

**Sonix Technology Co., Ltd. and  
Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the consolidated financial statements of Sonix Technology Co., Ltd. as of and for the year ended December 31, 2021, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 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, Sonix Technology Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SONIX TECHNOLOGY CO., LTD.

By

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BAO SHIH JIA  
Chairman

February 23, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Sonix Technology Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Sonix Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets 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 (collectively referred to as the "consolidated financial statements").

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### Occurrence of Revenue

The Group's operating income mainly comes from transactions generated from R&D, design, manufacturing and sales of voice controllers, microcontrollers, video/image controllers, wireless multimedia, optical identification and so on. Due to environmental changes, the demand for some specific products produced by the Group has increased, and sales revenue may be recognized before the fulfilling the requirements of IAS regulations on revenue recognition, which can have a significant impact to the financial statements of the Group. Thus, we identified the occurrence of revenue for specific products to be a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies and details of revenue recognition.

We performed the following main audit procedures for the occurrence of revenue:

1. We obtained an understanding and tested the design and operating effectiveness of the key controls with regard to the occurrence of revenue.
2. We selected samples from sales details, and we checked the original documents such as customer orders, sales orders, and invoices. We also verified the collections and other procedures performed and confirmed that there were no abnormalities in the occurrence of operating income.

#### **Other Matter**

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

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yao Lin Huang and Swei Chin Lee

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2022

Notice to Readers

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

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

# SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,413,101	25	\$ 1,481,511	29
Financial assets at fair value through profit or loss - current (Note 4)	181,176	3	65,818	1
Financial assets at amortized cost - current (Notes 4, 8 and 25)	467,132	9	373,452	8
Notes receivable and trade receivables from unrelated parties (Notes 4, 9 and 24)	546,693	10	664,814	13
Inventories (Notes 4, 5 and 10)	1,448,377	26	915,940	18
Other current assets	67,281	1	47,463	1
Total current assets	<u>4,123,760</u>	<u>74</u>	<u>3,548,998</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	452,151	8	537,651	11
Investments accounted for using equity method (Notes 4 and 12)	7,174	-	7,661	-
Property, plant and equipment (Notes 4, 13 and 25)	723,640	13	751,930	15
Investment properties (Notes 4 and 14)	123,398	2	126,056	2
Intangible assets (Notes 4 and 15)	90,845	2	67,554	1
Deferred tax assets (Notes 4 and 20)	73,294	1	47,844	1
Refundable deposits	7,197	-	4,675	-
Other non-current assets	74	-	-	-
Total non-current assets	<u>1,477,773</u>	<u>26</u>	<u>1,543,371</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 5,601,533</u>	<u>100</u>	<u>\$ 5,092,369</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables to unrelated parties	\$ 369,448	6	\$ 494,841	10
Other payables (Note 16)	426,572	8	346,820	7
Current tax liabilities (Notes 4 and 20)	214,085	4	164,366	3
Other current liabilities	5,777	-	13,188	-
Total current liabilities	<u>1,015,882</u>	<u>18</u>	<u>1,019,215</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions - non-current (Note 4)	20,757	-	23,532	1
Deferred tax liabilities (Notes 4 and 20)	94,092	2	15,621	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	23,301	1	22,835	-
Guarantee deposits	116,021	2	113,306	2
Total non-current liabilities	<u>254,171</u>	<u>5</u>	<u>175,294</u>	<u>3</u>
Total liabilities	<u>1,270,053</u>	<u>23</u>	<u>1,194,509</u>	<u>23</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	1,678,770	30	1,678,770	33
Capital surplus	62,661	1	62,661	1
Retained earnings				
Legal reserve	1,005,920	18	903,337	18
Special reserve	228	-	67,297	1
Unappropriated earnings	1,510,271	27	1,038,500	21
Total retained earnings	2,516,419	45	2,009,134	40
Other equity	73,630	1	147,295	3
Total equity attributable to owners of the Company	<u>4,331,480</u>	<u>77</u>	<u>3,897,860</u>	<u>77</u>
Total equity	<u>4,331,480</u>	<u>77</u>	<u>3,897,860</u>	<u>77</u>
<b>TOTAL</b>	<u>\$ 5,601,533</u>	<u>100</u>	<u>\$ 5,092,369</u>	<u>100</u>

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

## SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)				
Sales	\$ 5,865,539	100	\$ 5,370,626	100
OPERATING COSTS (Notes 10 and 19)				
Cost of goods sold	<u>2,851,538</u>	<u>48</u>	<u>3,088,156</u>	<u>58</u>
GROSS PROFIT	<u>3,014,001</u>	<u>52</u>	<u>2,282,470</u>	<u>42</u>
OPERATING EXPENSES (Notes 9, 15, 17, 19 and 24)				
Sales and marketing expenses	85,987	1	84,494	2
General and administrative expenses	217,048	4	189,665	3
Research and development expenses	864,469	15	772,242	14
Expected credit gain	<u>(61)</u>	<u>-</u>	<u>(94)</u>	<u>-</u>
Total operating expenses	<u>1,167,443</u>	<u>20</u>	<u>1,046,307</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>1,846,558</u>	<u>32</u>	<u>1,236,163</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 24)	35,356	1	25,040	1
Other losses (Notes 19 and 26)	(25,940)	(1)	(33,273)	(1)
Share of profit or loss of associates and joint ventures (Notes 4 and 12)	(92)	-	521	-
Interest revenue (Note 19)	<u>13,826</u>	<u>-</u>	<u>9,771</u>	<u>-</u>
Total non-operating income and expenses	<u>23,150</u>	<u>-</u>	<u>2,059</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,869,708	32	1,238,222	23
INCOME TAX EXPENSE (Notes 4 and 20)	<u>407,388</u>	<u>7</u>	<u>212,621</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>1,462,320</u>	<u>25</u>	<u>1,025,601</u>	<u>19</u>

(Continued)



# SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME AND LOSS</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	\$ (1,576)	-	\$ 291	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(62,707)	(1)	199,560	4
Share of the other comprehensive loss of associated accounted for using the equity method	416	-	(696)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	<u>314</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
	(63,553)	(1)	199,097	4
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(8,248)</u>	<u>-</u>	<u>15,500</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(71,801)</u>	<u>(1)</u>	<u>214,597</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 1,390,519</u>	<u>24</u>	<u>\$ 1,240,198</u>	<u>23</u>
<b>EARNINGS PER SHARE (Note 21)</b>				
From continuing and discontinued operations				
Basic	<u>\$ 8.71</u>		<u>\$ 6.11</u>	
Diluted	<u>\$ 8.45</u>		<u>\$ 5.98</u>	

