

ELITE SEMICONDUCTOR MICROELECTRONICS
TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Independent Auditors' Report

December 31, 2021 and 2020

(Stock Code: 3006)

(English Translation of a Report Originally Issued in Chinese)

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Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report for
December 31, 2021 and 2020
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Elite Semiconductor Microelectronics Technology Inc.

Representation Letter of Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the combined financial statements of Elite Semiconductor Microelectronics Technology Inc. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Elite Semiconductor Microelectronics Technology Inc.

By

Hsing-Hai Chen

Chairman

February 25, 2022

Independent Auditors' Report

(2022) Finance-Audit-Letter No.21003671

To the Board of Directors and Shareholders of Elite Semiconductor Microelectronics Technology Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Elite Semiconductor Microelectronics Technology Inc. and its subsidiaries (the“ Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Evaluation of inventories

Description

Refer to Note 4 (13) for the accounting policies on the evaluation of inventories, Note 5 (2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Note 6 (5) for the Details of inventory. As at December 31,2021, the inventory and allowance for inventory valuation loss amounted to NT\$5,401,972 thousand and NT\$26,287 thousand.

The Group is primarily engaged in research, development, production, manufacture, and sales of integrated circuit. The Group evaluates inventories stated at lower of cost and net realizable value. Since the evaluation of net realizable value of the inventories exceed specific period and obsolete inventories is subject to management's judgment and uncertainty of estimations. Consequently, we consider the evaluation of inventories as a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above key audit matter included assessed the rationality of policy and procedure on allowance for inventory valuation loss based on our understanding of the Group's operations and industry, the historical data of product marginalization in the market and judged the rationality of obsolete inventories. We inspected the appropriateness of inventory aging report to confirm the consistency of report and policy, selected samples to compare the historical data of product marginalization in the market which determine the net realizable value of the obsolete inventories and net realizable value of the obsolete inventories to assessed the rationality of the allowance for inventory valuation loss.

Other matter—Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Elite Semiconductor Microelectronics Technology Inc. as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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;
- B. 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;
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- D. 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- E. 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; and

F. Obtain sufficient appropriate audit evidence regarding the financial information of the 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 of the current year and are therefore the key audit matters. We describe these matters in our auditor's 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.

Cheng, Ya-Huei

Li, Tien-Yi

for and on behalf of PricewaterhouseCoopers, Taiwan

February 25, 2022

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$ thousand

Assets		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 9,790,722	48	\$ 3,597,917	28
1110	Financial assets at fair value through profit or loss - current	6(2)	359,686	2	365,474	3
1136	Financial assets at amortized cost - current		110,720	-	136,704	1
1170	Accounts receivable, net	6(4)	1,989,419	10	1,633,993	12
1200	Other receivables		116,462	1	95,830	1
130X	Inventories	6(5)	5,375,685	27	5,969,330	46
1410	Prepayments		69,113	-	27,602	-
1470	Other current assets		170	-	5,197	-
11XX	Total current assets		17,811,977	88	11,832,047	91
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	35,394	-	64,836	-
1550	Investment accounted for under the equity method	6(6)	51,812	-	33,883	-
1600	Property, plant and equipment	6(7)	1,302,287	7	776,598	6
1755	Right-of-use assets	6(8)	73,549	-	80,782	1
1760	Investment property, net	6(9)	16,731	-	17,701	-
1780	Intangible assets	6(10) (11)	83,825	1	111,688	1
1840	Deferred income tax assets	6(27)	3,116	-	3,813	-
1900	Other non-current assets	6(12) 8	858,688	4	79,000	1
15XX	Total non-current assets		2,425,402	12	1,168,301	9
1XXX	Total assets		\$ 20,237,379	100	\$ 13,000,348	100

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020

Unit: NT\$ thousand

Liabilities and equity		Note	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 1,700,000	8	\$ 1,340,000	10
2110	Short-term notes and bills payable		-	-	149,756	1
2130	Contract liabilities - current	6(20)	21,399	-	5,346	-
2150	Notes payable		2,205	-	2,115	-
2170	Accounts payable		2,980,701	15	2,396,158	19
2200	Other payables	6(14)	1,832,840	9	694,001	5
2230	Current income tax liabilities		911,140	5	147,948	1
2280	Lease liabilities - current		11,501	-	10,356	-
2300	Other current liabilities		7,919	-	10,478	-
21XX	Total current liabilities		<u>7,467,705</u>	<u>37</u>	<u>4,756,158</u>	<u>36</u>
Non-current liabilities						
2550	Provisions - non-current		18,040	-	16,495	-
2570	Deferred income tax liabilities	6(27)	15,455	-	12,442	-
2580	Lease liabilities – non-current		63,328	-	71,281	1
2600	Other non-current liabilities	6(15)	13,291	-	14,689	-
25XX	Total non-current liabilities		<u>110,114</u>	<u>-</u>	<u>114,907</u>	<u>1</u>
2XXX	Total liabilities		<u>7,577,819</u>	<u>37</u>	<u>4,871,065</u>	<u>37</u>
Equity attributable to owners of the parent						
	Share capital	6(17)				
3110	Common stock		2,861,570	14	2,857,589	22
	Capital surplus	6(18)				
3200	Capital surplus		181,329	1	109,677	1
	Retained earnings	6(19)				
3310	Legal reserve		1,516,762	8	1,409,039	11
3320	Special reserve		-	-	8,524	-
3350	Unappropriated retained earnings		8,323,076	41	4,019,327	31
	Other equity interest					
3400	Other equity interest		(23,906)	-	5,536	-
3500	Treasury shares	6(17)	(137,416)	(1)	(145,649)	(1)
31XX	Total equity attributable to owners of the parent		<u>12,721,415</u>	<u>63</u>	<u>8,264,043</u>	<u>64</u>
36XX	Non-controlling interest		<u>(61,855)</u>	<u>-</u>	<u>(134,760)</u>	<u>(1)</u>
3XXX	Total equity		<u>12,659,560</u>	<u>63</u>	<u>8,129,283</u>	<u>63</u>
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	9				
	Significant Events after the End of the Balance Sheet Date	11				
3X2X	Total liabilities and equity		\$ 20,237,379	100	\$ 13,000,348	100

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended December 31, 2021 and 2020

Unit: NT\$ thousand
(Except earnings per share)

	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6(20)	\$ 23,844,898	100	\$ 15,267,139	100
5000	Operating costs	6(5)(25)(26)	(15,128,779)	(63)	(12,618,097)	(83)
5950	Gross profit		<u>8,716,119</u>	<u>37</u>	<u>2,649,042</u>	<u>17</u>
	Operating expenses	6(25)(26)				
6100	Selling expenses		(483,319)	(2)	(271,045)	(2)
6200	Administrative expenses		(576,825)	(2)	(290,943)	(2)
6300	Research and development expenses		(1,786,681)	(8)	(940,851)	(6)
6450	Expected credit impairment gain	12(2)	<u>5,713</u>	<u>-</u>	<u>8,582</u>	<u>-</u>
6000	Total operating expenses		<u>(2,841,112)</u>	<u>(12)</u>	<u>(1,494,257)</u>	<u>(10)</u>
6900	Operating profit		<u>5,875,007</u>	<u>25</u>	<u>1,154,785</u>	<u>7</u>
	Non-operating income and expenses					
7100	Interest income	6(21)	33,234	-	27,412	-
7010	Other income	6(22)	48,630	-	26,505	-
7020	Other gains or losses	6(23)	26,526	-	55,852	1
7050	Financial costs	6(24)	(20,432)	-	(11,527)	-
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)	<u>17,929</u>	<u>-</u>	<u>673</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>105,887</u>	<u>-</u>	<u>98,915</u>	<u>1</u>
7900	Profit before income tax		<u>5,980,894</u>	<u>25</u>	<u>1,253,700</u>	<u>8</u>
7950	Income tax expenses	6(27)	(940,874)	(4)	(169,259)	(1)
8200	Profit for the period		<u>\$ 5,040,020</u>	<u>21</u>	<u>\$ 1,084,441</u>	<u>7</u>
	Other comprehensive income (loss) - net					
	Items not reclassified to profit or loss					
8311	(Loss)Gain on remeasurements of defined benefit plans	6(15)	(\$ 949)	-	\$ 812	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	<u>(29,442)</u>	<u>-</u>	<u>14,060</u>	<u>-</u>
8300	Other comprehensive income (loss) - net		<u>(\$ 30,391)</u>	<u>-</u>	<u>\$ 14,872</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 5,009,629</u>	<u>21</u>	<u>\$ 1,099,313</u>	<u>7</u>
	Profit (loss) attributable to:					
8610	Owners of the parent		<u>\$ 4,976,211</u>	<u>21</u>	<u>\$ 1,076,426</u>	<u>7</u>
8620	Non-controlling interest		<u>\$ 63,809</u>	<u>-</u>	<u>\$ 8,015</u>	<u>-</u>
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		<u>\$ 4,945,820</u>	<u>21</u>	<u>\$ 1,091,298</u>	<u>7</u>
8720	Non-controlling interest		<u>\$ 63,809</u>	<u>-</u>	<u>\$ 8,015</u>	<u>-</u>
	Earnings per share	6(28)				
9750	Basic earnings per share		<u>\$ 17.76</u>		<u>\$ 3.85</u>	
9850	Diluted earnings per share		<u>\$ 17.63</u>		<u>\$ 3.83</u>	

