

SILICON OPTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2022 AND 2021

Notice to Readers

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
Silicon Optronics, Inc.

Opinion

We have reviewed the accompanying consolidated balance sheets of Silicon Optronics, Inc. and its subsidiaries (collectively referred to as the “Group”) as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 10, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$91,144 thousand and NT\$43,398 thousand, constituting 2% and 1% of the consolidated total assets, and total liabilities of NT\$55,682 thousand and NT\$17,144 thousand, constituting 5% and 2% of the consolidated total liabilities as of March 31, 2022 and 2021, respectively; and total comprehensive income of NT\$1,985 thousand and NT\$1,594 thousand, constituting 2% and 1% of the consolidated total comprehensive income for the three months then ended March 31, 2022 and 2021, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, and the information disclosed in the footnotes been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Silicon Optronics, Inc. and its subsidiaries as of March 31, 2022 and 2021, their consolidated financial performance and cash flows for the three months then ended March 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

May 4, 2022

Notice to Readers

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

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

	March 31, 2022		December 31, 2021		March 31, 2021			March 31, 2022		December 31, 2021		March 31, 2021	
	(Reviewed)		(Audited)		(Reviewed)			(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6)	\$ 694,255	17	\$ 919,634	24	\$ 594,445	19	Contract liabilities - current (Note 19)	\$ 136,619	4	\$ 35,139	1	\$ 17,065	-
Financial assets at amortized cost - current (Notes 7 and 25)	509,012	13	538,582	14	851,141	28	Accounts payable	312,926	8	352,498	9	128,217	4
Accounts receivable - net (Notes 8)	30,437	1	14,680	-	9,681	-	Accounts payable to related parties (Notes 26)	-	-	-	-	117,972	4
Other receivables (Notes 8)	438,786	11	-	-	-	-	Other current liabilities (Notes 16)	201,401	5	228,995	6	83,789	3
Inventories (Notes 9)	1,899,883	47	1,517,061	39	833,383	27	Current tax liabilities (Notes 4 and 21)	165,368	4	149,388	4	64,304	2
Prepayments and other current assets (Notes 14 and 25)	66,604	2	86,480	2	61,005	2	Lease liabilities - current (Notes 12)	6,311	-	6,674	-	7,672	-
Total current assets	<u>3,638,977</u>	<u>91</u>	<u>3,076,437</u>	<u>79</u>	<u>2,349,655</u>	<u>76</u>	Long-term liabilities - current portion (Notes 15)	50,000	1	100,000	3	-	-
							Refund liability (Note 16)	46,168	1	17,118	-	-	-
							Total current liabilities	<u>918,793</u>	<u>23</u>	<u>889,812</u>	<u>23</u>	<u>419,019</u>	<u>13</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent (Notes 7, 25 and 27)	3,512	-	3,512	-	2,500	-	Long-term loan (Notes 15)	250,000	6	250,000	7	350,000	12
Property, plant and equipment (Notes 11 and 27)	57,153	2	487,299	13	504,838	16	Deferred income tax liabilities (Notes 4 and 21)	1,073	-	-	-	616	-
Right-of-use assets (Notes 12)	7,182	-	8,357	-	15,432	1	Lease liabilities - non-current (Notes 12)	-	-	1,215	-	7,529	-
Goodwill	199,228	5	199,228	5	199,228	6	Guarantee deposits	6,977	-	6,977	-	-	-
Intangible assets (Notes 13)	7,467	-	5,458	-	8,256	-	Total non-current liabilities	<u>258,050</u>	<u>6</u>	<u>258,192</u>	<u>7</u>	<u>358,145</u>	<u>12</u>
Deferred tax assets (Notes 4 and 21)	14,558	-	13,919	1	15,525	1	Total liabilities	<u>1,176,843</u>	<u>29</u>	<u>1,148,004</u>	<u>30</u>	<u>777,164</u>	<u>25</u>
Other non-current assets (Notes 14 and 17)	88,221	2	84,703	2	5,557	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Notes 18 and 23)						
Total non-current assets	<u>377,321</u>	<u>9</u>	<u>802,476</u>	<u>21</u>	<u>751,336</u>	<u>24</u>	Common stock	781,529	19	781,529	20	781,109	25
							Capital surplus	1,133,545	28	1,132,749	29	1,131,828	36
							Retained earnings						
							Legal reserve	94,057	3	94,057	3	65,911	2
							Special reserve	4,250	-	4,250	-	2,365	-
							Unappropriated earnings	925,962	23	821,078	21	443,970	15
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	(2,893)	-	(5,759)	-	(4,361)	-
							Treasury shares	(96,995)	(2)	(96,995)	(3)	(96,995)	(3)
							Total equity	<u>2,839,455</u>	<u>71</u>	<u>2,730,909</u>	<u>70</u>	<u>2,323,827</u>	<u>75</u>
TOTAL	<u>\$ 4,016,298</u>	<u>100</u>	<u>\$ 3,878,913</u>	<u>100</u>	<u>\$ 3,100,991</u>	<u>100</u>	TOTAL	<u>\$ 4,016,298</u>	<u>100</u>	<u>\$ 3,878,913</u>	<u>100</u>	<u>\$ 3,100,991</u>	<u>100</u>