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

(Concluded)

**SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company							Other Equity		Total	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
	Shares (In Thousands)	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings			Total		
BALANCE AT JANUARY 1, 2020	167,877	\$ 1,678,770	\$ 62,661	\$ 869,185	\$ 121,110	\$ 345,547	\$ 1,335,842	\$ (74,247)	\$ 7,178	\$ (67,069)	\$ 3,010,204
Appropriation of 2019 earnings											
Legal reserve	-	-	-	34,152	-	(34,152)	-	-	-	-	-
Special reserve	-	-	-	-	(53,813)	53,813	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(352,542)	(352,542)	-	-	-	(352,542)
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,025,601	1,025,601	-	-	-	1,025,601
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	233	233	15,500	198,864	214,364	214,597
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	1,025,834	1,025,834	15,500	198,864	214,364	1,240,198
BALANCE AT DECEMBER 31, 2020	167,877	1,678,770	62,661	903,337	67,297	1,038,500	2,009,134	(58,747)	206,042	147,295	3,897,860
Appropriation of 2020 earnings											
Legal reserve	-	-	-	102,583	-	(102,583)	-	-	-	-	-
Special reserve	-	-	-	-	(67,069)	67,069	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(956,899)	(956,899)	-	-	-	(956,899)
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,462,320	1,462,320	-	-	-	1,462,320
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(1,262)	(1,262)	(8,248)	(62,291)	(70,539)	(71,801)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,461,058	1,461,058	(8,248)	(62,291)	(70,539)	1,390,519
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	3,126	3,126	-	(3,126)	(3,126)	-
BALANCE AT DECEMBER 31, 2021	167,877	\$ 1,678,770	\$ 62,661	\$ 1,005,920	\$ 228	\$ 1,510,271	\$ 2,516,419	\$ (66,995)	\$ 140,625	\$ 73,630	\$ 4,331,480

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

# SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax from continuing operations	\$ 1,869,708	\$ 1,238,222
Adjustments for:		
Depreciation expense	74,159	81,929
Amortization expense	16,868	14,311
Expected credit loss reversed on trade receivables	(61)	(94)
Net loss on fair value changes of financial assets at fair value through profit or loss	4,565	1,928
Interest income	(13,826)	(9,771)
Dividend income	(11,351)	(5,541)
Share of loss (profit) of associates and joint ventures	92	(521)
Loss on disposal of property, plant and equipment	-	1
Reversal of write-downs of inventory and loss of obsolete inventory	2,398	12,292
Net gain on foreign currency exchange	(3,270)	(3,736)
Changes in operating assets and liabilities		
Notes receivable and trade receivables	116,668	(261,040)
Inventories	(534,860)	(259,323)
Other current assets	(3,994)	8,067
Trade payables	(124,826)	251,642
Other payables	79,835	130,314
Provisions for employee benefits	(2,775)	14,960
Other current liabilities	(7,405)	(6,439)
Net defined benefit liabilities	(1,110)	(1,011)
Cash generated from operations	1,460,815	1,206,190
Interest received	13,474	10,130
Dividends received	17,922	13,852
Income tax paid	(319,847)	(78,392)
Net cash generated from operating activities	<u>1,172,364</u>	<u>1,151,780</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(94,930)	(79,896)
Purchase of financial assets at fair value through profit or loss	(270,000)	(90,000)
Proceeds from sale of financial assets at fair value through other comprehensive income	3,126	-
Proceeds from sale of financial assets at fair value through profit or loss	150,077	150,496
Return of capital reduction from investees under equity method	812	-
Payments for property, plant and equipment	(45,408)	(68,525)
(Increase) decrease in refundable deposits	(3,081)	420
Payments for intangible assets	(40,167)	(25,477)
(Increase) decrease in other non-current assets	(74)	18,963
Net cash used in investing activities	<u>(299,645)</u>	<u>(94,019)</u>

(Continued)

## SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	\$ 7,555	\$ 42,120
Dividends paid to owners of the Company	<u>(956,899)</u>	<u>(352,542)</u>
Net cash used in financing activities	<u>(949,344)</u>	<u>(310,422)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>8,215</u>	<u>9,561</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,410)	756,900
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,481,511</u>	<u>724,611</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,413,101</u>	<u>\$ 1,481,511</u>

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

(Concluded)

# SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

Sonix Technology Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in July 1996. The Company mainly develops, designs, manufactures and trades semiconductors.

The Company’s shares have been listed on the Taipei Exchange since November 2003.

The consolidated financial statements for the Company and its subsidiaries (collectively, the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on February 23, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Tables 5 and 6 for the detailed information of subsidiaries, including the percentage of ownership and main business.

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.



When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

#### i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, investment properties and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 23.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Debt and equity instruments issued by an entity in the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

### b) Derecognition of financial liabilities

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

## m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of consumer IC and multimedia IC. Sales of consumer IC and multimedia IC are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

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

n. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liabilities (assets)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### 3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that rereasurement is recognized in profit or loss.

