

**Fitipower Integrated Technology Inc.
and Subsidiaries**

**Consolidated Financial Statements With
Independent Auditors' Report**

For the Years Ended December 31, 2021 and 2020

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REPRESENTATION LETTER

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

Very truly yours,

Company: Fitipower Integrated Technology Inc

Chairman: Lin, Yung-Chieh

Date: March 17, 2022

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors

Fitipower Integrated Technology Inc:

Opinion

We have audited the consolidated financial statements of Fitipower Integrated Technology Inc. and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and 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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basic for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in

forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note IV(8) to the Consolidated Financial Statements for the accounting policies related to inventories; Note V to the Consolidated Financial Statements for the accounting estimates, assumptions and uncertainties related to inventory valuation; and Note VI(4) to the Consolidated Financial Statements for the disclosure of inventories.

Description of the key audit matter:

Fitipower Integrated Technology Inc. and its subsidiaries' net value of inventories are material in the Consolidated Financial Statements and are measured at the lower of cost or net realizable value. Due to the rapid changes in the environment and the continuous updating of production technology, there is a risk that the original products may become obsolete or no longer meet the market demand. The demand for and prices of these products may fluctuate, and the estimation of the net realizable value of inventories depends on the subjective judgment of the management of Fitipower Group. Therefore, we consider inventory valuation as the key audit matter.

Corresponding audit procedures:

For the valuation of inventories, we observe the physical inventory at the end of the year to review the status of inventories; review the inventory aging report and analyze the turnover rate and changes in inventory aging from period to period to assess the reasonableness of the accounting policies; understand the sales prices used by management for valuation, review the post-period sales status and evaluate the net realizable value basis used by management to verify the reasonableness of the valuation of inventory allowances.

2. Revenue recognition

Please refer to Note IV(14) to the Consolidated Financial Statements for the accounting policy of revenue recognition and Note VI(18) to the Consolidated Financial Statements for the details of sales revenue.

Description of the key audit matter:

Fitipower Integrated Technology Inc. and its subsidiaries are principally engaged in the manufacture and sale of integrated circuits and the provision of research, development and design services for such products. Revenue recognition is a key indicator for investors and management to evaluate financial or business performance. Therefore, revenue recognition is also a significant concern for us in performing our audits of the Consolidated Financial Statements.

Corresponding audit procedures:

We tested the internal control over revenue recognition in the Consolidated Financial

Statements, assessed the consistency of sales conditions with the accounting policies and verified the related sales documentation. In addition, we performed trend analysis on the top ten sales customers and revenue of each product category to assess whether there were any significant abnormalities. We also sampled sales transactions and related documents for the period before and after the end of the year to assess the correctness of revenue recognition amounts and periods.

Other matters

Fitipower Integrated Technology Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

The engagement partners on the audit resulting in this independent auditors' report are Chou,Pao-Lian and Mei,Yuan-Chen.

KPMG

Taipei, Taiwan (Republic of China)

March 17, 2022

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Fitipower Integrated Technology Inc. and Subsidiaries

Consolidated Balance Sheet

As of December 31, 2021 and December 31, 2020

Unit: NT\$ thousands

Assets		December 31, 2021		December 31, 2020		Liabilities and equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note VI (1))	\$ 7,042,205	29	2,863,625	31	2100	Current borrowings (Note VI (10))	\$ 777,808	3	-	-
1110	Current financial assets at fair value through profit or loss (Note VI (2))	4,888,006	20	2,159,722	23	2130	Current contract liabilities	84,454	-	47,352	1
1136	Current financial assets at amortized cost (Note VI (1) and VIII)	560,200	2	95,000	1	2170	Accounts and notes payable	3,435,609	14	1,804,701	19
1170	Notes and accounts receivable, net (Note VI (3))	4,851,146	20	1,612,463	17	2180	Accounts payable to related parties (Note VII)	-	-	413,925	5
1181	Accounts receivable due from related parties, net (Note VI (3) and VII)	161,181	1	75,132	1	2230	Current tax liabilities	1,287,878	5	73,229	1
1175	Lease payments receivable	12,219	-	-	-	2280	Current lease liabilities (Note VI (11))	46,273	-	27,653	-
1200	Other receivables (Note VII)	120,456	-	115,084	1	2399	Other current liabilities	1,072,695	5	460,918	5
130X	Current inventories, net (Note VI (4))	3,338,389	14	1,422,473	15			6,704,717	27	2,827,778	31
1410	Prepayments and other current assets (Note VI (5))	548,847	3	156,582	2		Non-current liabilities:				
		21,522,649	89	8,500,081	91	2570	Deferred tax liabilities (Note VI (13))	373	-	22,633	-
Non-current assets:						2580	Non-current lease liabilities (Note VI (11))	37,231	-	43,326	-
1600	Property, plant and equipment (Note VI (6))	664,800	3	332,385	4	2645	Guarantee Deposits received	165,706	1	99,798	1
1755	Right-of-use assets (Note VI (7))	81,543	-	69,017	1			203,310	1	165,757	1
1780	Intangible assets (Note VI (8))	247,101	1	236,358	3		Total liabilities	6,908,027	28	2,993,535	32
1840	Deferred tax assets (Note VI (13))	37,120	-	33,257	-		Equity: (Note VI(14) and (15))				
1900	Other non-current assets (Note VI (9))	1,715,323	7	98,586	1	3110	Capital stock	1,865,453	8	1,665,880	18
1935	Long-term lease payments receivable	24,006	-	-	-	3200	Capital surplus	6,986,364	29	2,064,369	23
		2,769,893	11	769,603	9		Retained earnings :				
						3310	Legal reserve	268,720	1	202,162	2
						3320	Special reserve	13,192	-	24,406	-
						3350	Unappropriated retained earnings	6,765,097	28	1,383,718	15
								7,047,009	29	1,610,286	17
						3400	Other equity interest	(43,782)	-	(14,925)	-
						3500	Treasury stock	(9,449)	-	(9,449)	-
							Total equity attributable to owners of parent	15,845,595	66	5,316,161	58
						36XX	Non-controlling interest	1,538,920	6	959,988	10
							Total equity	17,384,515	72	6,276,149	68
							Total liabilities and equity	\$ 24,292,542	100	9,269,684	100
Total assets		\$ 24,292,542	100	9,269,684	100						

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries
Consolidated Statement of Comprehensive Income
From January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

		2021		2020	
		Amount	%	Amount	%
4111	Operating revenue (Note VI (18) and VII)	\$ 22,868,238	100	10,879,700	100
5000	Operating cost (Note VI (4), VII and XII)	12,204,261	53	8,498,524	78
	Gross profit from operations	10,663,977	47	2,381,176	22
	Operating expense: (Note VI (3) (8) (9) (12) (15) (19) and XII)				
6100	Selling expense	386,959	2	260,681	2
6200	Administrative expense	385,064	2	197,152	2
6300	Research and development expense	2,168,797	9	1,146,018	10
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	6,040	-	(15,923)	-
		2,946,860	13	1,587,928	14
	Net operating profit	7,717,117	34	793,248	8
	Non-operating income and expense: (Note VI (11) and (20))				
7100	Interest income	48,763	-	11,250	-
7010	Other income	50,205	-	114,245	1
7020	Other gains and losses, net	(17,229)	-	(75,163)	(1)
7050	Financial costs, net	(12,306)	-	(7,240)	-
		69,433	-	43,092	-
	Income before income tax	7,786,550	34	836,340	8
7951	Less: Income tax expense (Note VI (13))	1,396,915	6	104,512	1
	Net income	6,389,635	28	731,828	7
8300	Other comprehensive income:				
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note VI (13))				
8361	Exchange differences on translation	3,261	-	24,856	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(7,689)	-	2,803	-
	Components of other comprehensive income that will be reclassified to profit or loss	10,950	-	22,053	-
8300	Total other comprehensive income	10,950	-	22,053	-
	Total comprehensive income	\$ 6,400,585	28	753,881	7
	Net income attributable to:				
	Shareholders of the parent	\$ 5,852,244	26	665,581	6
8620	Non-controlling interest	537,391	2	66,247	1
		\$ 6,389,635	28	731,828	7
	Total comprehensive income attributable to:				
	Shareholders of the parent	\$ 5,821,653	25	676,795	6
	Non-controlling interest	578,932	3	77,086	1
		\$ 6,400,585	28	753,881	7
	Earnings per share (Unit: NT\$1) (Note VI (16))				
	Basic earnings per share	\$ 33.83		4.07	
	Diluted earnings per share	\$ 33.57		4.04	

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Equity
From January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

	Equity attributed to the owners of the parent company						Other equity items				
	Retained earnings					Exchange difference on translation of foreign financial statements	Unearned compensation for employees	Treasury stock	Total equity attributable to owners of the parent	Non- controlling interests	Total equity
	Share capital for common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings						
Balance at January 1, 2020	\$ 1,656,875	1,148,297	171,317	5,756	932,943	(24,405)	(27,227)	-	3,863,556	-	3,863,556
Net income in 2020	-	-	-	-	665,581	-	-	-	665,581	66,247	731,828
Other comprehensive income in 2020, net of income tax	-	-	-	-	-	11,214	-	-	11,214	10,839	22,053
Total comprehensive income in 2020	-	-	-	-	665,581	11,214	-	-	676,795	77,086	753,881
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	30,845	-	(30,845)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	18,650	(18,650)	-	-	-	-	-	-
Cash dividends	-	(3)	-	-	(165,311)	-	-	-	(165,314)	-	(165,314)
Purchase of treasury stock	-	-	-	-	-	-	-	(9,449)	(9,449)	-	(9,449)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	887,399	-	-	-	-	-	-	887,399	(887,399)	-
Share-based payments	-	89	-	-	-	-	28,291	-	28,380	-	28,380
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,770,301	1,770,301
Issuance of restricted stock awards	10,570	27,199	-	-	-	-	(2,798)	-	34,971	-	34,971
Write-off of restricted stock awards	(1,565)	1,388	-	-	-	-	-	-	(177)	-	(177)
Balance at December 31, 2020	1,665,880	2,064,369	202,162	24,406	1,383,718	(13,191)	(1,734)	(9,449)	5,316,161	959,988	6,276,149
Net income in 2021	-	-	-	-	5,852,244	-	-	-	5,852,244	537,391	6,389,635
Other comprehensive income in 2021, net of income tax	-	-	-	-	-	(30,591)	-	-	(30,591)	41,541	10,950
Total comprehensive income in 2021	-	-	-	-	5,852,244	(30,591)	-	-	5,821,653	578,932	6,400,585
Appropriation of retained earnings:											
Legal reserve appropriated	-	-	66,558	-	(66,558)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(11,214)	11,214	-	-	-	-	-	-
Cash dividends	-	(28)	-	-	(415,521)	-	-	-	(415,549)	-	(415,549)
Issue of shares	200,000	4,900,000	-	-	-	-	-	-	5,100,000	-	5,100,000
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(4,265)	-	-	-	-	-	-	(4,265)	-	(4,265)
Compensation cost of share-based payment transactions	-	25,520	-	-	-	-	-	-	25,520	-	25,520
Compensation cost of restricted stock awards	-	341	-	-	-	-	1,734	-	2,075	-	2,075
Write-off of restricted stock awards	(427)	427	-	-	-	-	-	-	-	-	-
Balance at December 31, 2021	\$ 1,865,453	6,986,364	268,720	13,192	6,765,097	(43,782)	-	(9,449)	15,845,595	1,538,920	17,384,515

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2021 and 2020

Unit: NT\$ thousands

	2021	2020
Cash flows from operating activities:		
Income before income tax	\$ 7,786,550	836,340
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	214,300	159,138
Amortization expense	25,018	21,054
Expected credit loss (gain on reversal)	6,040	(15,923)
Net gain on financial assets at fair value through profit	(4,090)	(2,917)
Interest expense	12,306	7,240
Interest income	(48,763)	(11,250)
Share-based payment	66,992	28,419
Loss on the disposal of property, plant and equipment	884	2
Proceeds from disposal of financial assets at fair value through profit	(6,702)	-
Inventory valuation and disposal loss	52,863	100,354
Total adjustments to reconcile profit (loss)	318,848	286,117
Changes in operating assets and liabilities:		
Increase in lease payments receivable	(36,225)	-
Decrease (increase) in accounts receivable	(3,330,772)	577,197
Increase in other receivables	(3,641)	(67,055)
Increase in inventory	(1,968,779)	(29,609)
Decrease (increase) in prepayments and other current assets	(392,265)	45,291
Increase in accounts payable	1,599,796	803,527
Increase (decrease) in accounts receivable - related parties	(413,925)	333,572
Increase in contract liabilities	37,102	24,575
Increase in other current liabilities	614,261	89,247
Total changes in operating assets and liabilities	(3,894,448)	1,776,745
Cash inflow generated from operations	4,210,950	2,899,202
Interest received	48,258	11,201
Interest paid	(12,111)	(7,673)
Income taxes paid	(214,877)	(46,250)
Net cash inflow from operating activities	4,032,220	2,856,480
Cash flow from investing activities :		
Acquisition of financial assets at fair value through profit or loss	(9,105,000)	(2,156,805)
Proceeds from disposal of financial assets at fair value through profit or loss	6,387,508	-
Increase in acquisition of financial assets at amortized cost	(465,200)	(95,000)
Net cash flow from acquisition of subsidiaries	-	(40,475)
Acquisition of property, plant and equipment	(510,349)	(203,146)
Proceeds from disposal of property, plant and equipment	43	-
Acquisition of intangible assets	(34,590)	(6,718)
Increase in refundable deposits	(1,599,056)	(753)
Decrease (increase) in other non-current assets	(17,655)	34,622
Net cash outflow in investing activities	(5,344,299)	(2,468,275)
Cash flow from financing activities:		
Increase (decrease) in current borrowings	777,808	(367,392)
Increase in guarantee deposits received	66,010	18,003
Payments of lease liabilities	(42,298)	(29,418)
Cash dividends paid	(415,549)	(165,314)
Proceeds from issuing shares	5,100,000	-
Payments to acquired treasury shares	-	(9,449)
Restricted stock awards	-	34,971
Changes in non-controlling interests	-	1,781,140
Net cash inflow from financing activities	5,485,971	1,262,541
Effects of exchange rate changes on cash and cash equivalents	4,688	(10,172)
Net increase in cash and cash equivalents	4,178,580	1,640,574
Cash and cash equivalents at beginning of period	2,863,625	1,223,051
Cash and cash equivalents at end of period	\$ 7,042,205	2,863,625

(Please refer to the accompanying notes to the consolidated financial statements)

Chairman: Lin, Yung-Chieh

Manager: Chiu, Shu-Hui

CAO: Chen, Po-Tsang

Fitipower Integrated Technology Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
2021 and 2020

(Unless otherwise specified, the basic unit for any amount shall be NT\$ 1,000.)

