

**WT MICROELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



資誠

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

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

Recognition of supplier rebates

Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. Under the arrangement, the Group calculates the amount of supplier rebates based on sales breakdown, and recognises it as a deduction of accounts payable to suppliers and a deduction of operating costs. The Group pays the net purchase price, after confirming that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and change frequently, the calculation is complex. The Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and more audit effort is required to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
- B. Performed analysis on the ratio of supplier rebates of main inventory items to corresponding total sales amount, and compared with historical data in order to assess its reasonableness;
- C. Sampled supplier rebates and tested transaction data to confirm whether the transaction quantities were consistent with sales breakdown. Also, verified arrangements and calculation worksheets, and recalculated supplier rebates to ensure that the rebate recognition is consistent with contract;

- D. Sampled the supplier rebates which were recognised before the balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and
- E. Performed confirmation of selected material accounts payable, including supplier rebates which have been confirmed by suppliers, and examined the reconciliation for the differences between the amount stated in the suppliers' confirmation and the Group's records.

Impairment assessment of goodwill

Description

Refer to Note 4(19) for accounting policies on goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Note 6(11) for details of goodwill impairment.

The Group acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Intangible assets - goodwill". As at December 31, 2021, the Group's goodwill amounted to NT\$1,812,885 thousand.

Relative to the aforementioned acquired company and distribution business, some distribution businesses were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group uses the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assesses whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the recoverable amount and goodwill impairment assessment, we considered the impairment assessment of goodwill a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed management's assessment process of each cash generating unit and examined whether the adopted future cash flows are consistent with the budget provided by the operating segment;
- B. As the recoverable amount was determined based on value-in-use, evaluated the reasonableness of estimated growth rate, discount rate and other significant assumptions and performed the following:
 - (a) Compared the estimated growth rate with historical data and our understanding of the business and industry to assess its reasonableness;
 - (b) Evaluated the parameters of discounted rate, including risk-free interest rate, industry's risk coefficient, returns on similar assets in the market, and proportion of equity capital; and
 - (c) Examined the parameters and calculation settings of valuation models.
- C. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.
- D. Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed whether management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

Assessment of inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for details of inventory valuation. As at December 31, 2021, the Group's inventories and allowance for inventory valuation losses were NT\$67,586,646 thousand and NT\$1,062,342 thousand, respectively.

The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around the balance sheet date. The net realisable values of obsolete inventories are individually identified as obsolete or damaged, if any. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are various, and the

identification of obsolete and damaged inventory and its net realisable value is subject to management's judgement, we considered the assessment of inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
- B. Obtained an understanding of the Group's nature of business and industry in order to assess whether the provision policies and procedures were applied consistently and reasonably during the periods, including identified as obsolete with supporting documents, and agreed to information obtained from physical inventory; and
- C. Obtained the net realisable value statement of each inventory, and tested supporting documents in relation to sources of information in calculating the net realisable value.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Republic of China, 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.



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- 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.
- 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.



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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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Chieh-Ju

Hsu, Chieh-Ju

Wu, Han-Chi

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,679,576	3	\$ 3,627,112	3
1110	Financial assets at fair value through profit or loss - current	6(2)	22,004	-	13,135	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	-	-	373,071	-
1170	Accounts receivable, net	6(4)	75,462,083	44	60,850,292	46
1200	Other receivables	6(4)(5)	1,531,897	1	1,075,835	1
130X	Inventories	6(6)	66,524,304	38	44,314,392	34
1410	Prepayments		880,827	-	818,434	1
1470	Other current assets	6(1) and 8	35,564	-	19,386	-
11XX	Total current assets		<u>149,136,255</u>	<u>86</u>	<u>111,091,657</u>	<u>85</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	321,726	-	115,046	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	18,989,224	11	14,826,321	11
1550	Investments accounted for using equity method	6(7)	118,457	-	122,906	-
1600	Property, plant and equipment	6(8)	1,004,215	1	1,003,193	1
1755	Right-of-use assets	6(9)	699,563	-	772,852	1
1760	Investment property - net	6(10)	102,500	-	103,314	-
1780	Intangible assets	6(11)	1,972,777	1	1,911,613	1
1840	Deferred income tax assets	6(31)	801,911	1	819,550	1
1900	Other non-current assets		202,659	-	243,146	-
15XX	Total non-current assets		<u>24,213,032</u>	<u>14</u>	<u>19,917,941</u>	<u>15</u>
1XXX	Total assets		<u>\$ 173,349,287</u>	<u>100</u>	<u>\$ 131,009,598</u>	<u>100</u>

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 33,497,708	20	\$ 23,314,455	18
2110	Short-term notes and bills payable	6(13)	2,049,454	1	747,643	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	14,838	-	-	-
2130	Contract liabilities - current	6(24)	373,803	-	506,379	-
2170	Accounts payable		69,808,936	40	54,945,766	42
2200	Other payables	6(14)	2,184,132	1	1,723,279	1
2230	Current income tax liabilities		1,674,704	1	684,636	1
2280	Lease liabilities - current		181,312	-	169,023	-
2320	Long-term liabilities, current portion	6(15)	76,635	-	-	-
2365	Refund liabilities - current	6(24)	658,325	1	459,101	-
2399	Other current liabilities		62,466	-	62,460	-
21XX	Total current liabilities		<u>110,582,313</u>	<u>64</u>	<u>82,612,742</u>	<u>63</u>
Non-current liabilities						
2530	Bonds payable	6(15)	-	-	377,194	-
2540	Long-term loans	6(16)	7,750,400	5	800,000	1
2570	Deferred income tax liabilities	6(31)	741,999	-	604,978	1
2580	Lease liabilities - non-current		258,807	-	330,899	-
2600	Other non-current liabilities		155,460	-	167,404	-
25XX	Total non-current liabilities		<u>8,906,666</u>	<u>5</u>	<u>2,280,475</u>	<u>2</u>
2XXX	Total liabilities		<u>119,488,979</u>	<u>69</u>	<u>84,893,217</u>	<u>65</u>
Equity attributable to owners of parent						
Share capital 6(19)						
3110	Common stock		7,977,068	5	7,880,260	6
3120	Preferred share		1,350,000	1	1,350,000	1
3130	Certificates of entitlement to new shares from convertible bonds		51,498	-	2,057	-
Capital surplus 6(20)						
3200	Capital surplus		20,444,778	12	20,094,981	15
Retained earnings 6(21)						
3310	Legal reserve		2,677,275	1	2,280,822	2
3320	Special reserve		-	-	791,142	1
3350	Unappropriated retained earnings		14,531,008	8	8,070,791	6
Other equity interest 6(22)						
3400	Other equity interest		6,736,238	4	5,607,964	4
31XX	Equity attributable to owners of the parent		<u>53,767,865</u>	<u>31</u>	<u>46,078,017</u>	<u>35</u>
36XX	Non-controlling interest	6(23)	<u>92,443</u>	<u>-</u>	<u>38,364</u>	<u>-</u>
3XXX	Total equity		<u>53,860,308</u>	<u>31</u>	<u>46,116,381</u>	<u>35</u>
Commitments and contingent liabilities 9						
Significant subsequent events 11						
3X2X	Total liabilities and equity		<u>\$ 173,349,287</u>	<u>100</u>	<u>\$ 131,009,598</u>	<u>100</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(24)	\$ 447,896,117	100	\$ 353,152,195	100
5000	Operating costs	6(6)	(430,909,478)	(96)	(342,377,773)	(97)
5900	Net operating margin		16,986,639	4	10,774,422	3
	Operating expenses	6(29)				
6100	Selling expenses		(4,522,266)	(1)	(4,069,653)	(1)
6200	General and administrative expenses		(1,296,000)	(1)	(978,659)	(1)
6300	Research and development expenses		(608,561)	-	(385,971)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(2,683)	-	(24,170)	-
6000	Total operating expenses		(6,429,510)	(2)	(5,458,453)	(2)
6900	Operating profit		10,557,129	2	5,315,969	1
	Non-operating income and expenses					
7100	Interest income	6(25)	6,268	-	16,068	-
7010	Other income	6(26)	339,273	-	210,236	-
7020	Other gains and losses	6(27)	(1,918)	-	278,052	-
7050	Finance costs	6(28)	(715,049)	-	(990,675)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(5,878)	-	(30,881)	-
7000	Total non-operating income and expenses		(377,304)	-	(517,200)	-
7900	Profit before income tax		10,179,825	2	4,798,769	1
7950	Income tax expense	6(31)	(2,324,657)	-	(1,004,193)	-
8200	Profit for the year		\$ 7,855,168	2	\$ 3,794,576	1

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Income (loss) on remeasurements of defined benefit plans	6(17)	\$ 4,735	-	(\$ 5,707)	-
8316 Unrealised gain on valuation of equity investment instruments measured at fair value through other comprehensive income	6(22)(23)	3,213,493	-	8,014,355	2
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(31)	(947)	-	1,142	-
8310 Other comprehensive income that will not be reclassified to profit or loss		<u>3,217,281</u>	-	<u>8,009,790</u>	<u>2</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(22)(23)	(1,078,128)	-	(1,442,482)	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(7)	<u>689</u>	-	<u>2,116</u>	-
8360 Other comprehensive loss that will be reclassified to profit or loss		(1,077,439)	-	(1,440,366)	-
8300 Total other comprehensive income for the year		<u>\$ 2,139,842</u>	-	<u>\$ 6,569,424</u>	<u>2</u>
8500 Total comprehensive income for the year		<u>\$ 9,995,010</u>	<u>2</u>	<u>\$ 10,364,000</u>	<u>3</u>
Profit attributable to:					
8610 Owners of the parent		\$ 7,923,257	2	\$ 3,794,178	1
8620 Non-controlling interest		(68,089)	-	398	-
		<u>\$ 7,855,168</u>	<u>2</u>	<u>\$ 3,794,576</u>	<u>1</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 10,062,378	2	\$ 10,363,641	3
8720 Non-controlling interest		(67,368)	-	359	-
		<u>\$ 9,995,010</u>	<u>2</u>	<u>\$ 10,364,000</u>	<u>3</u>
Earnings per share (in dollars)	6(32)				
9750 Basic earnings per share		\$	9.96	\$	5.22
9850 Diluted earnings per share		\$	9.75	\$	5.06