### p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred taxes

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Write-down of Inventory

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 255	\$ 208
Checking accounts and demand deposits	875,773	1,052,253
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	136,480	106,160
Repurchase agreements collateralized by bonds	<u>400,593</u>	<u>322,890</u>
	<u>\$ 1,413,101</u>	<u>\$ 1,481,511</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Bank balance	0.005%-2.025%	0.001%-2.025%
Time deposits with original maturities of less than 3 months	0.35%-2.5%	0.12%-0.4%
Repurchase agreements collateralized by bonds	0.75%	1%



## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Champion Microelectronic Corp.	\$ 452,117	\$ 524,523
Unlisted shares		
Ordinary shares - Ours Technology Inc.	34	34
Foreign investments		
Unlisted company		
Shenzhen YSX Electronics Co., Ltd.	<u>-</u>	<u>13,094</u>
	<u>\$ 452,151</u>	<u>\$ 537,651</u>

These investments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Shenzhen YSX Electronics Co., Ltd. signed an equity transfer agreement on January 12, 2021. The equity transfer price was RMB3,720 thousand. After receiving the full transfer payment of RMB3,000 thousand in installments, it would go through the commercial registration procedures for equity changes. As of March 31, the amount of RMB3,720 thousand has been received according to the schedule as stipulated in the contract, and the equity change has been completed.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Domestic investments		
Time deposits with original maturity of more than 3 months (a)	\$ 261,559	\$ 261,543
Foreign investments		
Time deposits with original maturity of more than 3 months (a)	<u>205,573</u>	<u>111,909</u>
	<u>\$ 467,132</u>	<u>\$ 373,452</u>

- a. The interest rates for time deposits with original maturity of more than 3 months were 0.35%-2.25% and 0.30%-2.25% as of December 31, 2021 and 2020, respectively.
- b. Refer to Note 25 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>	\$ <u>          -</u>	\$ <u>27,426</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 550,471	\$ 641,227
Less: Allowance for impairment loss	<u>          (3,778)</u>	<u>          (3,839)</u>
	<u>\$ 546,693</u>	<u>\$ 637,388</u>
	<u>\$ 546,693</u>	<u>\$ 664,814</u>

### Trade Receivables

The average credit period of sales of goods was 60 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables.

#### December 31, 2021

	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	8.77%	100%	
Gross carrying amount	\$ 542,741	\$ -	\$ 4,332	\$ 3,398	\$ 550,471
Loss allowance (Lifetime ECLs)	<u>          -</u>	<u>          -</u>	<u>          (380)</u>	<u>          (3,398)</u>	<u>          (3,778)</u>
Amortized cost	<u>\$ 542,741</u>	<u>\$ -</u>	<u>\$ 3,952</u>	<u>\$ -</u>	<u>\$ 546,693</u>

December 31, 2020

	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate	0.06%	0%	100%	100%	
Gross carrying amount	\$ 637,758	\$ -	\$ 1	\$ 3,468	\$ 641,227
Loss allowance (Lifetime ECLs)	<u>(370)</u>	<u>-</u>	<u>(1)</u>	<u>(3,468)</u>	<u>(3,839)</u>
Amortized cost	<u>\$ 637,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,388</u>

The movements of the loss allowance of trade receivables were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 3,839	\$ 3,933
Less: Net remeasurement of loss allowance	<u>(61)</u>	<u>(94)</u>
Balance at December 31	<u>\$ 3,778</u>	<u>\$ 3,839</u>

## 10. INVENTORIES

	<b><u>December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Inventory in transit	\$ 1,223	\$ 1,388
Finished goods	499,677	140,476
Work in progress	805,989	693,404
Raw materials	<u>141,488</u>	<u>80,672</u>
	<u>\$ 1,448,377</u>	<u>\$ 915,940</u>

The nature of the cost of goods sold is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 2,849,140	\$ 3,075,864
Inventory write-downs (reversed)	(10,942)	(19,296)
Loss of obsolete inventory	<u>13,340</u>	<u>31,588</u>
	<u>\$ 2,851,538</u>	<u>\$ 3,088,156</u>

Inventory write-downs were reversed as a result of a decrease in loss allowance of inventories that have not changed for more than half a year.

## 11. SUBSIDIARIES

Subsidiaries included in consolidated financial statements are shown below:

Investor	Investee	Nature of Activities	% of Ownership	
			December 31 2021	December 31 2020
Sonix Technology Company Limited	Sonix Semiconductor BVI	Investment	100.00	100.00
	Jian Mou Investment Company Limited	Investment	100.00	100.00
	Sonix Technology K.K.	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	100.00	100.00
Sonix Semiconductor BVI	Sonix Holding	Investment	100.00	100.00
Sonix Holding	Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	100.00	100.00
	Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	100.00	100.00

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2021	2020
Investments in associates	\$ 7,174	\$ 7,661
	For the Year Ended December 31	
	2021	2020
The Group's share of:		
(Loss)/profit from continuing operations	\$ (92)	\$ 521
Other comprehensive income (loss)	416	(696)
Total comprehensive income (loss) for the year	\$ 324	\$ (175)

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the associates' financial statements audited by the auditors for the same years.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 110,984	\$ 702,682	\$ 137,504	\$ 252,908	\$ 1,204,078
Additions	-	20,104	17,735	30,686	68,525
Disposals	-	-	(2,542)	-	(2,542)
Effects of foreign currency exchange differences	-	7,187	345	36	7,568
Balance at December 31, 2020	\$ 110,984	\$ 729,973	\$ 153,042	\$ 283,630	\$ 1,277,629

(Continued)

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Office Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 113,686	\$ 117,152	\$ 216,668	\$ 447,506
Depreciation expense	-	26,831	11,736	40,780	79,347
Disposals	-	-	(2,541)	-	(2,541)
Effects of foreign currency exchange differences	<u>-</u>	<u>1,154</u>	<u>211</u>	<u>22</u>	<u>1,387</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 141,671</u>	<u>\$ 126,558</u>	<u>\$ 257,470</u>	<u>\$ 525,699</u>
Carrying amount at December 31, 2020	<u>\$ 110,984</u>	<u>\$ 588,302</u>	<u>\$ 26,484</u>	<u>\$ 26,160</u>	<u>\$ 751,930</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 110,984	\$ 729,973	\$ 153,042	\$ 283,630	\$ 1,277,629
Additions	-	1,550	31,545	12,313	45,408
Disposals	-	-	(1,287)	-	(1,287)
Effects of foreign currency exchange differences	<u>-</u>	<u>(2,473)</u>	<u>(149)</u>	<u>(17)</u>	<u>(2,639)</u>
Balance at December 31, 2021	<u>\$ 110,984</u>	<u>\$ 729,050</u>	<u>\$ 183,151</u>	<u>\$ 295,926</u>	<u>\$ 1,319,111</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 141,671	\$ 126,558	\$ 257,470	\$ 525,699
Depreciation expense	-	29,191	15,021	27,346	71,558
Disposals	-	-	(1,287)	-	(1,287)
Effects of foreign currency exchange differences	<u>-</u>	<u>(383)</u>	<u>(105)</u>	<u>(11)</u>	<u>(499)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 170,479</u>	<u>\$ 140,187</u>	<u>\$ 284,805</u>	<u>\$ 595,471</u>
Carrying amount at December 31, 2021	<u>\$ 110,984</u>	<u>\$ 558,571</u>	<u>\$ 42,964</u>	<u>\$ 11,121</u>	<u>\$ 723,640</u> (Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-50 years
Renovation equipment	2-20 years
Office equipment	2-5 years
Other equipment	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 25.