I. Company history

Fitipower Integrated Technology Inc. (hereinafter "the Company") was incorporated on July 4, 1995 with the approval of the Ministry of Economic Affairs and has its place of business registered at 3F., No.6-8, Duxing Rd., Hsinchu Science Park, Hsinchu City. Upon the resolution of the shareholders' meeting on March 30, 2006, the Company merged with Hongxin Semiconductor Co. on May 1 of the same year. The Company's primary activities after the merger are research, development, production, manufacturing and sales of integrated circuits (ICs) of the integrated services digital networking systems, memory ICs for communications, analog and digital hybrid ICs, as well as custom design, consumer ICs and microcomputer peripheral ICs. Upon the resolution of the shareholders' meeting on April 16, 2010, the Company merged with TechPower Semiconductor Co (hereinafter "TechPower") on May 1, 2010, with the Company being the surviving one and TechPower being extinguished as a result of the merger. The Company's shares have since October 17, 2018 been listed on the Taiwan Stock Exchange.

II. The date when the financial reports were authorized for issue and the process involved in authorizing the financial reports for issue

These consolidated financial reports were approved for issuance by the Board of Directors on March 17, 2022.

III. Newly issued or revised standards and interpretations

- 1) The effect or impact that may arise when it has applied new or revised standards and interpretations endorsed by the Financial Supervisory Commission (FSC).

Effective on January 1, 2021, the Consolidated Company adopted the following newly revised IFRSs, which did not have a significant impact on the consolidated financial statements

- Amendments to IFRS 4 – Extension of Temporary Exemption from Applying IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform - Phase II

Effective on April 1, 2021, the Consolidated Company adopted the following newly revised IFRSs, which did not have a significant impact on the consolidated financial statements

- Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021

- 2) Effect of not adopting IFRSs recognized by the FSC

The application of the following newly revised IFRSs, effective January 1, 2022, to the Consolidated Company's assessment will not have a material impact on the consolidated financial statements. The Consolidated Company does not expect the following newly issued and amended standards, which have not yet been endorsed, to have a material impact on the consolidated financial statements.

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework

3) New and amended standards and interpretations not yet endorsed by the FSC

The standards and interpretations issued and amended by the IASB but not yet endorsed by the FSC that may be relevant to the Consolidated Company are as follows.

Newly Published or Revised Standard	Amendments	Effective date of publication
Amendments to IAS 1 “Disclosure of Accounting Policies”	The major amendments to IAS 1 include. ·Requiring an entity to disclose its significant accounting policies rather than its material accounting policies ·Clarifying that accounting policy information relating to transactions, other events or circumstances that are not material is immaterial and does not require disclosure of such information; and ·Clarifying that all accounting policy information that does not relate to a material transaction, other event or circumstance is material to the Company's financial statements.	Jan.1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendment introduces a new definition of an accounting estimate that clarifies that an accounting estimate is a monetary amount in the financial statements that is subject to measurement uncertainty. The amendment also clarifies the relationship between accounting policies and accounting estimates by specifying that a company is required to establish accounting estimates to meet the objectives of its applicable accounting policies.	Jan.1, 2023

The Consolidated Company is continuously evaluating the impact of the above

standards and interpretations on the Consolidated Company's financial condition and results of operations, and the related impact will be disclosed when the evaluation is completed.

The Consolidated Company does not expect the following newly issued and amended standards, which have not yet been endorsed, to have a material impact on the consolidated financial statements.

- Amendments to IFRS 10/IAS 28 – Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture
- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 12 - - Deferred tax related to assets and liabilities arising from a single transaction

IV. A summary of significant accounting policies

The significant accounting policies adopted in these consolidated financial statements are summarized below and the following accounting policies have been applied consistently to all periods presented herein.

1) Compliance statement

These consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter the “Preparation Regulations”) and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) recognized by the FSC (hereinafter “IFRS endorsed by the FSC”).

2) Preparation basis

1.Measurement basis

The consolidated financial statements are prepared on a historical cost basis.

2.Functional and presentation currencies

Each entity of the Consolidated Company has the currency of the primary economic environment in which it operates as its functional currency. These consolidated financial statements are presented in New Taiwan dollars, which is the functional currency of the Company. All financial information expressed in New Taiwan dollars is expressed in thousands of New Taiwan dollars.

3) Consolidated basis

1.Principles for preparation of consolidated financial statements

The entity that prepares consolidated financial statements includes the Company and Subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control over the subsidiaries was

acquired until the date when control no longer exists. Gains or losses attributable to non-controlling interests in subsidiaries are attributed to non-controlling interests, even if the non-controlling interests become a loss balance as a result.

Inter-consolidated company transactions, balances and any unrealized gains and expenses have been eliminated in the preparation of the consolidated financial statements.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are treated as equity transactions with the owner.

The subsidiaries included in these consolidated financial statements consist of:

Name of Investment Company	Name of Subsidiary	Business Nature	Shareholding Percentage		Note
			Dec.31, 2021	Dec.31, 2020	
The Company	Trade Logic Limited (Trade Logic)	Investment company	100.00%	100.00%	—
The Company	Visual Sensing Technology Corp. (Visual Sensing Technology)	IC design	83.35%	76.47%	Note 3
Trade Logic Limited	Ever Harvest Limited (Ever Harvest)	Investment company	100.00%	100.00%	—
Ever Harvest Limited	Fitipower Integrated Technology (Shenzhen) Inc. (Shenzhen Fitipower)	IC design	61.15%	61.15%	Note 1 and Note 2
Fitipower Integrated Technology (Shenzhen) Inc.	Hefei Jadard Technology Limited (Hefei Jadard)	Supply chain management	100.00%	100.00%	—
Fitipower Integrated Technology (Shenzhen) Inc.	Jadard Technology Limited (Jadard Technology)	General trade	100.00%	100.00%	—
Fitipower Integrated Technology (Shenzhen) Inc.	JADARD (Xiamen)	Supply chain management	100.00%	-	% Note 4

Note 1: Fitipower Integrated Technology (Shenzhen) Inc. conducted capital increase by cash in Apr, 2020 and Oct. 2020, and the share holding ration of the Company reduced to 61.15% accordingly.

Note 2: The name of Fitipower Integrated Technology (Shenzhen) Inc.(current name) was changed on Sep.30, 2020.

Note 3: In December 2021, Visual-Sensing Technology Corp. conduct a cash capital increase. After the capital increase, the Company's shareholding ratio increased to 83.35%.

Note 4: Note 4: On August 5, 2021, the Company indirectly invested in JADARD (Xiamen) through

its investment business in Mainland China.

4) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency based on the exchange rate at the date of the transaction. At the end of each subsequent reporting period (hereinafter the reporting date), monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing on that date. Non-monetary items in foreign currencies measured at fair value are retranslated into the functional currency using the exchange rate at the date when the fair value was measured, while non-monetary items in foreign currencies measured at historical cost are retranslated using the exchange rate at the date of the transaction. Foreign currency exchange differences arising on translation are recognized in profit or loss.

2. Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency using the exchange rates prevailing at the reporting date. Except for highly inflationary economies, income and expense items are translated into the functional currency using the average exchange rates for the period, and the resulting exchange differences are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative exchange differences associated with that foreign operation are reclassified in full to profit or loss. Upon partial disposal of a subsidiary with foreign operations, the related cumulative exchange differences are reattributed to non-controlling interests on a pro rata basis. Upon partial disposal of an investment in an associate or joint venture that includes a foreign operation, the related cumulative exchange differences are reclassified to profit or loss on a pro rata basis.

5) Criteria for classifying assets and liabilities into current and non-current

Assets that meet one of the following criteria are classified as current ones, and all other assets that are not current assets are classified as non-current ones:

1. The Consolidated Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2. The Consolidated Company holds the asset primarily for the purpose of trading;
3. The Consolidated Company expects to realize the asset within 12 months after the balance sheet date; or
4. The asset is cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current ones, and all other liabilities that are not current liabilities are classified as non-current ones:

1. The Consolidated Company expects to settle the liability in its normal operating cycle;
2. The Consolidated Company holds the liability primarily for the purpose of trading;
3. The Consolidated Company expects to settle the liability when due within 12 months after the balance sheet date; or
4. The Consolidated Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting 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 and cash equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are 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 fit the definition above and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

7) Financial instruments

Accounts receivable and debt securities issued are recognized initially as they are incurred. All other financial assets and financial liabilities are recognized initially when the Consolidated Company becomes a party to the contractual provisions of the financial instruments. Financial assets (other than receivables that do not contain a significant financial component) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Accounts receivable that do not contain a significant financial component are initially measured at transaction prices.

1. Financial assets

Where purchases or sales of financial assets qualify as a regular way purchase or sale, the Consolidated Company applies trade-date or settlement-date accounting consistently to all purchases and sales of financial assets classified in the same manner.

On initial recognition, financial assets are classified as those carried at amortized cost. The Consolidated Company reclassifies all affected financial assets from the first day of the next reporting period only when there is a change in the mode of operation for managing the financial assets.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost when not designated as at fair value through profit or loss if it meets both of the following criteria:

- The financial assets are held within a business model whose objective is to hold the financial asset to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at their initially recognized amounts plus or minus the cumulative amortization using the effective interest method, adjusted for the amortized cost of any allowance for losses. Interest income, foreign exchange gains or losses and impairment losses are recognized in profit or loss. On derecognition, the gain or loss is recognized in profit or loss.

(2) Financial assets measured at FVTPL

Financial assets measured at FVTPL, including derivative financial assets, are not measured at amortized cost as described above. On initial recognition, the Consolidated Company may irrevocably designate financial assets measured at FVTPL as financial assets measured at amortized cost in order to eliminate or significantly reduce accounting mismatches.

The net gain or loss (including any dividends and interest income) on these assets subsequently measured at fair value is recognized in profit or loss.

(3) Impairment losses on financial assets

The Consolidated Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, refundable deposits and other financial assets.

The loss allowance is measured at the amount of expected credit losses over a 12-month period for the following financial assets, with the remainder measured at the amount of expected credit losses over the life of the asset:

- The credit risk of the debt securities is judged to be low at the reporting date; and
- The credit risk on other debt securities and bank deposits (i.e. the risk of default over the expected life of the financial instruments) has not increased significantly since initial recognition.

The allowance for losses on accounts receivable is measured by the amount of expected credit losses over the life of the financial assets.

Expected credit losses over the life of the instrument are the expected credit losses arising from all possible defaults over the expected life of the instrument.

A 12-month expected credit loss is an expected credit loss arising from a possible default of a financial instrument within 12 months of the reporting date (or in a shorter term, if the expected duration of the financial instrument is fewer than 12

months).

The maximum period for measuring expected credit losses is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

In determining whether there has been a significant increase in credit risk since initial recognition, the Consolidated Company considers reasonable and supportable information (available without undue cost or input), including qualitative and quantitative information, and analysis based on the Consolidated Company's historical experience, credit evaluations and forward-looking information.

If a contractual amount is more than 90 days past due, the Consolidated Company assumes that the credit risk of the financial asset has increased significantly.

The Consolidated Company considers a financial asset to be in default if the contractual amount is more than one year overdue or if it is unlikely that the borrower will be able to fulfil its credit obligation to pay the full amount to the Consolidated Company.

Expected credit losses are a weighted estimate of the probability of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that the Consolidated Company is contractually entitled to receive and the cash flows that the Consolidated Company expects to receive. Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Consolidated Company assesses whether there is a credit impairment on financial assets measured at amortized cost. A financial asset is impaired when one or more events have occurred that have an adverse effect on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes observable information about:

- Material financial difficulty of the borrower or issuer;
- Breach of contract, such as delay or overdue for more than ninety days;
- Concessions made by the Consolidated Company to the borrower that it would not otherwise consider for economic or contractual reasons related to the borrower's financial difficulties;
- The likelihood that the borrower will file for bankruptcy or other financial reorganization; or
- The absence of an active market for the financial asset as a result of financial difficulties.

The loss allowance for financial assets measured at amortized cost should be deducted from the book value of the asset.