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

	Three Months Ended March 31,			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19)	\$ 682,138	100	\$ 923,359	100
OPERATING COSTS (Notes 9, 20 and 26)	<u>472,186</u>	<u>69</u>	<u>687,576</u>	<u>74</u>
GROSS PROFIT	<u>209,952</u>	<u>31</u>	<u>235,783</u>	<u>26</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	3,922	1	5,108	1
General and administrative expenses	14,522	2	14,183	1
Research and development expenses	<u>79,835</u>	<u>12</u>	<u>81,893</u>	<u>9</u>
Total operating expenses	<u>98,279</u>	<u>15</u>	<u>101,184</u>	<u>11</u>
OPERATING INCOME	<u>111,673</u>	<u>16</u>	<u>134,599</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	869	-	1,354	-
Other income	37	-	-	-
Other gains and losses	10,396	2	3,047	-
Financial costs	<u>(845)</u>	<u>-</u>	<u>(915)</u>	<u>-</u>
Total non-operating income and expenses	<u>10,457</u>	<u>2</u>	<u>3,486</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	122,130	18	138,085	15
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(17,246)</u>	<u>(3)</u>	<u>(20,053)</u>	<u>(2)</u>
NET INCOME	104,884	15	118,032	13
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 18)	<u>2,866</u>	<u>1</u>	<u>(111)</u>	<u>-</u>
Total comprehensive income For The Period	<u>\$ 107,750</u>	<u>16</u>	<u>\$ 117,921</u>	<u>13</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.36</u>		<u>\$ 1.53</u>	
Diluted	<u>\$ 1.35</u>		<u>\$ 1.52</u>	

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

	Ordinary Share Capital		Capital Surplus	Retained Earnings			Other Equity Exchange Difference on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2021	78,106	\$ 781,059	\$ 1,131,714	\$ 65,911	\$ 2,365	\$ 325,938	(\$ 4,250)	(\$ 96,995)	\$ 2,205,742
Net income for the three months ended March 31, 2021	-	-	-	-	-	118,032	-	-	118,032
Other comprehensive income(loss)for the three months ended March 31, 2021	-	-	-	-	-	-	(111)	-	(111)
Total comprehensive income(loss)for the three months ended March 31, 2021	-	-	-	-	-	118,032	(111)	-	117,921
Issuance of ordinary shares under employee share options	5	50	114	-	-	-	-	-	164
BALANCE, MARCH 31, 2021	<u>78,111</u>	<u>\$ 781,109</u>	<u>\$ 1,131,828</u>	<u>\$ 65,911</u>	<u>\$ 2,365</u>	<u>\$ 443,970</u>	<u>(\$ 4,361)</u>	<u>(\$ 96,995)</u>	<u>\$ 2,323,827</u>
BALANCE, JANUARY 1, 2022	78,153	\$ 781,529	\$ 1,132,749	\$ 94,057	\$ 4,250	\$ 821,078	(\$ 5,759)	(\$ 96,995)	\$ 2,730,909
Net income for the three months ended March 31, 2022	-	-	-	-	-	104,884	-	-	104,884
Other comprehensive income(loss)for the three months ended March 31, 2022	-	-	-	-	-	-	2,866	-	2,866
Total comprehensive income(loss)for the three months ended March 31, 2022	-	-	-	-	-	104,884	2,866	-	107,750
Issuance of ordinary shares under employee share options	-	-	796	-	-	-	-	-	796
BALANCE, MARCH 31, 2022	<u>78,153</u>	<u>\$ 781,529</u>	<u>\$ 1,133,545</u>	<u>\$ 94,057</u>	<u>\$ 4,250</u>	<u>\$ 925,962</u>	<u>(\$ 2,893)</u>	<u>(\$ 96,995)</u>	<u>\$ 2,839,455</u>

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

	Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 122,130	\$ 138,085
Adjustments for:		
Depreciation expense	25,334	25,287
Amortization expense	1,492	1,752
Finance costs	845	915
Interest income	(869)	(1,354)
Share-based compensation	796	-
Gain on disposal of property, plant and equipment	(4,408)	-
Write downs of inventories	4,609	(9,644)
Net loss (gain) on foreign currency exchange	(2,529)	(5,804)
Changes in operating assets and liabilities		
Accounts receivable	(14,993)	23,510
Other receivables	(20,895)	-
Inventories	(387,431)	25,784
Prepayments and other current assets	19,876	425
Contract liabilities	100,433	1,095
Accounts payable	(44,548)	6,638
Accounts payables to related parties	-	(38,044)
Accrued expenses and other current liabilities	(20,014)	(19,229)
Refund liability	29,050	4
Cash generated from operations	(191,122)	149,420
Income tax paid	(832)	(1,076)
Net cash generated from (used in) operating activities	(191,954)	148,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(91,241)
Proceeds from financial assets at amortized cost	30,414	1,548
Payments of property, plant and equipment	(14,234)	(13,014)
Increase in refundable deposits	(757)	(2,400)
Payments for intangible assets	(3,373)	(2,215)
Payments for right-of-use assets	(594)	(502)
Interest received	869	1,354
Net cash generated from (used in) investing activities	12,325	(106,470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term loans	(50,000)	-
Repayment of the principal portion of lease liabilities	(1,607)	(1,908)
Exercise of employee share options	-	164
Interest paid	(845)	(915)
Net cash generated from (used in) financing activities	(52,515)	(2,659)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	6,765	7,633
NET INCREASE(DECREASE) IN CASH	(225,379)	46,848
CASH AT THE BEGINNING OF PERIOD	919,634	547,597
CASH AT THE END OF PERIOD	\$ 694,255	\$ 594,445