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Notes	Capital			Equity attributable to owners of the parent							Non-controlling interest	Total equity	
	Share capital - common stock	Preferred share	Certificates of bond-to-stock conversion	Capital Surplus	Retained Earnings			Other equity interest	Treasury shares	Total			
					Legal reserve	Special reserve	Unappropriated retained earnings						
2020													
	Balance at January 1, 2020	\$ 5,903,358	\$ -	\$ 11,011	\$ 9,531,836	\$ 2,019,788	\$ 143,568	\$ 6,659,975	(\$ 791,142)	\$ -	\$ 23,478,394	\$ 742	\$ 23,479,136
	Consolidated net income	-	-	-	-	-	-	3,794,178	-	-	3,794,178	398	3,794,576
	Other comprehensive income (loss)	-	-	-	-	-	-	(4,565)	6,574,028	-	6,569,463	(39)	6,569,424
	Total comprehensive income	-	-	-	-	-	-	3,789,613	6,574,028	-	10,363,641	359	10,364,000
	Appropriations of 2019 earnings:												
	Legal reserve	-	-	-	-	261,034	-	(261,034)	-	-	-	-	-
	Special reserve	-	-	-	-	-	647,574	(647,574)	-	-	-	-	-
	Cash dividends for common stock	-	-	-	-	-	-	(1,645,111)	-	-	(1,645,111)	-	(1,645,111)
	Issuance of shares	6(19)(20) 1,710,000	-	-	4,914,000	-	-	-	-	-	6,624,000	-	6,624,000
	Issuance of preferred shares	6(19)(20) -	1,350,000	-	5,400,000	-	-	-	-	-	6,750,000	-	6,750,000
	Conversion of convertible bonds	6(19)(20) 266,902	-	(8,954)	496,449	-	-	-	-	-	754,397	-	754,397
	Changes in non-controlling interest	6(23) -	-	-	-	-	-	-	-	-	-	37,263	37,263
	Disposal of financial assets at fair value through other comprehensive income	6(22) -	-	-	-	-	-	174,922	(174,922)	-	-	-	-
	Compensation cost of share-based payments	6(18) -	-	-	1,706	-	-	-	-	-	1,706	-	1,706
	Reorganization	4(3) -	-	-	(249,010)	-	-	-	-	-	(249,010)	-	(249,010)
	Balance at December 31, 2020	<u>\$ 7,880,260</u>	<u>\$ 1,350,000</u>	<u>\$ 2,057</u>	<u>\$ 20,094,981</u>	<u>\$ 2,280,822</u>	<u>\$ 791,142</u>	<u>\$ 8,070,791</u>	<u>\$ 5,607,964</u>	<u>\$ -</u>	<u>\$ 46,078,017</u>	<u>\$ 38,364</u>	<u>\$ 46,116,381</u>
2021													
	Balance at January 1, 2021	\$ 7,880,260	\$ 1,350,000	\$ 2,057	\$ 20,094,981	\$ 2,280,822	\$ 791,142	\$ 8,070,791	\$ 5,607,964	\$ -	\$ 46,078,017	\$ 38,364	\$ 46,116,381
	Consolidated net income (loss)	-	-	-	-	-	-	7,923,257	-	-	7,923,257	(68,089)	7,855,168
	Other comprehensive income	6(22) -	-	-	-	-	-	3,788	2,135,333	-	2,139,121	721	2,139,842
	Total comprehensive income (loss)	-	-	-	-	-	-	7,927,045	2,135,333	-	10,062,378	(67,368)	9,995,010
	Appropriations of 2020 earnings:												
	Legal reserve	-	-	-	-	396,453	-	(396,453)	-	-	-	-	-
	Reversal of special reserve	-	-	-	-	-	(791,142)	791,142	-	-	-	-	-
	Cash dividends for common stock	-	-	-	-	-	-	(2,532,086)	-	-	(2,532,086)	-	(2,532,086)
	Cash dividends for preferred share	-	-	-	-	-	-	(57,541)	-	-	(57,541)	-	(57,541)
	Conversion of convertible bonds	6(19)(20) 64,468	-	49,441	190,166	-	-	-	-	-	304,075	-	304,075
	Issuance of employee restricted shares	6(19)(20) 57,800	-	-	216,366	-	-	-	(274,166)	-	-	-	-
	Cancellation of employee restricted shares	6(19)(20) (520)	-	-	520	-	-	-	-	-	-	-	-
	Purchase of treasury shares	6(19) -	-	-	-	-	-	-	-	(135,121)	(135,121)	-	(135,121)
	Retirement of treasury shares	6(19)(20) (24,940)	-	-	(87,064)	-	-	(23,117)	-	135,121	-	-	-
	Changes in equity of associates accounted for using equity method	6(20) -	-	-	3,173	-	-	-	-	-	3,173	-	3,173
	Changes in ownership interests in subsidiaries	6(23) -	-	-	-	-	-	(78,550)	-	-	(78,550)	-	(78,550)
	Compensation cost of share-based payments	6(18) -	-	-	26,636	-	-	-	96,884	-	123,520	-	123,520
	Changes in non-controlling interest	6(23) -	-	-	-	-	-	-	-	-	-	121,447	121,447
	Disposal of financial assets at fair value through other comprehensive income	6(22) -	-	-	-	-	-	829,777	(829,777)	-	-	-	-
	Balance at December 31, 2021	<u>\$ 7,977,068</u>	<u>\$ 1,350,000</u>	<u>\$ 51,498</u>	<u>\$ 20,444,778</u>	<u>\$ 2,677,275</u>	<u>\$ -</u>	<u>\$ 14,531,008</u>	<u>\$ 6,736,238</u>	<u>\$ -</u>	<u>\$ 53,767,865</u>	<u>\$ 92,443</u>	<u>\$ 53,860,308</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 10,179,825	\$ 4,798,769
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(29)	348,451	297,451
Amortisation	6(29)	28,212	13,454
Impairment loss determined in accordance with IFRS 9	12(2)	2,683	24,170
Net loss on financial assets and liabilities at fair value through profit or loss	6(27)	189,235	48,150
Share-based payments	6(18)	123,520	1,706
Share of loss of associates and joint ventures accounted for using equity method	6(7)	5,878	30,881
Loss on disposal of property, plant and equipment, net	6(27)	485	749
Impairment loss	6(27)	-	46,013
Interest expense	6(28)	452,638	570,507
Interest income	6(25)	(6,268)	(16,068)
Dividend income	6(26)	(276,153)	(115,395)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(16,265,797)	(18,888,582)
Other receivables		(498,588)	454,008
Inventories		(23,574,228)	(1,367,170)
Prepayments		(71,547)	(405,390)
Other current assets		(2,074)	(16,623)
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		(196,431)	(83,066)
Contract liabilities		(124,964)	316,665
Accounts payable		17,383,261	14,122,144
Other payables		412,197	(11,477)
Other current liabilities (including refund liabilities)		200,380	(76,461)
Net defined benefit liability		(2,715)	(2,503)
Cash outflow generated from operations		(11,692,000)	(258,068)
Interest received		6,268	16,068
Dividends received		276,153	115,395
Interest paid		(437,421)	(566,047)
Income taxes paid		(1,133,036)	(963,509)
Net cash flows used in operating activities		(12,980,036)	(1,656,161)

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties		\$ -	\$ 147,775
Acquisition of financial assets at fair value through profit or loss		(166,558)	(176,921)
Proceeds from disposal of financial assets at fair value through profit or loss		9,734	56,450
Acquisition of financial assets at fair value through other comprehensive income		(1,568,225)	(98,923)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	940,603	187,887
(Increase) decrease in other financial assets		(14,673)	38,875
Acquisition of property, plant and equipment	6(34)	(170,544)	(105,967)
Proceeds from disposal of property, plant and equipment		99	280
Acquisition of intangible assets	6(11)	(4,436)	(5,008)
Increase in guarantee deposits		(15,970)	(27,658)
Decrease in guarantee deposits		7,279	33,819
Net cash payments for business combination	6(33)(34)	(55,885)	(283,468)
Decrease (increase) in other non-current assets		45,708	(25,111)
Net cash flows used in investing activities		<u>(992,868)</u>	<u>(257,970)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(35)	455,301,446	429,701,535
Decrease in short-term borrowings	6(35)	(445,067,941)	(432,350,079)
Increase in short-term notes and bills payable	6(35)	1,293,979	277,458
Proceeds from long-term borrowings	6(35)	7,786,800	800,000
Payment of long-term loans	6(35)	(836,400)	(120,424)
Payment of lease liabilities	6(35)	(193,030)	(167,446)
(Decrease) increase in other non-current liabilities		(4,900)	28,276
Acquisition of treasury shares		(135,121)	-
Issuance of preferred shares	6(19)	-	6,750,000
Cash dividends paid	6(21)	(2,589,627)	(1,645,111)
Cash dividends paid to non-controlling interest	6(23)	(366)	(276)
Increase in non-controlling interest		45,623	-
Net cash flows from financing activities		<u>15,600,463</u>	<u>3,273,933</u>
Effect of exchange rate changes on cash and cash equivalents		(575,095)	(839,321)
Net increase in cash and cash equivalents		1,052,464	520,481
Cash and cash equivalents at beginning of year		3,627,112	3,106,631
Cash and cash equivalents at end of year		<u>\$ 4,679,576</u>	<u>\$ 3,627,112</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on February 24, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 the 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 Group

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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) 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 endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment 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 significant 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 and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and 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 unrealised 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 non-controlling 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 recognised directly in equity.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary

are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

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	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Analog World Co., Ltd.	Trading Company	100	100	(b)
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Brillnics Inc.	Investment Company	62.03	54.15	(a) (d)
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	-	100	(c)
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100	100	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100	100	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100	100	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	100	
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100	100	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	-	100	(e)
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100	100	
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	100	100	
Brillnics Inc.	Brillnics (HK) Limited	Selling and Technology Servicing	100	100	(a)
Brillnics Inc.	Brillnics Singapore Pte. Ltd.	Trading Company	100	100	(a)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Brillnics (HK) Limited	Brillnics Japan Inc.	Research and Development Company	100	100	(a)
Brillnics (HK) Limited	Brillnics (Taiwan) Inc.	Research and Development Company	100	100	(a)

(a) Wintech Microelectronics Holding Limited indirectly invested in Brillnics Inc. through Supreme Mega Ltd. In December 2020, Supreme Mega Ltd. implemented its dissolution and liquidation procedures and returned Brillnics Inc.'s shares to the original shareholders proportionately based on their owned shares of Supreme Mega Ltd. Further, Brillnics Inc. increased its capital by issuing preferred shares in December 2020 and accordingly, the shareholder ratio of Wintech Microelectronics Holding Limited in Brillnics Inc. increased to 54.15%, and capital surplus decreased by \$249,010.

(b) In October 2020, the Company acquired all the equity interest of Analog World Co., Ltd. by cash, which then became a wholly-owned subsidiary and was included in the consolidated financial statements from the acquisition date.

(c) In March 2021, Hotech Electronics Corp. has been dissolved and liquidated.

(d) The Group increased its investment in the newly issued preferred shares of Brillnics Inc. at US\$10,352 thousand on April 8, 2021 and accordingly, the shareholder ratio increased to 62.16%, capital surplus decreased by \$78,247 and non-controlling interest increased by \$122,199. Further, employees of Brillnics Inc. exercised employee stock options in April, July and October 2021 and accordingly, the shareholder ratio decreased to 62.03%.

(e) In November 2021, Techmosa International Holding Ltd. has been dissolved and liquidated.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

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

(4) Foreign currency translation

A. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

B. 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

recognised 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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised 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 recognised 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 recognised in other comprehensive income. However, non-monetary 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 other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the

balance sheet date.

(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 realised, 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 realised 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 (liabilities) at fair value through profit or loss

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. The Group recognises 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 recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised 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 recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised 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) 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 initially recognised and subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the 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 recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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 using 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

recognised 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. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised 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.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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 balance sheet date. 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	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

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

- A. Leases are recognised 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 recognised 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 Group's incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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 comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

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 recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(18) Intangible assets

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

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 ~ 5 years.

C. Other intangible assets, mainly customer relationship, are recorded at cost and amortised on a straight-line basis over the estimated useful life of 5 ~ 8 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 recognised 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 recognising 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 amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment loss of goodwill previously recognised 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) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are initially recognised and subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity

component in proportion to the initial carrying amount of each abovementioned item.

- D. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(23) 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

Employees’ compensation and directors’ and supervisors’ remuneration are recognised 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.

(24) Employee share-based payment

- A. 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 recognised

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 recognised is based on the number of equity instruments that eventually vest.

B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

C. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if the employees resign during the vesting period, the restricted stocks will be redeemed and retired by the Group without further consideration and recognised as deduction of share capital and additional paid-in capital, in accordance with the terms of restricted stocks.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or 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 shareholders resolve to retain the earnings.

C. Deferred tax is recognised, 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 profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

- A. Ordinary shares are classified as equity. The classification of preferred shares is determined according to the special rights attached to the preferred shares based on the substance of the contract and the definition of financial liabilities and equity instruments. Preferred shares are classified as liabilities when they have the fundamental characteristic of financial liabilities; otherwise, they 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.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders or Board of Directors. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. Sales of goods

- (a) The Group sells electronic components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer 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 goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised 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. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

B. Services

- (a) The Group provides semiconductor development services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided at the end of the reporting period in a proportion to the total services to be provided. This is determined based on the contract costs incurred for services performed to the estimated total cost for the service contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(29) 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 recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value as a bargain purchase.
- 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. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the 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

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the

good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group’s subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(11) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the estimated selling price in the ordinary course of business within the specified period before the balance sheet date. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 1,725	\$ 2,830
Checking accounts and demand deposits	<u>4,677,851</u>	<u>3,624,282</u>
	<u>\$ 4,679,576</u>	<u>\$ 3,627,112</u>

- A. The Group transacts with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of December 31, 2021 and 2020, the time deposits with maturity date over 3 months of \$14,673 and \$0, respectively, are recorded as 'other current assets'.

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

<u>Assets</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Beneficiary certificates	\$ 11,743	\$ 13,135
Equity instruments	9,806	-
Derivatives	455	-
	<u>\$ 22,004</u>	<u>\$ 13,135</u>
Non-current items:		
Beneficiary certificates	\$ 255,946	\$ 114,697
Debt instruments	65,780	349
	<u>\$ 321,726</u>	<u>\$ 115,046</u>
<u>Liabilities</u>		
Current items:		
Derivatives	<u>\$ 14,838</u>	<u>\$ -</u>

- A. Amounts recognised in profit or loss in relation to financial assets and liabilities measured at fair value through profit or loss are as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Derivatives	(\$ 208,532)	(\$ 56,949)
Beneficiary certificates	14,986	8,802
Equity instruments	4,329	-
Debt instruments	(18)	(3)
	<u>(\$ 189,235)</u>	<u>(\$ 48,150)</u>

B. The non-hedging derivative financial assets and liabilities and contract information are as follows:

Derivative financial assets	December 31, 2021		
	Contract amount (Notional principal)		Contract period
	(In thousands)		
Current items:			
Forward foreign exchange contracts	USD (BUY)	25,000	2021.12.30~2022.2.9
Derivative financial liabilities			
Current items:			
Forward foreign exchange contracts	USD (BUY)	190,000	2021.11.30~2022.1.4

The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting. The Group did not hold any unsettled derivative instruments as of December 31, 2020.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

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

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

Items	December 31, 2021	December 31, 2020
Current items:		
Equity instruments	\$ -	\$ 373,071
Non-current items:		
Equity instruments	\$ 18,989,224	\$ 14,826,321

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. The Company exchanged shares with ASMedia Technology Inc. on April 21, 2020 and acquired \$6,624,000 of financial assets at fair value through other comprehensive income - non-current. Please refer to Note 6(19) for more details.

C. Aiming to satisfy its operating capital needs, the Group sold \$940,603 and \$187,887 of listed and unlisted shares at fair value which resulted in a cumulative gain on disposal of \$829,802 and \$174,922 during the years ended December 31, 2021 and 2020, respectively.

D. Please refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2021 and 2020.

E. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2021 and 2020.