When the Consolidated Company cannot reasonably expect to recover all or part

of a financial asset, it directly reduces the total carrying amount of its financial assets. For corporate accounts, the Consolidated Company analyzes the timing and amount of eliminations on a case-by-case basis based on whether recovery is reasonably expected. The Consolidated Company does not expect any material reversal of the amounts eliminated. However, financial assets that have been written off are still enforceable in compliance with the Consolidated Company's procedures for recovering overdue amounts.

(4) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset cease, or when the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to another entity, or when substantially all the risks and rewards of ownership have neither been transferred nor retained and control of the financial asset has not been retained.

Transactions involving the transfer of financial assets entered into by the Consolidated Company that retain all or substantially all the risks and rewards of ownership of the transferred assets are recognized on the balance sheet on an ongoing basis.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

(2) Equity instruments

An equity instrument means any contract that recognizes the Consolidated Company's residual interest in assets less all of its liabilities. Equity instruments issued by the Consolidated Company are recognized at the amount of the consideration received less direct issue costs.

(3) Treasury stocks

Upon repurchase of an equity instrument recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a reduction of equity. Repurchased shares are classified as treasury stocks. The amount received from subsequent sales or reissues of treasury stocks is recognized as an increase in equity, and any surplus or deficit arising from such transactions is recognized as capital surplus or retained earnings (if capital surplus is not sufficient to offset it).

(4) Other financial liabilities

Financial liabilities that are not held for trading and are not designated as at fair

value through profit or loss (including short-term borrowings, accounts payable and other payables) are measured at fair value plus directly attributable transaction costs on initial recognition and subsequently measured at amortized cost using the effective interest method. Interest expense that is not capitalized as part of the cost of an asset is included in finance costs under non-operating income and expenses.

(5) Derecognition of financial liabilities

The Consolidated Company derecognizes financial liabilities when contractual obligations are fulfilled, cancelled or expire. When the terms of a financial liability are modified and the cash flows of the modified liability are materially different, the original financial liability is derecognized and the new financial liability is recognized at fair value on the basis of the modified terms.

When a financial liability is derecognized, the difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented on a net basis in the balance sheet only when the Consolidated Company has a legally enforceable right to do so and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

8) Inventory

Inventories are measured at the lower of cost or net realizable value. Cost includes the cost of acquisition, production or processing and other costs incurred in bringing them to the place and condition in which they are available for use and is calculated using the weighted average method.

Net realizable value means the estimated selling price in the normal course of business less estimated costs still to be invested in the estimated completion and estimated costs required to complete the sale.

9) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are recognized and measured at cost, which is measured at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure directly attributable to the acquisition of assets.

If the significant components of property, plant and equipment have different useful lives, they are treated as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2.Subsequent costs

Subsequent expenditure is capitalized only to the extent that it is probable that future economic benefits will flow to the Consolidated Company.

3.Depreciation

Depreciation is calculated on the basis of the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Depreciation on leased assets is provided over the shorter of the lease term and its useful life. The estimated useful lives of the remaining assets for the current and comparative periods are as follows:

- (1) Instruments and machinery: 1-10 years
- (2) Office equipment: 1-6 years
- (3) Leasehold improvements: 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted as necessary if the expected value differs from previous estimates, with such changes treated as per the provisions for changes in accounting estimates.

10) Lease

The Consolidated Company assesses whether a contract is a lease or contains a lease at the contract inception date. If a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1.Lesseees

The Consolidated Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured initially at cost, which comprises the original measurement of the lease liability, adjusted for any lease payments made on or before the commencement date of the lease, plus the original direct cost incurred and the estimated cost of dismantling and removing the underlying asset and restoring its location or the underlying asset, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Consolidated Company periodically assesses whether a right-of-use asset is impaired and addresses any impairment loss that has occurred, and adjusts the right-of-use asset in conjunction with any remeasurement of the lease liability.

Lease liabilities are measured initially at the present value of the lease payments outstanding at the inception date of the lease. Where the interest rate implicit in the

lease is readily determinable, the discount rate is that rate, or if not readily determinable, the Consolidated Company's incremental borrowing rate is used. In general, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise:

- (1) fixed payments, including in-substance fixed payments;
- (2) lease payments that are dependent on an index or rate change, using the index or rate at the inception date of the lease as the original measure;
- (3) the amount of residual value guarantees expected to be paid; and
- (4) the exercise price or penalty to be paid when it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised.

Interest is subsequently accrued on lease liabilities using the effective interest method and is remeasured when the following occurs:

- (1) When there is a change in future lease payments as a result of changes in the index or rate used to determine lease payments;
- (2) When there is a change in the amount of the residual value guarantee expected to be paid;
- (3) When there is a change in the assessment of the call option on the underlying asset;
- (4) When there is a change in the estimate of whether to exercise the option to extend or terminate and a change in the assessment over the lease term;
- (5) When there is a change in the subject matter, scope or other terms of the lease.

When a lease liability is remeasured as a result of changes in the index or rate used to determine lease payments, changes in the residual value guarantee amount and changes in the evaluation of purchase, extension or termination options as described above, the carrying amount of the right-of-use asset is adjusted accordingly, and the remaining remeasurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between this and the remeasurement amount of the lease liability is recognized in profit or loss.

The Consolidated Company presents right-of-use assets and lease liabilities that do not fit the definition of investment property as separate line items in the balance sheet.

For short-term leases of transportation equipment and offices and leases of low-value underlying assets, the Consolidated Company has elected not to recognize right-of-use assets and lease liabilities, and instead recognizes the related lease payments as expenses on a straight-line basis over the lease period.

Starting from January 1, 2021, when the basis for determining future lease

payments is changed due to changes in interest rate indicators, the Consolidated Company discounts the revised lease payments to remeasure Lease liabilities using a modified discount rate that reflects changes in interest rates of another indicator.

The Consolidated Company has elected to use the practical expedient approach for all rent reductions that meet all of the following conditions, without evaluating whether they are lease modifications.

- (1) Rent reductions that occurred as a direct result of the pandemic.
- (2) A change in lease payments that results in a revised consideration for the lease that is nearly the same or less than the consideration for the lease prior to such change.
- (3) Any reduction in lease payments affects only those payments originally due prior to June 30, 2022; and
- (4) There are no material changes to the other terms and conditions of the lease.

In practical, when a rent reduction results in a change in lease payments, the change is recognized in profit or loss upon the occurrence of the event or circumstance that triggers the rent reduction.

11) Intangible assets

1. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets under the purchase method. Goodwill acquired on consolidation is not subject to amortization but is periodically assessed for impairment and measured at the amount of the initially recognized cost less accumulated impairment.

2. Research and development

The research phase represents activities that are performed to acquire and understand new scientific or technical knowledge, with related expenditures recognized in profit or loss as incurred.

Development expenditure is recognized as an intangible asset when all of the following conditions are met simultaneously; if not met simultaneously, it is recognized in profit or loss as incurred:

- (1) The technical feasibility of completing the intangible asset has been achieved, which will make the intangible asset available for use or sale.
- (2) The intent is to complete the intangible asset and to use or sell it.
- (3) The ability to use or sell the intangible asset.
- (4) Intangible assets will most likely generate future economic benefits.
- (5) Adequate technical, financial and other resources are available to complete this development and to use or sell the intangible asset.
- (6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized expenditures incurred in the development phase are measured at their cost less accumulated amortization and accumulated impairment.

3. Other intangible assets

Other intangible assets acquired by the Consolidated Company are measured at cost less accumulated amortization and accumulated impairment.

4. Subsequent expenses

Subsequent expenditure is capitalized only to the extent that it will enhance the future economic benefits of the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred, including goodwill and brands developed internally.

5. Amortization

Amortization is calculated as the cost of the asset less its residual value as the amortizable amount.

Intangible assets, other than goodwill and intangible assets with indefinite useful lives, are amortized on a straight-line basis over their estimated useful lives, with amortization recognized in profit or loss, from the time they reach a serviceable condition, as follows:

Computer software system: 1-10 years

The residual value, amortization period and amortization method of intangible assets are reviewed annually at least at the end of the financial year and any changes are treated as changes in accounting estimates.

12) Impairment of non-financial assets

The Consolidated Company assesses at each reporting date whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated. Goodwill is tested annually for impairment.

For the purposes of impairment testing, a group of assets with cash inflows that are largely independent of other individual assets or groups of assets is treated as the smallest identifiable group of assets. Goodwill acquired on a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit, less costs to dispose, and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the recoverable amount of an individual asset or

cash-generating unit is less than its carrying amount.

An impairment loss is recognized immediately in profit or loss and reduces the carrying amount of the cash-generating unit's amortized goodwill first, and then reduces the carrying amount of each asset in proportion to the carrying amount of each other asset in the unit.

Impairment losses on goodwill are not reversed. Non-financial assets other than goodwill are reversed only to the extent that the asset does not exceed the carrying amount, net of depreciation or amortization, that would have been determined had no impairment loss been recognized in prior years.

13) Debt provision

Provisions for liabilities are recognized when the Consolidated Company has a present obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation in the future, and the amount of the obligation can be reliably estimated. The provision for liabilities is discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities, and amortization of the discount is recognized as interest expense.

14) Revenue recognition

1. Revenue from customer contracts

Revenue is measured as the expected right to receive consideration for the transfer of goods or services. The Consolidated Company recognizes revenue when control of the goods or services is transferred to customers to satisfy performance obligations. The Consolidated Company's major revenue items are described as follows:

(1) Merchandise for sale

The Consolidated Company outsources the manufacture and sale of integrated circuits. The Consolidated Company recognizes revenue upon the transfer of control over the products. Transfer of control of the product means that the product has been delivered to the customer, the customer has full control over the sales channel and price of the product and there are no outstanding obligations that would affect the customer's acceptance of the product. Delivery occurs when the product has been delivered to a specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract and the terms of acceptance have lapsed, or when the Consolidated Company has objective evidence that all acceptance conditions have been met.

The Consolidated Company recognizes accounts receivable upon delivery of goods because the Consolidated Company has an unconditional right to receive consideration at that point in time.

(2) Provision of services

The Consolidated Company provides product design and development services to customers and recognizes the related revenue in the period in which the services are financially reported. Fixed-price contracts are recognized as revenue based on the proportion of actual services rendered to total services as of the reporting date, which is determined by the proportion of costs incurred to the estimated total cost of the transaction.

15) Employee benefits

1. Defined contribution plans

The defined contribution pension plan's contribution obligation is recognized as employee benefit expense in profit or loss over the period in which the employees render service.

Effective July 1, 2005, in accordance with the implementation of the Labor Pension Act (hereinafter the "new system"), employees of a domestic consolidated company subject to the former system who have elected to be subject to the new system or who have joined the company after the implementation of the new system will be subject to a defined contribution system for their years of service. Pursuant to the Labor Pension Act, the consolidated company makes contributions at a rate of 6% of the employees' monthly wages to the individual pension accounts of the Bureau of Labor Insurance, and the contributions are recognized as current expenses.

If the consolidated company is a foreign company and the defined contribution pension plan is implemented, the Company shall make contributions to the pension fund in accordance with the local laws and regulations and recognize the amount of pension fund to be contributed in each period as current expense. Chinese subsidiaries included in the consolidation are required by the Chinese government to make contributions to the basic pension insurance at the statutory rate of the approved salaries of employees and to recognize the contributions as current expenses.

2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense when the related services are rendered.

The amount expected to be paid under a short-term cash dividend or bonus plan is recognized as a liability if the Consolidated Company has a present legal or constructive obligation to pay as a result of past services rendered by employees and the obligation can be reliably estimated.

16) Share-based payment transactions

The share-based compensation granted to employees is based on the fair value at the date of grant, with compensation cost recognized and relative equity increased over the

period in which the employees reach the point of unconditional compensation. The recognized compensation cost is adjusted for the amount of compensation expected to be received for services rendered, and the final amount recognized is based on the amount of compensation received for services rendered on the vested date.

17) Income tax

Income taxes consist of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except when they relate to business combinations, items recognized directly in equity or other comprehensive income.

Current income tax includes estimated income tax payable or refund receivable based on current year's taxable income (loss) and any adjustments to prior years' income tax payable or refund receivable. The amount is the best estimate of the amount expected to be paid or received, measured at the statutory or substantively legislated tax rate at the reporting date, after reflecting uncertainties, if any, related to income taxes.

Deferred tax is measured and recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognized on temporary differences arising from:

1. assets or liabilities that are not part of the initial recognition of a business combination transaction and that do not affect accounting profit or taxable income (loss) at the time of the transaction;
2. temporary differences due to investments in subsidiaries, affiliates and interests in joint ventures where the Consolidated Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reverse in the foreseeable future; and
3. taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax is measured at the tax rate at the time of expected temporary difference reversal, and is based on the statutory tax rate or substantive legislative tax rate adopted at the reporting date.

Deferred tax assets and deferred tax liabilities will only be offset by the Consolidated Company if the following conditions are met at the same time:

1. there is a statutory enforcement right to set off current tax assets against current tax liabilities; and
2. Deferred tax assets and deferred tax liabilities relate to one of the following taxable entities for which income tax is levied by the same taxation authority;
 - (1) the same taxable entity; or
 - (2) different taxable entities, provided that each entity intends to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax

assets are expected to be recovered and deferred tax liabilities are expected to be settled.