SILICON OPTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 04, 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)

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

- b. 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”	Undecided
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
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2022 (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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC (collectively, “Taiwan-IFRSs”).

b. Basis of preparation

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

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

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Refer to Notes 10 and 30 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 176	\$ 172	\$ 351
Bank deposits	694,079	781,062	473,276
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits in banks	-	138,400	120,818
	<u>\$ 694,255</u>	<u>\$ 919,634</u>	<u>\$ 594,445</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Time deposits	-	0.35%	0.30%-0.41%

7. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Time deposit with original maturities of more than 3 months (a)	\$ <u>509,012</u>	\$ <u>538,582</u>	\$ <u>851,141</u>
<u>Non-current</u>			
Pledged time deposits (a and c)	\$ <u>3,512</u>	\$ <u>3,512</u>	\$ <u>2,500</u>

- The interest rates rangess of time deposits with original maturities of more than 3 months were 0.08%-2.45%、0.08%-2.45% and 0.08%-2.40% per annum as of March 31, 2022、December 31, 2021 and March 31, 2021, respectively.
- Refer to Note 25 for information relating to their credit risk management and impairment of financial assets at amortized cost.
- Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

8.ACCOUNTS RECEIVABLE

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Accounts receivable - unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 30,437	\$ 14,680	\$ 9,681
Less: Allowance for impairment loss	-	-	-
	\$ <u>30,437</u>	\$ <u>14,680</u>	\$ <u>9,681</u>
<u>Other receivables</u>	\$ <u>438,786</u>	\$ -	\$ -

(I) Accounts receivable

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.

March 31, 2022

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 7,771	\$ 22,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,437
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	\$ 7,771	\$ 22,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,437

December 31, 2021

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

March 31, 2021

	Not Past Due	Past Due Up to 60 Days	Past Due 61 ~90 Days	Past Due 91 ~120 Days	Past Due 121~150 Days	Past Due 151~180 Days	Past Due Over 181 Days	Total
Gross carrying amount	\$ 702	\$ 8,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,681
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	\$ 702	\$ 8,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,681

(II) Other receivables

Other receivables are mainly from the sell of equipment.

9. INVENTORIES

	March 31, 2022	December 31, 2021	March 31, 2021
Finished goods	\$ 1,284,457	\$ 814,864	\$ 399,997
Work in progress	613,113	698,577	431,147
Raw materials	2,313	3,620	2,239
Balance at March 31	<u>\$ 1,899,883</u>	<u>\$ 1,517,061</u>	<u>\$ 833,383</u>

The cost of goods sold of March 31, 2022 and 2021, which included inventory write-downs of \$4,609 thousand and \$(9,644) 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		
			March 31, 2022	December 31, 2021	March 31, 2021
Silicon Optronics, Inc.	NUEVA IMAGING, INC. ("NUEVA")	Research and development and design of high order CMOS Image Sensor products	100%	100%	100%
	Silicon Optronics (Cayman) Co., Ltd. ("Silicon Cayman")	Investment business	100%	100%	100%
Silicon Optronics (Cayman) Co., Ltd.	Silicon Optronics (Shanghai) Co., Ltd.	Design, development and testing of integrated circuits and related electronic products, technical service consultation and transfer of R&D results	100%	100%	100%

Except for US NUEVA which fulfills the definition of a major subsidiary per Article 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public

Accountants, the remaining entities are non-major subsidiaries Silicon Optronics (Shanghai) Co., Ltd. is an immaterial subsidiary; its financial statements have not been reviewed.

