

**ASolid Technology Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report  
(Not review or audit by accountant)**

## INDEPENDENT AUDITORS' REPORT

ASolid Technology Co., Ltd.

### Opinion

We have audited the financial statements of ASolid Technology Co., Ltd. (the "Corporation") which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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 Financial Statements section of our report. We are independent of the Corporation 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the 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 matter of the Corporation's financial statements for the year ended December 31, 2021 is stated as follows:

#### Key Audit Matters – The authenticity of sales revenue

The sales amount of integrated circuits is significant, the relevant revenue recognition policies and information please refer Note 20. Sales revenue in 2021 will increase significantly compared with the previous year. For specific customers with significant sales growth and significant transaction amount in this year, the risk of authenticity of sales revenue is relatively high. Thus, the authenticity of sales revenue has been identified as a key audit matter.

Our audit procedure for this includes checking above customers' orders, sales invoices and account receipts and other relevant documents for the sale transactions of the aforementioned customers and sending correspondence to confirm the authenticity of the occurrence of income.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Corporation's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 statements 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 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 Su-Li Fang and Tung-Hui Yeh

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2022

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.*

## ASOLID TECHNOLOGY CO., LTD.

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

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 4、6 and 29)	\$ 1,399,919	64	\$ 510,699	41
Financial assets at amortized cost-current (Note 4、7、29 and 31)	25,066	1	25,049	2
Accounts Receivable Non-related parties (Note 4、8、20 and 29)	339,586	15	215,776	17
Accounts Receivable Related parties (Note 4、8、20、29 and 30)	-	-	52,411	4
Inventories (Note 4、5 and 9)	283,220	13	306,360	24
Prepayments (Note 30)	10,787	1	4,699	1
Other current assets (Note 14)	423	-	332	-
Total current assets	<u>2,059,001</u>	<u>94</u>	<u>1,115,326</u>	<u>89</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Note 4 and 10)	215	-	378	-
Property, plant and equipment (Note 4、11 and 31)	85,821	4	88,565	7
Intangible assets (Note 4 and 13)	36,947	1	36,729	3
Deferred tax assets (Note 4 and 22)	16,392	1	16,435	1
Guarantee deposits paid (Note 29)	1,591	-	1,846	-
Total non-current assets	<u>140,966</u>	<u>6</u>	<u>143,953</u>	<u>11</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,199,967</u>	<u>100</u>	<u>\$ 1,259,279</u>	<u>100</u>

LIABILITIES AND EQUITY	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 4、15 and 29)	\$ -	-	\$ 126,450	10
Contract liability-current (Note 20)	4,806	-	7,077	1
Notes payable- Non-related parties (Note 16 and 29)	-	-	1,181	-
Accounts payable- Non related parties (Note 16 and 29)	144,797	7	68,579	6
Other payables (Note 17 and 29)	195,234	9	61,008	5
Tax payable (Note 4 and 22)	118,320	5	4,786	-
Other current liabilities (Note 17)	949	-	1,782	-
Total current liabilities	<u>464,106</u>	<u>21</u>	<u>270,863</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 4 and 22)	2,928	-	3,115	-
Guarantee deposits received (Note 29)	114	-	114	-
Investment loan balance using the equity method (Note 4 and 10)	11	-	-	-
Total non-current liabilities	<u>3,053</u>	<u>-</u>	<u>3,229</u>	<u>-</u>
Total liabilities	<u>467,159</u>	<u>21</u>	<u>274,092</u>	<u>22</u>
<b>EQUITY (Note 4 and 19)</b>				
Common shares	430,365	20	393,835	31
Capital surplus				
Additional paid-in capital	634,690	29	390,344	31
Employee share options	17,713	1	27,549	2
Total capital surplus	<u>652,403</u>	<u>30</u>	<u>417,893</u>	<u>33</u>
Retained earnings				
Legal reserve	58,456	2	55,219	4
Unappropriated earnings	591,569	27	118,230	10
Total retained earnings	<u>650,025</u>	<u>29</u>	<u>173,449</u>	<u>14</u>
Other equity	15	-	10	-
Total equity	<u>1,732,808</u>	<u>79</u>	<u>985,187</u>	<u>78</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 2,199,967</u>	<u>100</u>	<u>\$ 1,259,279</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statement