Deferred tax assets are recognized for unused tax losses and unused tax credits carried forward in subsequent periods to the extent that it is probable that future taxable income will be available for use against which deductible temporary differences can be utilized. They are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized; or the amount of the reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

18) Business combination

Upon conversion to IFRSs recognized by the FSC, the amount of goodwill for acquisitions made by the Consolidated Company prior to January 1, 2012 was recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on January 10, 2009 and various statements of financial accounting standards and their interpretations issued by the Accounting Research and Development Foundation of the ROC (hereinafter the "previous generally accepted accounting principles").

19) Earnings per share

The Consolidated Company presents basic and diluted earnings per share attributable to equity holders of the Company's ordinary shares. The calculation of the Consolidated Company's basic earnings per share is based on the profit or loss attributable to equity holders of the Company's common stocks divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding for the effect of all potentially dilutive common shares. Potentially dilutive ordinary shares in the Consolidated Company include share-based compensation plans, employee compensation that may be paid in shares and new shares with unvested restricted employee rights.

20) Departmental information

The operating segment is a component of the Consolidated Company that engages in operating activities that may earn revenues and incur expenses, including revenues and expenses associated with transactions between other components of the Consolidated Company. The operating results of all operating segments are regularly reviewed by the Consolidated Company's chief operating decision-maker in order to make decisions on the allocation of resources to the segment and to assess its performance. Each operating segment has separate financial information.

V. Critical accounting judgements, estimates and key sources of assumption uncertainty

The preparation of these consolidated financial statements in conformity with IFRSs generally accepted by the FSC requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Management reviews estimates and underlying assumptions on an ongoing basis and changes in accounting estimates are recognized in the period of change and in the future periods affected.

Among the uncertainties in the assumptions and estimates, the related information with a major risk that will cause material adjustments in the following year is as follows:

Inventory valuation

As inventories are measured at the lower of cost or net realizable value, the Consolidated Company assesses the amount of inventories that are normally worn out, obsolete or have no marketable value at the reporting date and reduces the cost of inventories to net realizable value. This inventory valuation is primarily based on estimates of product demand in specific periods in the future and is subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for inventory valuation estimates.

VI. Descriptions of Key Accounting Items

1) Cash and cash equivalents

	Dec.31, 2021	Dec.31, 2020
Cash	\$ 1,310	990
Demand deposits and checking deposits	5,464,741	2,123,188
Time deposits	2,136,354	834,447
Less: Restricted deposits (recorded as financial assets measured at amortized cost) (Note 8)	(200)	(60,000)
Time deposits with original maturities of more than three months (recorded as financial assets carried at amortized cost)	(560,000)	(35,000)
	\$ 7,042,205	2,863,625

For the years ended December 31, 2021 and 2020, the Consolidated Company did not record any impairment loss on financial assets measured at amortized cost, and please refer to Note 6(21) for the remaining credit risk information.

2) Current financial assets at fair value through profit or loss

	Dec.31, 2021	Dec.31, 2020
Mandatorily measured at FVTPL:		
Current:		
Open-ended funds	\$ 4,884,709	2,159,722
Exchange Contracts	3,297	-
	\$ 4,888,006	2,159,722

3) Notes and accounts receivable (including the part from related parties), net

	Dec.31, 2021	Dec.31, 2020
Notes receivable	\$ -	1,360
Accounts receivable (including the part from related parties)	5,025,366	1,693,234
Minus: Allowance for impairment losses	(13,039)	(6,999)
	<u>\$ 5,012,327</u>	<u>1,687,595</u>

The Consolidated Company uses a simplified approach to estimate expected credit losses for all accounts receivable (including related parties), i.e., it uses the expected credit loss measure for the duration. For this measurement purpose, these receivables (including related parties) are grouped by common credit risk characteristics that represent the customer's ability to pay all amounts due in accordance with contractual terms and are included in forward-looking information. The expected credit losses on the Consolidated Company's accounts receivable (including related parties) are analyzed as follows:

	Dec.31, 2021		
	Book value of the notes and accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 4,852,982	0.03%	1,614
Within 30 days past due	89,722	0.72%	650
31-60 days past due	57,755	3.58%	2,066
61-90 days past due	16,516	9.61%	1,588
More than 120 days past due	3,053	80.81%	2,467
Not overdue	<u>5,338</u>	50%~100%	<u>4,654</u>
	<u>\$ 5,025,366</u>		<u>13,039</u>

	Dec.31, 2020		
	Book value of the notes and accounts receivable (including the part from related parties)	Weighted average expected credit loss rate	Expected credit losses in the duration of allowance
Not overdue	\$ 1,681,088	0.38%	6,325
Within 30 days past due	7,578	0.71%	54
31-60 days past due	5,413	2.52%	136
61-90 days past due	28	10.52%	3
91-120 days past due	<u>487</u>	50%~100%	<u>481</u>

\$ 1,694,594 **6,999**

The changes in the allowance for losses of the accounts receivable (including the part from related parties) of the consolidated company are as follows:

	FY 2021	FY2020
Beginning balance	\$ 6,999	22,922
Impairment losses (gain on reversal)	6,040	(15,923)
Ending balance	\$ 13,039	6,999

4) Net inventory

	Dec.31, 2021	Dec.31, 2020
Finished goods	\$ 1,099,635	503,925
Work-in-progress	1,215,067	605,888
Raw materials	1,023,687	312,660
	\$ 3,338,389	1,422,473

For the years ended December 31, 2021 and 2020, the cost of goods sold related to inventories was \$12,151,398 thousand and \$8,407,851 thousand, respectively; Inventory valuation and disposal loss of \$52,863 thousand and \$90,673 thousand, respectively, were recognized as a reduction of inventories to net realizable value.

As of December 31, 2021 and 2020, none of the Consolidated Company's inventories were pledged as collateral.

5) Prepayments and other current assets

	Dec.31, 2021	Dec.31, 2020
Prepayment	\$ 460,664	34,590
Prepaid expenses	44,027	7,535
Tax credits and prepayments	42,029	112,939
Temporary Payment	2,127	1,518
	\$ 548,847	156,582

6) Property, plant and equipment

The changes in the cost and depreciation of the consolidated company's property, plant and equipment were as follows:

	Instruments and Machinery	Office equipment	Leasehold improvement	Equipment to be inspected	Total
Cost:					
Balance at January 1, 2021	\$ 616,789	53,649	4,996	1,800	677,234
Addition	469,655	33,827	3,826	3,041	510,349
Disposal	(4,421)	(2,769)	(1,085)	-	(8,275)
Reclassification of this term	-	-	(59)	-	(59)
Amount transferred in (out)	122	-	-	(1,522)	(1,400)

in the current period					
Effect of the changes in					
exchange rates	(2,756)	(131)	(1)	-	(2,888)
Balance at December 31,					
2021	\$ 1,079,389	84,576	7,677	3,319	1,174,961
Balance at January 1, 2020	\$ 388,834	45,499	14,128	-	448,461
Addition	190,115	10,721	510	1,800	203,146
Disposal	(11,777)	(2,743)	(4,294)	-	(18,814)
Acquisition through mergers					
(Note VI (XVII))	1,166	120	-	-	1,286
Amount transferred in (out)					
in the current period	45,201	(6)	(5,345)	-	39,850
Effect of the changes in					
exchange rates	3,250	58	(3)	-	3,305
Balance at December 31,					
2020	\$ 616,789	53,649	4,996	1,800	677,234
Depreciation:					
Balance at January 1, 2021	\$ 301,826	40,184	2,839	-	344,849
Depreciation in the current					
period	161,760	10,524	1,260	-	173,544
Disposal	(4,421)	(2,653)	(274)	-	(7,348)
Reclassification	-	-	(33)	-	(33)
Effect of the changes in					
exchange rates	(805)	(46)	-	-	(851)
Balance at December 31,					
2021	\$ 458,360	48,009	3,792	-	510,161
Balance at January 1, 2020	\$ 158,554	36,113	8,769	-	203,436
Depreciation in the current					
period	121,573	6,802	888	-	129,263
Disposal	(11,777)	(2,741)	(4,294)	-	(18,812)
Amount transferred in (out)					
in the current period	32,478	(1)	(2,524)	-	29,953
Effect of the changes in					
exchange rates	998	11	-	-	1,009
Balance at December 31,					
2020	\$ 301,826	40,184	2,839	-	344,849
Book value:					
December 31, 2021	\$ 621,029	36,567	3,885	3,319	664,800
December 31, 2020	\$ 314,963	13,465	2,157	1,800	332,385

The property, plant and equipment of the Consolidated Company as of December 31,

2021 and 2020 were not pledged as collateral.

7) Right-of-use assets

The cost and depreciation of the right-of-use assets recognized in the Consolidated Company's leasehold buildings were as follows:

	Buildings
Cost of right-of-use assets:	
Balance at January 1, 2021	\$ 121,173
Addition	55,774
Disposal	(22,319)
Effect of the changes in exchange rates	(250)
Balance at December 31, 2021	<u>\$ 154,378</u>
Balance at January 1, 2020	\$ 100,815
Addition	26,234
Disposal	(6,093)
Effect of the changes in exchange rates	217
Balance at December 31, 2020	<u>\$ 121,173</u>
Depreciation and impairment losses of right-of-use assets:	
Balance at January 1, 2021	\$ 52,156
Depreciation in the current period	40,756
Disposal	(19,994)
Effect of the changes in exchange rates	(83)
Balance at December 31, 2021	<u>\$ 72,835</u>
Balance at January 1, 2020	\$ 28,269
Depreciation in the current period	29,875
Disposal	(6,093)
Effect of the changes in exchange rates	105
Balance at December 31, 2020	<u>\$ 52,156</u>
Book value:	
December 31, 2021	<u>\$ 81,543</u>
December 31, 2020	<u>\$ 69,017</u>

8) Intangible assets

The changes in the cost and amortization of the Consolidated Company's intangible assets were as follows:

	Goodwill	Computer Software	Patent	Total
Cost:				
Balance at January 1, 2021	\$ 185,097	24,852	59,998	269,947
Separate acquisition	-	12,498	22,092	34,590
Inwar transfer	-	1,400	-	1,400

Effect of the changes in exchange rates	-	(163)	(209)	(372)
Balance at December 31, 2021	\$ 185,097	38,587	81,881	305,565
Balance at January 1, 2020	\$ 184,972	18,563	20,514	224,049
Separate acquisition	-	6,104	614	6,718
Acquisition through corporate mergers	125	48	38,855	39,028
Effect of the changes in exchange rates	-	137	15	152
Balance at December 31, 2020	\$ 185,097	24,852	59,998	269,947
Amortization:				
Balance at January 1, 2021	\$ -	16,325	17,264	33,589
Amortization in the current period	-	5,829	19,189	25,018
Effect of the changes in exchange rates	-	(93)	(50)	(143)
Balance at December 31, 2021	\$ -	22,061	36,403	58,464
Balance at January 1, 2020	\$ -	9,460	2,954	12,414
Amortization in the current period	-	6,816	14,238	21,054
Effect of the changes in exchange rates	-	116	5	121
Reclassifications	-	(67)	67	-
Balance at December 31, 2020	\$ -	16,325	17,264	33,589
Book value:				
December 31, 2021	\$ 185,097	16,526	45,478	247,101
December 31, 2020	\$ 185,097	8,527	42,734	236,358

For the years ended December 31, 2021 and 2020, the Consolidated Company did not recognize an impairment loss of \$25,018 thousand and \$21,054 thousand, respectively, on its intangible assets. Amortization expense is reported under Operating cost and Operating expense in the Consolidated Statements of Income.

9) Other noncurrent assets

	<u>Dec.31, 2021</u>	<u>Dec.31, 2020</u>
Prepaid Bonus	\$ 81,985	70,694

Refundable deposits	1,626,948	27,892
Other	6,390	-
	\$ 1,715,323	98,586

1.The Consolidated Company provides special incentive payments to employees who meet certain criteria, and the payments are made in a lump sum upon signing the contract. The contracted employee must commit to a period of continuous service, and if the employee fails to meet the commitment, the full amount of the special incentive shall be returned for any reason. The Consolidated Company amortized the total prepaid bonuses as manufacturing expenses and operating expenses over the contracted service period, and recognized manufacturing expenses and operating expenses of \$133,337 thousand and \$112,927 thousand for the years ended December 31, 2021 and 2020, respectively.

2.In order to ensure stable production capacity, the Consolidated Company entered into production capacity guarantee contracts with suppliers, under which a guarantee deposit is paid and returned when the contracts are completed, which is recorded under Other non-current assets - Refundable deposits.

10) Current borrowings

The details of the current borrowings of the consolidated company are as follows:

	Dec.31, 2021	Dec.31, 2020
Unsecured bank loans	\$ 777,808	-
Interest rat collar	0.54%~0.63%	-
Unused loan commitment	\$ 3,566,432	2,274,480

11) Lease liabilities

The book value of the lease liabilities of the consolidated company are as follows:

	Dec.31, 2021	Dec.31, 2020
Current	\$ 46,273	27,653
Non-current	\$ 37,231	43,326

For the maturity analysis, please refer to Note VI (XXI) Financial Instruments.

The amount recognized in profit and loss is as follows:

	FY 2021	FY2020
Interest expense of lease liabilities	\$ 2,018	1,221
Cost of low-value leased assets (excluding low-value leases under short-term leases)	\$ 6,764	14,431

The amount recognized in the Statement of Cash Flows is as follows:

	FY 2021	FY2020
Total amount of cash outflow from lease	\$ 51,080	45,070

Leasing of buildings and structures

The Consolidated Company leased buildings and structures for office use on December 31, 2021 and 2020. Office leases are generally for periods of one to five years, with some leases including an option to extend the lease for the same period as the original contract at the end of the lease term. Lease payments under some of these contracts are subject to changes in local price indices.