(4) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 3,522,996	\$ 2,511,120
Accounts receivable	72,147,379	58,567,256
Less: Allowance for uncollectible accounts	(208,292)	(228,084)
Notes and accounts receivable, net	<u>75,462,083</u>	<u>60,850,292</u>
Overdue receivables	492,607	477,261
Less: Allowance for uncollectible accounts	(492,607)	(477,261)
Overdue receivables, net (shown as 'other non-current assets')	<u>-</u>	<u>-</u>
	<u>\$ 75,462,083</u>	<u>\$ 60,850,292</u>

A. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of accounts receivables and notes receivable amounted to \$45,921,706.

B. Transferred financial assets that are derecognised in their entirety

(a) As of December 31, 2021 and 2020, the Group had outstanding discounted notes receivable amounting to \$2,953,255 and \$1,424,001, respectively. However, as the notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

(b) The Group entered into factoring agreements with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable transferred		
(Amount derecognised)	<u>\$ 34,289,747</u>	<u>\$ 24,147,739</u>
Amount advanced	<u>\$ 33,360,580</u>	<u>\$ 23,727,304</u>
Amount retained (shown as 'other receivables')	<u>\$ 929,167</u>	<u>\$ 420,435</u>

(c) The Group transacts 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.

C. Transferred financial assets that are not derecognised in their entirety

(a) The Group entered into factoring agreements with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institutions, and the banks have the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did

not derecognise the accounts receivable where the banks have the right of recourse, and related advance payments were listed in ‘short-term borrowings’.

- (b) The information of transferred accounts receivable continued to be recognised by the Group as of December 31, 2021 and 2020 is as follows. In addition, total carrying amount of the original assets before the transfer (same as carrying amount of the assets that the entity continues to recognise) of transferred accounts receivable continued to be recognised by the Group to the extent of its continuing involvement is in line with carrying amount of the associated liabilities, fair value of transferred accounts receivable and fair value of advance payments.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of transferred accounts receivable (that is, fair value)	\$ 338,931	\$ -
Carrying amount of advance payments (that is, fair value)	(305,038)	-
Net amount	<u>\$ 33,893</u>	<u>\$ -</u>

- D. As of December 31, 2021 and 2020, the interest rates for amounts advanced ranged between 0.31%~1.29% and 0.392%~1.38%, respectively.
- E. As of December 31, 2021 and 2020, the total limits of the accounts receivable factoring were \$91,334,573 and \$79,369,034, respectively.
- F. As of December 31, 2021 and 2020, the Group has issued a promissory note of \$174,886,486 and \$177,137,602, respectively, as performance guarantee against any business dispute.
- G. Please refer to Note 6(28) for information on financing charges on accounts receivable factoring for the years ended December 31, 2021 and 2020.
- H. As of December 31, 2021 and 2020, the Group’s accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of \$16,784,917 and \$14,288,166, respectively, and recorded as ‘accounts receivable’.
- I. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was the carrying amount of the notes and accounts receivable.
- J. Please refer to Note 8 for details of accounts receivable pledged as security.
- K. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Other receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Amounts retained for accounts receivable factoring	\$ 929,167	\$ 420,435
VAT refund receivable	412,466	628,959
Others	<u>190,264</u>	<u>26,441</u>
	<u>\$ 1,531,897</u>	<u>\$ 1,075,835</u>

(6) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Merchandise inventory	\$ 67,586,646	\$ 45,337,620
Less: Allowance for inventory obsolescence and market value decline	(<u>1,062,342</u>)	(<u>1,023,228</u>)
	<u>\$ 66,524,304</u>	<u>\$ 44,314,392</u>

The cost of inventories recognised as expense for the year:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of inventories sold	\$ 430,833,499	\$ 342,312,603
Loss on decline in market value	47,797	64,842
Loss on disposal of inventory	28,069	-
Loss on physical inventory	<u>113</u>	<u>328</u>
	<u>\$ 430,909,478</u>	<u>\$ 342,377,773</u>

(7) Investments accounted for using equity method

	<u>2021</u>	<u>2020</u>
At January 1	\$ 122,906	\$ 156,858
Share of loss of investments accounted for using equity method	(5,878)	(30,881)
Changes in capital surplus	3,173	-
Changes in other equity items	(<u>1,744</u>)	(<u>3,071</u>)
At December 31	<u>\$ 118,457</u>	<u>\$ 122,906</u>

A. JCD Optical (Cayman) Co., Ltd. increased its capital by \$41,925 in July 2021. The Company did not acquire shares proportionally to its interest. As a result, the shareholder ratio changed to 19.8% and capital surplus increased by \$3,173.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	Years ended December 31,	
	2021	2020
Loss for the year from continuing operations	(\$ 5,878)	(\$ 30,881)
Other comprehensive income, net of tax	689	2,116
Total comprehensive loss	(\$ 5,189)	(\$ 28,765)

(8) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Total
<u>At January 1, 2021</u>					
Cost	\$ 225,459	\$ 652,172	\$ 438,688	\$ 432,193	\$ 1,748,512
Accumulated depreciation and impairment	-	(127,635)	(308,044)	(309,640)	(745,319)
	<u>\$ 225,459</u>	<u>\$ 524,537</u>	<u>\$ 130,644</u>	<u>\$ 122,553</u>	<u>\$ 1,003,193</u>
<u>2021</u>					
Opening net book amount	\$ 225,459	\$ 524,537	\$ 130,644	\$ 122,553	\$ 1,003,193
Additions	-	5,170	45,409	104,832	155,411
Disposals	-	-	(479)	(105)	(584)
Depreciation charge	-	(15,148)	(58,188)	(63,353)	(136,689)
Net exchange differences	-	(6,358)	(7,250)	(3,508)	(17,116)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 508,201</u>	<u>\$ 110,136</u>	<u>\$ 160,419</u>	<u>\$ 1,004,215</u>
<u>At December 31, 2021</u>					
Cost	\$ 225,459	\$ 650,916	\$ 453,117	\$ 526,007	\$ 1,855,499
Accumulated depreciation and impairment	-	(142,715)	(342,981)	(365,588)	(851,284)
	<u>\$ 225,459</u>	<u>\$ 508,201</u>	<u>\$ 110,136</u>	<u>\$ 160,419</u>	<u>\$ 1,004,215</u>

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>					
Cost	\$ 225,459	\$ 641,873	\$ 389,030	\$ 354,743	\$1,611,105
Accumulated depreciation and impairment	-	(112,299)	(249,171)	(239,225)	(600,695)
	<u>\$ 225,459</u>	<u>\$ 529,574</u>	<u>\$ 139,859</u>	<u>\$ 115,518</u>	<u>\$1,010,410</u>
<u>2020</u>					
Opening net book amount	\$ 225,459	\$ 529,574	\$ 139,859	\$ 115,518	\$1,010,410
Acquisitions from business combinations	-	-	2,100	-	2,100
Additions	-	4,659	39,402	62,092	106,153
Disposals	-	-	(1,029)	-	(1,029)
Depreciation charge	-	(14,953)	(50,187)	(55,077)	(120,217)
Net exchange differences	-	5,257	499	20	5,776
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 524,537</u>	<u>\$ 130,644</u>	<u>\$ 122,553</u>	<u>\$1,003,193</u>
<u>At December 31, 2020</u>					
Cost	\$ 225,459	\$ 652,172	\$ 438,688	\$ 432,193	\$1,748,512
Accumulated depreciation and impairment	-	(127,635)	(308,044)	(309,640)	(745,319)
	<u>\$ 225,459</u>	<u>\$ 524,537</u>	<u>\$ 130,644</u>	<u>\$ 122,553</u>	<u>\$1,003,193</u>

Office and other equipment at December 31, 2021 and 2020 were for the Group's own use and not for lease.

(9) Leasing arrangements - lessee

A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise certain offices, business vehicles and printers.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 282,147	\$ 283,739
Buildings and structures	417,416	489,113
	<u>\$ 699,563</u>	<u>\$ 772,852</u>

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,940	\$ 5,786
Buildings and structures	<u>205,008</u>	<u>170,634</u>
	<u>\$ 210,948</u>	<u>\$ 176,420</u>

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$145,810 and \$100,714, respectively.

E. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 15,907	\$ 16,436
Expense on short-term lease contracts	80,226	80,470

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$289,163 and \$264,352, respectively.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(16,624)	(18,521)
	<u>\$ 82,839</u>	<u>\$ 20,475</u>	<u>\$ 103,314</u>
<u>2021</u>			
Opening net book amount	\$ 82,839	\$ 20,475	\$ 103,314
Depreciation charge	<u>-</u>	(814)	(814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 19,661</u>	<u>\$ 102,500</u>
<u>At December 31, 2021</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(17,438)	(19,335)
	<u>\$ 82,839</u>	<u>\$ 19,661</u>	<u>\$ 102,500</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(15,810)	(17,707)
	<u>\$ 82,839</u>	<u>\$ 21,289</u>	<u>\$ 104,128</u>
<u>2020</u>			
Opening net book amount	\$ 82,839	\$ 21,289	\$ 104,128
Depreciation charge	-	(814)	(814)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 20,475</u>	<u>\$ 103,314</u>
<u>At December 31, 2020</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(16,624)	(18,521)
	<u>\$ 82,839</u>	<u>\$ 20,475</u>	<u>\$ 103,314</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from the lease of the investment property	<u>\$ 2,627</u>	<u>\$ 2,643</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 814</u>	<u>\$ 814</u>

B. The fair values of the investment property held by the Group as at December 31, 2021 and 2020 were \$179,635 and \$184,376, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorized within Level 3 in the fair value hierarchy.

(11) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 2,046,410	\$ 107,496	\$ 69,152	\$ 2,223,058
Accumulated amortisation and impairment	(<u>220,132</u>)	(<u>88,076</u>)	(<u>3,237</u>)	(<u>311,445</u>)
	<u>\$ 1,826,278</u>	<u>\$ 19,420</u>	<u>\$ 65,915</u>	<u>\$ 1,911,613</u>
<u>2021</u>				
Opening net book amount	\$ 1,826,278	\$ 19,420	\$ 65,915	\$ 1,911,613
Additions	13,686	4,436	96,906	115,028
Amortisation charge (shown as 'general and administrative expenses')	-	(8,271)	(19,941)	(28,212)
Net exchange differences	(<u>27,079</u>)	<u>-</u>	<u>1,427</u>	(<u>25,652</u>)
Closing net book amount	<u>\$ 1,812,885</u>	<u>\$ 15,585</u>	<u>\$ 144,307</u>	<u>\$ 1,972,777</u>
<u>At December 31, 2021</u>				
Cost	\$ 2,033,017	\$ 111,896	\$ 167,485	\$ 2,312,398
Accumulated amortisation and impairment	(<u>220,132</u>)	(<u>96,311</u>)	(<u>23,178</u>)	(<u>339,621</u>)
	<u>\$ 1,812,885</u>	<u>\$ 15,585</u>	<u>\$ 144,307</u>	<u>\$ 1,972,777</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 2,028,000	\$ 102,488	\$ 5,381	\$ 2,135,869
Accumulated amortisation and impairment	(<u>174,119</u>)	(<u>77,891</u>)	<u>-</u>	(<u>252,010</u>)
	<u>\$ 1,853,881</u>	<u>\$ 24,597</u>	<u>\$ 5,381</u>	<u>\$ 1,883,859</u>
<u>2020</u>				
Opening net book amount	\$ 1,853,881	\$ 24,597	\$ 5,381	\$ 1,883,859
Additions	65,312	5,008	66,140	136,460
Amortisation charge (shown as 'general and administrative expenses')	-	(10,185)	(3,269)	(13,454)
Impairment loss	(46,013)	-	-	(46,013)
Net exchange differences	(<u>46,902</u>)	<u>-</u>	(<u>2,337</u>)	(<u>49,239</u>)
Closing net book amount	<u>\$ 1,826,278</u>	<u>\$ 19,420</u>	<u>\$ 65,915</u>	<u>\$ 1,911,613</u>
<u>At December 31, 2020</u>				
Cost	\$ 2,046,410	\$ 107,496	\$ 69,152	\$ 2,223,058
Accumulated amortisation and impairment	(<u>220,132</u>)	(<u>88,076</u>)	(<u>3,237</u>)	(<u>311,445</u>)
	<u>\$ 1,826,278</u>	<u>\$ 19,420</u>	<u>\$ 65,915</u>	<u>\$ 1,911,613</u>

- A. Other intangible assets mainly pertain to customer relationship.
- B. The information on intangible assets acquired through business combinations for the years ended December 31, 2021 and 2020 is provided in Note 6(33).
- C. Goodwill is allocated as follows to the Group's cash-generating units identified according to operating segment:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Retail</u>	<u>Retail</u>
Greater China Region	\$ 1,165,339	\$ 1,171,171
All other segments	<u>647,546</u>	<u>655,107</u>
	<u>\$ 1,812,885</u>	<u>\$ 1,826,278</u>

- D. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. Management determined budgeted gross margin based on past performance and their expectations of market development. The Group's accrued average annual revenue growth rate for the years ended December 31, 2021 and 2020 was 0%~5% and 0%~10%, respectively; the assumption used for discount rate is the weighted average capital cost of the Group. As of December 31, 2021 and 2020, the key valuations used for pre-tax discount rate to reflect risk of related cash-generating units were 5.32%~9.8% and 4.57%~10.3%, respectively. Based on the aforementioned assessment, the Group recognised impairment loss of goodwill of \$0 and \$46,013 for the years ended December 31, 2021 and 2020, respectively, and are recorded as "other gains and losses".