11. PROPERTY, PLANT AND EQUIPMENT

	Testing Equipment	R&D Equipment	Molding Equipment	Computer	Office Equipment	Photomasks	Total
Cost							
Balance at January 1, 2022	\$ 1,246	\$ 473,084	\$ 13,659	\$ 1,109	\$ 1,623	\$ 124,048	\$ 614,769
Additions	-	-	-	-	-	6,589	6,589
Disposal	-	(473,084)	-	-	-	(20,102)	(493,186)
Reclassified	-	-	(88)	-	-	-	(88)
Effect of exchange rate changes	13	-	-	37	56	-	106
Balance at March 31, 2022	<u>\$ 1,259</u>	<u>\$ -</u>	<u>\$ 13,571</u>	<u>\$ 1,146</u>	<u>\$ 1,679</u>	<u>\$ 110,535</u>	<u>\$ 128,190</u>
Accumulated depreciation							
Balance at January 1, 2022	\$ 535	\$ 52,564	\$ 5,867	\$ 856	\$ 1,519	\$ 64,946	\$ 126,287
Depreciation expense	54	7,037	941	35	8	15,101	23,176
Disposal	-	(59,061)	-	-	-	(20,102)	(79,703)
Effect of exchange rate changes	10	-	-	31	53	-	94
Balance at March 31, 2022	<u>\$ 599</u>	<u>\$ -</u>	<u>\$ 6,808</u>	<u>\$ 922</u>	<u>\$ 1,580</u>	<u>\$ 59,945</u>	<u>\$ 69,854</u>
Accumulated impairment							
Balance at January 1, 2022 and March 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2022	<u>\$ 711</u>	<u>\$ 450,520</u>	<u>\$ 6,609</u>	<u>\$ 253</u>	<u>\$ 104</u>	<u>\$ 59,102</u>	<u>\$ 487,299</u>
Balance at March 31, 2022	<u>\$ 660</u>	<u>\$ -</u>	<u>\$ 5,580</u>	<u>\$ 224</u>	<u>\$ 99</u>	<u>\$ 50,590</u>	<u>\$ 57,153</u>
Cost							
Balance at January 1, 2021	\$ 1,584	\$ 473,084	\$ 12,665	\$ 1,153	\$ 1,665	\$ 108,800	\$ 598,951
Additions	74	-	746	-	-	14,069	14,889
Disposal	(306)	-	(410)	-	(29)	(12,583)	(13,328)
Effect of exchange rate changes	(2)	-	-	(8)	2	-	(8)
Balance at March 31, 2021	<u>\$ 1,350</u>	<u>\$ 473,084</u>	<u>\$ 13,001</u>	<u>\$ 1,145</u>	<u>\$ 1,638</u>	<u>\$ 110,286</u>	<u>\$ 600,504</u>
Accumulated depreciation							
Balance at January 1, 2021	\$ 1,260	\$ 21,026	\$ 4,643	\$ 846	\$ 1,556	\$ 55,325	\$ 84,656
Depreciation expense	70	7,885	894	42	9	14,261	23,161
Disposal	(306)	-	(410)	-	(29)	(12,583)	(13,328)
Effect of exchange rate changes	(2)	-	-	(6)	2	-	(6)
Balance at March 31, 2021	<u>\$ 1,022</u>	<u>\$ 28,911</u>	<u>\$ 5,127</u>	<u>\$ 882</u>	<u>\$ 1,538</u>	<u>\$ 57,003</u>	<u>\$ 94,483</u>
Accumulated impairment							
Balance at January 1, 2021 and March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183</u>
Balance at January 1, 2021	<u>\$ 324</u>	<u>\$ 452,058</u>	<u>\$ 6,839</u>	<u>\$ 307</u>	<u>\$ 109</u>	<u>\$ 53,475</u>	<u>\$ 513,112</u>
Balance at March 31, 2021	<u>\$ 328</u>	<u>\$ 444,173</u>	<u>\$ 6,691</u>	<u>\$ 263</u>	<u>\$ 100</u>	<u>\$ 53,283</u>	<u>\$ 504,838</u>

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

Testing equipment	2-5 years
Molding equipment	3 years
Computers	3 years
Office equipment	5 years
Photomasks	2 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount			
Buildings	<u>\$ 7,182</u>	<u>\$ 8,357</u>	<u>\$ 15,432</u>
Three Months Ended March 31			
	2022	2021	
Additions to right-of-use assets	<u>\$ 594</u>	<u>\$ 502</u>	
Depreciation charge for right-of-use assets			
Buildings	<u>\$ 2,158</u>	<u>\$ 2,126</u>	

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

b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Current	\$ 6,311	\$ 6,674	\$ 7,672
Non-current	\$ -	\$ 1,215	\$ 7,529

The discount rate for lease liabilities was as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Buildings	1%	1%	1%

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

The Group did not have significant new lease contracts in March 31, 2022 and 2021. The Group leases buildings for the use of offices with lease terms of 3-4 years. The Group does not have bargain purchase options to acquire the buildings at the expiry of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	Three Months Ended March 31	
	2022	2021
Expenses relating to short-term leases	\$ 117	\$ 126
Expenses relating to low-value asset leases	\$ 12	\$ 19
Total cash outflow for leases	(\$ 1,817)	(\$ 2,093)

13. INTANGIBLE ASSETS

	Patents	Software	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 13,771	\$ 21,936	\$ 35,707
Additions	-	3,373	3,373
Effect of exchange rate changes	470	706	1,176
Balance at March 31, 2022	\$ 14,241	\$ 26,015	\$ 40,256
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 11,246	\$ 19,003	\$ 30,249
Amortization expense	696	796	1,492
Effect of exchange rate changes	400	648	1,048
Balance at March 31, 2022	\$ 12,342	\$ 20,447	\$ 32,789
Balance at January 1, 2022	\$ 2,525	\$ 2,933	\$ 5,458
Balance at March 31, 2022	\$ 1,899	\$ 5,568	\$ 7,467
<u>Cost</u>			
Balance at January 1, 2021	\$ 14,169	\$ 25,877	\$ 40,046
Additions	-	2,215	2,215
Effect of exchange rate changes	27	39	66
Balance at March 31, 2021	\$ 14,196	\$ 28,131	\$ 42,327
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ 8,738	\$ 23,524	\$ 32,262
Amortization expense	705	1,047	1,752
Effect of exchange rate changes	21	36	57