12) Employee benefits

Defined contribution plan

If the Consolidated Company is a domestic company, its defined contribution plan is based on the Labor Pension Act, which provides for a contribution rate of 6% of the workers' monthly wages to the Bureau of Labor Insurance's individual labor pension accounts. Under this plan, the Consolidated Company is not legally or constructively obligated to pay additional amounts after it has contributed a fixed amount to the bureau. If the Consolidated Company is a foreign company, it contributes an amount to the pension funds in accordance with local laws and regulations, and recognizes the required contributions in each period as current expenses. Chinese subsidiaries included in the consolidated entity are required by the Chinese government to make contributions to the basic endowment insurance premium at a statutory rate based on the approved salaries of employees and to recognize the contributions as current expenses.

The pension costs and pension insurance premiums under the defined contribution pension plan were \$56,267 thousand and \$35,569 thousand for the years ended December 31, 2021 and 2020, respectively.

13) Income tax

1. The statutory income tax rate for domestic consolidated companies is 20%, and the "Basic Income Tax Ordinance" is applied to calculate the basic tax amount. Trade Logic and Ever Harvest are located in the British Virgin Islands and Samoa, respectively, and are subject to the income tax regulations of the registered area. The income tax rate for Fitipower Integrated Technology (Shenzhen) Inc. and Hefei Jadard Technology Limited (Hefei Jadard) is 25%. The preferential tax rate for high-tech enterprises in China, which is 15%, is applicable to Fitipower Integrated Technology (Shenzhen) Inc., and the income tax rate for Jadard Jadard Limited Taiwan Branch (Hong Kong) is 16.5%.

2. Income tax expense

The details of income tax expense of the Consolidated Company are as follows:

	FY 2021	FY 2020
Income tax expense in the current period	\$ 1,419,713	104,473
Deferred income tax expense	(22,798)	39
Income tax expense	<u><u>\$ 1,396,915</u></u>	<u><u>104,512</u></u>

The details of income tax expense (benefit) recognized under other comprehensive

income for the Consolidated Company in fiscal 2021 and 2020 are as follows:

	FY 2021	FY 2020
Components of other comprehensive income that will be reclassified to profit or loss :		
Exchange differences on translation	\$ (7,689)	2,803

The reconciliation of income tax expense to net income before taxes for the Consolidated Company for fiscal 2021 and 2020 is as follows:

	FY 2021	FY 2020
Net income before taxes	\$ 7,786,550	836,340
Income tax calculated based on the tax rate of the country where the Company is located	\$ 1,839,679	203,608
Effect on the income tax based on the subsidiaries' net income before taxes	(176,440)	(7,191)
Deduction from investment	(122,199)	(14,848)
Income exempt from tax	-	(109,281)
Surtax on undistributed earnings	7,449	4,682
Changes in estimate and approved differences in the pass fiscal years	-	646
Basic tax	-	62,333
Income from foreign equity investments	(172,362)	(34,385)
Changes in the temporary differences that were not recognized	13,930	(5,710)
Other	6,858	4,658
	\$ 1,396,915	104,512

3. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

The items that were not recognized by the consolidated company as deferred income tax assets are as follows:

	Dec.31, 2021	Dec.31, 2020
Unrealized losses on inventory	\$ 3,133	7,012
Deduction of losses	12,706	3,509
Investment losses	11,745	3,127
	\$ 27,584	13,648

For deductible temporary differences arising from investment losses, no deferred tax asset is recognized because the Consolidated Company has no plans to dispose of its equity investments for the time being and there is no other reason for the

temporary differences to reverse in the foreseeable future. In accordance with the Income Tax Act, losses for the previous 10 years as approved by the tax authorities may be deducted from net profit for the period before income tax is levied. These temporary differences are not recognized as deferred tax assets because it is not probable that the Consolidated Company will have sufficient taxable income in the future to allow for these temporary differences' use.

As of December 31, 2021, the Consolidated Company has not recognized tax losses as deferred tax assets, which are deductible over the following periods:

<u>Fiscal year when the losses were generated</u>	<u>The last fiscal year when the losses can be deducted</u>	<u>Deductible amount</u>
Fiscal year 2018	Fiscal year 2028	\$ 110
Fiscal year 2019	Fiscal year 2029	731
Fiscal year 2020	Fiscal year 2030	2,668
Fiscal year 2021	Fiscal year 2031	9,197
		<u>\$ 12,706</u>

In accordance with the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge.

(2) Deferred income tax assets and liabilities recognized

The changes in deferred income tax assets and liabilities for fiscal 2021 and 2020 are as follows:

	<u>Unrealized losses in inventory</u>	<u>Exchange difference on translation of the financial statements of foreign operations</u>	<u>Investment losses</u>	<u>Unrealized foreign exchange gains or losses</u>	<u>Other</u>	<u>Total</u>
Deferred tax assets :						
January 1, 2021	\$ 22,030	2,953	263	-	8,011	33,257
Recognized in the income statement	(10,821)	-	(2)	-	6,997	(3,826)
Recognized in other comprehensive income	-	7,689	-	-	-	7,689
December 31, 2021	<u>\$ 11,209</u>	<u>10,642</u>	<u>261</u>	<u>-</u>	<u>15,008</u>	<u>37,120</u>
	<u>Unrealized losses in inventory</u>	<u>Exchange difference on translation of the financial statements of foreign operations</u>	<u>Investment losses</u>	<u>Unrealized foreign exchange gains or losses</u>	<u>Other</u>	<u>Total</u>
January 1, 2020	\$ 12,079	5,756	-	7,801	9,536	35,172

Recognized in the income statement	9,951	-	263	(7,801)	(1,525)	888
Recognized in other comprehensive income	-	(2,803)	-	-	-	(2,803)
December 31, 2020	<u>\$ 22,030</u>	<u>2,953</u>	<u>263</u>	<u>-</u>	<u>8,011</u>	<u>33,257</u>

	<u>Unrealized foreign exchange gains</u>	<u>Amortization of goodwill</u>	<u>Total</u>
Deferred income tax liabilities :			
January 1, 2021	\$ 1,106	21,527	22,633
Recognized in the income statement	(733)	(21,527)	(22,260)
December 31, 2021	<u>\$ 373</u>	<u>-</u>	<u>373</u>
January 1, 2020	\$ -	21,527	21,527
Recognized in the income statement	1,106	-	1,106
December 31, 2020	<u>\$ 1,106</u>	<u>21,527</u>	<u>22,633</u>

4. The Company's income tax claim have been examined and cleared by the tax authorities through 2018.

14) Capital and other interests

As of December 31, 2021 and 2020, the total issued capital of the Company was \$2,000,000 thousand with a par value of \$10 per share and 186,545 thousand and 166,588 thousand shares, respectively, all of which were common shares.

The details of circulating common shares of the Company is as follows: (in thousands shares)

	<u>FY 2021</u>	<u>FY 2020</u>
Beginning balance	165,406	163,546
Gain from the restricted stock in the current period	770	2,229
Purchase of treasury shares	-	(369)
Cash capital increase	20,000	-
Ending balance	<u>186,176</u>	<u>165,406</u>

1. Issuance of common shares

On May 31, 2021, the board of directors resolved Cash capital increase to issue 20,000 thousand shares with a par value of \$10 per share. The above Cash capital increase was approved by the Financial Supervisory Commission on June 28, 2021, at a price of \$255 per share, with August 5, 2021 as the base date. All issued shares have been received and registered for change.

On June 24, 2020, the Company resolved to issue 3,000 thousand shares of new shares with restricted employee rights at the stockholders' meeting and 1,057 thousand shares at the board of directors' meeting on December 2, 2020. The above capital increase has been approved by the competent authorities and the change of registration has been completed.

2. Capital surplus

The balance of the Company's capital surplus are as follows:

	Dec.31, 2021	Dec.31, 2020
Share premium	\$ 6,102,418	1,097,993
Transaction of treasury shares	535	535
Difference between the carrying amount and the price of the shares of subsidiaries which were acquired or disposed	882,961	887,399
Restricted stock	-	78,138
Other capital reserve	450	304
	<u>\$ 6,986,364</u>	<u>2,064,369</u>

According to the Company Act, new shares or cash may only be issued from realized capital surplus in proportion to the original shares of the shareholders after the capital surplus has first been used to cover losses. Realized capital surplus as referred to in the preceding paragraph includes surplus from the issue of shares in excess of par value and proceeds from gifts. As stipulated in Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, where capital reserve is capitalized, the combined amount of any portions capitalized in any 1 year may not exceed 10 percent of paid-in capital.

3. Retained earnings

Under the Company's Articles of Incorporation, if there is any net profit after tax for the period, the Company shall first make up the accumulated deficit in the annual final accounts and set aside 10% as legal reserve in accordance with the law, except when the accumulated legal reserve has reached the total paid-in capital of the Company. The special reserve is appropriated or reversed as required by law or by the competent authority. The Board of Directors shall prepare a proposal for the distribution of the remaining earnings, together with the undistributed earnings at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company's dividend policy is to allocate no less than 20 percent of the distributable earnings to shareholders each year, by taking into account the current and future development plans, the investment environment, capital requirements and

domestic and international competition, as well as the interests of shareholders, among which no less than 10 percent of the total dividends for the year shall be paid in cash.

(1) Legal reserve

If the Company has no losses, it may, by resolution of the shareholders' meeting, issue new shares or cash from the legal reserve, provided that the amount of such reserve exceeds 25 percent of the paid-in capital.

(2) Special reserve

According to the FSC's Jin-Guan-Zheng-Fa-Zi Order No. 1010012865 dated April 6, 2012, when distributing distributable earnings, the Company recorded a net decrease in other equity during the year, which was not distributable from the current year's profit or loss as a supplement to the special reserve. If there is a subsequent reversal in the amount of other equity deductions, the reversed portion of the surplus may be distributed.

(3) Distribution of earnings

The Company resolved at the regular shareholders' meetings on May 18, 2021 and June 24, 2020 to distribute the 2020 and 2019 earnings to owners in the following amounts of dividends:

	FY 2020		FY 2019	
	Payout ratio (NT\$)	Amount	Payout ratio (NT\$)	Amount
Dividends distributed to the owners of ordinary shares:				
Cash	\$ 2.5	<u><u>415,521</u></u>	1.0	<u><u>165,311</u></u>

The actual allotment of earnings for the years ended December 31, 2020 and 2019 was the same as the amount recognized in the related financial statements and no adjustment was required.

4. Treasury shares

In accordance with Article 167-1 of the Company Act, the consolidated company shall buy back treasury shares for the purpose of transferring shares to employees, with the following changes:

	FY 2021		FY 2020	
	Shares (1,000 shares)	Amount	Shares (1,000 shares)	Amount
Beginning amount	369	\$ 9,449	-	-
Increase in the current period	-	-	369	9,449
Ending amount	<u><u>369</u></u>	<u><u>\$ 9,449</u></u>	<u><u>369</u></u>	<u><u>9,449</u></u>

In 2020, the Company repurchased 369 thousands shares of treasury share for the

necessity to protect the Company's credit and shareholders' rights under Article 28-2 of the Securities and Exchange Act. As of Dec. 31, 2020, in a total of 369 thousand shares are uncanceled.

According to Securities and Exchange Act, treasury share held by the Company cannot be pledged and is not entitled to shareholders' rights until it is transferred.

5. Other equity

The changes in the Company's other equity items are as follows.