- E. The impairment loss reported by operating segments is as follows:

	<u>2021</u>	<u>2020</u>
Greater China Region	\$ -	\$ 46,013

- F. There were no intangible assets that were pledged to others.

(12) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit loans	\$ 33,192,670	\$ 23,314,455
Secured borrowings (note)	<u>305,038</u>	<u>-</u>
	<u>\$ 33,497,708</u>	<u>\$ 23,314,455</u>
Interest rates per annum	<u>0.5195%~3.55%</u>	<u>0.5186%~3.65%</u>

Note: They were secured by accounts receivable.

As of December 31, 2021 and 2020, information on the collateral provided by the Group is provided

in Note 8.

(13) Short-term notes and bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper	\$ 2,050,000	\$ 748,000
Amortisation of discount	(<u>546</u>)	(<u>357</u>)
	<u>\$ 2,049,454</u>	<u>\$ 747,643</u>
Coupon rate	<u>0.44%~0.742%</u>	<u>0.331%~0.572%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses payable	\$ 1,329,638	\$ 1,041,708
Accrued VAT payable	167,454	112,611
Freight payable	165,500	166,243
Insurance expense payable	80,654	55,590
Others	<u>440,886</u>	<u>347,127</u>
	<u>\$ 2,184,132</u>	<u>\$ 1,723,279</u>

(15) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds payable	\$ 77,100	\$ 384,100
Less: Discount on bonds payable	(<u>465</u>)	(<u>6,906</u>)
	76,635	377,194
Less: Bonds payable, current portion (Shown as 'Long-term liabilities, current portion')	(<u>76,635</u>)	<u>-</u>
	<u>\$ -</u>	<u>\$ 377,194</u>

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model as specified in the

terms of the bonds (with the conversion price at NT\$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2021, the conversion price was NT\$26.7 per share.

iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.

(b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus share options’ amounting to \$2,426 as of December 31, 2021, in accordance with IAS 32.

(c) As of December 31, 2021, the convertible bonds converted into 38,287 thousand common shares totaled \$1,122,900 at par value.

B. For the years ended December 31, 2021 and 2020, the amortised discount of bonds payable was \$3,516 and \$7,500, respectively.

(16) Long-term loans

Type of loans	Period	December 31, 2021	
		Credit line	Amount
Mid-term syndicated loans (note A)	2021.7.29~2026.7.29	\$ 12,000,000	\$ 7,750,400
Interest rate			0.95%
		December 31, 2020	
Type of loans	Period	Credit line	Amount
Mid-term borrowings (Bank of Taiwan) (note B)	2020.9.14~2022.9.14	\$ 800,000	\$ 800,000
Interest rate			1.2%

A. As stipulated in the syndicated loan agreement:

(a) Credit line: NT\$12,000,000.

(b) Credit period: 5 years after the date of first drawdown of any credit line.

(c) Drawdown period: The day before 5 years after the date of first drawdown. However, maturity date of each borrowing shall not exceed the credit period. The borrower may apply for re-utilisation within the credit period 5 years after the date of first drawdown according to the capital situation. However, each drawdown must be fully repaid before the expiry of the credit period.

(d) Financial commitment: The borrower’s consolidated financial statements shall maintain the following financial ratios and regulations:

i. Liquidity ratio: Shall be at least 100%.

ii. Net debt ratio: Shall be no more than 250%.

iii. Interest coverage ratio shall be at least 200%.

The abovementioned financial ratios are reviewed semi-annually.

- B. Under the Bank of Taiwan borrowing contract, the Group shall review the average balance of demand deposits every six months during the contract period in order to maintain the interest rate markup.
- C. The Group's financial ratios in the consolidated financial statements for the years ended December 31, 2021 and 2020 have met the required covenants under the abovementioned borrowing contract.
- D. The Group's liquidity risk is provided in Note 12.

(17) Pensions

A. Defined benefit pension plan

- (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 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 Group 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 Group will make contributions for the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 205,472	\$ 206,193
Fair value of plan assets	(149,497)	(142,768)
Net defined benefit liability	<u>\$ 55,975</u>	<u>\$ 63,425</u>
Shown as 'other non-current assets'	<u>\$ 5,592</u>	<u>\$ 5,008</u>
Shown as 'other non-current liabilities'	<u>\$ 61,567</u>	<u>\$ 68,433</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	\$ 206,193	\$ 142,768	\$ 63,425
Current service cost	1,243	-	1,243
Interest (expense) income	<u>671</u>	<u>462</u>	<u>209</u>
	<u>208,107</u>	<u>143,230</u>	<u>64,877</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,100	(2,100)
Change in demographic assumptions	204	-	204
Change in financial assumptions	(8,041)	-	(8,041)
Experience adjustments	<u>5,202</u>	<u>-</u>	<u>5,202</u>
	<u>(2,635)</u>	<u>2,100</u>	<u>(4,735)</u>
Pension fund contribution	<u>-</u>	<u>4,167</u>	<u>(4,167)</u>
Balance at December 31	<u>\$ 205,472</u>	<u>\$ 149,497</u>	<u>\$ 55,975</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	\$ 194,236	\$ 134,015	\$ 60,221
Current service cost	1,216	-	1,216
Interest (expense) income	<u>1,411</u>	<u>964</u>	<u>447</u>
	<u>196,863</u>	<u>134,979</u>	<u>61,884</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,558	(4,558)
Change in financial assumptions	8,679	-	8,679
Experience adjustments	<u>1,586</u>	<u>-</u>	<u>1,586</u>
	<u>10,265</u>	<u>4,558</u>	<u>5,707</u>
Pension fund contribution	<u>-</u>	<u>4,166</u>	<u>(4,166)</u>
Paid pension	<u>(935)</u>	<u>(935)</u>	<u>-</u>
Balance at December 31	<u>\$ 206,193</u>	<u>\$ 142,768</u>	<u>\$ 63,425</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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and

Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation 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 utilisation 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 approved by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund, 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 Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.7%	0.3%~0.4%
Future salary increases	3%	3%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 5,075)	\$ 5,248	\$ 4,607	(\$ 4,487)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 5,597)	\$ 5,801	\$ 5,121	(\$ 4,979)

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 \$4,210.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 10 ~13 years.

B. Defined contribution pension plan

- (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 in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 1%~21% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees’ monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$238,995 and \$146,286, respectively.

(18) Share-based payment

- A. For the year ended December 31, 2021 and 2020, the Group’s share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Cash capital increase reserved for employee preemption	2020.8.17	520 thousand shares	Vested immediately
Restricted stocks to employees	2021.1.13	2,992 thousand shares	(a) and (b)
Employee stock options	2021.3.18	12,000 thousand shares	(c)
Restricted stocks to employees	2021.7.28	2,788 thousand shares	(a) and (b)

- (a) The vesting percentage for the employee who has rendered service to the Company since the grant date and achieves the performance condition is 25% each year.
- (b) The issued employee restricted shares before meeting the vesting conditions are subject to certain restrictions as follows:

- i. Employee restricted shares cannot be sold, pledged, transferred, donated to others, set purposes or disposed in any other ways, except for inheritance.
 - ii. The rights to attend, propose, speak and vote at the shareholders meeting are the same as the issued ordinary shares of the Company and are implemented in accordance with the trust custody contract.
 - iii. Other rights including but not limited to dividends, distribution rights of legal reserve and capital surplus and share options of cash capital increase, etc. are the same as the Company's issued ordinary shares, do not need to be kept in trust and are not restricted by the vesting period. Employees are required to return the unvested stocks but not required to return the dividends received if they resign during the vesting period.
- (c) Employees can exercise 50%, 25% and 25% of their option after 2 years, 3 years and 4 years from the grant date of employee stock options, respectively.
- B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (years)	Expected dividends	Risk-free interest rate (%)	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2020.8.17	\$ 53.25	\$ 50.00	9.09	0.137	-	0.13	\$ 3.28
Restricted stocks to employees	2021.1.13	\$ 42.05	\$ -	-	4	-	-	\$ 42.05
Employee stock options	2021.3.18	\$ 46.80	\$ 46.80	18.44~ 18.46	4~5	-	0.31~ 0.34	\$7.0985~ \$8.1307
Restricted stocks to employees	2021.7.28	\$ 61.20	\$ -	-	4	-	-	\$ 58.0011

C. Details of the stock options for the year ended December 31, 2021 are disclosed as follows:

	<u>2021</u>		
	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>Weighted-average remaining contractual period</u>
Options outstanding at January 1	-	\$ -	
Options granted	12,000	46.8	
Options forfeited	(60)	-	
Options outstanding at December 31	<u>11,940</u>	<u>\$ 46.8</u>	5.46 years

E. Details of the employee restricted shares for the year ended December 31, 2021 are disclosed as follows:

	<u>2021</u>
	<u>No. of shares (in thousands)</u>
Shares outstanding at January 1	-
Shares granted	5,780
Shares forfeited	(52)
Shares outstanding at December 31	<u>5,728</u>

F. Compensation cost of share-based payment of \$123,520 and \$1,706 was recognised for cash capital increase reserved for employee preemption for the years ended December 31, 2021 and 2020, respectively.

(19) Share capital

As of December 31, 2021, the Company's authorised capital was \$20,000,000, including partial preferred shares, consisting of 2 billion shares (including 300 million shares reserved for employee stock options), and the paid-in capital was \$9,327,068 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Common stock

A. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	<u>2021</u>	<u>2020</u>
	Shares (in thousands)	Shares (in thousands)
At January 1	788,232	591,437
Shares issued	-	171,000
Issuance of employee restricted shares	5,780	-
Cancellation of employee restricted shares	(52)	-
Shares converted from bonds	11,391	25,795
Retirement of treasury shares	(2,494)	-
At December 31	<u>802,857</u>	<u>788,232</u>

- B. On February 21, 2020, the Company's Board of Directors resolved to increase capital of \$1,710,000 by issuing 171 million ordinary shares in the amount of \$6,624,000 with a par value of NT\$10 (in dollars) per share to exchange for 9 million shares of ASMedia Technology Inc. The transaction was approved by the Financial Supervisory Committee on April 17, 2020, and the effective date was set on April 21, 2020.
- C. There were 11,391 thousand ordinary shares converted from the Company's convertible bonds in the year of 2021. Convertible bonds amounting to \$137,500 in total par value had been requested for conversion into 5,150 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed.
- D. On March 27, 2020, the shareholders resolved the issuance of 3,000 thousand employee restricted shares with a par value of \$10 (in dollars) per share. The issuance can be granted several times within a year. A total of 2,992 thousand shares were issued for the first time and the effective date was set on January 18, 2021.
- E. On July 12, 2021, the shareholders resolved the issuance of 3,000 thousand employee restricted shares with a par value of \$10 (in dollars) per share. The issuance can be granted several times within a year. A total of 2,788 thousand shares were issued for the first time and the effective date was set on July 28, 2021.
- F. On July 12, 2021, the shareholders resolved to increase capital by issuing common shares domestically and/or to increase capital by issuing common shares to participate in issuance of the global depository receipts. The shareholders authorised the Board of Directors to increase the capital by selecting an appropriate timing and a financing instrument through one of the methods or a combination of the two once or several times and up to a maximum number of 120 million shares depending on the market environment and the Company's capital needs. The common shares for domestic capital increase will be issued through book building or public subscription.
- G. On February 24, 2022, the Company's Board of Directors resolved to increase capital by issuing common shares to participate in the issuance of the global depository receipts for the financial needs of the repayment of the principal of bank borrowing in foreign currency and overseas procurement. The proposed stock issuance for cash is expected to be around 58,000 thousand to

78,000 thousand shares of common stocks with a par value of NT\$10 (in dollars) per share, and authorise the chairman to adjust the issuance position depending on the market environment within the limit.

H. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2021	
		Number of shares (in thousands)	Carrying amount
The Company	To enhance the Company's credit rating and the shareholders' equity	2,494	\$ <u> -</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the shareholders' equity should be retired within six months of acquisition. The Board of Directors on November 5, 2021 has resolved to retire 2,494 thousand shares, and the registration for the change was completed on November 19, 2021.

Preferred shares

On July 2, 2020, the Board of Directors resolved to increase the Company's capital in the amount of \$6,750,000 by issuing 135 million shares of Class A preferred shares with a par value of \$10 (in dollars) per share issued at \$50 (in dollars) per share. The capital injection was approved by the FSC on July 29, 2020, and the effective date was set on October 15, 2020. The rights and obligations of these outstanding preferred shares are as follows:

- A. Expiration date: The Company's Class A preferred shares are perpetual. The shareholders of Class A preferred shares cannot request the Company to retire the preferred shares they hold but all or certain parts are callable at any time from the next day of five years after issuance at the actual issue price. The outstanding Class A preferred shares sustained all the rights and obligations specified in the issuance terms. Dividends payable as of the redemption date shall be calculated based on the actual outstanding days if the Board of Directors resolved to distribute the current year's dividends.