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
Years ended December 31, 2021 and 2020

Unit: NT\$ thousand

		Equity attributable to owners of the parent									
		Retained earnings					Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Treasury share	Total	Non-controlling interest	Total equity
	Note	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
<u>2020</u>											
Balance at January 1, 2020		\$ 2,857,589	\$ 104,305	\$ 1,359,235	\$ -	\$ 3,286,176	(\$ 8,524)	(\$ 137,321)	\$ 7,461,460	(\$ 120,681)	\$ 7,340,779
Profit for the period		-	-	-	-	1,076,426	-	-	1,076,426	8,015	1,084,441
Other comprehensive income for the period		-	-	-	-	812	14,060	-	14,872	-	14,872
Comprehensive income for the period		-	-	-	-	1,077,238	14,060	-	1,091,298	8,015	1,099,313
Distribution of 2019 earnings	6(19)										
Legal reserve appropriated		-	-	49,804	-	(49,804)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(285,759)	-	-	(285,759)	-	(285,759)
Special reserve appropriated		-	-	-	8,524	(8,524)	-	-	-	-	-
Acquisition of company's share by subsidiary recognized as treasury share		-	-	-	-	-	-	(8,328)	(8,328)	(11,566)	(19,894)
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(18)	-	1,146	-	-	-	-	-	1,146	(10,396)	(9,250)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(18)	-	5,925	-	-	-	-	-	5,925	-	5,925
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(18) (29)	-	(1,781)	-	-	-	-	-	(1,781)	(132)	(1,913)
Expired cash dividends transferred to capital surplus	6(18)	-	82	-	-	-	-	-	82	-	82
Balance at December 31, 2020		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649)	\$ 8,264,043	(\$ 134,760)	\$ 8,129,283
<u>2021</u>											
Balance at January 1, 2021		\$ 2,857,589	\$ 109,677	\$ 1,409,039	\$ 8,524	\$ 4,019,327	\$ 5,536	(\$ 145,649)	\$ 8,264,043	(\$ 134,760)	\$ 8,129,283
Profit for the period		-	-	-	-	4,976,211	-	-	4,976,211	63,809	5,040,020
Other comprehensive income for the period		-	-	-	-	(949)	(29,442)	-	(30,391)	-	(30,391)
Comprehensive income for the period		-	-	-	-	4,975,262	(29,442)	-	4,945,820	63,809	5,009,629
Distribution of 2020 earnings	6(19)										
Legal reserve appropriated		-	-	107,723	-	(107,723)	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	(572,314)	-	-	(572,314)	-	(572,314)
Reversal of special reserve		-	-	-	(8,524)	8,524	-	-	-	-	-
Disposal of company's share by subsidiary recognized as treasury share	6(18)	-	40,089	-	-	-	-	8,233	48,322	11,435	59,757
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	6(18)	-	1,146	-	-	-	-	-	1,146	(7,233)	(6,087)
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	6(18)	-	11,739	-	-	-	-	-	11,739	-	11,739
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	6(18) (29)	-	(27)	-	-	-	-	-	(27)	(1)	(28)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(18)	-	(311)	-	-	-	-	-	(311)	4,895	4,584
Issue new shares due to employee stock options exercised	6(16) (17) (18)	3,981	18,946	-	-	-	-	-	22,927	-	22,927
Expired cash dividends transferred to capital surplus	6(18)	-	70	-	-	-	-	-	70	-	70
Balance at December 31, 2021		\$ 2,861,570	\$ 181,329	\$ 1,516,762	\$ -	\$ 8,323,076	(\$ 23,906)	(\$ 137,416)	\$ 12,721,415	(\$ 61,855)	\$ 12,659,560

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020

Unit: NT\$ thousand
2020

	Notes	2021	2020
<u>Cash flows from operating activities</u>			
Profit before income tax for the period		\$ 5,980,894	\$ 1,253,700
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7) (8) (9) (25)	409,566	312,334
Amortization	6(10) (25)	116,858	111,556
Expected credit impairment gain	12(2)	(5,713)	(8,582)
Net gain on financial assets at fair value through profit or loss	6(2) (23)	(114,844)	(132,628)
Interest expenses	6(24)	20,432	11,527
Interest income	6(21)	(33,234)	(27,412)
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	(17,929)	(673)
Dividend income	6(22)	(22,184)	(13,053)
Impairment loss	6(10) (11) (23)	18,302	25,352
Gains on disposals of property, plant and equipment	6(22)	(10)	-
Gains arising from lease modifications	6(23)	(37)	(211)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit and loss		120,632	19,747
Notes receivable		-	34
Accounts receivable	(	350,686)	(367,741)
Accounts receivable - related parties		973	(732)
Other receivables	(	16,889)	(16,458)
Inventories		593,645	(996,778)
Prepayments	(	37,468)	(158)
Other current assets		5,027	(2,300)
Net changes in liabilities relating to operating activities			
Notes payable		90	134
Accounts payable		584,543	170,249
Contract liabilities		16,053	1,387
Other payables		1,190,428	142,077
Other current liabilities	(	2,984)	4,398
Other non-current liabilities	(	2,049)	395
Cash inflow (outflow) generated from operations		8,453,416	486,164
Interest received		29,491	30,782
Interest paid	(	19,336)	(10,313)
Income taxes paid	(	173,972)	(53,285)
Net cash flows from operating activities		8,289,599	453,348

(Continued)

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020

Unit: NT\$ thousand
2020

	Notes	2021	
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 144,324)	(\$ 140,157)
Disposal of financial assets at amortized cost		170,308	144,359
Acquisition of property, plant and equipment	6(30)	(917,073)	(354,308)
Proceeds from disposal of financial assets at fair value through profit or loss		10	-
Acquisition of intangible assets	6(30)	(106,868)	(167,003)
Increase in guarantee deposit paid		(835,542)	(234)
Dividends received	6(22)	22,184	13,053
Net cash flows from investing activities		(1,811,305)	(504,290)
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(30)	360,000	1,066,000
Increase (decrease) in short-term notes and bills payable	6(30)	(148,869)	150,476
Lease principal repayment	6(30)	(12,386)	(10,575)
Decrease in guarantee deposit received	6(30)	(298)	(3,236)
Cash dividends paid	6(19)	(572,314)	(285,759)
Employee exercised stock options		22,927	-
Subsidiaries paid cash dividends to non-controlling interests		(6,087)	(9,250)
Subsidiaries received cash dividends from parent	6(18)	11,739	5,925
Disposal of treasury share	6(18)	48,322	-
Disposal of treasury share – increase of non-controlling interests		11,435	-
Expired cash dividends	6(18)	70	82
Acquisition of ownership interests from non-controlling interests	6(29)	(28)	(1,913)
Treasury share acquired		-	(19,894)
Net cash flows from (used in) financing activities		(285,489)	891,856
Net increase in cash and cash equivalents		6,192,805	840,914
Cash and cash equivalents at beginning of period	6(1)	3,597,917	2,757,003
Cash and cash equivalents at end of period	6(1)	\$ 9,790,722	\$ 3,597,917

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

Chairman: Hsing-Hai Chen

Manager: Ming-Chien Chang

Accounting Manager: Candy Chu

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand
(Unless otherwise indicated)

1. History and Organization

Elite Semiconductor Microelectronics Technology Inc. (the Company) was founded in May 1998 and started operation in December of the same year. The core business of the Company and its subsidiaries (collectively referred herein as “the Group”) include research, development, production, manufacture, and sales of dynamic and static random access memory, flash memory, analog integrated circuit, analog and digital mixed integrated circuit. The Group also provides technical services related to product design and R&D.

The Company merged with Ji Xin Technology Co., Ltd. On December 5, 2005, and merged with Eon Silicon Solution Inc. on June 8, 2016, and the Company is the surviving company.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

The consolidated financial statements were reported to the Board of Directors on February 25, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, “Interest Rate Benchmark Reform— Phase 2”	January 1, 2021
Amendment to IFRS 16, “Covid-19-related rent concessions beyond 30 June 2021”	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of New Issuances of or Amendments to IFRSs as Endorsed by the FSC but not yet Adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Amendments and Interpretations	Effective Date by IASB
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use"	January 1, 2022
Amendments to IAS 37, "Onerous contracts— cost of fulfilling a contract"	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

(3) Effects of IFRSs Issued by IASB but not yet Endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Amendments and Interpretations	Effective Date by IASB
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, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 – 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
Amendments to IAS 8, "Definition of accounting estimates"	January 1, 2023
Amendments to IAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivatives instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Research and development, production, sales and related consulting services of integrated circuit	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	General investment	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	General investment	41.86	41.86	Note1
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	General investment	100	100	
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc. USA	Investigation and research of business situation and industrial technology	100	100	
Charng Feng Investment Ltd.	Elite Memory Technology Inc.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	100	
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	98.10	98.01	
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	100	100	
Charng Feng Investment Ltd.	Elite Semiconductor Microelectronics Technology (shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting and services of integrated circuit, and after - sales service	100	100	
Charng Feng Investment Ltd.	Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	100	100	
Charng Feng Investment Ltd.	CHI Microelectronics Limited	Trading	100	100	Note2

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Charng Feng Investment Ltd.	HHHtech Co., Ltd.	Information software services, product design, management consultant and international trade	75	-	Note3

Note 1: Elite Semiconductor Microelectronics Technology Inc. accounts for the majority of voting rights of Jie Yong Investment Ltd. and have same management. It is evaluated to have substantial control, so it was included in the consolidated financial statements.