	Exchange difference on translation of the financial statements of foreign operations	Unearned compensation for employees	Total
Balance at January 1, 2021	\$ (13,191)	(1,734)	(14,925)
Differences from foreign currency translations (net amount after taxes)	(30,591)	-	(30,591)
Unearned compensation for employees	-	1,734	1,734
Balance at December 31, 2021	<u>\$ (43,782)</u>	<u>-</u>	<u>(43,782)</u>
Balance at January 1, 2020	\$ (24,405)	(27,227)	(51,632)
Differences from foreign currency translations (net amount after taxes)	11,214	-	11,214
Unearned compensation for employees	-	25,493	25,493
Balance at December 31, 2020	<u>\$ (13,191)</u>	<u>(1,734)</u>	<u>(14,925)</u>

15) Share-based payment transaction

1. Restricted stock

On Jun. 24, 2020 and Jun. 25, 2019, the Company's shareholders' meeting resolved to issue 3,000,000 new shares with restricted employee rights to employees of the Company and Subsidiaries, as so resolved by the board on Dec. 2, 2020 and Nov. 12, 2019, as follows:

(1) The Company plans to issue new shares with restricted employee rights in 2020 :

Type	FY 2020 Conditions of Issuance
Grant date	109.11.18
Grant amount	1,057,000
Vesting day	December 31, 2020 December 31, 2021 317,100 shares

739,900 shares

(2)The Company issued new shares with restricted employee rights in 2019:

<u>Type</u>	<u>FY 2019 Conditions of Issuance</u>
Grant date	108.11.13
Grant amount	3,000,000
Vesting day	108.12.31
	December 31, 2020
	900,000 shares and 2,100,000 shares

(3)The Company issued new shares with restricted employee rights in 2017:

<u>Type</u>	<u>FY 2017 Conditions of Issuance I</u>	<u>FY 2017 Conditions of Issuance II</u>	<u>FY 2017 Conditions of Issuance II</u>	<u>FY 2017 Conditions of Issuance II</u>	<u>FY 2017 Conditions of Issuance II</u>
Grant date	106.11.18	106.11.18	106.11.18	106.11.18	106.11.18
Grant amount	2,510,000	40,000	60,000	30,000	120,000
Vesting day	106.12.31	107.1.1	107.7.1	107.10.1	108.1.1
	107.12.31	108.1.1	108.7.1	108.10.1	109.1.1
		109.1.1	109.7.1	109.10.1	110.1.1
	753,000 shares	8,000 shares	12,000 shares	6,000 shares	24,000 shares
	1,757,000 shares	16,000 shares	24,000 shares	12,000 shares	48,000 shares
		16,000 shares	24,000 shares	12,000 shares	48,000 shares
<u>Type</u>			<u>FY 2017 Conditions of Issuance III</u>	<u>FY 2017 Conditions of Issuance IV</u>	<u>FY 2017 Conditions of Issuance IV</u>
Grant date			107.10.17	107.10.17	107.10.17
Grant amount			54,000	40,000	30,000
Vesting day			107.12.31	108.1.1	108.4.1
			108.12.31	109.1.1	109.4.1
				110.1.1	110.4.1
			16,200 shares	8,000 shares	6,000 shares
			37,800 shares	16,000 shares	12,000 shares
				16,000 shares	12,000 shares

(4) Information of the shares with restricted employee rights for the years ended

December 31, 2021 and 2020 is as follows:

(1,000 shares)

	FY 2021	FY 2020
Beginning amount	813	2,141
Issued in the current period	-	1,057
Vested in the current period	(770)	(2,229)
Written off in the current period	(43)	(156)
Ending amount	-	813

As of December 31, 2021 and 2020, the Company had 15,466 thousand and 14,696 thousand shares of restricted employee rights stock vested, respectively.

2.Share-based Payment Agreement

On May 31, 2021, the board of directors resolved that Cash capital increase the number of shares reserved for subscription by employees in accordance with the Company Act. The number and price of shares subscribed were determined on June 28, 2021, and the compensation cost (recorded as salary expense) was recognized on the date of grant, and the amount recognized as of December 31, 2021 was \$25,520 thousand.

3.JADARD-Employee stock option certificate

On June 7, 2021, the stockholders' meeting of JADARD approved the issuance of 10,519 thousand units of employee stock warrants, with each unit entitling the Company to subscribe for one common share.

As of December 31, 2021, JADARD had the following share-based payment transactions:

Type	Shareholders' Meeting Date	Issuance date	Duration	Amounts	Subscription price per share (RMB/yuan)
Employee Stock Option Plan for 2021	Jun.7, 2021	Jun.7, 2021	3 years	10,519,000	\$ 5.0

The other subscribers may exercise their stock options in the following proportions from the time they are granted the employee stock option certificates.

2021 Employee stock options	
Grant Period	Exercisable options Ratio (cumulative)
June 7, 2022	50%
June 7, 2023	100%

The fair value of the share-based benefits at the date of grant was estimated using a binomial option valuation model with the following input values.

2021 Employee stock options

Fair value at grant date (\$)	\$	4.66
Exercise price (\$)		5.00
Expected volatility		60.00%
Duration of stock options		3 years
Risk-free interest rate		3.05%

Information on the number and weighted-average exercise price related to the above employee stock option plans is shown in the table below.

	FY 2021	
	Weighted average (RMB/yuan))	Number of shares (thousands)
Outstanding at the beginning of the period	\$ -	-
Given during the period	5.00	10,519
Forfeited during the period	-	-
Executed during the period	-	-
Outstanding at the end of the period	-	10,519
Executable at the end of the period		-

4. Employee expenses

The expenses incurred by the consolidated company in connection with share-based payments were as follows:

	FY 2021	FY 2020
Expense generated from the issuance of restricted stock	1,386	28,491
Cash capital increase for employee subscriptions	25,520	-
Costs incurred in connection with the issuance of employee stock options	39,224	-
	66,130	28,491

16) EPS

The basic earnings per share and diluted earnings per share for the Consolidated Company is as follows:

1. Basic EPS

	FY 2021	FY 2020
Net income attributable to the equity holders of the ordinary shares of the Company	\$ 5,852,244	665,581
Weighted average number of the ordinary shares outstanding	172,974	163,423
Basic earnings per share (dollar)	\$ 33.83	4.07

2. Diluted earnings per share

FY 2021	FY 2020
----------------	----------------

Net income attributable to the equity holders of the ordinary shares of the Company	<u>\$ 5,852,244</u>	<u>665,581</u>
Weighted average number of the ordinary shares outstanding	172,974	163,423
Effect of the dilutive potential ordinary shares:		
— employee compensation	1,342	711
— restricted stock which is not vested	-	687
Weighted average number of the ordinary shares outstanding (after the adjustment to the effect of dilutive potential ordinary shares)	<u>174,316</u>	<u>164,821</u>
Diluted earnings per share (NT\$)	<u>\$ 33.57</u>	<u>4.04</u>

17) Acquisition

Based on the future operation plan and strategic layout, the Company acquired 100% of the shares of Visual Sensing Technology on February 27, 2020 in the price of \$45,000 thousands.

1. Consideration paid in cash

	<u>Main business activity</u>	<u>Date of acquisition</u>	<u>Acquisition ratio of the equity interests with voting rights</u>	<u>Consideration transferred</u>
Visual Sensing Technology	IC design	Feb. 27, 2020	100%	<u>\$ 45,000</u>

2. The fair value of the acquired assets and the borne liabilities on the date of acquisition February 27, 2020

Current assets	
Cash and cash equivalents	\$ 4,525
Accounts receivable	1,575
Other receivables	1
Prepayments and other current assets	124
Non-current assets	
Property, plant and equipment	1,286
Intangible assets	48
Patent Right	38,855
Refundable deposits	70
	<u>February 27, 2020</u>
Current liabilities	
Accounts payable	\$ (4)
Other current liabilities	(964)
Contract liabilities	(641)
	<u>\$ 44,875</u>

3. Goodwill generated from acquisition

	February 27, 2020
Consideration transferred	\$ 45,000
Minus: the fair value of net identifiable assets	<u>(44,875)</u>
Goodwill generated from acquisition	<u>\$ 125</u>
4. Net cash outflow from acquired subsidiaries	
	February 27, 2020
Considerations paid in cash	\$ 45,000
Minus: balance of the cash acquired	<u>(4,525)</u>
	<u>\$ 40,475</u>

18) Contractual revenue

1.Details of the contractual revenue

	FY 2021	FY 2020
Major regional markets:		
Taiwan	\$ 2,559,732	1,002,350
China	14,405,185	6,089,373
Hong Kong	5,553,959	3,433,834
Japan	239,051	244,127
South Korea	26,412	65,141
Other countries	<u>83,899</u>	<u>44,875</u>
	<u>\$ 22,868,238</u>	<u>10,879,700</u>
Main products/service lines:		
Display driver IC	\$ 19,419,688	9,587,358
Power management IC	3,419,944	1,242,199
Other	<u>28,606</u>	<u>50,143</u>
	<u>\$ 22,868,238</u>	<u>10,879,700</u>

2. Contract balances

Please refer to Note 6(3) for the disclosure of accounts receivable and impairment.

19) Compensation for employees and directors

Subject to the provisions of the Articles of Incorporation of the Company, not less than 5 percent of the annual profit shall be appropriated as remuneration to employees and not more than 1 percent of the annual profit shall be appropriated as remuneration to directors. However, where the Company has accumulated losses, the amount of the indemnity should be retained in advance. The foregoing employee remuneration may be in the form of shares or cash and may be paid to employees of a subordinate company who satisfy certain conditions. The remuneration of the directors noted above shall be payable in cash only. The first two items shall be resolved by the Board of Directors and reported to the shareholders' meeting.

For the years ended December 31, 2021 and 2020, the Company made no provision for directors' remuneration. The estimated amounts of employee compensation of \$369,675 thousand and \$38,787 thousand, respectively, were based on the Company's net profit before tax for each period before deducting employee and director compensation multiplied by the distribution percentages of employee compensation and director compensation as stipulated in the Company's Articles of Incorporation and was recognized as Operating cost or Operating expense for 2021 and 2020. If the actual distribution amount differs from the estimated amount in the following year, the difference is treated as a change in accounting estimate and recognized as profit or loss in the following year. If the Board of Directors resolves to distribute employee compensation in shares, the number of shares is calculated based on the closing price of the common stock on the day before the Board of Directors' resolution.

No provision for directors' emoluments was made by the Company for fiscal 2020 and 2019. The estimated amounts of employee compensation of NT\$38,787 in thousands and NT\$36,275 in thousands, respectively, were based on the Company's net income before taxation for the respective periods before deducting employee and director compensation multiplied by the employee compensation distribution percentages set forth in the Company's Articles of Incorporation and reported as operating costs or operating expenses in fiscal 2020 and 2019. Related information can be found at the Market Observation Post System. There is no difference between the amount of employee and director remuneration decided by the Board of Directors for allocation and the amount estimated in the Company's consolidated financial statements for fiscal 2020 and 2019.

20) Non-operating income and expenses

1. Interest income

The breakdown of interest income of the Consolidated Company is as follows:

	FY 2021	FY 2020
Bank deposit interests	\$ 48,726	11,215
Other interest income	37	35
Total interest income	\$ 48,763	11,250

2. Other income

	FY 2021	FY 2020
Income from government grants	\$ 45,218	97,902
Other	4,987	16,343
Total Other income	\$ 50,205	114,245

3. Other gains and losses

	FY 2021	FY 2020
Loss on the disposal of property, plant and equipment	\$ (884)	-
Profit on the disposal of financial assets measured at	6,702	-

FVTPL		
Foreign exchange losses	(18,416)	(76,531)
Profit from financial assets measured at FVTPL	4,090	2,917
Other	(8,721)	(1,549)
Other gains and losses, net	<u>\$ (17,229)</u>	<u>(75,163)</u>

4. Financial costs

	FY 2021	FY 2020
Interest expenses	<u>\$ (12,306)</u>	<u>(7,240)</u>

21) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount of credit risk exposure.

(2) Concentration of credit risk

As the Consolidated Company has a large customer base, no significant concentration of transactions with a single customer is found and the sales territory is scattered, and there is no significant concentration of credit risk on accounts receivable. To reduce credit risk, the Consolidated Company also regularly assesses the financial position of its customers on an ongoing basis.

(3) Credit risk on receivables

Please refer to Note 6(3) for credit risk exposure information of receivables. Other financial assets measured at amortized cost including time deposits for over three months and other receivables are financial assets with low credit risk and therefore the allowance for losses for the period is measured at the expected credit loss amount for 12 months. (Please refer to Note 4(7) to the Consolidated Financial Statements for a description of how the Consolidated Company determines low credit risk). No allowance for losses was provided for the years ended December 31, 2021 and 2020.

2. Liquidity risk

The following table presents an analysis of the contractual maturities of financial liabilities, the amounts of which include estimated interest but exclude the effect of netting agreements.

	<u>Book value</u>	<u>Contract cash flow</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Dec.31, 2021							
Non-derivative financial liabilities							
Current borrowings	\$ 777,808	778,140	778,140	-	-	-	-
Accounts and notes payable	3,435,609	3,435,609	3,435,609	-	-	-	-
Other current liabilities	25,578	25,578	25,578	-	-	-	-
Lease	83,504	85,989	23,797	23,508	31,021	7,663	-

liabilities(including current and non-current)							
Guarantee Deposits received	165,706	165,706	165,706	-	-	-	-
	\$ 4,488,205	4,491,022	4,428,830	23,508	31,021	7,663	-
Dec.31, 2020							
Non-derivative financial liabilities							
Accounts and notes payable	\$ 1,804,701	1,804,701	1,804,701	-	-	-	-
Accounts payable to related parties	413,925	413,925	413,925	-	-	-	-
Other current liabilities	239,604	239,604	239,604	-	-	-	-
Lease	70,979	88,490	14,149	13,721	30,152	30,468	-
liabilities(including current and non-current)							
Guarantee Deposits received	99,798	99,798	99,798	-	-	-	-
	\$ 2,629,007	2,646,518	2,572,177	13,721	30,152	30,468	-

The consolidated company does not expect the realizing of cash flows are to be significantly earlier or the actual amounts are to be significantly different.

3.Exchange rate risk

(1) Exposure of exchange risk

The consolidated company's financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

	Dec. 31, 2021			Dec. 31, 2020		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 284,331	27.710	7,878,853	83,551	28.524	2,383,237
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	170,684	27.7402	4,734,811	85,804	28.598	2,453,810

(2)Sensitivity analysis

The Consolidated Company's exchange rate risk arises primarily from foreign currency-denominated cash and cash equivalents, accounts receivable and other receivables, short-term borrowings, accounts payable and other payables, which result in foreign currency exchange gains or losses upon translation. For the years ended December 31, 2021 and 2020, if the New Taiwan dollar had weakened or strengthened by 5% against the U.S. dollar, with all other factors held constant, net income would have decreased or increased by \$125,762 thousand and \$2,805 thousand, respectively. The same basis of analysis was used for both periods.

Due to the variety of functional currencies of the Consolidated Company, information on exchange gains and losses on monetary items is presented on a consolidated basis. Foreign currency exchange losses (including realized and unrealized) amounted to \$18,416 thousand and \$76,531 thousand for the years ended December 31, 2021 and 2020, respectively.