# ASOLID TECHNOLOGY CO., LTD.

## 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 (Note 4,20 and 30)	\$ 1,935,320	100	\$ 921,051	100
OPERATING COSTS(Note 9,21and30)	( 762,583 )	( 39 )	( 464,386 )	( 50 )
GROSS PROFIT	<u>1,172,737</u>	<u>61</u>	<u>456,665</u>	<u>50</u>
OPERATING EXPENSES (Note 21 and 30)				
Selling and marketing	( 90,584 )	( 5 )	( 65,822 )	( 7 )
General and administrative	( 83,897 )	( 4 )	( 66,483 )	( 7 )
Research and development	( 371,121 )	( 19 )	( 287,385 )	( 31 )
Expected credit loss (Note 8)	( 10,000 )	( 1 )	( 8,000 )	( 1 )
Total operating expenses	( 555,602 )	( 29 )	( 427,690 )	( 46 )
OPERATING INCOME	<u>617,135</u>	<u>32</u>	<u>28,975</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Note 21 and 30)				
Interest income	474	-	165	-
Other income	2,980	-	16,285	2
Other gains and losses	( 811 )	-	4,104	-
Financial costs	( 1,151 )	-	( 3,290 )	-
Share of losses of subsidiaries and associates	<u>3,600</u>	<u>-</u>	<u>( 6,750 )</u>	<u>( 1 )</u>
Total non-operating income and expenses	<u>5,092</u>	<u>-</u>	<u>10,514</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	622,227	32	39,489	5
INCOME TAX (EXPENSE) (Note 4 and 22)				
BENEFIT	( 125,567 )	( 6 )	( 7,120 )	( 1 )
NET INCOME FOR THE YEAR	<u>496,660</u>	<u>26</u>	<u>32,369</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that may be reclassified subsequently to profit or loss:				
Exchange Differences on Translation of Foreign Financial Statements	\$ -	-	( \$ 1 )	-
Other comprehensive income (loss) for the year, net of income tax s	-	-	( 1 )	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 496,660</u>	<u>26</u>	<u>\$ 32,368</u>	<u>4</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 12.20</u>		<u>\$ 0.82</u>	
Diluted	<u>\$ 11.55</u>		<u>\$ 0.82</u>	

The accompanying notes are an integral part of the parent company only financial statements.

**ASOLID TECHNOLOGY CO., LTD.**  
**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 Corporation						Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Share Capital		Capital surplus		Retained Earnings			
	Shares (In thousands)	Amount	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Foreign Operations		
BALANCE, JANUARY 1, 2020	39,384	\$ 393,835	\$ 390,344	\$ 17,609	\$ 49,104	\$ 111,668	\$ 11	\$ 962,571
Appropriations of 2019 earnings								
Legal capital reserve	-	-	-	-	6,115	( 6,115 )	-	-
Cash dividends to shareholders	-	-	-	-	-	( 19,692 )	-	( 19,692 )
Net profit for the year ended December 31, 2020	-	-	-	-	-	32,369	-	32,369
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	( 1 )	( 1 )
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	32,369	( 1 )	32,368
Other changes in capital surplus :								
Recognition of employee share options by the Company	-	-	-	9,940	-	-	-	9,940
BALANCE, DECEMBER 31, 2020	39,384	393,835	390,344	27,549	55,219	118,230	10	985,187
Appropriations of 2020 earnings								
Legal capital reserve	-	-	-	-	3,237	( 3,237 )	-	-
Cash dividends to shareholders	-	-	-	-	-	( 19,692 )	-	( 19,692 )
Net profit for the year ended December 31, 2021	-	-	-	-	-	496,660	-	496,660
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	496,660	-	496,660
Cash capital increase	2,175	21,750	200,970	-	-	-	-	222,720
Issue of ordinary shares under employee share options	1,478	14,780	43,376	( 11,156 )	-	-	-	47,000
Proceeds from disposal of subsidiaries	-	-	-	-	-	-	( 11 )	( 11 )
Changes in ownership interests in subsidiaries	-	-	-	-	-	( 392 )	16	( 376 )
Other changes in capital surplus :								
Recognition of employee share options by the Company	-	-	-	1,320	-	-	-	1,320
BALANCE, DECEMBER 31, 2021	43,037	\$ 430,365	\$ 634,690	\$ 17,713	\$ 58,456	\$ 591,569	\$ 15	\$ 1,732,808

The accompanying notes are an integral part of the parent company only financial statements.