Note 2: CHI Microelectronics Limited. was established on August 31, 2020. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of HKD 100,000 approved by the Investment Commission of MOEA on December 11, 2020.

Note 3: The Company obtained HHHtech Co., Ltd. share interest by 75% through it increased its capital by issuing new shares on March, 2021. Stockholders' meeting of HHHtech Co., Ltd. approved to execute liquidation process on June 28, 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates:

Not applicable.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated

in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15)Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~20 years
Machinery and equipment	3~8 years
Testing equipment	3~8 years
Other	3~10 years

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of Fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term.

Starting from the lease date, the Group assesses whether it can reasonably determine its option to extend the lease or purchase the underlying asset, or not to terminate the lease. The Group considers all relevant facts and circumstances that will generate economic incentives to exercise or not exercise the options. Such circumstances include all expected changes in facts and situations from the start of the lease to the day when the option is exercised. Main factors to consider include contractual terms and conditions within the period of options and the importance of the underlying asset to the lessee's operations, etc. The lease term will be reassessed if a significant change or a major change in circumstances occurs within the Company's control range.

The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost. The cost is the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17)Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(18)Intangible assets

A. Patent and technical skill, customer relationship

Separately acquired patent is stated at historical cost. Patent and technical skill, customer relationship acquired in a business combination are recognized at fair value at the acquisition date and amortized on a straight-line basis over their estimated useful lives of 3 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

- C. Other intangible assets, mainly computer software, are stated at cost and amortized on a straight-line basis over their estimated useful lives of 1 ~ 3 years.

(19)Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20)Borrowings

Borrowings are short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21)Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(22)Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23)Provisions

Provisions of decommissioning are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(24)Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.

III. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26)Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- F. If a change in tax rate is enacted, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(27)Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28)Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29)Revenue recognition

- A. The Group manufactures and sells integrated circuit. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The Group accepts sales orders from customers. Sales revenue is recognized according to the contract price, and the Group transfers the promised goods or services to customers. Since the customer's payment period does not exceed one year, the Group has not adjusted the monetary time value of the transaction price.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30)Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair

values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2020, the carrying amount of inventories was \$5,375,685.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 137	\$ 137
Checking accounts and demand deposits	897,305	1,042,489
Time deposits	<u>8,893,280</u>	<u>2,555,291</u>
	<u>\$ 9,790,722</u>	<u>\$ 3,597,917</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

(2) Financial assets at fair value through profit or loss

Item	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stock	\$ 20,943	\$ 576
Emerging stocks	99,804	162,911
Unlisted stock	8,113	8,113
Beneficiary certificates	72,218	72,991
Bonds	31,226	31,226
Preference share	<u>-</u>	<u>13,784</u>
Subtotal	232,304	289,601
Valuation adjustment	<u>127,382</u>	<u>75,873</u>
Total	<u>\$ 359,686</u>	<u>\$ 365,474</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 115,957	\$ 123,592
Debt instruments	1,206	2,465
Beneficiary certificates	<u>(2,319)</u>	<u>6,571</u>
Total	<u>\$ 114,844</u>	<u>\$ 132,628</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk is provided in Note 12(2)C(b).

(3) Financial assets at fair value through other comprehensive income

Item	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Unlisted stock	\$ 59,300	\$ 59,300
Valuation adjustment	(23,906)	5,536
	<u>\$ 35,394</u>	<u>\$ 64,836</u>

The Group has elected to classify equity investments that are considered to strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$35,394 and \$64,836 as at December 31, 2021, and 2020, respectively.

(4) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable - general customers	\$ 1,989,419	\$ 1,638,733
Accounts receivable - related parties	-	973
	1,989,419	1,639,706
Less: Allowance for losses	-	(5,713)
	<u>\$ 1,989,419</u>	<u>\$ 1,633,993</u>

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 1,989,078	\$ 1,633,993
Past due-within 30 days	341	-
Past due-31-90 days	-	-
Past due-91-180 days	-	-
Past due-over 181 days	-	5,713
	<u>\$ 1,989,419</u>	<u>\$ 1,639,706</u>

The above aging analysis was based on past due date.

B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,989,419 and \$1,633,993.

C. The collaterals and fair value held by the Group as guarantee for accounts receivable are as follows:

	December 31, 2021	December 31, 2020
Bank guarantee	\$ 55,304	\$ 33,044
Pledged certificate of deposit	17,992	4,272
Guarantee deposits received (shown as “other non-current liabilities”)	5,106	5,526
Letters of credit	935,013	760,162
Company promissory note/check	667,065	555,221
	<u>\$ 1,680,480</u>	<u>\$ 1,358,225</u>

D. Information relating to credit risk is provided in Note 12(2).

E. As at December 31, 2021 and 2020, accounts receivable were all from contracts with customers. As at January 1, 2020, the balance of receivables from contracts with customers amounted to \$1,256,938.

F. The Group has no accounts receivable pledged to others as collateral.

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 70,736	(\$ 842)	\$ 69,894
Work in progress	3,688,463	(3,188)	3,685,275
Finished goods	1,622,621	(22,257)	1,600,364
Inventory in transit	20,152	-	20,152
	<u>\$ 5,401,972</u>	<u>(\$ 26,287)</u>	<u>\$ 5,375,685</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 138,104	(\$ 10,726)	\$ 127,378
Work in progress	4,724,556	(20,266)	4,704,290
Finished goods	1,199,604	(68,482)	1,131,122
Inventory in transit	6,540	-	6,540
	<u>\$ 6,068,804</u>	<u>(\$ 99,474)</u>	<u>\$ 5,969,330</u>

The Group recognized as expense or loss:

	Year ended December 31,	
	2021	2020
Cost of goods sold	\$ 15,201,966	\$ 12,687,819
Reversal of allowance on market value decline and obsolete and slow-moving inventories	(73,187)	(69,722)
	<u>\$ 15,128,779</u>	<u>\$ 12,618,097</u>

The reversal of allowance were recognized due to sale of certain inventories which were previously provided with allowance for price decline.

(6) Investments accounted for under the equity method

	2021	2020
At January 1	\$ 33,883	\$ 33,210
Share of profit or loss of investments accounted for using equity method	<u>17,929</u>	<u>673</u>
At December 31	<u>\$ 51,812</u>	<u>\$ 33,883</u>

	December 31, 2021	December 31, 2020
Associates	<u>\$ 51,812</u>	<u>\$ 33,883</u>

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2021						
Cost	\$ 9,023	\$ 636,446	\$ 518,018	\$ 287,860	\$1,481,488	\$2,932,835
Accumulated depreciation and impairment	<u>-</u>	<u>(398,943)</u>	<u>(375,047)</u>	<u>(168,256)</u>	<u>(1,213,991)</u>	<u>(2,156,237)</u>
	<u>\$ 9,023</u>	<u>\$ 237,503</u>	<u>\$ 142,971</u>	<u>\$ 119,604</u>	<u>\$ 267,497</u>	<u>\$ 776,598</u>
<u>2021</u>						
At January 1	\$ 9,023	\$ 237,503	\$ 142,971	\$ 119,604	\$ 267,497	\$ 776,598
Additions	159,745	89,097	158,493	20,498	436,120	863,953
Change in consolidated entity	-	-	-	-	627	627
Transfer (Note)	-	7,308	24,850	24,693	-	56,851
Depreciation charge	<u>-</u>	<u>(37,250)</u>	<u>(38,608)</u>	<u>(29,073)</u>	<u>(290,811)</u>	<u>(395,742)</u>
At December 31	<u>\$168,768</u>	<u>\$ 296,658</u>	<u>\$ 287,706</u>	<u>\$ 135,722</u>	<u>\$ 413,433</u>	<u>\$1,302,287</u>
At December 31, 2021						
Cost	\$168,768	\$732,851	\$ 701,361	\$ 333,051	\$1,918,252	\$3,854,283
Accumulated depreciation and impairment	<u>-</u>	<u>(436,193)</u>	<u>(413,655)</u>	<u>(197,329)</u>	<u>(1,504,819)</u>	<u>(2,551,996)</u>
	<u>\$168,768</u>	<u>\$ 296,658</u>	<u>\$ 287,706</u>	<u>\$ 135,722</u>	<u>\$ 413,433</u>	<u>\$1,302,287</u>