4. Interest rate analysis

The Consolidated Company's exposure to interest rate risk on financial assets and financial liabilities is described in liquidity risk management in this note.

The following sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments at the reporting date. For floating rate assets or liabilities, the analysis assumes that the amount of the asset or liability outstanding at the reporting date is outstanding throughout the year. The rate of change used in reporting interest rates internally to key management of the Consolidated Company is a 0.5% increase or decrease in interest rates, which also represents management's assessment of the range of reasonably possible changes in interest rates.

The Consolidated Company has fixed-rate assets and liabilities for both fiscal 2021 and 2020, and therefore no related interest rate exposure exists.

5. Fair value information

(1) Types and fair values of financial instruments

The Consolidated Company's financial assets at fair value through profit or loss are measured at fair value on a recurring basis. The carrying amounts and fair values of each class of financial assets and financial liabilities (including information on fair value hierarchy, except that if the carrying amount of a financial instrument that is not measured at fair value is a reasonable approximation of fair value, and for investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required) are presented below:

	Dec. 31, 2021				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Current financial assets at fair value through profit or loss	\$ 4,888,006	4,888,006	-	-	4,888,006
Financial assets measured at amortized cost					
Cash and cash equivalents	7,042,205	-	-	-	-
Financial assets measured at amortized cost	560,200	-	-	-	-
Notes receivable and accounts receivable (including the part	5,012,327	-	-	-	-

from related parties)					
Lease payments receivable					
(including current and non-current)	36,225	-	-	-	-
Other receivables	120,456	-	-	-	-
Refundable deposits	1,626,948	-	-	-	-
Total	\$ 19,286,367	4,888,006	-	-	4,888,006
Financial assets measured at amortized cost					
Current borrowings	\$ 777,808	-	-	-	-
Accounts and notes payable	3,435,609	-	-	-	-
Other current liabilities	25,578	-	-	-	-
Lease liabilities(including current and non-current)	83,504	-	-	-	-
Guarantee Deposits received	165,706	-	-	-	-
Total	\$ 4,488,205	-	-	-	-
Dec. 31, 2020					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Current financial assets at fair value through profit or loss	\$ 2,159,722	2,159,722	-	-	2,159,722
Financial assets measured at amortized cost					
Cash and cash equivalents	2,863,625	-	-	-	-
Financial assets measured at amortized cost	95,000	-	-	-	-
Notes receivable and accounts receivable (including the part from related parties)	1,687,595	-	-	-	-
Other receivables	115,084	-	-	-	-
Refundable deposits	39,531	-	-	-	-
Total	\$ 6,960,557	2,159,722	-	-	2,159,722
Financial liabilities measured at amortized cost					
Accounts and notes payable	\$ 1,804,701	-	-	-	-
Accounts payable to related parties	413,925	-	-	-	-
Other current liabilities	239,604	-	-	-	-
Lease liabilities (including current and non-current)	70,979	-	-	-	-
Guarantee Deposits received	99,798	-	-	-	-
Total	\$ 2,629,007	-	-	-	-

(2) Valuation techniques and assumptions used to measure fair value

Where there is a quoted price in an active market for a financial instrument, the fair value is based on the quoted price in the active market. The quoted price of a financial instrument obtained from main exchanges and on-the-run securities from Taipei Exchange can be used as a basis to determine the fair value of the exchange-listed/OTC-listed companies' equity instrument and debt instrument with active market quotations.

A financial instrument has an active market for public quotations if public quotations of the financial instrument are obtained from an exchange, broker, underwriter, industry association, pricing service or competent authority in a timely manner and on a regular basis, and if the price represents an actual and frequent arm's length transaction. If these conditions are not met, the market is considered inactive. Generally speaking, a very wide bid-ask spread, a significant increase in the bid-ask spread or a very low trading volume are all indicators of an inactive market.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by reference to quoted prices from counterparties. The fair value obtained through valuation techniques may be calculated by reference to the current fair value of other financial instruments with substantially similar terms and characteristics, by discounted cash flow techniques or by applying models using other valuation techniques, including market information available at the date of the consolidated balance sheet (e.g., Taipei Exchange refers to the yield curve, Reuters average commercial paper rate quotes).

22) Financial risk management

1. Summary

The Consolidated Company is exposed to the following risks arising from the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

These notes present information on the Consolidated Company's exposure to each of the above risks and the Consolidated Company's objectives, policies and procedures for measuring and managing those risks. For further quantitative disclosures, please refer to the respective notes to the consolidated financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for overseeing the financial risk management structure of the Consolidated Company, the provision of services by the

financial accounting department of the Consolidated Company to the various businesses, the coordination of financial market operations, and the execution of significant financial activities after review by the Board of Directors. During the implementation of the financial plan, the Group is required to comply with relevant financial operating procedures relating to overall financial risk management and segregation of powers and responsibilities, while internal auditors review policy compliance and exposure limits on an ongoing basis and report regularly to the Board on operations.

3. Credit risk

Credit risk is the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations, primarily from the Consolidated Company's accounts receivable from customers and bank deposits.

(1) Accounts receivable and other receivables

The finance and accounting department has established a credit policy under which the Consolidated Company is required to analyze the credit rating of each new customer individually before granting standard payment and delivery terms and conditions. The Consolidated Company's reviews include, where available, information on external ratings and, in some cases, notes from banks. The credit limit is established on a customer-by-customer basis and represents the maximum amount outstanding that is not subject to approval by the financial accounting department. This limit is reviewed periodically. Customers who do not meet the Group's benchmark credit rating are only allowed to transact with the Consolidated Company on a pre-revenue basis.

The Consolidated Company's accounts receivable are due from a wide range of customers, spread across different industries and geographical areas. To reduce credit risk, the Consolidated Company regularly and continuously evaluates the financial position of these customers and the likelihood of collection of their accounts receivable, and provides an appropriate allowance for doubtful accounts. These major customers have a good track record of profitability and creditworthiness and the Consolidated Company has not suffered significant credit risk losses due to these major customers during the reporting period.

The Consolidated Company maintains an allowance for doubtful accounts to reflect the estimate of losses incurred on accounts receivable and other receivables. The main components of the allowance account comprise specific loss components related to individual significant exposures and portfolio loss components created for incurred but unidentified losses in similar groups of assets. The portfolio loss allowance account is determined based on historical payment statistics for similar

financial assets.

(2) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the Consolidated Company's finance department. The Consolidated Company has no significant credit risk as its counterparties and performance counterparties are creditworthy banks and financial institutions and corporate organizations with investment grade or above, and there is no significant doubt about their performance.

4. Liquidity risk

Liquidity risk is the risk that the Consolidated Company will not be able to deliver cash or other financial assets to settle its financial liabilities and will not be able to fulfill its related obligations. The Consolidated Company manages liquidity by ensuring, as far as possible, that the Consolidated Company has sufficient liquidity to pay its liabilities as they fall due under normal and stressful circumstances without incurring unacceptable losses or risking damage to the Consolidated Company's reputation.

The Consolidated Company manages and maintains a sufficient portion of cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Consolidated Company monitors the use of the banking facilities and ensures compliance with the terms of the loan agreements.

5. Market risk

Market risk is the risk that changes in market prices, such as changes in exchange rates, interest rates, or the price of equity instruments, will affect the Consolidated Company's earnings or the value of financial instruments held. The objective of market risk management is to manage market risk exposure to an affordable level and to optimize investment returns.

(1) Exchange rate risk

The Consolidated Company's major import and sales transactions are denominated in U.S. dollars. As a result, the Consolidated Company adopts a natural hedging strategy for exposure to exchange rate risk arising from sales and purchase transactions that are not denominated in a functional currency. When short-term imbalances in net assets and liabilities of the same denomination occur, the Consolidated Company ensures that net risk exposure is maintained at an acceptable level by obtaining or repaying foreign currency borrowings.

(2) Interest rate risk

Interest rate risk refers to the risk of changes in fair value of financial instruments due to changes in market interest rates or the risk of changes in cash flows of financial instruments due to changes in market interest rates. The interest

rate exposure of the Consolidated Company's financial assets and financial liabilities is described in liquidity risk management in this note.

(3) Other market price risks

The Consolidated Company has equity price exposure arising from its investments in unlisted equity securities. These equity investments are not held for trading and are long-term strategic investments.

23) Capital management

Based on the characteristics of the existing industry and the future development of the company, the Consolidated Company, by taking into account the changes in the external environment and other factors, plans for the operating capital, research and development expenses and dividend payments required by the Consolidated Company in the future, in order to ensure that it can continue its operations, reward its shareholders and protect the interests of other stakeholders, and maintain an optimal capital structure to enhance shareholders' value in the long run.

It is the Board's policy to maintain a sound capital base to sustain the confidence of investors, creditors and the market and to support the development of future operations. Capital comprises the Consolidated Company's share capital, capital surplus and retained earnings. The Board controls the rate of return on capital and the level of dividends on ordinary shares.

The Consolidated Company may repurchase treasury stock from the market at any time after securing approval from the Board of Directors, and the timing of such repurchase will depend on the market price. The primary purpose of repurchasing treasury shares is to transfer shares to employees to motivate them and to recruit talented employees. The purchase and sale of treasury shares are decided by the Board of Directors on a specific transaction basis.

The debt-to-capital ratios at the reporting date are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Total liabilities	\$ 6,908,027	2,993,535
Minus: Cash and cash equivalents	(7,042,205)	(2,863,625)
Net liabilities	<u>\$ (134,178)</u>	<u>129,910</u>
Total equity	<u>\$ 17,384,515</u>	<u>6,276,149</u>
Debt-to-capital ratio	<u>(0.77)%</u>	<u>2.07%</u>

24) Investment and fund-raising activities by non-cash transactions

The Consolidated Company's investment and financing activities in non-cash transactions for the years ended December 31, 2021 and 2020 were as follows:

- 1.Right-of-use assets acquired by lease, please refer to Note 6(7).
- 2.The reconciliation of liabilities from financing activities is as follows:

Non-cash changes

	Jan.1, 2021	Cash flow	Change in exchange rate	Other	Dec. 31, 2021
Current borrowings	\$ -	777,808	-	-	777,808
Lease liabilities (including current and non-current	70,979	(42,298)	(367)	55,190	83,504
Guarantee Deposits received	99,798	66,010	(102)	-	165,706
Total liabilities from financing activities	\$ 170,777	801,520	(469)	55,190	1,027,018

	109.1.1	Cash flow	Change in exchange rate	Other	December 31, 2020
Current borrowings	\$ 387,420	(367,392)	(20,028)	-	-
Lease liabilities (including current and non-current	72,856	(29,418)	86	27,455	70,979
Guarantee Deposits received	81,795	18,003	-	-	99,798
Total liabilities from financing activities	\$ 542,071	(378,807)	(19,942)	27,455	170,777

VII. Transaction with related parties

(1) Name and relationship of related parties

The related parties with whom the consolidated company had transactions during the period covered by these consolidated financial statements are as follows :

Name of related party	Relationship with the consolidated company
Hon Hai Precision Industry Co., Ltd.	It has significant influence on the Company
Hongfutai Precision Electronics (Yantai) Co., Ltd. (Hongfutai (Yantai))	Associate
Chongqing Hongdaofu Technology Co., Ltd.	Associate (Non-affiliated company since January 2021)
Jin Cheng Sanying INC.	Associate
FOXCONN INTERCONNECT TECHNOLOGY LIMITED TAIWAN BRANCH (CAYMAN)	Associate
Hongfujin Precision Industry (Wuhan) Co., Ltd.	Associate
Kuo JI Elect. (Hsanghai) INC.	Associate
Shenzhen Futaihong Precision Industrial Co., Ltd.	Associate
SHENZHEN FUGUI PRECISION INDUSTRY CO. LTD(Renamed on Nov. 2021.)	Associate
Hongfujin Precision Electronics (Chongching) Co., Ltd.	Associate

Hongfujin Precision Electrons (Yantai) Co., Ltd.	Associate
Nanning Fugui Precision Industry Co., Ltd. (Renamed on Dec. 2021.)	Associate
Hongfujin Precision Industry (Zhengzhou) Co., Ltd.	Associate
Kunshan Fuchengke Precision Electronical Co., Ltd. (Kunshan Fuchengke)	Associate
Socle Technology Corp. (Socle Technology)	Associate
CLOUD NETWORK TECHNOLOGY SINGAPORE(CLOUD NETWORK)	Associate
FIH (HONG KONG) LIMITED	Associate
Hongfujin Precision Industry (Shenzhen) Co., Ltd.	Associate

(2) Significant transactions with related parties

1. Operating revenue

The consolidated company's significant sales to related parties are as follows:

	FY 2021	FY 2020
The one which has significant influence on the consolidated company	\$ 20,528	4,871
FOXCONN PRECISION INDUSTRY (SHENZHEN)	138,498	32,765
FOXCONN PRECISION INDUSTRY (YENTAI)	129,774	131,734
FOXCONN PRECISION INDUSTRY (KUNSHAN)	59,024	10,361
CLOUD NETWORK	51,177	32,687
Associate	77,170	62,030
	\$ 476,171	274,448

The sales terms applicable to consolidated company's sales to related companies are not significantly different from the normal sales prices, and the contracted credit period is 90 days from the date of acceptance. The receivables from related parties are not covered by collaterals and are not subject to prepare an allowance for loss.