- B. Dividends: Dividends are calculated at 4% per annum, consisting of five-year IRS rate of 0.6125% on pricing effective date (August 17, 2020) and specific markup of 3.3875%, based on the issue price per share. The five-year IRS rate will be reset on the next business day of five years since issuance and every subsequent five years and the pricing effective date for rate reset is two business days in Taipei financial industry prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages “PYTWDFIX” and “COSMOS3” at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- C. Dividend distribution: Dividends of Class A preferred shares are distributed once per year in the form of cash. The effective date for distributing previous year’s distributable dividends will be set by the Board of Directors or the chairman who is authorised by the Board of Directors. Dividend distributions in the years of issuance and redemption are calculated based on the actual outstanding days. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating deficit and then set aside as legal reserve. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any in the current year, can be distributed as dividends of preferred shares in first priority.
- The Company has discretion in dividend distribution of Class A preferred shares. The Company could choose not to distribute dividends of preferred shares when resolved by the Board of Directors, which would not lead to default if the Company has no or has insufficient current year’s earnings for distribution or has other considerations. In addition, the amounts of undistributed dividends or insufficient distributed dividends will not be deferred to future years when the Company has earnings.
- D. Excess dividend distribution: Besides the aforementioned dividends, the shareholders of Class A preferred shares could not participate in the distribution of cash and capitalised assets for common shares derived from earnings and capital surplus.
- E. Residual property distribution: The shareholders of Class A preferred shares have priority over shareholders of common stocks in distributing the Company’s residual properties and have the same priority with other preferred shareholders of the Company, but behind the general creditor. In addition, the limit is the amount calculated by shares of outstanding preferred shares issued and the issue price when distributing.
- F. Right to vote and be elected: The shareholders of Class A preferred shares have no right to vote and be elected as directors in the ordinary shareholders’ meeting of the Company but have the right to vote in the shareholders’ meeting only when there is unfavourable matters to rights and obligations of shareholders of Class A preferred shares.

- G. Conversion to common shares: Class A preferred shares could not be converted to common shares.
- H. The preemptive rights for shareholders of Class A preferred shares are the same as of common shareholders when the Company increases its capital by issuing new shares.
- I. Capital surplus arising from premium issuance of Class A preferred shares can be used to offset against accumulated deficit but cannot be capitalised during the issuance period.

(20) Capital surplus

A. 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 to the above considerations, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised 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. Changes in capital surplus are as follows:

	2021						
	Share premium	Treasury share transactions	Employee stock options	Stock options	Restricted stocks to employees	Net change in equity of associates	Total
At January 1	\$20,033,915	\$40,742	\$ -	\$12,087	\$ -	\$ 8,237	\$ 20,094,981
Issuance of employee restricted shares	-	-	-	-	216,366	-	216,366
Cancellation of employee restricted shares	-	-	-	-	520	-	520
Conversion of convertible bonds	199,827	-	-	(9,661)	-	-	190,166
Retirement of treasury shares	(46,322)	(40,742)	-	-	-	-	(87,064)
Compensation cost of share-based payments	-	-	26,636	-	-	-	26,636
Changes in equity of associates accounted for using the equity method	-	-	-	-	-	3,173	3,173
At December 31	\$20,187,420	\$ -	\$26,636	\$ 2,426	\$216,886	\$ 11,410	\$ 20,444,778

	2020				
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	\$ 9,446,398	\$ 40,742	\$ 36,459	\$ 8,237	\$ 9,531,836
Issuance of shares	4,914,000	-	-	-	4,914,000
Issuance of preferred shares	5,400,000	-	-	-	5,400,000
Compensation cost of share-based payments	1,706	-	-	-	1,706
Conversion of convertible bonds	520,821	-	(24,372)	-	496,449
Reorganisation	(249,010)	-	-	-	(249,010)
At December 31	<u>\$ 20,033,915</u>	<u>\$ 40,742</u>	<u>\$ 12,087</u>	<u>\$ 8,237</u>	<u>\$20,094,981</u>

B. For the information relating to capital surplus-share options, please refer to Note 6(15).

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first pay taxes and offset accumulated losses; and set aside a legal reserve at 10% of such remaining earnings, until the accumulated legal reserve has equaled the total paid-in capital of the Company; then, set aside a special reserve in accordance with applicable laws or regulations of the competent authority. Residual earnings (distributable earnings in the current year) plus undistributed earnings at the beginning of the period is the accumulated retained earnings, which shall first be distributed as dividends to holders of Preferred Share, and distribution of such earnings shall submitted by the Board of Directors to the shareholders' meeting for approval.

B. In accordance with Article 240 of the Company Act, the Board of Directors is authorised, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, to distribute dividends and bonus of all or part of the legal reserve and capital surplus in the form of cash based on the regulations specified in Article 241 of the Company Act which shall be reported to the shareholders during their meeting. Said distribution is not subject to the regulation which requires that the distribution shall be resolved by the shareholders during their meeting.

C. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarized below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall

account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- D. 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 balance of the reserve exceeds 25% of the Company's paid-in capital.
- E. 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.
- F. According to the resolutions adopted by the shareholders during their meetings in July 2021 and March 2020, the distribution information of the Company's 2020 and 2019 earnings, respectively, is as follows:

	Years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 396,453		\$ 261,034	
Special reserve	(791,142)		647,574	
Dividends on preferred share	57,541	\$ 0.426	-	
Cash dividends of ordinary shareholders	<u>2,532,086</u>	3.200	<u>1,645,111</u>	\$ 2.776
	<u>\$ 2,194,938</u>		<u>\$ 2,553,719</u>	

- (a) As of February 24, 2022, the appropriation of 2021 earnings has not yet been resolved by the Board of Directors.
- (b) Information on the appropriation of the Company's earnings as approved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Other equity items

	<u>Unrealised gains (losses) on valuation</u>	<u>Currency translation</u>	<u>Unearned compensation</u>	<u>Total</u>
At January 1, 2021	\$ 8,208,070	(\$ 2,600,106)	\$ -	\$ 5,607,964
Valuation adjustment on equity instruments	3,213,479	-	-	3,213,479
Disposals reclassified as retained earnings	(829,777)	-	-	(829,777)
Currency translation differences:				
– Group	-	(1,078,835)	-	(1,078,835)
– Associates	-	689	-	689
Issuance of employee restricted shares	-	-	(274,166)	(274,166)
Compensation cost of share-based payments	<u>-</u>	<u>-</u>	<u>96,884</u>	<u>96,884</u>
At December 31, 2021	<u>\$10,591,772</u>	<u>(\$ 3,678,252)</u>	<u>(\$ 177,282)</u>	<u>\$ 6,736,238</u>
	<u>Unrealised gains (losses) on valuation</u>	<u>Currency translation</u>		<u>Total</u>
At January 1, 2020	\$ 368,652	(\$ 1,159,794)	(791,142)
Valuation adjustment on equity instruments	8,014,340		-	8,014,340
Disposals reclassified as retained earnings	(174,922)		-	(174,922)
Currency translation differences:				
– Group	-	(1,442,428)	(1,442,428)
– Associates	<u>-</u>	<u>2,116</u>		<u>2,116</u>
At December 31, 2020	<u>\$ 8,208,070</u>	<u>(\$ 2,600,106)</u>	<u>\$</u>	<u>5,607,964</u>

(23) Non-controlling interests

	<u>2021</u>	<u>2020</u>
At January 1	\$ 38,364	\$ 742
Share attributable to non-controlling interest:		
(Loss) profit for the year	(68,089)	398
Comprehensive income (loss) for the year:		
Exchange differences on translation of foreign financial statements	707	(54)
Unrealized (loss) gain from financial assets at fair value through other comprehensive income	(11)	8
Disposal of financial assets at fair value through other comprehensive income reclassified as retained earnings	25	7
Increase in non-controlling interests	121,813	37,539
Cash dividends paid	(366)	(276)
At December 31	<u>\$ 92,443</u>	<u>\$ 38,364</u>

The Company's subsidiary, Brillnics Inc., increased its capital in 2021 and employees of Brillnics Inc. exercised employee stock options, which resulted to an increase in the non-controlling interest. Please refer to Note 4(3) for details.

(24) Operating revenue

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Contract revenue		
Sale of electronic components	\$ 447,344,160	\$ 353,009,732
Services revenue	349,138	-
Other operating revenue	202,819	142,463
	<u>\$ 447,896,117</u>	<u>\$ 353,152,195</u>

A. The Group derives revenue from the transfer of goods at a point in time and services over time in the following major product lines:

	Year ended December 31, 2021		
	Greater China Region	Others	Total
Timing of revenue			
At a point of time			
Analog IC (including linear IC)	\$ 160,035,399	\$ 3,880,022	\$ 163,915,421
Microcontroller	32,680,528	15,246,539	47,927,067
Memory IC	42,043,007	1,074,546	43,117,553
Discrete Component	29,657,596	2,437,694	32,095,290
Microprocessor	17,203,501	11,778,008	28,981,509
Mixed Signal IC	22,100,935	448,233	22,549,168
Application Specific IC	14,664,465	811,823	15,476,288
Others	88,019,841	5,464,842	93,484,683
Over time			
Services	349,138	-	349,138
	<u>\$ 406,754,410</u>	<u>\$ 41,141,707</u>	<u>\$ 447,896,117</u>

	Year ended December 31, 2020		
	Greater China Region	Others	Total
Timing of revenue			
At a point of time			
Analog IC (including linear IC)	\$ 147,652,500	\$ 4,934,761	\$ 152,587,261
Microcontroller	22,897,352	4,378,927	27,276,279
Memory IC	25,831,751	801,869	26,633,620
Discrete Component	23,640,851	1,818,067	25,458,918
Microprocessor	15,009,860	7,188,129	22,197,989
Mixed Signal IC	15,475,206	194,922	15,670,128
Application Specific IC	14,428,619	464,382	14,893,001
Others	64,863,300	3,571,699	68,434,999
	<u>\$ 329,799,439</u>	<u>\$ 23,352,756</u>	<u>\$ 353,152,195</u>

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	December 31, 2021	December 31, 2020	January 1, 2020
Refund liabilities			
-sales discounts and returns	\$ 658,325	\$ 459,101	\$ 552,019
Contract liabilities			
-advance sales receipts	\$ 373,803	\$ 506,379	\$ 195,597

C. Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Years ended December 31,	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ <u>325,427</u>	\$ <u>170,560</u>

(25) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 5,967	\$ 11,824
Other interest income	<u>301</u>	<u>4,244</u>
	\$ <u>6,268</u>	\$ <u>16,068</u>

(26) Other income

	Years ended December 31,	
	2021	2020
Dividend income	\$ 276,153	\$ 115,395
Grant revenue	29,558	48,697
Other income	<u>33,562</u>	<u>46,144</u>
	\$ <u>339,273</u>	\$ <u>210,236</u>

(27) Other gains and losses

	Years ended December 31,	
	2021	2020
Loss on disposal of property, plant and equipment	(\$ 485)	(\$ 749)
Foreign exchange gain, net	196,658	381,181
Loss on financial assets and liabilities at fair value through profit or loss	(189,235)	(48,150)
Impairment loss of goodwill	-	(46,013)
Other losses	<u>(8,856)</u>	<u>(8,217)</u>
	\$ <u>1,918</u>	\$ <u>278,052</u>

(28) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 425,383	\$ 540,226
Others	27,255	30,281
Financing charges on accounts receivable factoring	229,061	392,378
Other finance costs	<u>33,350</u>	<u>27,790</u>
	<u>\$ 715,049</u>	<u>\$ 990,675</u>

(29) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 4,040,421	\$ 3,402,303
Depreciation	348,451	297,451
Amortisation	<u>28,212</u>	<u>13,454</u>
Total (shown as 'Operating expenses')	<u>\$ 4,417,084</u>	<u>\$ 3,713,208</u>

(30) Employee benefit expense

	Years ended December 31,	
	2021	2020
Employee benefit expense		
Wages and salaries	\$ 3,426,770	\$ 2,896,523
Labour and health insurance fees	128,580	106,963
Pension costs	240,447	147,949
Other personnel expenses	<u>244,624</u>	<u>250,868</u>
Total (shown as 'Operating expenses')	<u>\$ 4,040,421</u>	<u>\$ 3,402,303</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$92,900 and \$42,800, respectively; while directors' remuneration was accrued at \$35,000 and \$10,500, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2021 and 2020.

Employees' compensation and directors' remuneration for 2020 as resolved by the directors of Board were in agreement with those amounts recognised in profit or loss for 2020.

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.

- C. The Group’s mainland China subsidiaries were affected by the COVID-19 pandemic and were entitled to an exemption of social insurance premiums in accordance with the No. 11 (2020) of the Ministry of Human Resources and Social Security, “Notice of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises”. The exemption was recognised as a deduction item to employee benefit expense for the year ended December 31, 2020.