	Land	Buildings and structures	Machinery equipment	Testing equipment	Others	Total
At January 1, 2020						
Cost	\$ 9,023	\$ 635,941	\$ 429,782	\$ 249,302	\$1,231,048	\$ 2,555,096
Accumulated depreciation and impairment	-	(364,888)	(352,626)	(146,396)	(994,858)	(1,858,768)
	<u>\$ 9,023</u>	<u>\$ 271,053</u>	<u>\$ 77,156</u>	<u>\$ 102,906</u>	<u>\$ 236,190</u>	<u>\$ 696,328</u>
<u>2020</u>						
At January 1	\$ 9,023	\$ 271,053	\$ 77,156	\$ 102,906	\$ 236,190	\$ 696,328
Additions	-	505	85,605	38,058	252,171	376,339
Transfer (Note)	-	-	2,719	1,455	-	4,174
Depreciation charge	-	(34,055)	(22,509)	(22,815)	(220,864)	(300,243)
At December 31	<u>\$ 9,023</u>	<u>\$ 237,503</u>	<u>\$ 142,971</u>	<u>\$ 119,604</u>	<u>\$ 267,497</u>	<u>\$ 776,598</u>
At December 31, 2020						
Cost	\$ 9,023	\$ 636,446	\$ 518,018	\$ 287,860	\$1,481,488	\$ 2,932,835
Accumulated depreciation and impairment	-	(398,943)	(375,047)	(168,256)	(1,213,991)	(2,156,237)
	<u>\$ 9,023</u>	<u>\$ 237,503</u>	<u>\$ 142,971</u>	<u>\$ 119,604</u>	<u>\$ 267,497</u>	<u>\$ 776,598</u>

Note: Transferred from prepayments for equipment (shown as “other non-current assets”).

A. For the years ended December 31, 2021 and 2020 no interest expense was capitalized on property, plant and equipment in the Group.

B. The Group has no property, plant and equipment pledged to others.

(8) Leasing arrangements-lessee

A. The Group leases various assets including land, buildings and structures, business vehicles, printers. Rental contracts are typically made for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Short-term leases with a lease term of 12 months or less comprise business vehicles and staff dormitory.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Book value	
Land	\$ 58,801	\$ 62,221
Buildings and structures	9,066	15,188
Business vehicles	2,565	3,083
Printers	3,117	290
	<u>\$ 73,549</u>	<u>\$ 80,782</u>

	Year ended December 31,	
	2021	2020
	Depreciation charge	
Land	\$ 3,420	\$ 3,420
Buildings and structures	6,331	6,294
Business vehicles	2,480	711
Printers	623	696
	<u>\$ 12,854</u>	<u>\$ 11,121</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$5,702 and \$10,410, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 1,165</u>	<u>\$ 1,203</u>
Expense on short-term lease contracts	<u>\$ 5,636</u>	<u>\$ 7,855</u>

E. For years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$19,187 and \$19,633, respectively.

(9) Investment property

	<u>Buildings and structures</u>
At January 1, 2021	
Cost	\$ 20,369
Accumulated depreciation and impairment	(2,668)
	<u>\$ 17,701</u>
<u>2021</u>	
At January 1	\$ 17,701
Depreciation charge	(970)
At December 31	<u>\$ 16,731</u>
At December 31, 2021	
Cost	\$ 20,369
Accumulated depreciation and impairment	(3,638)
	<u>\$ 16,731</u>

	<u>Buildings and structures</u>
At January 1, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>(1,698)</u>
	<u>\$ 18,671</u>
<u>2020</u>	
At January 1	\$ 18,671
Depreciation charge	<u>(970)</u>
At December 31	<u>\$ 17,701</u>
At December 31, 2020	
Cost	\$ 20,369
Accumulated depreciation and impairment	<u>(2,668)</u>
	<u>\$ 17,701</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended December 31,</u>	
	2021	2020
Rental income from investment property	<u>\$ 2,562</u>	<u>\$ 2,470</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 970</u>	<u>\$ 970</u>

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 was \$8,130 and \$10,516, respectively, which was valued by income approach. Key assumptions are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Rate of net return on capital (Note)	<u>18.57%</u>	<u>13.29%</u>

Note: Calculated based on the weighted average capital cost of the issuer.

C. For the years ended December 31, 2021 and 2020 no interest expense was capitalized on investment property in the Group.

D. The Group has no investment property pledged to others.

(10) Intangible assets

	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2021					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 370,855	\$ 497,091
Accumulated depreciation and impairment	(30,654)	(11,000)	(62,456)	(281,293)	(385,403)
	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>
<u>2021</u>					
At January 1	\$ 3,824	\$ -	\$ 18,302	\$ 89,562	\$ 111,688
Additions	-	-	-	106,868	106,868
Transfer (Note)				429	429
Amortization charge	(3,824)	-	-	(113,034)	(116,858)
Impairment loss	-	-	(18,302)	-	(18,302)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,825</u>	<u>\$ 83,825</u>
At December 31, 2021					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 478,152	\$ 604,388
Accumulated depreciation and impairment	(34,478)	(11,000)	(80,758)	(394,327)	(520,563)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,825</u>	<u>\$ 83,825</u>

Note: Transferred from prepayments for equipment (shown as “other non-current assets”).

	Patents and Technical skill	Customer Relationship	Goodwill	Others	Total
At January 1, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 203,852	\$ 330,088
Accumulated depreciation and impairment	(25,556)	(11,000)	(37,104)	(174,835)	(248,495)
	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 43,654</u>	<u>\$ 29,017</u>	<u>\$ 81,593</u>
<u>2020</u>					
At January 1	\$ 8,922	\$ -	\$ 43,654	\$ 29,017	\$ 81,593
Additions	-	-	-	167,003	167,003
Amortization charge	(5,098)	-	-	(106,458)	(111,556)
Impairment loss	-	-	(25,352)	-	(25,352)
At December 31	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>
At December 31, 2020					
Cost	\$ 34,478	\$ 11,000	\$ 80,758	\$ 370,855	\$ 497,091
Accumulated depreciation and impairment	(30,654)	(11,000)	(62,456)	(281,293)	(385,403)
	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 18,302</u>	<u>\$ 89,562</u>	<u>\$ 111,688</u>

A. Details of amortization on intangible assets are as follows:

	Year ended December 31,	
	2021	2020
Operating costs	\$ 3,824	\$ 5,098
Selling expenses	364	176
Administrative expenses	1,864	909
Research and development expenses	<u>110,806</u>	<u>105,373</u>
	<u>\$ 116,858</u>	<u>\$ 111,556</u>

B. For the years ended December 31, 2021 and 2020 no interest expense was capitalized on intangible assets in the Group.

C. Impairment information about the intangible assets is provided in 6(11).

D. The Group has no intangible assets pledged to others.

(11)Impairment of non-financial assets

The Group performs impairment tests on the recoverable amount of goodwill on the balance sheet date. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections approved by the management covering a five-year period as the basis for estimation. The relevant discount rates for 2021 and 2020 were 18.57% and 13.29%, respectively. The value-in-use used by the Group to calculate cash-generating units is derived from historical information on estimated future revenue growth rates, gross profit margins, and operating expense ratios, with reference to future industrial economic trends. The recoverable amount calculated based on the above key assumptions is lower than the book value of goodwill. Thus, the Group recognized impairment losses of \$18,302 and \$25,352 in 2021 and 2020, respectively.

(12)Other non-current assets

	December 31, 2021	December 31, 2020
Guarantee deposit paid	\$ 842,417	\$ 6,496
Prepayments for equipment	12,302	68,535
Pledged time deposits	<u>3,969</u>	<u>3,969</u>
	<u>\$ 858,688</u>	<u>\$ 79,000</u>

(13)Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Credit loans	<u>\$ 1,700,000</u>	0.70%~0.86%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Credit loans	\$ 1,340,000	0.75%~1.05%	None
Interest expense recognized in profit or loss amounted to \$16,829 and \$8,184 for the years end December 31,2021 and 2020, respectively.			