Balance at March 31, 2021	\$ 9,464	\$ 24,607	\$ 34,071
Balance at January 1, 2021	\$ 5,431	\$ 2,353	\$ 7,784
Balance at March 31, 2021	\$ 4,732	\$ 3,524	\$ 8,256

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 March 31, 2021 and 2022.

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

Patents	3-7 years
Software	1-3 years

14. OTHER ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Prepaid income tax	\$ 53,324	\$ 52,265	\$ 38,893
Tax receivables of business tax	11,042	30,605	18,880
Prepayments for purchases	1,406	2,322	2,374
Others	832	1,288	858
	<u>\$ 66,604</u>	<u>\$ 86,480</u>	<u>\$ 61,005</u>
<u>Non-current</u>			
Refundable deposits	\$ 86,794	\$ 83,276	\$ 4,183
Net defined benefit assets	1,472	1,472	1,374
	<u>\$ 88,221</u>	<u>\$ 84,703</u>	<u>\$ 5,557</u>

15. LONG-TERM LOAN

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Secured loan (Note 27)</u>			
Bank loan	\$ 300,000	\$ 350,000	\$ 350,000
Less: Current portion(I)	50,000	100,000	-
Long-term loan	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 350,000</u>

In the year ended December 31, 2020, the Group acquired new bank loan facilities in the amount of \$350,000 thousand, with a floating interest rate of 0.99078% per annum. Interest is paid

monthly, and the principal is to be repaid in seven equal semiannual installments starting from April 2022. The loan is to be repaid before April 1, 2025. However, the aforesaid loan has been repaid in advance on may3, 2022.

(I) The group were repaying the first period of principal payable on March 10, 2022.

16. OTHER LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Other payables			
Payables for bonuses	\$ 94,139	\$ 114,094	\$ 21,598
Payables for employees' compensation	89,220	78,500	40,660
Payables for purchases of equipment	2,613	10,222	7,196
Payables for remuneration of directors	1,570	10,000	1,410
Payables for processing	890	861	888
Others	12,694	15,167	11,882

Other liabilities	201,126	228,844	83,634
Receipts under custody	<u>275</u>	<u>151</u>	<u>151</u>
	<u>\$ 201,401</u>	<u>\$ 228,995</u>	<u>\$ 83,785</u>
	March 31, 2022	December 31, 2021	March 31, 2021
Refund liabilities (a)	<u>\$ 46,168</u>	<u>\$ 17,118</u>	<u>\$ 4</u>

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

17. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2022 and 2021, the pension expenses of defined benefit plans were \$5 thousand and \$12 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020, respectively.

18. EQUITY

a. Common stock

	March 31, 2022	December 31, 2021	March 31, 2021
Numbers of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>78,153</u>	<u>78,153</u>	<u>78,111</u>
Shares issued	<u>\$ 781,529</u>	<u>\$ 781,529</u>	<u>\$ 781,109</u>

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

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of ordinary shares	\$ 1,115,462	\$ 1,115,462	\$ 1,114,541
<u>May be used to offset a deficit only</u>			
Arising from employee share options exercised price	12,286	12,286	12,270
<u>May not be used for any purpose</u>			
Arising from employee share options	<u>5,797</u>	<u>5,001</u>	<u>5,017</u>
	<u>\$ 1,133,545</u>	<u>\$ 1,132,749</u>	<u>\$ 1,131,828</u>

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

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

	Premium on Issue of Shares	Arising from Employee Share	Total
	<u> </u>	<u> </u>	<u> </u>

		Options	
Balance at January 1, 2021	\$ 1,114,427	\$ 17,287	\$ 1,131,714
Issuance of ordinary shares under employee share options	<u>114</u>	<u>-</u>	<u>114</u>
Balance at March 31, 2021	<u>\$ 1,114,541</u>	<u>\$ 17,287</u>	<u>\$ 1,131,828</u>
Balance at January 1, 2022	\$ 1,115,462	\$ 17,287	\$ 1,132,749
Issuance of ordinary shares under employee share options	<u>-</u>	<u>796</u>	<u>796</u>
Balance at March 31, 2022	<u>\$ 1,115,462</u>	<u>\$ 18,083</u>	<u>\$ 1,133,545</u>

c. Retained earnings and dividend policy

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

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

The appropriations of earnings for 2021 and 2020, which had been approved and resolved by the board of directors' meeting and shareholders' meeting on March 16, 2022 and July 1, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ <u>74,107</u>	\$ <u>28,146</u>
Special reserve	\$ <u>1,509</u>	\$ <u>1,885</u>
Cash dividends	\$ <u>270,035</u>	\$ <u>215,897</u>
Dividends per share (NT\$)	\$ 3.5	\$ 2.8