2. Accounts receivable from related parties

Details are as follows:

Listed as	Type of the related party	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable	The one which has significant influence on the consolidated company	\$ 10,000	73
Accounts receivable	FOXCONN PRECISION INDUSTRY (SHENZHEN)	53,864	17,546
Accounts receivable	FOXCONN PRECISION INDUSTRY (YENTAI)	29,668	26,447
Accounts	CLOUD NETWORK	21,387	8,674

receivable			
Accounts receivable	FOXCONN PRECISION INDUSTRY (KUNSHAN)	19,468	7,212
Accounts receivable	Associate	26,794	15,180
Other receivables	SOCLE TECHNOLOGY CORP.	387	-
		<u>\$ 161,568</u>	<u>75,132</u>

3. Purchase

The consolidated company's purchases from related parties are as follows:

	<u>FY 2021</u>	<u>FY 2020</u>
Associate — Socle Technology	<u>\$ 853,086</u>	<u>1,412,305</u>

The consolidated company's purchase price from the above company is not significantly different from that of general vendors. The payment terms are 45 days, which are not significantly different from those of other vendors.

4. Accounts payable to related parties

Accounts payable by the consolidated company to related parties:

<u>Listed as</u>	<u>Type of the related party</u>	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Other payables	Associate — Socle Technology	\$ -	2,356
Accounts payable	Associate — Socle Technology	-	413,433
		<u>\$ -</u>	<u>415,789</u>

5. Property transaction

Details of purchasing of Reticle from related parties:

	<u>FY 2021</u>	<u>FY 2020</u>
Socle Technology	<u>\$ 14,442</u>	<u>15,568</u>

As of December 31, 2021 and 2020, the outstanding amounts of the above transactions were \$0 thousand and \$2,356 thousand, respectively, recorded as amounts due to related parties.

(3) Management transaction

Compensation of management:

	<u>FY 2021</u>	<u>FY 2020</u>
Short-term employee benefits	\$ 58,477	24,773
Post-employment benefits	210	216
Share-based payment	967	552
	<u>\$ 59,654</u>	<u>25,541</u>

VIII. Pledged assets

The carrying amounts of assets pledged by the consolidated company are as follows:

Name of assets	Secured object	FY 2021	FY 2020
Financial assets measured at amortized cost (Time deposits)	Providing creditors with collateral for import transactions	\$ -	60,000
Financial assets measured at amortized cost (Time deposits)	Customs Margin	200	-
		<u>\$ 200</u>	<u>60,000</u>

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

- (1) As of December 31, 2021 and 2020, the Consolidated Company had \$4,344,240 thousand and \$2,711,504 thousand, respectively, of guarantee deposit notes issued to obtain short-term loan facilities.
- (2) JADARD (Shengzhen) (hereinafter referred to as JADARD (Shengzhen)), a subsidiary of the Consolidated Company, applied for listing on the Science and Technology Venture Exchange (STEM) of the Shanghai Stock Exchange on June 29, 2021. The Company, Ever Harvest Limited and Trade Logic Limited are the controlling shareholders of Shenzhen Tiande Yu (hereinafter collectively referred to as the controlling shareholders and parties acting in concert with them). In accordance with the requirements of the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities, Shenzhen Tiande, the Controlling Shareholders and their concert parties are required to give relevant undertakings. Information on related commitments can be found on the Market Observation Post System.
- (3) A subsidiary of the Consolidated Company, JADARD (Shengzhen), entered into a capacity reservation contract on December 30, 2021 with the Company. The amount due is \$2,210,663 thousand (RMB508,900 thousand) and the outstanding amount is \$2,210,663 thousand as of December 31, 2021.

X. Catastrophic Losses: None

XI. Significant Post-Term Events: None

XII. Others

- (1) The employee benefits, depreciation and amortization expense are summarized as follows:

Function	FY 2021			FY 2020		
	Belonging to operating cost	Belonging to operating expense	Total	Belonging to operating cost	Belonging to operating expense	Total
Nature						
Employee benefit expenses						
Payroll expenses	75,363	2,081,235	2,156,598	31,776	922,110	953,886

Labor/Health insurance expenses	3,361	73,672	77,033	2,465	48,355	50,820
Pension expenses	2,146	54,121	56,267	1,493	34,076	35,569
Compensation of directors	-	858	858	-	549	549
Other employee benefit expenses	2,121	45,076	47,197	1,504	30,452	31,956
Depreciation expenses	42,556	171,744	214,300	33,307	125,831	159,138
Amortization expenses	18	25,000	25,018	105	20,949	21,054

XIII. Disclosure

(1) Information on Significant Transactions

Information on significant transactions required to be disclosed by the consolidated company in accordance with the Guidelines for the Preparation of Financial Statements for the year ended Dec. 31, 2021 is as follows:

1. Lending of funds to others: None
2. Provision of endorsement/guarantee:
3. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures):

Unit: NT\$ thousands/ thousand shares

Holding Company	Type and name of marketable securities	Relationship with the issuer of the marketable securities	Financial statement account	End of the Period				Note
				Shares (thousand shares)	Carrying value	Shareholding percentage	Fair value	
Shenzhen Fitipower	ChongDien Microelectronics Limited	-	Current financial assets at fair value through profit or loss	-	-	15.00 %	-	
The Company	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	114,994	1,572,962	-	1,572,962	
The Company	Jih Sun Money Market Fund	-	Current financial assets at fair value through profit or loss	162,230	2,431,362	-	2,431,362	
The Company	Franklin Templeton Sinoam Money Market Fund	-	Current financial assets at fair value through profit or loss	84,218	880,385	-	880,385	

4. Acquisition or Sale of the Same Securities with the Accumulated Cost Reaching NT\$300 Million or 20% of Paid-in Capital or More:

Unit: NT\$ thousands/ thousand shares

Investor	Types and Names of Marketable Securities	Financial statement account	Transaction counterparty	Relationships	Beginning of the period		Acquisition		Sale				End of the period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	+/-	Number of shares	Amount
The Company	Beneficiary Certificate - Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	50,305	686,457	169,651	2,319,000	104,962	1,434,000	1,432,833	1,167	114,994	1,572,962
The Company	Beneficiary Certificates Taishin Money Market Fund	Current financial assets at fair value through profit or loss	-	-	10,616	152,020	26,665	382,000	37,281	534,292	534,000	292	-	-

		loss												
The Company	Beneficiary Certificates Prudential Money Market Fund	Current financial assets at fair value through profit or loss	-	-	6,897	110,033	54,826	876,000	61,723	986,608	986,000	608	-	-
The Company	Beneficiary Certificate - Jih Sun Money Market Fund	Current financial assets at fair value through profit or loss	-	-	27,196	406,580	149,850	2,245,000	14,816	222,000	221,021	979	162,230	2,431,362
The Company	Beneficiary Certificate - Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	-	-	34,450	359,257	94,007	982,000	44,239	462,000	460,923	1,077	84,218	880,385
The Company	Beneficiary Certificate - FSITC Taiwan Money Market	Current financial assets at fair value through profit or loss	-	-	28,858	445,375	95,187	1,471,000	124,045	1,918,374	1,916,030	2,344	-	-
The Company	Beneficiary Certificates Federated Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	54,809	730,000	54,809	730,181	730,000	181	-	-

5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None
6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
7. Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: NT\$ thousands

Company Name	Name of the counterparty	Relationships	Transaction details				Situation and reason of why trading conditions are different from general trading		Notes/ accounts receivable or payable		Note
			Purchases (Sales)	Amount	Ratio to total purchases/ sales amount	Loan period	Unit price	Loan period	Balance	Ratio to total amount of notes/accounts receivable or payable	
The Company	Socle Technology	associate	Purchase	839,318	8.36 %	45 days for monthly checkout	-	-	-	-%	
The Company	Hongfutai Precision Electrons (Yantai) Co., Ltd.	associate	Sale	129,774	0.57 %	90 days after acceptance	-	-	29,668	0.59%	
The Company	Hong Fu Jin (ShengZheng) INC.	associate	Sale	138,498	0.61 %	90 days after acceptance	-	-	53,864	1.07%	

8.Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More: None

9. Engaged in derivatives trading None

10.Business Relationships, Significant Transactions, and Amount between the Parent Company and Subsidiaries and Between Subsidiaries:

No.	Name of the trader	Name of the transaction counterparty	Relation ship with the trader	Conditions of transactions			
				Account	Amount	Terms of transaction	Percentage to consolidated net revenue or total assets
1	Hefei Jetta Microelectronics	Jadard Technology	3	Sales revenue	1,182,237	120 days for monthly checkout	5.17%
2	JADARD	Jadard Technology	1	Accounts payable	336,698	120 days for monthly checkout	1.39%

Note 1. The numeral system shall be filled in as follows:

- 1.Fill in 0 as parent company.
- 2.Subsidiaries are numbered by company type starting with the Arabic numeral 1.

Note 2. There are 3 types of relationship with the counterparty:

- 1.Parent to subsidiary
- 2.Subsidiary to parent
- 3.Subsidiary to subsidiary

Note 3. The amount of the above disclosure criteria is based on the amount of consolidated total assets exceeding 1% for assets and liabilities and the amount of consolidated total revenue exceeding 1% for profit and loss. The above related party transactions have been written-off in the preparation of the consolidated financial statements.

(2) Information about the re-investment:

Information on the consolidated companies' re-investments for the year ended Dec. 31, 2021 is as follows (excluding the investee company in China):

Unit: NT\$ thousands/ thousand shares

Investor Company	Investee Company	Location	Main businesses	Original investment amount		Balance as of the end			Maximum shareholding or capitalization in the period	Net income (loss) of the investee	Share of profit/loss of investee	Remark
				End of the period	End of last year	Thousand shares	Percentage of ownership	Book value				
The Company	Trade Logic Limited	BVI	Investment	302,296	302,296	30	100.00%	2,310,488	100.00%	1,411,144	861,810	Note
Trade Logic Limited	Ever Harvest Limited	Samoa	Investment	302,296	302,296	10,000	100.00%	2,310,488	100.00%	1,411,144	861,810	Note
The Company	Visual Sensing Technology Corp.	Hsinchu City	IC DESIGN	145,000	95,000	11,500	83.35%	84,230	83.35%	(46,139)	(43,089)	Note
Fitipower Integrated Technology (Shenzhen) Inc.	Jadard Technology Limited	HK	General trade	270,264	270,264	9,200	100.00%	481,991	100.00%	125,657	114,854	Note

Note: The Company's subsidiaries over which the Company has control and the long-term investments in consolidated entities have been write-off.

(3)Investment in Mainland China:

1.Name and main business items of the investee company in Mainland China and other related information:

Unit: NT\$ thousands

Investee Company	Main businesses	Paid-up capital	Method of investment (Note)	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net income (loss) of the investee	The Company's percentage of ownership directly or indirectly	Maximum shareholding or capitalization in the period	Investment gains (losses) recognized in the current period (Note 2)	Carrying amount as of the end	Ending balance of accumulated inward remittance of earnings
					Outflow	Inflow							
Fitipower Integrated Technology (Shenzhen) Inc.	IC design	1,595,055 (Note 3)	(1)	302,296	-	-	302,296	1,411,144	61.15%	61.15%	861,810	2,310,488	-
Hefei Jadard Technology Limited	Supply Chain Management	224,523 (Note 4)	(2)	-	-	-	-	12,468	61.15%	61.15%	4,917	348,182	-
Fitipower Integrated Technology (Xiamen) Inc.	Supply Chain Management	4,344 (Note 5)	(2)	-	-	-	-	(900)	61.15%	61.15%	(500)	3,447	-

Note 1 : There are two types of investment methods that can be labeled as follows :

(1) Reinvestment in mainland China companies through re-investment in existing companies in third regions (Trade Logic Limited and Ever Harvest Limited).

(2) The investment method refers to a direct investment by a mainland company in a mainland company.

Note 2 : The investment income or loss is recognized on the basis of the financial statements audited by the parent company's certified public accountants in Taiwan.

Note 3 : The paid-in capital was RMB 365,000 thousand, which was translated into NT 1,595,055 thousand at the exchange rate at the time of investment.

Note 4 : The paid-in capital was RMB 50,000 thousand, which was converted to NT 224,523 thousand at the exchange rate at the time of investment.

Note 5: The paid-in capital was RMB 1,000 thousand, which was converted to NT 4,344 thousand at the exchange rate at the time of investment.

2. Investment Limit to Mainland China :

Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amounts authorized by MOEAIC	Upper limit on investment authorized by MOEAIC
302,296	302,296	9,507,357

Note: Amend the investment limit in China according to letter no. Tai-wan-shen-tzu-09704604680 issued on Aug.29, 2008.

3. Significant transactions with Mainland China investees:

For significant direct or indirect transactions between the consolidated company and its investees in Mainland China (which were writ-off at the time the statement was prepared), please refer to the description of "Information on Significant Transactions".

(4) Information of major shareholders:

Unit: share

Name of major shareholder	Share Number of shares currently held	Shareholding percentage
Baoxin International Investments Ltd.	14,140,052	7.57%
Hung Yang Venture Investment Co., Ltd.	13,213,984	7.08%
Hong CHI Investment Co., Ltd.	10,100,037	5.41%

XIV. Operating Segment Information

There is only one reportable operating segment of the consolidated company, which is mainly engaged in research and development and production and sales of integrated circuits. Related departmental profit and loss, departmental assets and departmental liabilities are consistent with the information stated in financial statements, please refer to the consolidated balance sheet and the consolidated statement of income.