(14) Other payables

	December 31, 2021	December 31, 2020
Salary and bonus payables	\$ 1,259,581	\$ 381,089
Payable on employees and director remuneration	378,440	80,658
Payable on equipment	94,831	146,904
Others	99,988	85,350
	<u>\$ 1,832,840</u>	<u>\$ 694,001</u>

(15) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 8,474	\$ 14,033
Fair value of plan assets	(117)	(2,663)
	8,357	11,370
Unadjusted amount for the period	(1,402)	(850)
Net liability recognized in the balance sheet	<u>\$ 6,955</u>	<u>\$ 10,520</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	(\$ 14,033)	\$ 2,663	(\$ 11,370)
Current service cost	(333)	-	(333)
Interest (expense) income	(42)	7	(35)
	<u>(14,408)</u>	<u>2,670</u>	<u>(11,738)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	39	39
Change in demographic assumptions	(9)	-	(9)
Change in financial assumptions	382	-	382
Experience adjustments	<u>537</u>	<u>-</u>	<u>537</u>
	<u>910</u>	<u>39</u>	<u>949</u>
Pension fund contribution	-	2,432	2,432
Paid pension	5,024	(5,024)	-
Unadjusted amount for the period	<u>-</u>	<u>-</u>	<u>1,402</u>
At December 31	<u>(\$ 8,474)</u>	<u>\$ 117</u>	<u>(\$ 6,955)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2020			
At January 1	(\$ 12,739)	\$ 2,409	(\$ 10,330)
Current service cost	(314)	-	(314)
Interest (expense) income	(88)	18	(70)
	<u>(13,141)</u>	<u>2,427</u>	<u>(10,714)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	80	80
Change in financial assumptions	(524)	-	(524)
Experience adjustments	<u>(368)</u>	<u>-</u>	<u>(368)</u>
	<u>(892)</u>	<u>80</u>	<u>(812)</u>
Pension fund contribution	-	156	156
Unadjusted amount for the period	<u>-</u>	<u>-</u>	<u>850</u>
At December 31	<u>(\$ 14,033)</u>	<u>\$ 2,663</u>	<u>(\$ 10,520)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31,	
	2021	2020
Discount rate	<u>0.70%</u>	<u>0.30%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on the sixth and fifth life experience table in Taiwan for the years ended 2021 and 2020.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 223)</u>	<u>\$ 230</u>	<u>\$ 204</u>	<u>(\$ 199)</u>
December 31, 2020				
Effect on present value of defined benefit obligation	<u>(\$ 330)</u>	<u>\$ 341</u>	<u>\$ 296</u>	<u>(\$ 289)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$131.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	-
1-2 years		-
2-5 years		642
Over 5 years		<u>8,496</u>
	\$	<u>9,138</u>

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s subsidiaries, Eon Silicon Solutions, Inc. USA established a 401(K) plan based on the US Government’s National Tax Regulation 401(K), and local employees can allocate a certain amount of salary to the pension account each month within the upper limit; the Company may cooperate with the allocation according to its policy of rewarding or comforting employees.

(c) The Company’s mainland China subsidiaries, Elite Semiconductor Microelectronics Technology (shenzhen) Inc. and Elite Semiconductor Microelectronics (Shanghai) Technology Inc., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020, were \$36,241 and \$31,867, respectively.

(16) Share-based payment

A. For the years ended December 31, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition
Succeed to 2010 Eon Silicon Solution Inc.'s employee stock options	August 10, 2010, October 15, 2010 and January 13, 2011	4,000 thousand shares (Note 2)	10 years	Note 1
Succeed to 2013 Eon Silicon Solution Inc.'s employee stock options	August 19, 2013	7,500 thousand shares (Note 2)	10 years	Note 1

Note 1: The accumulative proportion of the new shares that can be obtained after the two-year, three-year and four-year service expirations are 50%, 75% and 100%, respectively.

Note 2: The number of grants given by the Company to the Eon Silicon Solution Inc. employee stock option plan is the amount given on the original plan grant date. After the merger, Eon Silicon Solution Inc.'s 2010 and 2013 employee stock option plans have 219 thousand shares and 688 thousand shares in circulation.

Among the share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

Succeed to Eon Silicon Solution Inc.'s employee stock options:

	2021		2020	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	518	\$ 57.6~217.4	543	\$ 59.2~303.4
Options forfeited	-	-	(4)	217.4
Options exercised	(398)	57.6	-	-
Options expired	(106)	217.4	(21)	241.2~295.4
Options outstanding at December 31	<u>14</u>	\$ 57.6	<u>518</u>	\$ 57.6~217.4
Options exercisable at December 31	<u>14</u>		<u>518</u>	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2021 was \$85.2. No options exercised for the years ended December 31, 2021.

D. As of December 31, 2021 and 2020, the range of exercise prices of stock options outstanding was \$57.6 and \$57.6~\$217.4 (in dollars), respectively; the weighted-average remaining contractual period was 1.64 years and 2.64 years, respectively.

E. Expenses incurred on share-based payment transactions for the years ended December 31, 2021 and 2020, were all \$0.

(17)Share capital

A. As of December 31, 2021, the Company's authorized capital was \$3,500,000, consisting of 350,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,861,570 with a par value of \$10 (in dollars) per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Shares: thousand shares	
	2021	2020
Shares outstanding at January 1	271,605	272,320
Employee stock options exercised	398	-
Acquisition of company's share by subsidiary recognized as treasury share	-	(715)
Disposal of company's share by subsidiary recognized as treasury share	800	-
Shares outstanding at December 31	272,803	271,605
Treasury shares at the end of the period	13,354	14,154
Shares issued at December 31	286,157	285,759

B. Treasury shares

The Company's shares held by the Company's subsidiary, Jie Young Investment Ltd., as of December 31, 2021 and 2020 due to the parent company's business strategy, were 13,354 thousand shares and 14,154 thousand shares, with carrying amounts of \$328,276 and \$347,942, respectively; the average book value per share were all \$24.58, and the fair value per share were \$165.00 and \$64.70, respectively.

(18)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021					
	Share premium	Treasury share transactions	Changes in ownership interests in subsidiaries	Employee stock options	Others	Total
At January 1	\$ -	\$ 1,661	\$ 100,239	\$ 3,913	\$ 3,864	\$ 109,677
Disposal of company's share by subsidiary recognized as treasury share	-	40,089	-	-		40,089
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	-	1,146	-	-	1,146
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	-	11,739	-	-	11,739
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	-	- (	27)	-	-(	27)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	- (	311)	-	-(	311)
Issue new shares due to employee stock options exercised	20,162	-	- (	1,216)	-	18,946
Expired cash dividends transferred to capital surplus	-	-	-	-	70	70
At December 31	<u>\$ 20,162</u>	<u>\$ 41,750</u>	<u>\$ 112,786</u>	<u>\$ 2,697</u>	<u>\$ 3,934</u>	<u>\$ 181,329</u>

	2020					
	Treasury	Changes in	Employee			
	share	ownership interests	stock			
	transactions	in subsidiaries	options	Others	Total	
At January 1	\$ 1,661	\$ 94,949	\$ 3,913	\$ 3,782	\$ 104,305	
Recognition of effects from change in ownership interests in subsidiaries - cash dividends distribution from subsidiaries	-	1,146	-	-	1,146	
Adjustment of capital reserve due to cash dividends that subsidiaries received from parent	-	5,925	-	-	5,925	
Recognition of effects from change in ownership interests in subsidiaries - subsidiary acquired non-controlling interests	- (	1,781)	-	-(	1,781)	
Expired cash dividends transferred to capital surplus	-	-	-	82	82	
At December 31	\$ 1,661	\$ 100,239	\$ 3,913	\$ 3,864	\$ 109,677	

(19)Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following order:
- (a) Payment of all taxes and dues.
 - (b) Offset against prior years' operating losses, if any.
 - (c) Set aside 10% of remaining amount as legal reserve.
 - (d) Setting aside a special reserve when necessary.
 - (e) The remainder shall be stockholders' bonus, which will be appropriated in proportion or be retained shall be resolved by the stockholders at the stockholders' meeting.
- B. Dividend policy
- The Company is still in the growth stage, the appropriation of stockholders' bonus will be appropriated as cash, the remainder will be appropriated as shares when over 5%.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. As approved by Board of Directors on March 20, 2020, the appropriations of 2019 earnings would be legal reserve \$49,804 and cash dividend \$285,759, constituting \$1(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on June 15, 2020.
- F. As approved by Board of Directors on February 26, 2021, the appropriations of 2020 earnings would be legal reserve \$107,724 and cash dividend \$2(in dollars) per share. Aforementioned appropriations had been approved by stockholders' meeting on July 12, 2021.
- G. As approved by Board of Directors on February 25, 2022, the appropriations of 2021 earnings would be legal reserve \$497,526 and cash dividend \$8(in dollars) per share. Aforementioned appropriations had not yet been approved by stockholders' meeting.