**ASOLID TECHNOLOGY CO., LTD.**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**STATEMENTS OF CASH FLOWS**  
**(In Thousands of New Taiwan Dollars)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	\$ 622,227	\$ 39,489
Adjustments for :		
Depreciation expenses	7,240	7,661
Amortization expense	22,948	23,289
Expected credit losses	10,000	8,000
Finance costs	1,151	3,290
Interest income	( 474 )	( 165 )
Compensation cost of employee share options	1,320	9,940
Share of losses of subsidiaries and associates	( 3,600 )	6,750
Equity method investment impairment loss	-	5,139
Loss for market price decline and obsolete and slow-moving inventories	13,000	15,351
Net loss (gain) on foreign currency exchange	725	8,639
Net changes related to operating assets and liabilities		
Accounts receivable	( 72,991 )	( 50,794 )
Other receivables	-	68,589
Inventories	10,140	67,097
Other current assets	( 6,088 )	( 1,490 )
Prepayments	( 91 )	979
Contract liabilities	( 2,271 )	4,505
Notes payable	( 1,181 )	1,181
Accounts payable	74,206	( 75,652 )
Other payables	134,226	( 4,903 )
Other current liabilities	( 833 )	1,326
Cash generated from operations	809,654	138,221
Interest paid	( 1,151 )	( 3,290 )
Income tax paid	( 12,177 )	( 15,618 )
Net cash (used in) generated from operating activities	<u>796,326</u>	<u>119,313</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	( 17 )	( 20 )
Net cash outflow from acquiring subsidiaries	( 348 )	-
Payment for property, plant and equipment	( 4,496 )	( 8,133 )

(Continued)

	<u>2021</u>	<u>2020</u>
(Increase) Decrease in refundable deposits	255	( 804 )
Payment for intangible assets	( 23,166 )	( 28,655 )
Interest received	<u>474</u>	<u>165</u>
Net cash used in investing activities	<u>( 27,298 )</u>	<u>( 37,447 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	461,971	818,427
Decrease in short-term loans	( 590,515 )	( 841,375 )
Cash dividends paid	( 19,692 )	( 19,692 )
Cash capital increase	222,720	-
Exercise of employee share options	<u>47,000</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>121,484</u>	<u>( 42,640 )</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	( <u>1,292</u> )	( <u>6,912</u> )
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>889,220</b>	<b>32,314</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>510,699</u></b>	<b><u>478,385</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 1,399,919</u></b>	<b><u>\$ 510,699</u></b>

The accompanying notes are an integral part of the parent company only financial statements.

# ASOLID TECHNOLOGY CO., LTD.

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

### 1. GENERAL INFORMATION

ASOLID TECHNOLOGY CO., LTD. (the “Corporation”) was incorporated on February 2008 under the Company Act of the Republic of China (“ROC”). The Corporation mainly designs and sells flash memory controllers and peripheral system applications.

The Corporation’s shares have been traded on the Taipei Exchange since November, 2015.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 18, 2022.

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

a. I Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC)(collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission(FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the consolidated company’s accounting policies.

b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2022

New IFRSs	Effective Date Announced by IASB
Annual Improvements to IFRS Standards 2018 - 2020 Cycle	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 consolidated company is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the consolidated company's financial position and financial performance.

New IFRSs	Effective Date Announced by IASB (Note1)
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 Contract"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17" Initial application of IFRS 17 and IFRS 9 - comparative information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 ( 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 that deferred taxes 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 consolidated company is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the consolidated company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of Compliance**

The parent Corporation only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

##### **b. Basis of Preparation**

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the 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 the asset or liability.

When preparing its parent Corporation only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent Corporation only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in the accounting treatment between the parent Corporation only basis and the consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries, as appropriate, in the parent Corporation only financial statements.

##### **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; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current.

**d. Foreign Currencies**

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (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 in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. °

**e. Inventories**

Inventories consist of raw materials, semi-finished goods, work-in-process and finished goods, and merchandise which 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 on the balance sheet date.

**f. Investments in subsidiaries**

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of

the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent's company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent's company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

**g. Property, Plant and Equipment**

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

Except for self-owned land, 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 methods are reviewed at the end of each reporting period, with the effects of any changes in 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.