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profit for the year	\$ 2,087,264	\$ 982,895
Tax on undistributed surplus earnings	88,480	2,831
Prior year income tax under (over) estimation	<u>15,902</u>	<u>(1,218)</u>
Total current tax	<u>2,191,646</u>	<u>984,508</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>133,011</u>	<u>19,685</u>
Total deferred tax	<u>133,011</u>	<u>19,685</u>
Income tax expense	<u>\$ 2,324,657</u>	<u>\$ 1,004,193</u>

- (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2021	2020
Remeasurement of defined benefit obligations	<u>(\$ 947)</u>	<u>\$ 1,142</u>

B. Reconciliation between income tax expense and accounting profit

	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 2,933,096	\$ 1,440,044
Expenses disallowed by tax regulation	(712,821)	(437,464)
Tax on undistributed earnings	88,480	2,831
Prior year income tax under (over) estimation	<u>15,902</u>	<u>(1,218)</u>
Income tax expense	<u>\$ 2,324,657</u>	<u>\$ 1,004,193</u>

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

	Year ended December 31, 2021					December 31
	January 1	Acquisition from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	
– Deferred tax assets:						
Allowance for sales returns and discounts	\$ 422,601	\$ -	\$ 62,907	\$ -	\$ -	\$ 485,508
Allowance for doubtful accounts	52,511	-	(24,068)	-	(777)	27,666
Reserve for inventory obsolescence and market price decline	214,269	-	11,128	-	(228)	225,169
Others	<u>130,169</u>	<u>-</u>	<u>(65,522)</u>	<u>(502)</u>	<u>(577)</u>	<u>63,568</u>
	<u>\$ 819,550</u>	<u>\$ -</u>	<u>(\$ 15,555)</u>	<u>(\$ 502)</u>	<u>(\$ 1,582)</u>	<u>\$ 801,911</u>
– Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 599,649)	\$ -	(\$ 61,145)	\$ -	\$ -	(\$ 660,794)
Others	<u>(5,329)</u>	<u>(19,122)</u>	<u>(56,311)</u>	<u>(445)</u>	<u>2</u>	<u>(81,205)</u>
	<u>(\$ 604,978)</u>	<u>(\$ 19,122)</u>	<u>(\$ 117,456)</u>	<u>(\$ 445)</u>	<u>\$ 2</u>	<u>(\$ 741,999)</u>
	Year ended December 31, 2020					
	January 1	Acquisition from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
– Deferred tax assets:						
Allowance for sales returns and discounts	\$ 329,231	\$ -	\$ 95,356	\$ -	(\$ 1,986)	\$ 422,601
Allowance for doubtful accounts	87,052	-	(34,547)	-	6	52,511
Reserve for inventory obsolescence and market price decline	198,941	-	15,328	-	-	214,269
Others	<u>137,536</u>	<u>1,280</u>	<u>(13,558)</u>	<u>4,287</u>	<u>624</u>	<u>130,169</u>
	<u>\$ 752,760</u>	<u>\$ 1,280</u>	<u>\$ 62,579</u>	<u>\$ 4,287</u>	<u>(\$ 1,356)</u>	<u>\$ 819,550</u>
– Deferred tax liabilities:						
Foreign investment income using equity method	(\$ 518,007)	\$ -	(\$ 81,642)	\$ -	\$ -	(\$ 599,649)
Others	<u>(1,562)</u>	<u>-</u>	<u>(622)</u>	<u>(3,145)</u>	<u>-</u>	<u>(5,329)</u>
	<u>(\$ 519,569)</u>	<u>\$ -</u>	<u>(\$ 82,264)</u>	<u>(\$ 3,145)</u>	<u>\$ -</u>	<u>(\$ 604,978)</u>

The information on deferred tax assets acquired through business combinations for the year ended December 31, 2021 is provided in Note 6(33).

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	\$ 13,096	\$ 16,622

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$3,646,012 and \$3,593,406, respectively.

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

(32) Earnings per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,923,257		
Less: Dividends of preferred stock	(57,541)		
Profit used to calculate basic earnings per share	<u>\$ 7,865,716</u>	<u>789,748</u>	<u>\$ 9.96</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 7,923,257		
Less: Dividends of preferred stock	(57,541)		
Profit used to calculate diluted earnings per share	7,865,716	789,748	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	3,516	11,413	
Restricted stocks to employees	-	1,943	
Employee stock options	-	2,473	
Employees' compensation	-	<u>1,407</u>	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 7,869,232</u>	<u>806,984</u>	<u>\$ 9.75</u>

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 3,794,178	726,519	\$ 5.22
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	3,794,178	726,519	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	7,500	23,473	
Employees' compensation	-	1,158	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,801,678	751,150	\$ 5.06

(33) Business combination

As of December 31, 2021 and 2020, the Group's mergers are as follows:

A. The Company acquired part of the electronic component distribution business of Shenzhen Anfuhua Technology Co., Ltd. and LIONEX TECHNOLOGY (HK) LIMITED:

(a) In August 2020, the Group signed a business transfer agreement with Shenzhen Anfuhua Technology Co., Ltd. and LIONEX TECHNOLOGY (HK) LIMITED, acquiring part of the company's electronic component distribution business amounting to \$42,673 and \$42,697 (\$14,743 and \$14,742 of the aforementioned amounts have been paid in August 2020 and shown as 'other non-current assets'), respectively. The record date of the transfer was April 30, 2021 and May 31, 2021, respectively.

(b) Shenzhen Anfuhua Technology Co., Ltd. and LIONEX TECHNOLOGY (HK) LIMITED are distributors of electronic components with the China region as its primary market.

(c) Information on the acquisition of the distribution business is as follows:

As of December 31, 2021, the allocation of the purchase price of the acquisition is still in process, and the Company has engaged experts to assess the fair value of the identifiable assets.

	April 30, 2021
Purchase consideration - cash	\$ 42,673
Less: Fair value of the identifiable net assets-customer relationship	(42,673)
Goodwill	\$ -

	<u>May 31, 2021</u>
Purchase consideration - cash	\$ 42,697
Less: Fair value of the identifiable net assets-customer relationship	(42,697)
Goodwill	<u>\$ -</u>

As of December 31, 2021, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

B. The Group acquired all the equity interest of Analog World Co., Ltd. (“AWC Company”) and part of electronic component distribution business of Analog Tech Systems, Inc. (“ATS Company”) and Analogtechsys Limited (“ATL Company”).

(a) The Company and the Company’s subsidiary, Morrihan International Corp., acquired all the equity interest of AWC Company in cash and part of the electronic component distribution business of ATS Company and ATL Company in the amount of \$403,330 (US\$13,748 thousand) and \$38,149 (US\$1,300 thousand) as resolved by the Board of Directors on July 2, 2020, respectively, and the effective date for the share conversion was set on October 5, 2020. AWC Company, ATS Company and ATL Company are primarily engaged in the distribution and sale of various electronic components. The purpose of the combination is to improve and enhance the Company’s ADI product line targeting the Korean market in order to increase the Group’s operating performance.

(b) The following table summarizes the consideration paid for AWC Company, ATS Company and ATL Company, and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>October 5, 2020</u>
Purchase consideration	
Cash paid	\$ 435,379
Contingent consideration	<u>6,100</u>
	441,479
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	181,396
Accounts receivable	117,659
Inventories	52,610
Prepayments	1,040
Property, plant and equipment	2,100
Deferred tax assets	1,280
Other non-current assets	10,991
Accounts payable	(43,695)
Other payables	(15,400)
Current income tax liabilities	(2,016)
Other current liabilities	(2,038)
Deferred income tax liabilities	<u>(19,122)</u>
Total identifiable net assets	284,805
Fair value of the identifiable intangible assets acquired - customer relationship	<u>76,780</u>
Goodwill	<u>\$ 79,894</u>

(c) The operating revenue and profit before income tax included in the consolidated statement of comprehensive income since October 5, 2020 contributed by AWC Company was \$251,874 and \$4,490, respectively. Had AWC Company been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of \$353,887,965 and profit before income tax of \$4,822,937, respectively.

(34) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$ 155,411	\$ 106,153
Add: Opening balance of payable on equipment	3,456	4,879
Ending balance of prepayments for business facilities	36,457	-
Less: Ending balance of payable on equipment	(24,780)	(3,456)
Opening balance of prepayments for business facilities	<u>-</u>	<u>(1,609)</u>
Cash paid during the year	<u>\$ 170,544</u>	<u>\$ 105,967</u>

B. Cash paid for business combinations:

	Years ended December 31,	
	2021	2020
Current assets	\$ -	\$ 352,705
Property, plant and equipment	-	2,100
Goodwill	13,686	65,312
Acquired identifiable intangible assets	96,906	66,140
Other non-current assets	-	12,271
Other current liabilities	-	(63,149)
Other non-current liabilities	(19,122)	-
Fair value of assets and liabilities	91,470	435,379
Add: Ending balance of prepayments	-	29,485
Less: Cash received from business combinations	-	(181,396)
Opening balance of prepayments	(29,485)	-
Ending balance of payable	(6,100)	-
Cash paid during the year	<u>\$ 55,885</u>	<u>\$ 283,468</u>

C. Financing activities with no cash flow effects

	Years ended December 31,	
	2021	2020
Issuance of shares	\$ -	\$ 6,624,000
Acquisition of financial assets at fair value through other comprehensive income	-	(6,624,000)
Conversion of bonds payable	113,909	257,948
Capital surplus of bonds payable conversion	190,166	496,449
Conversion of convertible bonds payable	(304,075)	(754,397)
Cash paid during the year	<u>\$ -</u>	<u>\$ -</u>

On April 21, 2020, the Company issued new shares to exchange shares with ASMedia Technology Inc. Please refer to Note 6(19) for more details.

(35) Changes in liabilities from financing activities

	Long-term and Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable (Note)	Lease liability	Liabilities from financing activities-gross
At January 1, 2021	\$ 24,114,455	\$ 747,643	\$ 377,194	\$ 499,922	\$ 25,739,214
Changes in cash flow from financing activities	17,183,905	1,293,979	-	(193,030)	18,284,854
Impact of changes in foreign exchange rate	(50,252)	-	-	(12,583)	(62,835)
Interest expense from amortisation	-	7,832	3,516	-	11,348
Conversion of convertible bonds	-	-	(304,075)	-	(304,075)
Increase in lease liability for the year	-	-	-	145,810	145,810
At December 31, 2021	<u>\$ 41,248,108</u>	<u>\$ 2,049,454</u>	<u>\$ 76,635</u>	<u>\$ 440,119</u>	<u>\$ 43,814,316</u>
	Long-term and Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2020	\$ 26,116,068	\$ 463,840	\$ 1,124,091	\$ 572,573	\$ 28,276,572
Changes in cash flow from financing activities	(1,968,968)	277,458	-	(167,446)	(1,858,956)
Impact of changes in foreign exchange rate	(32,645)	-	-	(4,853)	(37,498)
Interest expense from amortisation	-	6,345	7,500	-	13,845
Conversion of convertible bonds	-	-	(754,397)	-	(754,397)
Increase in lease liability for the year	-	-	-	99,648	99,648
At December 31, 2020	<u>\$ 24,114,455</u>	<u>\$ 747,643</u>	<u>\$ 377,194</u>	<u>\$ 499,922</u>	<u>\$ 25,739,214</u>

Note: Including long-term loans, current portion and bonds payable

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
JCD Optical Corporation Limited	Associate
JCD Optical Corporation	Associate
Qwave Technology Co., Ltd.	Associate
BRILLNICS (HK) LIMITED	Associate
WPG Holding Co., Ltd. and Subsidiaries (Note 1)	Entity with significant influence over the Group
ASUSTeK Computer Inc. and Subsidiaries (Note 2)	Entity with significant influence over the Group

Note 1: On January 30, 2020, WPG Holdings Limited acquired 177,110 thousand shares of the Company and became the related party who has significant influence over the Group.

Note 2: On April 21, 2020, ASUSTeK Computer Inc.'s subsidiary, ASMedia Technology Inc., became a related party with significant influence over the Group by exchanging shares with the Company and acquiring 171,000 thousand shares of the Company.

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
- Entity with significant influence over the Group	\$ 4,413,939	\$ 1,727,803
- Associates	1,578	1,523
	<u>\$ 4,415,517</u>	<u>\$ 1,729,326</u>

The collection terms with related parties were 45 to 120 days and the products were categorised and priced taking into consideration to the inventory cost, market and other conditions.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
- Entity with significant influence over the Group	\$ 1,260,294	\$ 819,551
- Associates	21,130	30,660
	<u>\$ 1,281,424</u>	<u>\$ 850,211</u>

The credit term to related parties is 30 to 45 days and the purchase prices were categorised and priced taking into consideration the market prices and other conditions.

C. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
- Entity with significant influence over the Group	\$ 579,475	\$ 193,079
- Associates	<u>713</u>	<u>723</u>
	<u>\$ 580,188</u>	<u>\$ 193,802</u>

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
- Entity with significant influence over the Group	\$ 93,045	\$ 75,937
- Associates	<u>1,105</u>	<u>2,139</u>
	<u>\$ 94,150</u>	<u>\$ 78,076</u>

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 191,193	\$ 87,376
Post-employment benefits	574	499
Share-based payment	<u>11,523</u>	<u>-</u>
	<u>\$ 203,290</u>	<u>\$ 87,875</u>

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Purpose</u>	<u>Book value</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable, net:			
Pledged accounts receivable	Bank loan	\$ 338,931	\$ -
Other current assets:			
Bank deposits	Bid bond	<u>2,685</u>	<u>2,763</u>
		<u>\$ 341,616</u>	<u>\$ 2,763</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Outstanding letters of credit	\$ 10,069,926	\$ 8,096,213

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Customs duties guarantee	\$ 32,000	\$ 41,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 24, 2022, the Company's Board of Directors resolved to increase capital by issuing common shares to participate in the issuance of the global depository receipts. Please refer to Note 6(19) for details.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2021 and 2020, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 333,924	\$ 128,181
Financial assets designated as at fair value through profit or loss on initial recognition	9,806	-
	<u>\$ 343,730</u>	<u>\$ 128,181</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	\$ 18,989,224	\$ 15,199,392
Qualifying debt instruments	16,784,917	14,288,166
	<u>\$ 35,774,141</u>	<u>\$ 29,487,558</u>
Financial assets at amortised cost		
Cash and cash equivalents	\$ 4,679,576	\$ 3,627,112
Accounts receivable	58,677,166	46,562,126
Other receivables	1,531,897	1,075,835
Other financial assets (shown as 'other current assets')	17,358	2,763
Guarantee deposits paid (shown as 'other non-current assets')	123,041	118,272
	<u>\$ 65,029,038</u>	<u>\$ 51,386,108</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 14,838	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	\$ 33,497,708	\$ 23,314,455
Short-term notes and bills payable	2,049,454	747,643
Accounts payable	69,808,936	54,945,766
Other accounts payable	2,184,132	1,723,279
Corporate bonds payable (including current portion)	76,635	377,194
Long-term borrowings	7,750,400	800,000
Guarantee deposits received	1,143	4,456
	<u>\$ 115,368,408</u>	<u>\$ 81,912,793</u>
Lease liability	<u>\$ 440,119</u>	<u>\$ 499,922</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts, are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(2).