## 14. INVESTMENT PROPERTIES

	<b>Amount</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 168,572
Effects of foreign currency exchange differences	<u>491</u>
Balance at December 31, 2020	<u>\$ 169,063</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 40,095
Depreciation expense	2,582
Effects of foreign currency exchange differences	<u>330</u>
Balance at December 31, 2020	<u>\$ 43,007</u>
Carrying amount at December 31, 2020	<u>\$ 126,056</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 169,063
Effects of foreign currency exchange differences	<u>(170)</u>
Balance at December 31, 2021	<u>\$ 168,893</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 43,007
Depreciation expense	2,601
Effects of foreign currency exchange differences	<u>(113)</u>
Balance at December 31, 2021	<u>\$ 45,495</u>
Carrying amount at December 31, 2021	<u>\$ 123,398</u>

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2021 and 2020 was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Year 1	\$ 4,862	\$ 4,766
Year 2	-	2,777
Year 3	<u>-</u>	<u>77</u>
	<u>\$ 4,862</u>	<u>\$ 7,620</u>

The investment properties are depreciated using the straight-line method over 20 and 50 years.

The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The significant unobservable inputs used include discount rates and capitalization rates and the fair value as appraised.

Fair value	<u>\$ 130,944</u>
Capitalization rate	2.72%

Since there is no significant change in the transaction price of real estate in this area, there should be no significant difference between the fair value assessed on December 31, 2021 and 2020 and the aforementioned fair value assessed by the independent appraiser.

All of the Group's investment properties were held under freehold interests.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Patents</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 252,308	\$ 116,600	\$ 368,908
Additions	4,234	21,243	25,477
Effects of foreign currency exchange differences	<u>89</u>	<u>-</u>	<u>89</u>
Balance at December 31, 2020	<u>\$ 256,631</u>	<u>\$ 137,843</u>	<u>\$ 394,474</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$ 238,463	\$ 74,080	\$ 312,543
Amortization expense	5,756	8,555	14,311
Effects of foreign currency exchange differences	<u>66</u>	<u>-</u>	<u>66</u>
Balance at December 31, 2020	<u>\$ 244,285</u>	<u>\$ 82,635</u>	<u>\$ 326,920</u>
Carrying amount at December 31, 2020	<u>\$ 12,346</u>	<u>\$ 55,208</u>	<u>\$ 67,554</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 256,631	\$ 137,843	\$ 394,474
Additions	7,717	32,450	40,167
Derecognitions	(110)	-	(110)
Effects of foreign currency exchange differences	<u>(45)</u>	<u>-</u>	<u>(45)</u>
Balance at December 31, 2021	<u>\$ 264,193</u>	<u>\$ 170,293</u>	<u>\$ 434,486</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ 244,285	\$ 82,635	\$ 326,920
Amortization expense	6,151	10,717	16,868
Derecognitions	(110)	-	(110)
Effects of foreign currency exchange differences	<u>(37)</u>	<u>-</u>	<u>(37)</u>
Balance at December 31, 2021	<u>\$ 250,289</u>	<u>\$ 93,352</u>	<u>\$ 343,641</u>
Carrying amount at December 31, 2021	<u>\$ 13,904</u>	<u>\$ 76,941</u>	<u>\$ 90,845</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Patents	1-10 years

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Selling and marketing expenses	\$ 12	\$ 11
General and administrative expenses	231	113
Research and development expenses	<u>16,625</u>	<u>14,187</u>
	<u>\$ 16,868</u>	<u>\$ 14,311</u>

## 16. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other payables		
Payables for salaries or bonuses	\$ 372,642	\$ 272,715
Payables for professional service fees	5,864	30,599
Payables for insurance	5,878	5,410
Others	<u>42,188</u>	<u>38,096</u>
	<u>\$ 426,572</u>	<u>\$ 346,820</u>

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Japan and China are members of a state-managed retirement benefit plan operated by the governments of Japan and China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.



b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 69,771	\$ 67,155
Fair value of plan assets	<u>(46,470)</u>	<u>(44,320)</u>
Net defined benefit liabilities	<u>\$ 23,301</u>	<u>\$ 22,835</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	<u>\$ 65,476</u>	<u>\$ (41,339)</u>	<u>\$ 24,137</u>
Service cost			
Current service cost	146	-	146
Net interest expense (income)	<u>491</u>	<u>(315)</u>	<u>176</u>
Recognized in profit or loss	<u>637</u>	<u>(315)</u>	<u>322</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,333)	(1,333)
Actuarial (gain) loss - changes in demographic assumptions	354	-	354
Actuarial (gain) loss - changes in financial assumptions	1,812	-	1,812
Actuarial (gain) loss - experience adjustments	<u>(1,124)</u>	<u>-</u>	<u>(1,124)</u>
Recognized in other comprehensive income	<u>1,042</u>	<u>(1,333)</u>	<u>(291)</u>
Contributions from the employer	<u>-</u>	<u>(1,333)</u>	<u>(1,333)</u>
Balance at December 31, 2020	<u>\$ 67,155</u>	<u>\$ (44,320)</u>	<u>\$ 22,835</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2021	<u>\$ 67,155</u>	<u>\$ (44,320)</u>	<u>\$ 22,835</u>
Service cost			
Current service cost	145	-	145
Net interest expense (income)	<u>337</u>	<u>(226)</u>	<u>111</u>
Recognized in profit or loss	<u>482</u>	<u>(226)</u>	<u>256</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(558)	(558)
Actuarial (gain) loss - changes in demographic assumptions	1,822	-	1,822
Actuarial (gain) loss - changes in financial assumptions	-	-	-
Actuarial (gain) loss - experience adjustments	<u>312</u>	<u>-</u>	<u>312</u>
Recognized in other comprehensive income	<u>2,134</u>	<u>(558)</u>	<u>1,576</u>
Contributions from the employer	<u>-</u>	<u>(1,366)</u>	<u>(1,366)</u>
Balance at December 31, 2021	<u>\$ 69,771</u>	<u>\$ (46,470)</u>	<u>\$ 23,301</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sales and marketing expenses	\$ 10	\$ 13
General and administrative expenses	53	65
Research and development expenses	<u>193</u>	<u>244</u>
	<u>\$ 256</u>	<u>\$ 322</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.500%	0.500%
Expected rate(s) of salary increase	4.000%	4.000%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (1,736)</u>	<u>\$ (1,814)</u>
0.25% decrease	<u>\$ 1,801</u>	<u>\$ 1,886</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,712</u>	<u>\$ 1,794</u>
0.25% decrease	<u>\$ (1,660)</u>	<u>\$ (1,736)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 1,366</u>	<u>\$ 1,333</u>
Average duration of the defined benefit obligation	10.0 years	10.9 years