(20)Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 23,844,898</u>	<u>\$ 15,267,139</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

Years ended December 31, 2021	Domestic	Asia	Others	Total
Integrated circuits	<u>\$11,523,346</u>	<u>\$12,196,154</u>	<u>\$ 125,398</u>	<u>\$23,844,898</u>
Years ended December 31, 2020	Domestic	Asia	Others	Total
Integrated circuits	<u>\$ 6,138,237</u>	<u>\$ 9,069,729</u>	<u>\$ 59,173</u>	<u>\$15,267,139</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities-advance sales receipts	<u>\$ 21,399</u>	<u>\$ 5,346</u>	<u>\$ 3,959</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Year ended December 31,	
	2021	2020
Contract liabilities-advance sales receipts	<u>\$ 5,276</u>	<u>\$ 3,888</u>
(21) <u>Interest revenue</u>		

	Year ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 32,668	\$ 25,594
Interest income from financial assets at amortized cost	301	1,207
Other interest income	<u>265</u>	<u>611</u>
	<u>\$ 33,234</u>	<u>\$ 27,412</u>

(22) Other income

	Year ended December 31,	
	2021	2020
Rent income	\$ 5,464	\$ 5,460
Dividend income	22,184	13,053
Other income, others	<u>20,982</u>	<u>7,992</u>
	<u>\$ 48,630</u>	<u>\$ 26,505</u>

(23)Other gains and losses

	Year ended December 31,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ 10	\$ -
Gains on disposals of investments	55,681	-
Gains arising from lease modifications	37	211
Foreign exchange losses	(123,846)	(50,665)
Gains on financial assets at fair value through profit or loss	114,844	132,628
Impairment loss	(18,302)	(25,352)
Miscellaneous disbursements	(1,898)	(970)
	<u>\$ 26,526</u>	<u>\$ 55,852</u>

(24)Financial costs

	Year ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 16,829	\$ 8,184
Provisions for liabilities - unwinding of discount	1,545	1,412
Lease liability	<u>1,165</u>	<u>1,203</u>
Total of interest expense	<u>19,539</u>	<u>10,799</u>
Others	<u>893</u>	<u>728</u>
	<u>\$ 20,432</u>	<u>\$ 11,527</u>

(25)Expenses by nature

	Year ended December 31,	
	2021	2020
Employee benefit expense	<u>\$ 2,529,577</u>	<u>\$ 1,183,477</u>
Depreciation charges on property, plant and equipment	<u>\$ 395,742</u>	<u>\$ 300,243</u>
Depreciation charges on right-of-use assets	<u>\$ 12,854</u>	<u>\$ 11,121</u>
Depreciation charges on investment property	<u>\$ 970</u>	<u>\$ 970</u>
Amortization charges on intangible assets	<u>\$ 116,858</u>	<u>\$ 111,556</u>

(26)Employee benefit expense

	Year ended December 31,	
	2021	2020
Wages and salaries	\$ 2,338,921	\$ 1,061,353
Labor and health insurance fees	58,383	49,276
Pension costs	36,621	32,408
Director remuneration	70,264	17,232
Other personnel expenses	25,388	23,208
	<u>\$ 2,529,577</u>	<u>\$ 1,183,477</u>

A. In accordance with the Articles of Incorporation of the Company, the profit before income tax of the current year, before covering employees' compensation and directors' remuneration, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and 1% for directors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$314,318 and \$66,124, respectively; while directors' remuneration was accrued at \$62,864 and \$13,225, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 5% and 1% of distributable profit for the years ended December 31, 2021.

For the years ended December 31, 2021 and 2020, employees' compensation of subsidiaries was accrued at \$13 and \$14, respectively; while directors' remuneration of subsidiaries was accrued at \$1,245 and \$1,294, respectively. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 938,922	\$ 154,162
Prior year income tax (over) underestimation	(1,758)	7,025
Total current tax	937,164	161,187
Deferred tax:		
Origination and reversal of temporary differences	3,710	8,072
Income tax expense	<u>\$ 940,874</u>	<u>\$ 169,259</u>

(b) The income tax charge relating to components of other comprehensive income: None.

(c) The income tax charged to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 1,221,503	\$ 276,096
Tax exempt income by tax regulation	(47,001)	(23,866)
Prior year income tax (over) underestimation	(1,758)	7,025
Temporary differences not recognized as deferred tax assets	(13,265)	(25,963)
Taxable loss not recognized as deferred tax assets	(887)	1,058
Effect from investment tax credits	(224,157)	(65,059)
Change in assessment of realization of deferred tax assets	(13)	(23)
Not exceed the starting point of income tax	(20)	(9)
Effect from alternative minimum tax	6,472	-
Income tax expense	<u>\$ 940,874</u>	<u>\$ 169,259</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealized exchange loss	348	168	-	516
Loss on market value decline and obsolete and slow-moving inventories	988	(739)	-	249
Pension liability	81	-	-	81
Others	2,348	(126)	-	2,222
Subtotal	3,813	(697)	-	3,116
-Deferred tax liabilities:				
Unrealized exchange gain	(7,933)	2,879	-	(5,054)
Others	(4,509)	(5,892)	-	(10,401)
Subtotal	(12,442)	(3,013)	-	(15,455)
Total	(\$ 8,629)	(\$ 3,710)	\$ -	(\$ 12,339)

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
- Temporary differences:				
Bad debt expense	\$ 48	\$ -	\$ -	\$ 48
Unrealized exchange loss	153	195	-	348
Loss on market value decline and obsolete and slow-moving inventories	1,688	(700)	-	988
Pension liability	61	20	-	81
Others	2,224	124	-	2,348
Subtotal	4,174	(361)	-	3,813
-Deferred tax liabilities:				
Unrealized exchange gain	(4,731)	(3,202)	-	(7,933)
Others	-	(4,509)	-	(4,509)
Subtotal	(4,731)	(7,711)	-	(12,442)
Total	(\$ 557)	(\$ 8,072)	\$ -	(\$ 8,629)

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 295,986	\$ 362,221

E. The Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary difference unrecognized as deferred tax liabilities were \$0.

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$4,976,211</u>	280,221	<u>\$ 17.76</u>
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options		8	
Employees' compensation		<u>2,019</u>	

Diluted earnings per share

Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$4,976,211</u>	<u>282,248</u>	<u>\$ 17.63</u>
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	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$1,076,426</u>	279,909	<u>\$ 3.85</u>
Assumed conversion of all dilutive potential ordinary shares (Note)			
Employees' compensation		<u>1,295</u>	

Diluted earnings per share

Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$1,076,426</u>	<u>281,204</u>	<u>\$ 3.83</u>
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Note: The employee stock options not calculate for years ended December 31, 2020 due to the effect of anti-dilution.

(29)Transactions with non-controlling interest

- A. On August 25, 2021, the Group acquired an additional shares of its subsidiary-Elite Silicon Technology Inc. for a total cash consideration of \$28. The carrying amount of non-controlling interest in Elite Silicon Technology Inc. was \$1 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$27.

The effect of changes in interests in Elite Silicon Technology Inc. on the equity attributable to owners of the parent for the nine months ended December 31, 2021 is shown below:

	<u>2021</u>
Carrying amount of non-controlling interest acquired	\$ 1
Consideration paid to non-controlling interest	(28)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	(\$ 27)

- B. On March 30, 2020, April 28, 2020 and November 13,2020 the Group acquired an additional shares of its subsidiary-Elite Silicon Technology Inc. for a total cash consideration of \$1,752, \$128 and \$33. The carrying amount of non-controlling interest in Elite Silicon Technology Inc. was \$119, \$12 and \$1 at the acquisition date. This transaction resulted in a decrease in the equity attributable to owners of the parent by \$1,633, \$116 and \$32.

The effect of changes in interests in Elite Silicon Technology Inc. on the equity attributable to owners of the parent for the years ended December 31, 2020 is shown below:

	<u>2020</u>
Carrying amount of non-controlling interest acquired	\$ 132
Consideration paid to non-controlling interest	(1,913)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	(\$ 1,781)

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31,	
	2021	2020
Purchase of property, plant and equipment (including amount of transfer)	\$ 920,804	\$ 380,513
Add: Ending balance of prepayments for equipment	12,302	68,535
Add: Opening balance of prepayments for equipment transferred to intangible assets	429	-
Less: Opening balance of prepayments for equipment	(68,535)	(5,862)
Add: Opening balance of payable on equipment	146,904	58,026
Less: Ending balance of payable on equipment	(94,831)	(146,904)
Cash paid during the period	<u>\$ 917,073</u>	<u>\$ 354,308</u>

	Year ended December 31,	
	2021	2020
Purchase of intangible assets (including amount of transfer)	\$ 107,297	\$ 167,003
Less: Opening balance of prepayments for equipment transferred to intangible assets	(429)	-
Cash paid during the period	<u>\$ 106,868</u>	<u>\$ 167,003</u>

B. Changes in liabilities from financing activities:

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ 1,340,000	\$ 149,756	\$ 81,637	\$ 6,635	\$ 1,578,028
Changes in cash flow from financing activities	360,000	(148,869)	(12,386)	(298)	198,447
Interest paid	-	-	(1,165)	-	(1,165)
Interest expense	-	-	1,165	-	1,165
Changes in other non-cash items	-	(887)	5,702	-	4,815
Changes from lease modifications	-	-	(124)	-	(124)
At December 31, 2021	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 74,829</u>	<u>\$ 6,337</u>	<u>\$ 1,781,166</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 274,000	\$ -	\$ 86,887	\$ 9,871	\$ 370,758
Changes in cash flow from financing activities	1,066,000	150,476	(10,575)	(3,236)	1,202,665
Interest paid	-	-	(1,203)	-	(1,203)
Interest expense	-	-	1,203	-	1,203
Changes in other non-cash items	-	(720)	10,410	-	9,690
Changes from lease modifications	-	-	(5,085)	-	(5,085)
At December 31, 2020	<u>\$ 1,340,000</u>	<u>\$ 149,756</u>	<u>\$ 81,637</u>	<u>\$ 6,635</u>	<u>\$ 1,578,028</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Arima Lasers Corporation	The Company's subsidiary is this company's director
Canyon Semiconductor Inc.	Investee indirectly accounted for under equity method

(2) Key management compensation

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 193,066	\$ 54,409
Post-employment benefits	<u>432</u>	<u>432</u>
Total	<u>\$ 193,498</u>	<u>\$ 54,841</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

	<u>Book value</u>		
Assets item	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose</u>
Time deposits (shown as "other non- current assets")	<u>\$ 3,969</u>	<u>\$ 3,969</u>	Guarantee deposits for lease of land

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

The Company entered into capacity reservation contracts with suppliers. According to the contracts, the supplier shall provide agreed production capacity with the Company after prepayment by the Company.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Information about the appropriations of earnings of the Company which had been approved by Board of Directors on February 25, 2022 is provided in Note 6(19).