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 transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised 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 group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$2,855,524	27.680	\$ 79,040,904	1%	\$ 790,409
USD:RMB	1,179	6.3700	32,635	1%	326
USD:KRW	14,305	1,186.5	395,962	1%	3,960
<u>Non-monetary items</u>					
USD:NTD	3,215	27.680	88,991		
<u>Foreign operations</u>					
USD:NTD	433,994	27.680	12,017,873		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,849,288	27.680	78,868,292	1%	788,683
USD:RMB	171,134	6.3700	4,736,989	1%	47,370
USD:KRW	19,018	1,186.5	526,418	1%	5,264
December 31, 2020					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$2,419,167	28.480	\$ 68,897,876	1%	\$ 688,979
USD:RMB	534	6.5351	15,208	1%	152
USD:KRW	15,112	1,093.2	430,390	1%	4,304
<u>Non-monetary items</u>					
USD:NTD	15,612	28.480	444,620		
<u>Foreign operations</u>					
USD:NTD	411,874	28.480	11,717,189		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,643,970	28.480	75,300,266	1%	753,003
USD:RMB	91,026	6.5351	2,592,420	1%	25,924
USD:KRW	11,715	1,093.2	333,643	1%	3,336

- v. The total exchange gain, including realised and unrealised 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 \$196,658 and \$381,181, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held 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 performed in accordance with the limits set by the Group.
- ii. The Group's investments comprise shares, beneficiary certificates and bonds 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 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$2,746 and \$1,025, 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 \$151,914 and \$121,595, 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

- i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Group's borrowings are measured at amortized cost. According to the contract, the borrowings are periodically reset. Therefore, the Group is exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have decreased/increased by \$86,576 and \$48,118, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(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.
- ii. The Group manages its credit risk from the group's perspective. For banks and financial institutions, only approved by FSC are accepted to be transaction parties. According to the credit policy, each local entity in the Group is responsible for managing and analysing

the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors through internal risk control. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. If the contract payments were past due over 90 days based on the terms, the Group considers that there has been a significant increase in credit risk on that instrument since initial recognition. The Group considers that the default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	Notes and accounts receivable	
	December 31, 2021	December 31, 2020
Not past due	\$ 70,985,709	\$ 58,328,103
Up to 90 days	4,544,103	2,622,629
91 to 180 days	31,687	15,279
Over 180 days	601,483	589,626
	<u>\$ 76,162,982</u>	<u>\$ 61,555,637</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.
- v. The Group assesses the expected credit losses of its accounts receivable as follows:
 - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
 - (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
 - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
 - (iv) As of December 31, 2021 and 2020, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

December 31, 2021	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	99.71%	0.03%	0.03%~30.69%	2.40%~9.26%	
Total book value	\$ 572,029	\$ 48,257,984	\$ 24,048,695	\$ 3,284,274	\$ 76,162,982
Loss allowance	\$ 570,373	\$ 14,477	\$ 37,118	\$ 78,931	\$ 700,899

<u>December 31, 2020</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	97.29%	0.03%	0.14%~49.58%	3.37%~29.89%	
Total book value	\$ 590,297	\$ 39,190,397	\$ 20,354,263	\$ 1,420,680	\$ 61,555,637
Loss allowance	\$ 574,301	\$ 11,757	\$ 71,481	\$ 47,806	\$ 705,345

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
At January 1	\$ 705,345	\$ 1,256,198
Provision for impairment	2,683	24,170
Write-off	-	(555,281)
Effect of exchange rate changes	(7,129)	(19,742)
At December 31	\$ 700,899	\$ 705,345

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(16)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing demand deposits, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity group based on the due date at the balance sheet date. Non-derivative financial liabilities are analyzed by remaining periods from balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability	\$ 186,302	\$ 249,154	\$ 33,716	\$ 469,172
Long-term borrowings (Note)	73,629	8,020,372	-	8,094,001
Bonds payable	<u>77,100</u>	<u>-</u>	<u>-</u>	<u>77,100</u>
	<u>\$ 337,031</u>	<u>\$8,269,526</u>	<u>\$ 33,716</u>	<u>\$8,640,273</u>

December 31, 2020

Lease liability	\$ 184,803	\$ 294,799	\$ 58,364	\$ 537,966
Long-term borrowings (Note)	9,600	807,200	-	816,800
Bonds payable	<u>-</u>	<u>384,100</u>	<u>-</u>	<u>384,100</u>
	<u>\$ 194,403</u>	<u>\$1,486,099</u>	<u>\$ 58,364</u>	<u>\$1,738,866</u>

Note: Including imputed interest payable.

Except for the above, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2021 and 2020, all derivative financial liabilities of the Group are due in one year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(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, open-end funds and overseas bonds 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. The fair value of the Group's investment in derivative instruments is included in level 2.

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

- B. Fair value information of investment property at cost is provided in Note 6(10).

- C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.
- D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:
- (a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 49,603	\$ -	\$ 218,086	\$ 267,689
Equity securities	9,806	-	-	9,806
Debt instruments	321	-	65,459	65,780
Derivative instrument	-	455	-	455
Financial assets at fair value through other comprehensive income				
Equity securities	18,937,673	-	51,551	18,989,224
Accounts receivable that are expected to be factored	-	<u>16,784,917</u>	-	<u>16,784,917</u>
	<u>\$18,997,403</u>	<u>\$16,785,372</u>	<u>\$ 335,096</u>	<u>\$36,117,871</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 14,838</u>	<u>\$ -</u>	<u>\$ 14,838</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 13,135	\$ -	\$ 114,697	\$ 127,832
Debt instruments	349	-	-	349
Financial assets at fair value through other comprehensive income				
Equity securities	15,115,709	-	83,683	15,199,392
Accounts receivable that are expected to be factored				
	-	<u>14,288,166</u>	-	<u>14,288,166</u>
	<u>\$15,129,193</u>	<u>\$14,288,166</u>	<u>\$ 198,380</u>	<u>\$29,615,739</u>

(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:

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bonds</u>
Market quoted price	Closing price	Net assets value	Weighted average quoted price

- 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. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. 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.

- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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:

	<u>Equity securities and beneficiary certificates</u>	
	<u>2021</u>	<u>2020</u>
At January 1	\$ 198,380	\$ 55,983
Acquired in the year	128,011	146,333
Losses recognised in profit or loss	4,135 (783)
Gains recognised in other comprehensive income	6,803	-
Effect of exchange rate changes	(<u>2,233</u>)	(<u>3,153</u>)
At December 31	<u>\$ 335,096</u>	<u>\$ 198,380</u>

For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

G. The following is the qualitative information on 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
Unlisted shares	\$ 16,543	Market comparable companies	Price to earnings ratio multiple Discount for lack of marketability	2.93 ~3.34 (3.19) 30%	The higher the multiple and control premium, the higher the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted preferred shares	23,939	Discounted cash flow method	Weighted average cost of capital Discount for lack of marketability	11.51% 30%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value
	41,520	Most recent non-active market	Not applicable	-	Not applicable
Venture capital shares	35,008	Net asset value	Not applicable	-	Not applicable
Private equity fund	218,086	Most recent non-active market	Not applicable	-	Not applicable
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Unlisted shares	\$ 5,963	Market comparable companies	Price to earnings ratio multiple Discount for lack of marketability	1.32 ~2.69 (2.13) 30%	The higher the multiple and control premium, the higher the fair value The higher the discount for lack of marketability, the lower the fair value
Unlisted preferred shares	28,480	Discounted cash flow method	Weighted average cost of capital Discount for lack of control Discount for lack of marketability Long-term revenue growth rate	8.22% ~12.51% 10% 5%~8% 6.1% ~219.3%	The higher the weighted average cost of capital, discount for lack of control and discount for lack of marketability, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
	14,240	Most recent non-active market	Not applicable	-	Not applicable
Venture capital shares	35,000	Net asset value	Not applicable	-	Not applicable
Private equity fund	114,697	Most recent non-active market	Not applicable	-	Not applicable

(4) Other matter

The Group has adopted relevant prevention measures in response to the Covid-19 pandemic and the government's multiple pandemic prevention programs. The pandemic had no significant impact on the Group's operations and business as of and for the year ended December 31, 2021.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- 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: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually. The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2021	2020
Revenue from external customers	\$ 406,754,410	\$ 329,799,439
Segment income	\$ 9,338,808	\$ 4,571,480
Segment assets (Note)	\$ -	\$ -
Depreciation and amortisation	\$ 337,990	\$ 279,337

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

	Years ended December 31,	
	2021	2020
<u>Operating revenue</u>		
Total reported segment revenue	\$ 406,754,410	\$ 329,799,439
Other operating segment revenue	41,141,707	23,352,756
Total operating revenue	\$ 447,896,117	\$ 353,152,195
<u>Profit and loss</u>		
Income of reported segment	\$ 9,338,808	\$ 4,571,480
Income of other operating segments	841,017	227,289
Income before income tax from continuing operations	\$ 10,179,825	\$ 4,798,769

(4) Information on products and services

Please refer to Note 6 (24) for the related information.

(5) Geographical information

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

	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 67,650,167	\$ 2,339,649	\$ 54,609,721	\$ 2,594,707
China	307,763,305	957,029	232,141,104	955,533
Others	72,482,645	561,988	66,401,370	870,889
	<u>\$ 447,896,117</u>	<u>\$ 3,858,666</u>	<u>\$ 353,152,195</u>	<u>\$ 4,421,129</u>

The above revenue by geographic area is calculated based on sales to external customers at the location of it's registered office.

(6) Major customer information

	Years ended December 31,	
	2021	2020
Customer A	\$ 74,249,625	\$ 278,414
Customer B	248,567	52,419,352
	<u>\$ 74,498,192</u>	<u>\$ 52,697,766</u>

WT Microelectronics Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Limit on loans granted to a single party		Ceiling on total loans granted	Footnote
					December 31, 2021	December 31, 2021						Item	Value				
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	\$ 85,530	\$ 83,040	\$ 83,040	0.75%	Short-term financing	\$ -	Business Operation	\$ -	-	\$ -	\$ 102,655	\$ 102,655	Note 2
2	LACEWOOD INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	199,570	-	-	0.80%	Short-term financing	-	Business Operation	-	-	-	82,114	82,114	Note 2
3	WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	107,882	-	-	0.80%	Short-term financing	-	Business Operation	-	-	-	994,770	3,979,080	Note 3
3	WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	741,260	719,680	622,800	0.80%	Short-term financing	-	Business Operation	-	-	-	9,947,701	9,947,701	Note 2
4	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	414,220	274,032	274,032	1.10%	Short-term financing	-	Business Operation	-	-	-	513,144	513,144	Note 2
5	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	79,828	77,504	77,504	1.20%	Short-term financing	-	Business Operation	-	-	-	86,696	86,696	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2021	Outstanding endorsement / guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 43,014,292	\$ 800,000	\$ 800,000	\$ 800,000	-	1.49%	\$ 43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	43,014,292	142,550	138,400	138,400	-	0.26%	43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	43,014,292	1,140,400	1,107,200	830,400	-	2.06%	43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	43,014,292	2,138,250	2,076,000	913,440	-	3.86%	43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	43,014,292	59,871	58,128	26,014	-	0.11%	43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	43,014,292	1,426	1,384	67	-	0.00%	43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	43,014,292	285,100	276,800	-	-	0.51%	43,014,292	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	43,014,292	4,699,607	4,681,960	2,029,302	-	8.71%	43,014,292	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	43,014,292	1,559,260	1,554,976	651,810	-	2.89%	43,014,292	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	43,014,292	1,473,930	1,467,040	1,231,647	-	2.73%	43,014,292	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,595,239	2,000	-	-	-	0.00%	1,595,239	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	3,489,028	25,000	-	-	-	0.00%	3,489,028	N	N	N	Note 4
3	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,660,030	6,000	-	-	-	0.00%	1,660,030	N	N	N	Note 4
4	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	322,678	9,000	-	-	-	0.00%	322,678	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries

Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note)	As of December 31, 2021				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 16,543	2.19	\$ 16,543	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	106,638	-	0.26	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.73	-	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	35,008	9.62	35,008	
WT MICROELECTRONICS CO., LTD.	Common stock	ASMEDIA TECHNOLOGY INC.	None	2	9,000,000	16,380,000	13.00	16,380,000	
WT MICROELECTRONICS CO., LTD.	Funds	YUANTA GLOBAL NEXGEN COMMUNICATION INNOVATIVE TECHNOLOGY ETF	None	3	350,000	11,743	-	11,743	
WT MICROELECTRONICS CO., LTD.	Private equity	FUH HWA ENERGY - EFFICIENT FUND	None	4	8,700,000	82,563	-	82,563	
WT MICROELECTRONICS CO., LTD.	Funds	FUH HWA TAIWAN GOOD INCOME FUND TWD	None	4	3,000,000	37,860	-	37,860	
WT MICROELECTRONICS CO., LTD.	Common stock	SINO-AMERICAN SILICON PRODUCTS INC.	None	2	7,889,000	1,861,804	1.35	1,861,804	
WT MICROELECTRONICS CO., LTD.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	1,043,000	43,128	0.85	43,128	
WT MICROELECTRONICS CO., LTD.	Private equity	FUH HWA GLOBAL IOT AND TECH FUND	None	4	10,010,010	112,312	-	112,312	
WT MICROELECTRONICS CO., LTD.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	260,000	104,000	0.61	104,000	
NUVISION TECHNOLOGY INC.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	40,000	1,654	0.03	1,654	
NUVISION TECHNOLOGY INC.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	50,000	20,000	0.12	20,000	
MORRIHAN INTERNATIONAL CORP.	Common stock	JESS-LINK PRODUCTS CO., LTD.	None	2	369,000	15,258	0.30	15,258	
MORRIHAN INTERNATIONAL CORP.	Common stock	ZILLTEK TECHNOLOGY CORP.	None	2	329,000	131,600	0.77	131,600	
WINTech MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	4	2,702,703	23,939	0.83	23,939	
WINTech MICROELECTRONICS HOLDING LTD.	Bonds	EXXON MOBIL CORPORATION	None	4	100	321	-	321	
WINTech MICROELECTRONICS HOLDING LTD.	Private equity	CATHAY PRIVATE EQUITY ECOLOGY LIMITED PARTNERSHIP	None	4	-	23,211	-	23,211	
WINTech MICROELECTRONICS HOLDING LTD.	Preferred shares	AVIVA TECHNOLOGY HOLDING	None	4	659,034	41,520	1.65	41,520	
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	3	428,226	9,806	0.22	9,806	
MILESTONE INVESTMENT CO., LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,950,369	136,264	2.30	136,264	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPower INTEGRATED TECHNOLOGY INC.	None	2	865,125	243,965	0.46	243,965	

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note)	As of December 31, 2021				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	

Note : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current

2- Financial assets at fair value through other comprehensive income - non-current

3- Financial assets at fair value through profit or loss - current

4- Financial assets at fair value through profit or loss - non-current

WT Microelectronics Co., Ltd. and subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the counterparty	Balance as at January 1, 2021 (Note 1)		Addition		Disposal				Balance as at December 31, 2021 (Note 2)	
					No. of shares	Amount	No. of shares	Amount	No. of shares	Selling price	Book value	Gain (loss) on disposal	No. of shares	Amount
WT MICROELECTRONICS CO., LTD.	SINO-AMERICAN SILICON PRODUCTS INC.	Financial assets at fair value through other comprehensive income - non-current	-	-	403,000	\$ 65,729	7,486,000	\$1,255,525	-	\$ -	\$ -	\$ -	7,889,000	\$ 1,861,804
MAXTEK TECHNOLOGY CO., LTD.	FITIPOWER INTEGRATED TECHNOLOGY INC.	Financial assets at fair value through other comprehensive income - non-current	-	-	2,967,505	10,179	71,620	18,263	2,174,000	368,137	7,457	360,680	865,125	243,965
HONGTECH ELECTRONICS CO., LTD.	FITIPOWER INTEGRATED TECHNOLOGY INC.	Financial assets at fair value through other comprehensive income - non-current	-	-	759,652	2,606	-	-	759,652	102,553	2,606	99,947	-	-
WINTECH MICROELECTRONICS HOLDING LTD.	AMBARELLA INC.	Financial assets at fair value through other comprehensive income - current	-	-	142,664	9,997	-	-	142,664	429,425	9,997	419,428	-	-

Note 1 : The balance as at January 1, 2021 and addition amount are presented in initial investment amount.

Note 2 : The balance as at December 31, 2021 includes the unrealised gain (loss) from financial assets measured at fair value.

WT Microelectronics Co., Ltd. and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 91,898,368	26	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 12,403,318	27
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	35,768,241	10	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,163,463	11
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	15,566,735	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,744,771	6
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	14,058,984	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	3,227,106	7
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	9,957,065	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	794,997	2
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	5,184,652	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	714,298	2
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,432,488	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	177,705	-
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	807,234	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	622,154	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	22,852	-
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	259,186	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	6,351,901	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	5,696,459	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(634,566)	1
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,091,556	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(194,215)	-
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	523,471	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(31,316)	-
WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	216,106	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(74,256)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	\$ 3,667,248	16	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 268,459	7
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	3,315,993	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,139,765	29
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,339,442	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	70,829	2
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	379,405	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	210,761	5
NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	343,883	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	182,205	5
NUVISION TECHNOLOGY INC.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	136,909	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	81,664	2
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	20,987,822	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,145,241	10
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,262,966	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	284,780	1
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	871,145	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	9,898	-
MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	927,098	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	77,334	-
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	733,075	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	250,419	1
MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	117,363	-	Closes its accounts 91 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	25,360	-
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	427,957	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	61,013	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	942,979	12	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	114,825	6
TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	391,527	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	92,089	5
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	2,432,719	43	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	120,618	14
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Commission revenue	105,897	2	Closes its accounts 91 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	7,667	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	11,433,608	73	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	3,478,655	75

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	\$ 4,299,477	27	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 1,177,515	25

WT Microelectronics Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 12,403,318	5.95	\$ -		\$ 3,721,278	\$ -
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	5,163,463	10.99	-		1,434,329	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	2,744,771	9.93	-		305,322	-
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	3,227,106	6.50	-		715,992	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	794,997	10.12	-		457,958	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	714,298	9.28	-		318,522	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	177,705	22.78	-		-	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	634,566	9.60	-		634,566	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	268,459	13.90	-		207,639	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	1,139,765	3.43	-		390,881	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	210,761	3.27	-		-	-
NUVISION TECHNOLOGY INC.	WINTech MICROELECTRONICS LTD.	Affiliates	182,205	3.30	-		-	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	2,145,241	11.20	-		1,467,641	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	284,780	3.59	-		69,499	-
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	250,419	3.39	-		-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	194,215	7.71	-		-	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	\$ 114,825	4.82	\$ -		\$ -	\$ -
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	120,618	24.45	-		120,618	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	3,478,655	4.46	-		698,760	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	1,177,515	4.27	-		130,299	-

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 91,898,368	(Note 3)	21
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Accounts receivable	12,403,318	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	35,768,241	(Note 3)	8
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	5,163,463	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	15,566,735	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Accounts receivable	2,744,771	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	14,058,984	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	3,227,106	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	9,957,065	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	794,997	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	5,184,652	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	714,298	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,432,488	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Accounts receivable	177,705	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	807,234	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	622,154	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	259,186	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	6,351,901	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	5,696,459	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Accounts payable	634,566	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,091,556	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Accounts payable	194,215	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	523,471	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Purchases	216,106	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	3,667,248	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Accounts receivable	268,459	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	3,315,993	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	1,139,765	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,339,442	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	379,405	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	210,761	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	343,883	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	182,205	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	136,909	(Note 3)	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	\$ 20,987,822	(Note 3)	5
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Accounts receivable	2,145,241	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	117,363	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,262,966	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	284,780	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	871,145	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	ANALOG WORLD CO., LTD.	Affiliates	Sales	927,098	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	733,075	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Accounts receivable	250,419	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	427,957	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	942,979	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Accounts receivable	114,825	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	391,527	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	2,432,719	(Note 3)	1
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Accounts receivable	120,618	(Note 3)	-
5	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Commission revenue	105,897	(Note 3)	-
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	11,433,608	(Note 3)	3
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Accounts receivable	3,478,655	(Note 3)	2
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	4,299,477	(Note 3)	1
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Accounts receivable	1,177,515	(Note 3)	1

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance at December 31, 2020	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,900,819	\$ 772,450	\$ 772,450	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	2,563,293	791,158	791,158	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	4,361,227	1,362,923	1,362,923	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	724,431	22,165	22,165	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	1,171,682	695,023	694,397	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	159,643	7,478	7,261	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	-	-	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	204,083	2,669	2,669	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	2,321,340	126,787	126,787	Subsidiary
WT MICROELECTRONICS CO., LTD.	ANALOG WORLD CO., LTD.	South Korea	Sale of electronic components	403,330	397,230	120,000	100.00	414,466	38,074	34,981	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,725,364	1,725,364	62,332,506	100.00	4,435,625	665,565	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belize	General investment	581,860	581,860	21,020,957	100.00	1,063,699	42,978	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belize	Sale of electronic components	83,043	83,043	3,000,100	100.00	52,430	(5,103)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	138	138	5,000	100.00	5	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance at December 31, 2020	Number of shares	Ownership (%)	Book value			
WINTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	\$ 138,400	\$ 138,400	5,000,000	100.00	\$ 1,969,424	\$ 103	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	65,710	65,710	5,869,093	19.80	36,522	(21,349)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	33,216	33,216	1,200,000	17.65	20,552	(3,269)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	27,680	27,680	18,924	24.65	26,581	(2,349)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLNICS INC.	Cayman Islands	Holding company	1,078,524	791,981	49,336,630	62.03	150,576	(174,789)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	346,765	346,765	12,527,632	100.00	2,423,959	408,675	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	8,608	8,608	311,000	100.00	31,100	(3,930)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	635,932	635,932	22,974,430	100.00	836,821	55,225	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,549	3,549	1,000,000	100.00	102,655	664	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	733,031	733,031	110,000,000	100.00	1,041,089	204,931	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	30,690	30,690	1,500,000	100.00	311,536	59,568	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,318	3,318	500,000	100.00	1,850	(859)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	503,967	503,967	3,800,000	95.47	749,700	(16,490)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	2,490	2,490	300,000	100.00	1,675	(134)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	2,654	2,654	700,000	100.00	10	(3,828)	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance at December 31, 2020	Number of shares	Ownership (%)	Book value			
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 69,042	\$ 69,042	407,469	0.35	\$ 46,882	\$ 772,450	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	-	14,770	-	-	-	-	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	43,438	(720)	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	48,012	48,012	180,472	4.53	25,811	(16,490)	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	21,709	21,709	53,505	100.00	203,506	19,805	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	599,609	267,717	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	-	-	-	(19)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	403,348	116,711	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	82,114	15,456	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	-	5,701	6,000	100.00	2,031	(77)	Note 1	Subsidiary
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	-	21,294	6,000,000	100.00	-	(22)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components, IC design	40,000	40,000	4,000,000	40.00	34,802	(1,115)	Note 1	Associates
BRILLNICS INC.	BRILLNICS (HK) LIMITED	Hong Kong	Sale and services of technology	1,771,880	1,467,400	64,013,000	100.00	237,940	(164,860)	Note 1	Subsidiary
BRILLNICS INC.	BRILLNICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	969	-	350,002	100.00	5,674	(2,532)	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS JAPAN INC.	Japan	Research and development of electronic components	24,050	24,050	100,000	100.00	19,830	8,580	Note 1	Subsidiary
BRILLNICS (HK) LIMITED	BRILLNICS (TAIWAN) INC.	Taiwan	Research and development of electronic components	16,694	11,937	1,669,410	100.00	24,175	5,257	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2021

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 8,304	2	\$ 8,304	\$ -	\$ -	\$ 8,304	(\$ 3,929)	100.00	(\$ 3,929)	\$ 31,029	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	631,722	2	581,992	-	-	581,992	55,227	100.00	55,227	836,724	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	972,952	2	530,072	-	-	530,072	184,697	100.00	184,697	1,420,284	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	36,814	3	27,680	-	-	27,680	(720)	100.00	(720)	43,430	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	141,168	2	18,380	-	-	18,380	(12,162)	19.80	(2,408)	26,527	-	Note 8
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>										
WT MICROELECTRONICS CO., LTD.	\$ 1,166,428	\$ 1,831,878	\$ 32,316,185										

Note 1: The investment methods are classified into the following three categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.

WT Microelectronics Co., Ltd. and subsidiaries

Major shareholders information

December 31, 2021

Table 10

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
WPG HOLDING CO., LTD.	201,393,867	21.50%
ASMEDIA TECHNOLOGY INC.	179,000,000	19.11%
SHAO YANG INVESTMENT CO., LTD.	74,739,426	7.97%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed is the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shares include the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. The information on the reported share equity of insider is provided in the "Market Observation Post System".

Note 3: As of December 31, 2021, the number of shares held by the chairman under his own name and under the names of others was 116,043,962 shares, and the shareholding ratio was 12.39%.

The abovementioned information is provided in the "Market Observation Post System".