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

	Three Months Ended March 31	
	2022	2021
Balance, beginning of year	(\$ 5,759)	(\$ 4,250)
Exchange differences on translation of the financial statements of foreign operations	<u>2,866</u>	<u>(111)</u>
Balance, end of year	<u>(\$ 2,893)</u>	<u>(\$ 4,361)</u>

e. Treasury shares

	March 31, 2022	December 31, 2021	March 31, 2021
	<u> </u>	<u> </u>	<u> </u>

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

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

19. REVENUE

	Three Months Ended March 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 682,138	\$ 923,232
Others	<u>-</u>	<u>127</u>
	<u>\$ 682,138</u>	<u>\$ 923,359</u>

a. Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Accounts receivable (Note 8)	<u>\$ 30,437</u>	<u>\$ 14,680</u>	<u>\$ 9,681</u>	<u>\$ 32,842</u>
Contract liabilities - current				
Sale of goods	<u>\$ 136,619</u>	<u>\$ 35,139</u>	<u>\$ 17,065</u>	<u>\$ 15,490</u>

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

	Three Months Ended March 31	
	2022	2021
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 27,852</u>	<u>\$ 5,754</u>

b. Disaggregation of revenue

	Three Months Ended March 31	
	2022	2021
<u>Primary geographical markets</u>		
Hong Kong	\$ 578,863	\$ 817,398
Taiwan (the Group's operating location)	46,512	44,227
Others	<u>56,763</u>	<u>61,734</u>
	<u>\$ 682,138</u>	<u>\$ 923,359</u>
<u>Major goods</u>		
CMOS	\$ 674,111	\$ 918,759
Others	<u>8,027</u>	<u>4,600</u>
	<u>\$ 682,138</u>	<u>\$ 923,359</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	Three Months Ended March 31	
	2022	2021
Bank deposit	\$ 442	\$ 190
Financial assets at amortized cost	425	1,162
Others	<u>2</u>	<u>2</u>
	<u>\$ 869</u>	<u>\$ 1,354</u>

b. Other income

	Three Months Ended March 31	
	2022	2021

	Three Months Ended March 31	
	2022	2021
Other	\$ 37	\$ -
c. Other gains and losses		
	Three Months Ended March 31	
	2022	2021
Net foreign exchange gain	\$ 5,988	\$ 3,078
Gain on disposal of [property, plant and equipment	4,408	-
Other losses	-	(31)
	<u>\$ 10,396</u>	<u>\$ 3,047</u>
d. Finance costs		
	Three Months Ended March 31	
	2022	2021
Interest on bank loans	\$ 827	\$ 875
Interest on lease liabilities	18	40
	<u>\$ 845</u>	<u>\$ 915</u>
e. Depreciation and amortization		
	Three Months Ended March 31	
	2022	2021
Property, plant and equipment	\$ 23,176	\$ 23,161
Right-of-use assets	2,158	2,126
Intangible assets	1,492	1,752
Total	<u>\$ 26,826</u>	<u>\$ 27,039</u>
An analysis of depreciation by function		
Operating costs	\$ 4,862	\$ 4,699
Operating expenses	20,472	20,588
	<u>\$ 25,334</u>	<u>\$ 25,287</u>
An analysis of amortization by function		
Research and development expenses	\$ 1,492	\$ 1,752
f. Employee benefits expense		
	Three Months Ended March 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 757	\$ 791
Defined benefit plans	5	12
	762	803
Other employee benefits	62,966	64,869
Total employee benefits expense	<u>\$ 63,728</u>	<u>\$ 65,672</u>
An analysis of employee benefits expense by function		
Operating expenses	\$ 63,728	\$ 65,672
g. Employees' compensation and remuneration of directors		

According to the Company's Articles, the Company accrued employees' compensation at a rate of no less than 0.005% and no higher than 25%, and remuneration of directors and supervisors at rate of no higher than 3%. The employees' compensation and remuneration of directors for the three months ended March 31, 2021 and 2020, were as follows:

Accrual rate

	Three Months Ended March 31	
	2022	2021
Employees' compensation	7.99%	7.98%
Remuneration of directors and supervisors	1.49%	0.93%

Amount

	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 10,720	\$ 12,090
Remuneration of directors and supervisors	\$ 1,570	\$ 1,410

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. The appropriations of employees' compensation and remuneration of directors and supervisors for 2021 and 2020 that were resolved by the board of directors on March 16, 2022 and March 10, 2021, respectively, are as shown below:

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

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, 2021 and 2020.