12. Others

(1) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans the demand of working capital, research and development expenses and dividends to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders, to take care of the benefit of other related parties, and to maintain an optimal capital structure, so as to promote shareholder value in the long-term.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or pay cash to shareholders, or repurchase shares.

The gearing ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total assets	\$ 20,237,379	\$ 13,000,348
Total liabilities	(7,577,819)	(4,871,065)
Total equity	\$ 12,659,560	\$ 8,129,283
Equity to assets ratio	<u>63%</u>	<u>63%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 359,686</u>	<u>\$ 365,474</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 35,394</u>	<u>\$ 64,836</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 9,790,722	\$ 3,597,917
Financial assets at amortized cost - current	110,720	136,704
Accounts receivable	1,989,419	1,633,993
Other receivables	116,462	95,830
Time deposits		
(shown as “other non-current assets”)	3,969	3,969
Guarantee deposits paid		
(shown as “other non-current assets”)	<u>842,417</u>	<u>6,496</u>
	<u>\$ 12,853,709</u>	<u>\$ 5,474,909</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 1,700,000	\$ 1,340,000
Short-term notes and bills payable	-	149,756
Notes payable	2,205	2,115
Accounts payable	2,980,701	2,396,158
Other accounts payable	1,832,840	694,001
Guarantee deposits received		
(shown as “other non-current liabilities”)	<u>6,337</u>	<u>6,635</u>
	<u>\$ 6,522,083</u>	<u>\$ 4,588,665</u>
Lease liability	<u>\$ 74,829</u>	<u>\$ 81,637</u>

B. Financial risk management policies

- (a) The Group adopt comprehensive system of risk management and control to identify, measure and control all categories of risk, including market risk, credit risk, liquidity risk, and risk of cash flow, to make sure management is able to control and measure market risk, credit risk, liquidity risk, and risk of cash flow effectively.
- (b) In order to control all management objectives of market risk effectively, achieve optimal level of risk, maintain appropriate level of liquidity and collectively manage all market risks, the Group will take factors such as consideration for the overall economic environment, status of competition and market value risks.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Group operates internationally and is exposed to foreign exchange risk arising from the various currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. The companies adopt forward foreign exchange contracts through the Group treasury to manage the foreign exchange risk from future commercial transactions and recognized assets and liabilities. The foreign exchange risk will exist when future commercial transactions and recognized assets and liabilities use the currency different from the functional currency of the companies.
- III. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through deposits denominated in the relevant foreign currencies (see Note 6(1)).
- IV. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 390,394	27.680	\$ 10,806,106
RMB:NTD	196,376	4.344	853,057
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,234	27.680	\$ 2,193,197

(Foreign currency: functional currency)	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD in thousands)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 154,117	28.480	\$ 4,389,252
RMB:NTD	181,116	4.377	792,745
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 50,522	28.480	\$ 1,438,867
JPY:NTD	67,255	0.276	18,583

V. The total exchange losses, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$123,846 and \$50,665, respectively.

VI. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 108,061	\$ -
RMB:NTD	1%	8,531	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 21,932)	\$ -

(Foreign currency: functional currency)	Year ended December 31, 2020			
	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 43,893	\$	-
RMB:NTD	1%	7,927		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 14,389)	\$	-
JPY:NTD	1%	(186)		-

Price risk

- I. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- II. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$35,969 and \$36,547, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$3,540 and \$6,484, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

The Group's main interest rate risk arises from short-term borrowings and short-term notes and bills payable. Borrowings with floating rates expose the Group to cash flow interest rate risk, but the majority of risk offset by cash and cash equivalents with floating rates. Borrowings with fixed rates expose the Group to fair value interest rate risk. The Group doesn't have significant risk of change of interest rate due to borrowings with floating rates are all shorter than one year.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortized cost and debt instruments at fair value through profit or loss.
- II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only these with high rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, considering their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- IV. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- V. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- VI. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- VII. The financial assets at amortized cost including time deposits and restricted time deposits. The banks are with high rating and don't past due before. In addition to the above, the whole economic environment doesn't change significant, so the risk of credit risk is low and the effect to financial statement is insignificant.

VIII. The information about ageing analysis and collaterals of accounts receivable is provide in Note6(4). The Group request significant clients provide collaterals and other right of guarantee, therefore, the Group classifies customer's accounts receivable in accordance with the nature of collaterals. The applies the simplified approach using loss rate methodology to estimate expected credit loss. In summary, the allowance for losses which the Group should recognize is minor at December 31, 2021 and 2020.

IX. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2021	2020
	Accounts receivable	
At January 1	\$ 5,713	\$ 14,295
Reversal of impairment	(5,713)	(8,582)
At December 31	<u>\$ -</u>	<u>\$ 5,713</u>

(c) Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

II. Surplus cash held by the operating entities over and above balance required for working capital management should invest surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31,2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,700,000	\$ -	\$ -
Notes payable	2,205	-	-
Accounts payable	2,980,701	-	-
Other payables	1,832,840	-	-
Lease liability	12,516	22,592	48,666
Guarantee deposits received	-	-	6,337

Derivative financial liabilities: None.

Non-derivative financial liabilities:

December 31,2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 1,340,000	\$ -	\$ -
Short-term notes and bills payable	149,756	-	-
Notes payable	2,115	-	-
Accounts payable	2,396,158	-	-
Other payables	694,001	-	-
Lease liability	12,224	26,569	52,635
Guarantee deposits received	-	-	6,635

Derivative financial liabilities: None.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and emerging stocks, beneficiary certificates and debt securities is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value of the Group including cash and cash equivalents, time deposit (over 3 months), notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, lease liabilities (current and non-current) and guarantee deposits received. Their carrying amounts are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31,2021	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 227,877	\$ -	\$ 3,800	\$ 231,677
Beneficiary certificates	89,418	-	-	89,418
Debt securities	38,591	-	-	38,591
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	35,394	35,394
	<u>\$ 355,886</u>	<u>\$ -</u>	<u>\$ 39,194</u>	<u>\$ 395,080</u>

Financial liabilities: None.

December 31,2020	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 214,924	\$ 2,506	\$ 4,917	\$ 222,347
Beneficiary certificates	91,737	-	-	91,737
Debt securities	51,390	-	-	51,390
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	64,836	64,836
	<u>\$ 358,051</u>	<u>\$ 2,506</u>	<u>\$ 69,753</u>	<u>\$ 430,310</u>

Financial liabilities: None.

(b) The methods and assumptions the Group used to measure fair value are as follows:

I. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

II. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

III. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	Equity securities	
	2021	2020
At January 1	\$ 69,753	\$ 85,953
Transfers out from level 3	-	(26,157)
Valuation adjustment	(30,559)	9,957
At December 31	<u>\$ 39,194</u>	<u>\$ 69,753</u>

G. Because M3 Technology Inc. and Powerchip Semiconductor Manufacturing Corporation started their transaction in Emerging Stock Market from November, 2020 and December, 2020, and there is sufficient observable market information available, the Group has transferred the fair value from Level 3 into Level 1 at the end of the month when the event occurred.

H. Accounting segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 3,800	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	35,394	Market - comparable companies	Discount for lack of marketability	45%	the higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 4,917	Market - comparable companies	Discount for lack of marketability	30%	the higher the discount for lack of marketability, the lower the fair value
Unlisted shares	64,836	Market - comparable companies	Discount for lack of marketability	40%	the higher the discount for lack of marketability, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets	Discount for					
Equity instrument	lack of marketability	±10%	\$ 163	(\$ 163)	\$ 2,896	(\$ 2,896)

			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets	Discount for					
Equity instrument	lack of marketability	±10%	\$ 211	(\$ 211)	\$ 4,322	(\$ 4,322)

(4) Others

As of the reported date, the Company has assessed that COVID-19 has no adverse impact on the Company's overall operating activities and financial statements for the years ended December 31, 2021. However, the Company will continue to pay attention to the development of the COVID-19 and its impact on the overall economic environment.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 3.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

As of December 31, 2021, the Company did not have any shareholders with a shareholding ratio more than 5%.

