% of the Group's sales is denominated in currencies other than the functional currency of the entity making the sale, whilst almost 97% of costs is denominated in the entity's functional currency. Exchange rate exposures are managed within approved policy parameters.

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

Sensitivity analysis

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

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

When the NTD appreciates/depreciates by 1% against the USD, the Group's net profit before tax for the years ended December 31, 2021 and 2020 would decrease/increase by $1,185 thousand and $296 thousand, respectively.

b) Interest rate risk

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

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

	December 31	
	2021	**2020**
Fair value interest rate risk		
Financial assets	$ 680,494	$ 762,802
Cash flow interest rate risk		
Financial assets	781,052	547,324
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 $2,155 thousand and $987 thousand, respectively.

2) Credit risk management

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

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank facilities and ensures compliance with loan covenants.

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

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

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

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

December 31, 2021

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**
Non-derivative financial liabilities				
Leas liabilities	$ 560	$ 1,120	$ 5,042	$ 1,120
Accounts payable	269,324	83,174	-	-
Payables for processing	-	861	-	-
Payables for purchases of equipment	5,154	5,068	-	-
Long-term borrowings	289	578	102,189	253,304
	$ 275,327	$ 90,801	$ 107,231	$ 254,424

Additional information about the maturity analysis for financial liabilities

	Less than 1 Year	**1-5 Years**	**5-10 Years**	**10-15 Years**	**15-20 Years**	**20+ Years**
Lease liabilities	$ 6,722	$ 1,120	$ -	$ -	$ -	$ -
Interest rate liabilities	103,056	253,304	-	-	-	-
	$ 109,778	$ 254,424	$ -	$ -	$ -	$ -

December 31, 2020

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**
Non-derivative financial liabilities				
Leas liabilities	$ 650	$ 1,300	$ 5,849	$ 9,098
Accounts payable	95,205	25,116	-	-
Accounts payable - related parties	132,384	21,783	-	-
Payables for processing	-	13,787	-	-
Payables for purchases of equipment	2,771	2,436	-	-
Long-term borrowings	289	576	2,591	356,333
	$ 231,299	$ 64,998	$ 8,440	$ 365,431

Additional information about the maturity analysis for financial liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 7,799	$ 9,098	$ -	$ -	$ -	$ -
Interest rate liabilities	3,456	356,333	-	-	-	-
	$ 11,255	$ 365,431	$ -	$ -	$ -	$ -

b) Financing facilities

	December 31	
	2021	2020
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ -	$ -
Amount unused	200,000	200,000
	$ 200,000	$ 200,000
Secured bank overdraft facilities:		
Amount used	$ 350,000	$ 350,000
Amount unused	100,000	250,000
	$ 450,000	$ 600,000

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Powerchip Semiconductor Manufacturing Corp.	Substantive related parties (Non-related since April 18, 2021)

b. Purchases

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

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

c. Research and development expenses

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

d. Accounts payable to related parties

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

e. Other transactions with related parties

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

f. Remuneration of key management personnel

	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Short-term employee benefits	$ 34,100	$ 22,831

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 18,002	27.68 (USD:NTD)	$ 498,308
CNY	2,282	4.344 (CNY:NTD)	9,915
			$ 508,223
Financial liabilities			
Monetary items			
USD	13,721	27.68 (USD:NTD)	$ 379,809

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 11,060	28.48 (USD:NTD)	$ 314,965
CNY	2,237	4.377 (CNY:NTD)	9,792
			$ 324,757
Financial liabilities			
Monetary items			
USD	10,019	28.48 (USD:NTD)	$ 285,331

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

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ 7,530	1 (NTD:NTD)	$ 2,179
CNY	4.341 (CNY:NTD)	667	4.282 (CNY:NTD)	1,070
USD	28.009 (USD:NTD)	254	29.549 (USD:NTD)	304
		$ 8,451		$ 3,553

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None;

2) Endorsements/guarantees provided: None;

3) Marketable securities held (excluding investments in subsidiaries): None;

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: See Table 1;
8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

9) Information about the derivative instruments transaction: None;

10) Intercompany relationships and significant intercompany transactions: See Table 2;

b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3;

c. Information on investments in mainland China: See Table 4.

d. Information on major shareholders: the name, amount and proportion of shareholders with a shareholding ratio of 5% or more: See Table 5

30. SEGMENT INFORMATION

a. Operation segment information

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

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

b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the Year Ended December 31	
	2021	2020
Complementary metal-oxide semiconductors	$ 3,976,619	$ 3,237,207
Others	28,877	91,488
	$ 3,996,496	$ 3,328,695

c. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2021	2020	2021	2020
Hong Kong	$ 3,475,865	$ 3,007,489	$ -	$ -
Taiwan (the Group's operating location)	236,401	87,107	575,190	522,663
Others	284,230	134,216	9,200	17,105
	$ 3,996,496	$ 3,328,695	$ 584,390	$ 539,768

Non-current assets exclude financial assets at amortized cost non-current, deferred tax assets, post-employment benefit assets and goodwill.

d. Information about major customers

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

	For the Year Ended December 31	
	2021	2020
Customer A	$ 1,567,124	$ 2,419,855
Customer B	865,467	1,154
Customer C	850,652	-

TABLE 1

SILICON OPTRONICS, INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
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 (Note 1)	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.

TABLE 2

SILICON OPTRONICS, INC. AND SUBSIDIARIES

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

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2021		Percentage of Consolidated Total Gross Sales or Total Assets
				Amount	Terms	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	$ 41,114	-	1%
	NUEVA IMAGING INC.	1	Other payable from related parties	2,625	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	113,784	-	3%
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	8,887	-	-

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

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEES
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-end CMOS Image Sensor	$ 358,500	$ 358,500	6,000	100	$ 254,698	$ 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

TABLE 4

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	% 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	Note
					Outward	Inward							
Silicon Optronics (Shanghai) Co., Ltd.	Design, test and research and development of IC and related electronic products with consultation on technology services and technology transfer	US$ 175 thousand	Note 1	$ 4,844 (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.'s investment in Silicon Optronics (Shanghai) Co., Ltd., the investment was approved by the Investment Commission, MOEA with the approved amount of US$ 175 thousand.

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

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

TABLE 5

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED 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 consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster 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.