**h. Intangible Assets**

**1) 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.

**2) Internal generation - research and development expenses**

Research and development expenses are recognized as costs at the time of occurrence

**3) Derecognition**

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. °

**i. Impairment of property, plant and equipment, right-of-use assets and intangible assets**

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right of asset and tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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 Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **j. Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation 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 category**

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI. i. Financial assets measured at amortized cost

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

- i) The financial assets are 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 assets 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 measured at amortized cost, including cash and cash equivalents and trade receivables measured 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 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 a financial asset; and

- ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

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 term deposits with maturity within 3 months from the date of acquisition, which are highly liquid and easily convertible into a known amounts of cash with minimal risk of changes in value. These cash equivalents are held to meet short-term cash commitments.

#### b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) at the end of each reporting period.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets, when the credit risk has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events of the financial instruments within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events over the expected life of the financial instruments.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The portion of expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date are 12-month expected credit losses. Lifetime expected credit losses are the expected credit losses that arise if debtors default on their obligations at some time during the life of a financial instrument.

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

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is overdue unless the Corporation 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 Corporation 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.

2) Equity instruments

Debt and equity instruments issued by the Corporation are classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities and equity instruments

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Recognition and measurement

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

b) Derecognition of financial liabilities

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

**k. Revenue Recognition**

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

Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of electronic products. Sales of the aforementioned goods are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped 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. Trade receivables are recognized concurrently. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

**l. Leases**

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

1) The company 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.

2) The company as lessee

The company 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 applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

**m. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The investment income earned from a temporary investment made before the capital expenditure of a qualifying requirement is subtracted from the cost of borrowing subject to capitalization

Other than the borrowing costs described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred. °

**n. Government grants**

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

**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 an expense when employees have rendered services entitling them to the contributions.

**p. Employee Share Options**

The fair value at the grant date of employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

**q. Taxation**

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

1) Current tax

The Corporation shall determine the current income (loss) in accordance with the regulations established by each income tax reporting jurisdiction, on the basis of which the income tax payable (recoverable) shall be calculated.

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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 in the parent Corporation only financial statements 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, net operating loss carryforwards and tax credits for research and development expenses 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, except where the Corporation 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 are only recognized 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 deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 year in which the liability is settled or the asset is 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 Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred tax

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 tax are also recognized in other comprehensive income or directly in equity, respectively.

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

The application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount 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 company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in 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.

### Key Sources of Estimation Uncertainty

#### Write-down of inventories

The net realizable value of inventory is its estimated selling price in the ordinary course of business less its 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, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 1,514	\$ 1,522
Checking accounts and demand deposits	708,805	509,177
Cash equivalents		
Time deposits with original maturity within 3 months	<u>689,600</u>	<u>-</u>

\$ 1,399,919
\$ 510,699

The interest rate range of bank deposits and bank time deposits with original maturity within 3 months on the balance sheet date is as follows :

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Bank deposits	0.02%~0.10%	0.00%~0.35%
Time deposits with original maturity within 3 months	0.03%~0.41%	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<u>Current</u>		
Time deposits with original maturities of less than 3 months	\$ 5,107	\$ 5,099
Restricted demand deposits	<u>19,959</u>	<u>19,950</u>
	<u>\$ 25,066</u>	<u>\$ 25,049</u>

- a. Until December 31, 2021 and 2020, the interest rate range of time deposits and restricted demand deposits with an original maturity date exceeding 3 months is 0.04% to 0.35% per annum.
- b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 366,911	\$ 233,101
Less: Loss allowance	( <u>27,325</u> )	( <u>17,325</u> )
	<u>\$ 339,586</u>	<u>\$ 215,776</u>
 <u>Accounts receivable-Related parties</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 60,217
Less : The credit balance of Investments accounted for using the equity method	<u>-</u>	( <u>7,806</u> )
	<u>\$ -</u>	<u>\$ 52,411</u>

The average credit period of sales of goods was 60 to 90 days and interest-free. The Corporation 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. Credit rating information is obtained from independent rating agencies where available or, if not available, the Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Corporation applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit losses allowance for all trade

receivables. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of each debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Corporation's historical credit losses experience does not show significantly different loss patterns for different customer segments, the loss allowance, which is based on the past due status of receivables, is not further distinguished according to different segments of the Corporation's customer base.

The Corporation writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. the earlier of either when the debtor has been placed under liquidation or when the trade receivables are over two years past due. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivables and trade receivables based on the Corporation's allowance matrix.