14. Operating Segment Information

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31,	
	2021	2020
Revenue from external customers	\$ 23,844,898	\$ 15,267,139
Segment income before income tax	\$ 5,980,894	\$ 1,253,700
	December 31, 2021	December 31, 2020
Segment assets	\$ 20,237,379	\$ 13,000,348
Segment liabilities	\$ 7,577,819	\$ 4,871,065

(3) Reconciliation for segment income (loss): None.

(4) Information on products and services

As of December 31, 2021 and 2020 the net operating revenue of integrated circuit and electronic materials is \$23,844,898 and \$15,267,139.

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Domestic	\$ 11,523,346	\$ 1,420,472	\$ 6,138,237	\$ 1,046,111
Asia	12,196,154	63,935	9,069,729	-
Others	<u>125,398</u>	<u>4,286</u>	<u>59,173</u>	<u>9,194</u>
Total	<u>\$ 23,844,898</u>	<u>\$ 1,488,693</u>	<u>\$ 15,267,139</u>	<u>\$ 1,055,305</u>

(6) Major customer information

	Year ended December 31,			
	2021		2020	
	Revenue	Segment	Revenue	Segment
A Company	\$ 7,122,477	The Group	\$ 3,430,386	The Group

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Holding of marketable securities at the end of the period

December 31, 2021

Table 1

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Securities held by	Name and category of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
				Number of shares	Book value (Note 1)	Ownership (%)	Fair value (Note 1)	
Elite Semiconductor Microelectronics Technology Inc.	Arima Lasers Corporation stock	Note 2	Financial assets at fair value through profit or loss	2,074,000	77,153	7.36	77,153	
Elite Semiconductor Microelectronics Technology Inc.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	449	0.00	449	
Elite Semiconductor Microelectronics Technology Inc.	HSBC FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	1,000,000	25,744	Not applicable	25,744	
Elite Semiconductor Microelectronics Technology Inc.	ANZ FRN PERPETUAL bond	None	Financial assets at fair value through profit or loss	500,000	12,847	Not applicable	12,847	
Elite Semiconductor Microelectronics Technology Inc.	BGF RENMINBI BOND FUND	None	Financial assets at fair value through profit or loss	127,986	57,320	Not applicable	57,320	
Elite Semiconductor Microelectronics Technology Inc.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	17,697	8.06	17,697	
Elite Investment Services Ltd.	HSBC ALL CHINA BOND FUND - AC (2802)	None	Financial assets at fair value through profit or loss	600,000	32,098	Not applicable	32,098	
Charng Feng Investment Ltd.	King Yuan Electronics Corporation stock	None	Financial assets at fair value through profit or loss	10,000	449	0.00	449	
Charng Feng Investment Ltd.	Arima Lasers Corporation stock	Note 3	Financial assets at fair value through profit or loss	907,000	33,740	3.22	33,740	
Charng Feng Investment Ltd.	M2 Communication Inc. stock	None	Financial assets at fair value through profit or loss	400,000	3,800	4.46	3,800	
Charng Feng Investment Ltd.	Powerchip Semiconductor Manufacturing Corporation	None	Financial assets at fair value through profit or loss	1,630,426	116,086	0.05	116,086	
Charng Feng Investment Ltd.	Turning Point Lasers Ltd. preferred stock	None	Financial assets at fair value through other comprehensive income	1,000,000	17,697	8.06	17,697	
Jie Yong Investment Ltd.	Elite Semiconductor Microelectronics Technology Inc. stock	Parent company	Financial assets at fair value through other comprehensive income	13,354,000	2,203,410	4.67	2,203,410	

Note 1: Valuation adjustment of financial assets and cumulative translation differences are included.

Note 2: The Company's subsidiary is this company's director

Note 3: Charng Feng Investment Ltd. is this company's director

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Information on investees (exclude investee in Mainland China)

Years ended December 31, 2021

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net income (loss) of the investee for the years ended December 31, 2021	Investment income (loss) recognized by the Company for the years ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Elite Semiconductor Microelectronics Technology Inc.	Elite Semiconductor Memory Technology Inc.	Taiwan	Research and development, production, sales and related consulting services of integrated circuit	\$ 272	\$ 272	100,000	100	\$ 20,551	\$ 5,057	\$ 5,057	
Elite Semiconductor Microelectronics Technology Inc.	Charng Feng Investment Ltd.	Taiwan	General investment	500,000	500,000	50,000,000	100	566,029	68,958	70,059	
Elite Semiconductor Microelectronics Technology Inc.	Elite Investment Services Ltd.	British Virgin Islands	General investment	415,200	415,200	15	100	612,100	(8,400)	(8,400)	
Elite Semiconductor Microelectronics Technology Inc.	Jie Yong Investment Ltd.	Taiwan	General investment	270,000	270,000	3,600,000	41.86	188,931	116,873	(2,905)	
Elite Semiconductor Microelectronics Technology Inc.	Eon Silicon Solutions, Inc.USA	U.S.A.	Investigation and research of business situation and industrial technology	13,304	13,304	200,000	100	(1,682)	(271)	(271)	
Charng Feng Investment Ltd.	Elite Memory Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	69,407	69,407	10,000,000	100	21,612	(341)	(341)	
Charng Feng Investment Ltd.	Elite Silicon Technology Inc.	Taiwan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	61,229	61,201	7,455,860	98.10	(91)	(632)	(620)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net income (loss) of the investee for the years ended December 31, 2021	Investment income (loss) recognized by the Company for the years ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Charng Feng Investment Ltd.	Canyon Semiconductor Inc.	Taiwan	International trade, manufacturing of electronic components, product design and information software services	\$ 80,337	\$ 80,337	8,350,000	40.93	\$ 51,812	\$ 43,804	\$ 17,929	
Charng Feng Investment Ltd.	Elite Innovation Japan Ltd.	Japan	Product design, wholesale and retail of electronic materials, manufacturing of electronic components, information software services and international trade	2,052	2,052	200	100	731	(1,464)	(1,464)	
Charng Feng Investment Ltd.	CHI Microelectronics Limited	Hong Kong	Trading	355	355	10,000	100	710	343	343	
Charng Feng Investment Ltd.	HHHtech Co., Ltd.	Taiwan	Information software services, product design, management consultant and international trade	15,000	-	1,500,000	75	2,233	(16,607)	(12,455)	Note 2

Note 1: The foreign investment amount translated at the exchange rate as of December 31, 2021.

Note 2: The Company obtained HHHtech Co., Ltd. share interest by 75% through it increased its capital by issuing new shares on March, 2021. Stockholders' meeting of HHHtech Co., Ltd. approved to execute liquidation process on June 28, 2021.

Elite Semiconductor Microelectronics Technology Inc. and Subsidiaries

Information on investments in Mainland China

Years ended December 31, 2021

Table 3

Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Investee in Mainland China	Main business activities	Paid-in capital (Note 4)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as at January 1, 2021	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the years ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2021	Net income (loss) of the investee for the years ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the years ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as at December 31, 2021	Accumulated amount of investment income remittance back to Taiwan as at December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Elite Semiconductor Microelectronics Technology (shenzhen) Inc.	Trading of goods or technical services, develop and sale products of networking system, storage, and peripherals, technical consulting and services of integrated circuit, and after - sales service	\$ 84,133	(1)	\$ 2,477	\$ 81,656	\$ -	\$ 84,133	(\$ 2,990)	100	(\$ 2,990)	\$ 87,951	\$ -	Note 5
Elite Semiconductor Microelectronics (Shanghai) Technology Inc.	Product design, wholesale and retail of electronic materials, information software services and international trade	5,536	(1)	5,536	-	-	5,536	377	100	377	7,010	-	Note 6

Company name	Accumulated amount of remittance from Taiwan to Mainland China as at December 31, 2021	Investment amount approved by the Investment Commission of MOEA (Note 5)	Ceiling of investments in Mainland China imposed by the Investment Commission of MOEA
Charng Feng Investment Ltd.	\$ 89,669	\$ 89,669	\$ 300,000

Note 1: The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirect investment in Mainland China through companies registered in a third region.
- (3) Other methods.

Note 2: Investment income (loss) was recognized based on financial statement prepared by each company which were audited by independent auditors.

Note 3: The amount of the statement should show as New Taiwan Dollars.

Note 4: Paid-in capital translated at the exchange rate as of December 31, 2021.

Note 5: The Company's subsidiary, Charng Feng Investment Ltd., obtained the revised investment amount of USD 39,485.42, USD 2,500,000 and USD 500,000 approved by the Investment Commission, MOEA on February 6, 2020, July 10, 2020 and November 30, 2021.

Note 6: Elite Semiconductor Microelectronics (Shanghai) Technology Inc. was established on November 27, 2019. The Company's subsidiary, Charng Feng Investment Ltd., obtained the investment amount of USD 200,000 approved by the Investment Commission of MOEA on May 20, 2020.