## 18. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>167,877</u>	<u>167,877</u>
Shares issued	<u>\$ 1,678,770</u>	<u>\$ 1,678,770</u>

### b. Capital surplus

The capital surplus balance amount remained unchanged in the year of 2021 and 2020.

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 19.g.

The Company distributes share dividends and cash dividends after taking into account its future business needs and long-term financial plan and provided that the ratio for share dividend shall not exceed 50% of the total distribution. The distribution of profits may also be made by way of share or cash dividends. The appropriation for cash dividend should not be less than 10% of the annual dividends distributed.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In 2020 and 2019, items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled, "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

In 2021, items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled, "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. The Company did not set aside or reverse special reserve in the current year.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 16, 2021 and June 16, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 102,583</u>	<u>\$ 34,152</u>
Special reserve	<u>\$ (67,069)</u>	<u>\$ (53,813)</u>
Cash dividends	<u>\$ 956,899</u>	<u>\$ 352,542</u>
Cash dividends per share (NT\$)	\$ 5.7	\$ 2.1

The appropriation of earnings for 2020 and 2019 included the reversal of equity deductions from 2019 and 2018. Thus, special reserves of \$67,069 thousand and \$53,813 thousand from prior year were reversed to unappropriated earnings.

The appropriation of earnings for 2021 which were proposed by the Company's board of directors on February 23, 2022 were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	<u>\$ 146,419</u>
Cash dividends	<u>\$ 1,175,139</u>
Cash dividends per share (NT\$)	\$7

The appropriation of earnings for 2021 is subject to resolution of the shareholders' meeting to be held on June 21, 2022.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (58,747)	\$ (74,247)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>(8,248)</u>	<u>15,500</u>
Balance at December 31	<u>\$ (66,995)</u>	<u>\$ (58,747)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 206,042	\$ 7,178
Recognized for the year		
Unrealized gain/(loss) - equity instruments	(62,707)	199,560
Share from associates accounted for using the equity method	416	(696)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>(3,126)</u>	<u>-</u>
Balance at December 31	<u>\$ 140,625</u>	<u>\$ 206,042</u>

## 19. NET PROFIT

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income		
Investment properties	\$ 6,878	\$ 6,856
Dividends	11,351	5,541
Others	<u>17,127</u>	<u>12,643</u>
	<u>\$ 35,356</u>	<u>\$ 25,040</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value changes of financial assets		
Financial assets designated as at FVTPL	\$ (4,565)	\$ (1,928)
Net foreign exchange losses	(15,614)	(30,231)
loss on disposal of property, plant and equipment	-	(1)
Others	<u>(5,761)</u>	<u>(1,113)</u>
	<u>\$ (25,940)</u>	<u>\$ (33,273)</u>

### c. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 9,810	\$ 5,910
Financial assets at amortized cost	4,013	3,860
Others	<u>3</u>	<u>1</u>
	<u>\$ 13,826</u>	<u>\$ 9,771</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 71,558	\$ 79,347
Investment properties	2,601	2,582
Intangible assets	<u>16,868</u>	<u>14,311</u>
	<u>\$ 91,027</u>	<u>\$ 96,240</u>
An analysis of depreciation by function		
Operating costs	\$ 23,299	\$ 37,048
Operating expenses	48,259	42,299
Non-operating income and expenses*	<u>2,601</u>	<u>2,582</u>
	<u>\$ 74,159</u>	<u>\$ 81,929</u>

(Continued)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
An analysis of amortization by function		
Operating costs	<u>\$ 16,868</u>	<u>\$ 14,311</u> (Concluded)

\* The depreciation expense above includes rent revenue and other expenditures in non-operating income and expenses.

e. Depreciation expense directly related to investment properties

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Direct depreciation expense from investment properties generating rental income	\$ 2,011	\$ 2,000
Direct depreciation expense from investment properties not generating rental income	<u>590</u>	<u>582</u>
	<u>\$ 2,601</u>	<u>\$ 2,582</u>

f. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plans	\$ 30,750	\$ 20,015
Defined benefit plans (see Note 17)	<u>256</u>	<u>322</u>
	31,006	20,337
Other employee benefits	<u>875,984</u>	<u>782,504</u>
Total employee benefits expense	<u>\$ 906,990</u>	<u>\$ 802,841</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 906,990</u>	<u>\$ 802,841</u>

g. Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 23, 2022 and February 26, 2021, respectively, are as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	12.34%	10.57%
Remuneration of directors and supervisors	1.14%	1.23%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Compensation of employees	\$ 259,000	\$ -	\$ 145,750	\$ -
Remuneration of directors and supervisors	24,000	-	17,000	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 37,320	\$ 39,718
Foreign exchange losses	<u>(52,934)</u>	<u>(69,949)</u>
	<u>\$ (15,614)</u>	<u>\$ (30,231)</u>

**20. INCOME TAXES**

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current tax</u>		
In respect of the current period	\$ 363,108	\$ 214,241
Income tax on unappropriated earnings	1,671	515
Adjustments for prior periods	( 10,724)	(6,323)
<u>Deferred tax</u>		
In respect of the current period	<u>53,333</u>	<u>4,188</u>
Income tax expense recognized in profit or loss	<u>\$ 407,388</u>	<u>\$ 212,621</u>