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:

	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 16,460	\$ 17,320
Adjustments for prior years	351	396
Deferred tax		
In respect of the current year	435	2,337
Income tax expense recognized in profit or loss	<u>\$ 17,246</u>	<u>\$ 20,053</u>

b. 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

	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share	\$ 1.36	\$ 1.53
Diluted earnings per share	<u>\$ 1.35</u>	<u>\$ 1.52</u>

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

Net Profit for the Year

	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic earnings per share	\$ 104,884	\$ 118,032

Effect of potentially dilutive ordinary shares:		
Employee share options	-	-
Bonuses issued to employees	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 104,884</u>	<u>\$ 118,032</u>

Number of shares

	Unit: In Thousands of Shares	
	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	77,153	77,106
Effect of potentially dilutive ordinary shares:		
Employee share options	-	3
Bonuses issued to employees	<u>793</u>	<u>298</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>77,946</u>	<u>77,407</u>

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, 2022, 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:

	2021 Employee Share Option Plan		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\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
For the Three Months Ended March 31, 2022						
Balance at January 1	-	-	55	\$ 32.21	603	\$ 17.20
Options exercised	<u>16</u>	103.50	-	-	-	-
Option expired	<u>-</u>	-	<u>55</u>	32.21	<u>603</u>	17.20
Balance at March 31	<u>16</u>	103.50	<u>55</u>		<u>603</u>	
For the Three Months Ended March 31, 2021						
Balance at January 1			100	\$ 33.00	605	\$ 17.17
Options exercised			(5)	32.21	-	-
Option expired			<u>95</u>	32.21	<u>605</u>	17.17
Balance at March 31			<u>95</u>		<u>605</u>	

Information on outstanding options as follows:

March 31, 2022			December 31, 2021			March 31, 2021		
Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In	Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In	Share Option Plan	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (In

	Years)				Years)				Years)		
2013 Employee share option plan	\$	32.21	1.37	2013 Employee share option plan	\$	32.21	1.62	2013 Employee share option plan	\$	32.21	2.37
2012 Employee share option plan		10.25-19.03	0.57	2012 Employee share option plan		10.25-19.03	0.82	2012 Employee share option plan		10.25-19.30	1.57

The resolution for the granting of the 2022 employee share options was passed in the board of directors' meeting on July 1, 2021, 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\$)	\$103.5
Exercise price (NT\$)	\$103.5
Expected volatility	43.11%-39.21%
Expected life	2.5-4.5 years
Expected dividend yield	-
Risk-free interest rate	0.79%-0.92%
Fair value of stock options	30.73

The cost of share-based compensation from January 1, to March 31, 2022 is \$796 thousand

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 1,762,796	\$ 1,559,684	\$ 1,461,950
<u>Financial liabilities</u>			
Amortized cost (Note 2)	616,429	713,581	604,273

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), and long-term debt.

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 98% 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 29.

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 three months ended March 31, 2022 and 2021 would decrease/increase by \$1,037 thousand and \$1,400 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.

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value interest rate risk			
Financial assets	\$ 512,524	\$ 680,494	\$ 974,459
Cash flow interest rate risk			
Financial assets	694,069	781,052	473,266
Financial liabilities	300,000	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 three months ended March 31, 2022 and 2021 would have increased/decreased by \$493 thousand and \$154 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.

March 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
Non-derivative financial liabilities				
Lease liabilities	\$ 568	\$ 1,135	\$ 4,541	\$ -
Accounts payable	244,164	68,762	-	-
Payables for processing	-	890	-	-
Payables for purchases of equipment	998	1,615	-	-
Long-term loans	179	495	52,023	252,683
	<u>\$ 245,909</u>	<u>\$ 72,897</u>	<u>\$ 56,564</u>	<u>\$ 252,683</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 6,244	\$ -	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>52,697</u>	<u>252,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 58,941</u>	<u>\$ 252,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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				

<u>liabilities</u>				
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 loans	289	578	102,189	253,304
	<u>\$ 275,327</u>	<u>\$ 90,801</u>	<u>\$ 107,231</u>	<u>\$ 254,424</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	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	<u>103,056</u>	<u>253,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 109,778</u>	<u>\$ 254,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years
<u>Non-derivative financial liabilities</u>				
Leas liabilities	\$ 649	\$ 1,297	\$ 5,839	\$ 7,136
Accounts payable	104,157	24,060	-	-
Accounts payable - related parties	95,295	22,677	-	-
Payables for processing	-	888	-	-
Payables for purchases of equipment	3,403	3,793	-	-
Long-term loans	288	575	2,588	355,464
	<u>\$ 203,792</u>	<u>\$ 53,290</u>	<u>\$ 8,427</u>	<u>\$ 362,600</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 7,785	\$ 7,136	\$ -	\$ -	\$ -	\$ -
interest rate liabilities	<u>3,451</u>	<u>355,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,236</u>	<u>\$ 362,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Secured bank overdraft facilities:			
Amount used	\$ 350,000	\$ 350,000	\$ 350,000
Amount unused	<u>100,000</u>	<u>100,000</u>	<u>250,000</u>
	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 600,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Purchases

<u>Related Party Category</u>	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Substantive related parties		
Powerchip Semiconductor Manufacturing Corp.	\$ -	\$ 364,865