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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax expense calculated at the statutory rate	\$ 432,242	\$ 293,060
Nondeductible expenses in determining taxable income	(2,090)	(2,361)
Tax-exempt income	(15)	(99)
Weighted Deduction of Research and Development Expenses in China	(10,232)	(9,479)
Unrecognized deductible temporary differences	-	(44,632)
Unrecognized loss carryforwards	(5,199)	(18,891)
Adjustments for prior years' tax	(10,724)	(6,323)
Effects of different tax rates of entities in the Group operating in other jurisdictions	1,735	831
Income tax on unappropriated earnings	<u>1,671</u>	<u>515</u>
Income tax expense recognized in profit or loss	<u>\$ 407,388</u>	<u>\$ 212,621</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	<u>\$ 314</u>	<u>\$ (58)</u>
Total income tax recognized in other comprehensive income	<u>\$ 314</u>	<u>\$ (58)</u>

c. Current tax liabilities

The current tax liabilities for December 31, 2021 and 2020 are income taxes payable.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences					
Loss on inventories	\$ 8,898	\$ 2,042	\$ -	\$ (2)	\$ 10,938
Provisions	4,706	(555)	-	-	4,151
Capitalized expenses	240	(168)	-	-	72
Unappropriated earnings of subsidiaries	26,470	22,126	-	-	48,596
Pension limits	1,992	(222)	-	-	1,770
Unrealized foreign exchange losses	3,789	1,915	-	-	5,704
Others	<u>1,749</u>	<u>-</u>	<u>314</u>	<u>-</u>	<u>2,063</u>
	<u>\$ 47,844</u>	<u>\$ 25,138</u>	<u>\$ 314</u>	<u>\$ (2)</u>	<u>\$ 73,294</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Foreign investment income accounted for using equity method	\$ 15,606	\$ 78,416	\$ -	\$ -	\$ 94,022
Unrealized interest income	<u>15</u>	<u>55</u>	<u>-</u>	<u>-</u>	<u>70</u>
	<u>\$ 15,621</u>	<u>\$ 78,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,092</u>

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences					
Loss on inventories	\$ 13,193	\$ (4,303)	\$ -	\$ 8	\$ 8,898
Provisions	1,714	2,992	-	-	4,706
Capitalized expenses	1,236	(996)	-	-	240
Unappropriated earnings of subsidiaries	14,437	12,033	-	-	26,470
Pension limits	2,194	(202)	-	-	1,992
Unrealized foreign exchange losses	1,890	1,899	-	-	3,789
Others	<u>1,807</u>	<u>-</u>	<u>(58)</u>	<u>-</u>	<u>1,749</u>
	<u>\$ 36,471</u>	<u>\$ 11,423</u>	<u>\$ (58)</u>	<u>\$ 8</u>	<u>\$ 47,844</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Foreign investment income accounted for using equity method	\$ -	\$ 15,606	\$ -	\$ -	\$ 15,606
Unrealized interest income	<u>10</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>15</u>
	<u>\$ 10</u>	<u>\$ 15,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,621</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards		
Expiry in 2021	\$ 26,371	\$ 28,464
Expiry in 2022	19,523	19,943
Expiry in 2023	13,150	13,571
Expiry in 2024	903	1,334
Expiry in 2025	1,631	3,142
Expiry in 2026	623	1,214
Expiry in 2027	156	179
Expiry in 2028	1,507	1,731
Expiry in 2029	<u>3,167</u>	<u>3,639</u>
	<u>\$ 67,031</u>	<u>\$ 73,217</u>

(Continued)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deductible temporary differences		
Others	\$ <u>590</u>	\$ <u>590</u> (Concluded)

f. Information on unused loss carryforwards

As of December 31, 2021, loss carryforwards comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 4,881	2022
3,069	2023
154	2024
277	2025
112	2026
28	2027
271	2028
<u>570</u>	2029
<u>\$ 9,362</u>	

g. Income tax assessments

The Company and its subsidiaries had their income taxes examined by the tax authorities at the following years:

	<b>Year of Examination</b>
The Company	2019
Jian Mou Investment Corporation	2019
Sonix Technology (Chengdu) Co., Ltd.	2020
Sonix Technology (Shenzhen) Co., Ltd.	2020

## 21. EARNINGS PER SHARE

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

**Net Profit for the Year**

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit for the year attributable to owners of the Company	\$ <u>1,462,320</u>	\$ <u>1,025,601</u>

The weighted average number of ordinary shares outstanding (in thousands of shares is as follows):

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in computation of basic earnings per share	167,877	167,877
Effects of potentially dilutive ordinary shares		
Compensation of employees or bonus issue to employees	<u>5,106</u>	<u>3,736</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>172,983</u>	<u>171,613</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 22. CAPITAL MANAGEMENT

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

The Group monitors the funds by regularly examining the ratio of assets to debt. The capital in the Group is the total equity listed in the balance sheet also known as the amount of total assets deducted from the total debt.

## 23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

- Fair value hierarchy

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	<u>\$ 181,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,176</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 452,117	\$ -	\$ -	\$ 452,117
Unlisted shares	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
	<u>\$ 452,117</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 452,151</u>

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	<u>\$ 65,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,818</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	\$ 524,523	\$ -	\$ -	\$ 524,523
Unlisted shares	-	-	34	34
Unlisted company	<u>-</u>	<u>13,094</u>	<u>-</u>	<u>13,094</u>
	<u>\$ 524,523</u>	<u>\$ 13,094</u>	<u>\$ 34</u>	<u>\$ 537,651</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mutual funds	\$ 181,176	\$ 65,818
Financial assets at amortized cost (1)	2,434,123	2,524,452
Financial assets at FVTOCI		
Equity instruments	452,151	537,651
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	539,399	682,252

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, refundable deposits.
- 2) The balance includes financial liabilities measured at amortized cost, which comprise short-term bills payable and trade and other payables (excluding employment benefits), guarantee deposits.

c. Financial risk management objectives and policies

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

1) Market risk

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

There have been no changes to the Group's exposure to market risk or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and Sonix Technology (Shenzhen) Co., Ltd. have foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 49% of the Group's sales is denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst almost 60% of costs is denominated in currencies other than the functional currency of the entity in the Group.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximize the hedging effectiveness. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar and RMB (the functional currencies) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar and RMB strengthens 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar and RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		EUR Impact		RMB Impact	
	For the Year Ended December 31 2021	For the Year Ended December 31 2020	For the Year Ended December 31 2021	For the Year Ended December 31 2020	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Profit or loss	\$ 6,610 (i)	\$ 7,100 (i)	\$ 237 (ii)	\$ 265 (ii)	\$ 2,298 (iii)	\$ 2 (iii)

- i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period, and the changes in financial assets are measured at FVTPL.
- ii. This was mainly the result of the changes in the financial assets are measured at amortized cost.
- iii. The result was mainly attributable to the exposure on outstanding accounts receivable in RMB that were not hedged at the end of the year.

b) Interest rate risk

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial assets	\$ 920,050	\$ 719,159
Cash flow interest rate risk		
Financial assets	959,756	1,135,380

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of the reporting period was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$9,598 thousand and \$11,354 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank savings and financial assets at amortized cost.

c) Other price risk

The Group was exposed to price risk through its investments in beneficiary certificates and equity securities. The investments are not held for trading purposes. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit or loss for years ended December 31, 2021 and 2020 would have increased/decreased by \$1,812 thousand and \$658 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$4,522 thousand and \$5,377 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group only deals with creditworthy counterparties of financial institutions and entities that are rated the equivalent of investment grade and above. Therefore, there is no expected great credit risk.

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

The Group's concentration of credit risk of 50% and 47% of total trade receivables as of December 31, 2021 and 2020, respectively, was related to the Group's largest customer and the five largest customers within the business segment. The rest of the credit risk concentration of trade receivables are not comparatively significant.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The working capital of the Group is sufficient for its liabilities, and hence there's no liquidity risk for not fulfilling contractual obligations due to a failure to raise funds.

## 24. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related parties and relationships

Related Parties	Relationship with the Company
Senno Technology Inc.	Physical relationship
Digit Mobile Inc.	Physical relationship
Chip Integration Technology Co., Ltd.	Physical relationship
New Pocket Device Corp.	Physical relationship

### b. Operating transactions

Line Item	Related Party Category	For the Year Ended December 31	
		2021	2020
Sales	Physical relationship		
	Others	<u>\$ 20,454</u>	<u>\$ 18,801</u>
Operating expenses			
	Miscellaneous expenses		
Materials	Physical relationship	\$ 158	\$ 132
	Others	<u>          -</u>	<u>          4</u>
		<u>\$ 158</u>	<u>\$ 136</u>
Non-operating revenue	Physical relationship		
	Others	<u>\$          -</u>	<u>\$ 472</u>



The sales prices and payment terms for related parties are similar with those of sales to third parties.

c. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Accounts receivable	Physical relationship		
	Others	<u>\$ 552</u>	<u>\$ 4,240</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

d. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 59,512	\$ 67,370
Post-employment benefits	<u>177</u>	<u>198</u>
	<u>\$ 59,689</u>	<u>\$ 67,568</u>

The remuneration of directors and key executives was determined by the remuneration committee, was based on the performance of individuals and market trends.

## 25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for short-term bank borrowings, purchases and tariffs of imported goods:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 210,064	\$ 213,606
Pledge deposits (classified as financial assets at amortized cost - current)	<u>52,159</u>	<u>52,143</u>
	<u>\$ 262,223</u>	<u>\$ 265,749</u>

## 26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary item			
USD	\$ 34,087	27.63 (USD:NTD)	\$ 941,824
USD	1,814	6.3757(USD:RMB)	50,121
EUR	760	31.12(EUR:NTD)	23,651
RMB	53,510	4.319(RMB:NTD)	231,110
<u>Financial liabilities</u>			
Monetary item			
USD	11,408	27.73(USD:NTD)	316,344
USD	527	6.3757(USD:RMB)	14,614
RMB	303	4.369(RMB:NTD)	1,324

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary item			
USD	\$ 42,919	28.43 (USD:NTD)	\$ 1,220,187
USD	3,934	6.5249 (USD:RMB)	111,844
EUR	760	34.82 (EUR:NTD)	26,463
RMB	52	4.352(RMB:NTD)	226
<u>Financial liabilities</u>			
Monetary item			
USD	9,960	28.53 (USD:NTD)	284,159
USD	11,841	6.5249 (USD:RMB)	337,824

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

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
NTD	1 (NTD:NTD)	\$ (17,345)	1 (NTD:NTD)	\$ (42,495)
RMB	4.342 (RMB:NTD)	<u>1,731</u>	4.283 (RMB:NTD)	<u>12,264</u>
		<u>\$ (15,614)</u>		<u>\$ (30,231)</u>

## 27. OTHER ITEMS

The operations of the Company have not been affected by the COVID-19 pandemic. As of the filing date of this financial statements to the board of directors, the Company is still evaluating the economic impact of the epidemic on the Company.

## 28. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 4)

b. Information on investees (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 2, 3, 4 and 6)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (None)

## 29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the segment information of each project. The Company manufactured and sold semi-conductor products in the years ended December 31, 2021 and 2020, respectively. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were within the semi-conductor segment.

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	<b>Segment Revenue for the Year Ended December 31</b>		<b>Segment Profit for the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Semi-conductor sector	<u>\$ 5,865,539</u>	<u>\$ 5,370,626</u>	\$ 1,846,558	\$ 1,236,163
Share of profits or losses of associates accounted for using the equity method			(92)	521
Interest revenue			13,826	9,771
Rent revenue			6,878	6,856
Dividends			11,351	5,541
Gain or loss on financial assets at FVTPL			(4,565)	(1,928)
Gain or loss on disposal of property, plant and equipment			-	(1)
Profits and losses on net exchange			(15,614)	(30,231)
Other income			17,127	12,643
Other expenditures			<u>(5,761)</u>	<u>(1,113)</u>
Profit before tax			<u>\$ 1,869,708</u>	<u>\$ 1,238,222</u>

Segment revenue reported above represent revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without a share of profits or losses of associates under the equity method, interest income, rent revenue, dividends, gain or loss on financial assets at FVTPL, gain or loss on disposal of property, plant and equipment, gain on disposal of investment properties, exchange gains or losses, other income, other expenditures and income tax expense. This was the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision-maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	<b>Depreciation and Amortization</b>	
	<b>2021</b>	<b>2020</b>
Semi-conductor segment	<u>\$ 88,426</u>	<u>\$ 93,658</u>

d. Revenue from major products and services

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Revenue from semi-conductors	<u>\$ 5,865,539</u>	<u>\$ 5,370,626</u>

e. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

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

	<b>Revenue from External Customers</b>	
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Taiwan	\$ 3,157,609	\$ 2,869,661
China	2,707,627	2,500,538
Others	<u>303</u>	<u>427</u>
	<u>\$ 5,865,539</u>	<u>\$ 5,370,626</u>

f. Information on major customers

Included in revenue from sales to the semiconductor sector of \$5,865,539 thousand and \$5,370,626 thousand in 2021 and 2020, respectively, is revenue of approximately \$701,378 thousand, which was from sales to the Group's largest customer in 2021. No other single customers contributed 10% or more to the Group's revenue in 2020.