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

c. Accounts payable to related parties

<u>Related Party Category</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Substantive related parties			
Powerchip Semiconductor Manufacturing Corp.	\$ -	\$ -	\$ 117,972

d. Remuneration of key management personnel

	<u>Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 16,139	\$ 9,203

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:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Property, plant and equipment - R&D equipment	\$ -	\$ 450,520	\$ 444,173
Pledged time deposits (classified as financial assets a amortized cost-noncurrent)	3,512	3,512	2,500
	<u>\$ 3,512</u>	<u>\$ 424,032</u>	<u>\$ 446,673</u>

28. SIGNIFICANT SUBSEQUENT EVENTS

On April 12, 2022, the company received the public acquisition Aegis Co., Ltd. (hereinafter referred to as the "public purchaser") to publicly acquire the company's ordinary shares of the notice and public acquisition declaration form, and immediately pursuant to the "public acquisition public offering" According to the provisions of Article 14 of the "Measures for the Administration of the Company's Negotiable Securities", to verify the identity and financial status of the public bidder, the fairness of the acquisition conditions, and the rationality of the source of funds for the acquisition, and to provide advice to the company's shareholders on this acquisition, which has been completed.

29. 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:

March 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,991	28.625(USD:NTD)	\$ 544,756
CNY	2,295	4.506(RMB:NTD)	10,341
			<u>\$ 555,097</u>
<u>Financial liabilities</u>			
Monetary items			
USD	15,407	28.625(USD:NTD)	\$ 441,036

December 31, 2021

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

March 31, 2021

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 13,608	28.535(USD:NTD)	\$ 387,167
CNY	2,249	4.344(RMB:NTD)	9,771
			<u>\$ 396,938</u>
<u>Financial liabilities</u>			
Monetary items			
USD	8,663	28.535(USD:NTD)	\$ 247,206

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:

	<u>Three Months Ended March 31</u>			
	<u>2022</u>		<u>2021</u>	
<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>
NTD	1 (NTD:NTD)	\$ 5,808	1 (NTD:NTD)	\$ 2,473
CNY	4.506 (CNY:NTD)	(46)	4.344 (CNY:NTD)	(61)
USD	28.625 (USD:NTD)	226	28.535 (USD:NTD)	666
		<u>\$ 5,988</u>		<u>\$ 3,078</u>

29. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
 - 1) Financing provided to others: None;
 - 2) Endorsements/guarantees provided: None;
 - 3) Marketable securities held (excluding investments in subsidiaries): None;
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 1;
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;

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

30. SEGMENT INFORMATION

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

The segment revenues and operating results for the three months ended March 31, 2022 and 2021 are shown in the consolidated income statements for the three months ended March 31, 2022 and 2021. The segment assets as of March 31, 2022, December 31, 2021 and March 31, 2021 are shown in the consolidated balance sheets as of March 31, 2022, December 31, 2021 and March 31, 2021.

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 THREE MONTHS ENDED March 31, 2022
(In Thousands of New Taiwan Dollars)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Silicon Optronics, Inc.	BSI equipment	2022.03.16	2020.05.01	\$ 413,483	\$ 417,891	Payment Received after the period	\$ 4,408	Powerchip Semiconductor Manufacturing Corp.	Non-related parties	Payment Received after the period	\$ 417,891	NA

Note 1: If the assets to be disposed of should be appraised according to regulations, the appraisal result should be indicated in the column "Reference Basis for Price Decision".

Note 2: Paid in capital refers to the paid in capital of the parent company. Where the issuer's shares have no par value or the par value per share is not NT \$10, the transaction amount of 20% of the paid in capital shall be calculated as 10% of the equity attributable to the owners of the parent company on the balance sheet.

Note 3: The date of occurrence of the fact refers to the date when the transaction is signed, the date of payment, the date of entrusted transaction, the date of transfer, the date of resolution of the board of directors, or any other date that is sufficient to determine the transaction object and transaction amount.

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE THREE MONTHS ENDED March 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statement Item	2022		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Silicon Optronics, Inc.	NUEVA IMAGING INC.	1	Technical service expense	\$ 11,580	2%	-
	NUEVA IMAGING INC.	1	Other payable from related parties	10,490	-	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Technical service expense	20,707	3%	-
	Silicon Optronics (Shanghai) Co., Ltd.	1	Other payable from related parties	7,068	-	-

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

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

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

March 31, 2022

(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 March 31, 2022			Net Income of Investee Accounted for using the Equity Method	Investment Income	Note
				March 31, 2022	December 31, 2021	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	\$ 248,068	\$ 760	\$ 760	Subsidiary
	Silicon Optronics (Cayman) Co., Ltd.	Cayman Islands	Investment holding company	5,237	5,237	170	100	35,462	1,985	1,985	Subsidiary

SILICON OPTRONICS, INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED March 31, 2022
(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 March 31, 2021 (US\$ in Thousands)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 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	\$ 5,009 (US\$ 175 thousand)	\$ -	\$ -	\$ 5,009 (US\$ 175 thousand)	\$ 1,985	100	\$ 1,985	\$ 35,462	\$ -	

Accumulated Outward Remittance for Investment in Mainland China as of March 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)
\$ 5,009 (US\$ 175 thousand)	Note 1	\$ 1,703,673

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 March 31, 2022.

TABLE 5**SILICON OPTRONICS, INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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

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

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