Single customers that contributed 10% or more to the Group's revenue in 2021 were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Customer A	<u>\$ 701,378</u>	<u>\$ -</u>

## SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Sonix Technology Co., Ltd.	<u>Shares</u> Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	54	\$ 7	-	\$ 7	1	
	Muchip Corporation	-	Financial assets at fair value through other comprehensive income - non-current	14,180	-	-	-	1	
	Champion Microelectronic Corp.	-	Financial assets at fair value through other comprehensive income - non-current	6,571,472	452,117	8.22	452,117	1	
	<u>Beneficiary certificates</u> Templeton Global Total Ret A Acc USD	-	Financial assets at fair value through profit or loss - current	29,951.693	22,038	-	22,038	1	
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,821,460.45	30,010	-	30,010	1	
	Union Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,250,225.02	30,010	-	30,010	1	
	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss-current	2,060,255.6	30,007	-	30,007	1	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,964,109.2	30,010	-	30,010	1	
	Jian Mou Investment Corporation	<u>Shares</u> Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	115	27	-	27	1
		<u>Beneficiary certificates</u> Jih Sun Asian High Yield Bond (TWD B)	-	Financial assets at fair value through profit or loss - current	1,307,168.12	13,484	-	13,484	1
Jih Sun Target Income Fund of Funds TWD		-	Financial assets at fair value through profit or loss - current	1,500,000	15,405	-	15,405	1	
Nomura Fallen Angel High Yield Bond Fund Accumulated TWD		-	Financial assets at fair value through profit or loss - current	1,007,650	10,212	-	10,212	1	

Note 1: The amount is measured at the fair value of net assets as of December 31, 2021.

**SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Subsidiary of second-tier subsidiary	Sale	\$ (1,722,162)	(35)	30 days	\$ -	-	\$ 73,692	17	1
Sonix Technology (Shenzhen) Co., Ltd.	Sonix Technology Co., Ltd.	Parent company	Purchase	1,722,162	99	30 days	-	-	(73,692)	(100)	1

Note 1: The amount was eliminated based on the audited financial statements.



**SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Third-tier subsidiary	\$ 73,692	8.54 times	\$ -	-	\$ 73,692	\$ -

Note 1: The period is as of February 23, 2022.

Note 2: All amounts of trade receivables were eliminated based on the audited financial statements

**SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	1	Trade receivables	\$ 73,692	The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.	1
		Sonix Technology (Shenzhen) Co., Ltd.	1	Sales	1,722,162	The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.	29

Note 1: The following numerals represent the corresponding directional relationship:

- a. Parent company to subsidiary: 1;
- b. Subsidiary to parent company: 2; and
- c. Between subsidiaries: 3.

Note 2: The amount was eliminated based on the audited financial statements.

## SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Original Investment Amount			Net Income (Loss) of the Investee (Note 1)	Share of Profit (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Sonix Technology Co., Ltd.	Sonix Technology Ltd.	PO Box 3321, Road Town, Tortola, the British Virgin Islands	Investment activities	\$ 1,031,999	\$ 1,031,999	33,010,000	100.00	\$ 1,470,091	\$ 388,112	\$ 388,112	Subsidiary
	Jian Mou Investment Corporation	Hsin Chu	Investment activities	155,000	155,000	15,500,000	100.00	103,196	(2,876)	(2,876)	Subsidiary
	Sonix Technology K.K.	Tokyo	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	31,792	31,792	8,000	100.00	13,320	3,967	3,967	Subsidiary
Jian Mou Investment Corporation	Paradigm Venture Capital Corporation	Taipei	Investment activities	43,948	44,760	459,960	20.98	7,174	(293)	(92)	
Sonix Technology Ltd.	Sonix Holding Consolidated Company Co., Ltd.	PO Box 438, Road Town, Tortola, the British Virgin Islands	Investment activities	997,099	997,099	32,010,000	100.00	1,437,246	388,206	388,206	Second-tier subsidiary

Note 1: The amount is based on the audited financial statements of the investee and calculated at the investor's shareholding ratio

Note 2: Except profit and loss of Paradigm Venture Capital Corporation, the listed amounts above were all eliminated upon consolidation.

## SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Loss (Note 1)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	\$ 276,800 (US\$ 10,000 thousand)	Reinvest in China via setting up company in third area	\$ 276,800 (US\$ 10,000 thousand)	\$ -	\$ -	\$ 276,800 (US\$ 10,000 thousand)	\$ 25,970 (US\$ 927 thousand)	100	\$ 25,970 (US\$ 927 thousand)	\$ 105,865 (US\$ 3,825 thousand)	\$ -	
Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	608,960 (US\$ 22,000 thousand)	Reinvest in China via setting up company in third area	608,960 (US\$ 22,000 thousand)	-	-	608,960 (US\$ 22,000 thousand)	362,236 (US\$ 12,933 thousand)	100	362,236 (US\$ 12,933 thousand)	1,331,376. (US\$ 48,099 thousand)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$885,760 (US\$32,000 thousand)	\$927,280 (US\$33,500thousand)	\$2,598,888

Note 1: The amount is based on the audited financial statements of the investee and calculated at the investor's shareholding ratio.

Note 2: The investment profit and loss was recognized based on the average exchange rate from January 1, 2021 to December 31, 2021; the other accounts were all based on prevailing exchange rate as of December 31, 2021.

Note 3: The listed amounts above were all eliminated upon consolidation.