December 31, 2021

	Not Past Due	Less than 1-120days	Less than 121-180 days	Less than 181-365 days	Over 365 days	Total
Gross carrying amount	\$342,345	\$ 24,566	\$ -	\$ -	\$ -	\$366,911
Loss allowance (lifetime expected credit losses)	( 2,759 )	( 24,566 )	-	-	-	( 27,325 )
Amortized cost	<u>\$339,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$339,586</u>

December 31, 2020

	Not Past Due	Less than 1-120days	Less than 121-180 days	Less than 181-365 days	Over 365 days	Total
Gross carrying amount	\$286,282	\$ 7,034	\$ 2	\$ -	\$ -	\$293,318
Loss allowance (lifetime expected credit losses)	( 10,289 )	( 7,034 )	( 2 )	-	-	( 17,325 )
Amortized cost	<u>\$275,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$275,993</u>

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of period	\$ 17,325	\$ 18,000
Add: Provision of loss allowance	10,000	8,000
Less: Amounts written off	-	( 8,675 )
Balance, end of period	<u>\$ 27,325</u>	<u>\$ 17,325</u>

**9. INVENTORIES**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$ 139,011	\$ 115,781
Work in process	28,962	12,661
Raw materials	43,285	114,234
Merchandise	<u>71,962</u>	<u>63,684</u>
	<u>\$ 283,220</u>	<u>\$ 306,360</u>

The nature of the cost of sales is as follows :

	<u>2021</u>	<u>2020</u>
The cost of inventory sold	\$ 749,583	\$ 449,035
Loss for losses due to falling market prices and slow-moving inventories	<u>13,000</u>	<u>15,351</u>
	<u>\$ 762,583</u>	<u>\$ 464,386</u>

#### 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in subsidiaries	<u>\$ 204</u>	<u>\$ 378</u>

##### Investments in subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Investments accounted for using equity method</u>		
Unlisted shares		
Advanced Memory Technology Co., Ltd.	<u>\$ 215</u>	<u>\$ 378</u>

##### The credit balance of Investments accounted for using equity method

Unlisted shares		
Innostor Technology Corporation	\$ -	\$ 12,346
Less : The credit balance of Investments accounted for using equity method has been adjusted to Other receivable-related parties	-	( 4,540 )
Less : The credit balance of Investments accounted for using equity method has been adjusted to Accounts receivable-related parties	<u>-</u>	<u>( 7,806 )</u>
	<u>\$ -</u>	<u>\$ -</u>
Innostor Technology (Samoa) Limited	( <u>\$ 11</u> )	<u>\$ -</u>

##### The proportions of ownership and voting rights in subsidiaries held by the Corporation

<u>Name of Subsidiaries</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Advanced Memory Technology Co., Ltd	37.12%	37.12%
Innostor Technology (Samoa) Limited	100%	-
Innostor Technology Corporation	-	69.74%

Advanced Memory Technology Co., Ltd was established in Taiwan in April 2014, mainly engaged in projects including data storage media manufacturing and reproduction, electronic components manufacturing and computer and peripheral equipment manufacturing business. For the years ended December 31, 2014 and 2017, the Corporation increased its investment in Advanced Memory

Technology Co., Ltd for the amount of \$21,500 thousand and \$360 thousand. As of December 31, 2020, the Corporation's cumulative original investment cost was \$21,860 thousand.

Innostor Technology Corporation was established in Taiwan on May 27, 2008. The main business projects are information software services, information software and electronic materials wholesale and retail and product design industry. For the year ended December 31, 2016, the Corporation increased its investment in Innostor Technology Corporation for the amount of \$59,281 thousand.

Innostor Technology Corporation is accounted for using the equity method., because lack of cash and R&D staff, resulting in a recoverable amount less than the amount of the Corporation's investment, the Corporation was recognized investment losses of \$5,139 thousand for the year ended December 31, 2020. On August 26, 2021, Innostor Technology Corporation passed the resolution of the general meeting of shareholders to dissolve and complete the liquidation process. For more information, please refer to Note 26. The company also undergoes organizational reorganization. The company directly holds the equity of Innostor Technology (Samoa) Limited, while the company indirectly holds Innostor Technology (Shenzhen) Ltd., and the shareholding ratio has increased from 69.74% to 100%. For more information, please refer to Note 27. For details of investment companies held indirectly by the Corporation, please refer to Note 33.

The calculation of the investments accounted for using the equity method and the Corporation's share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on financial statements that have been audited.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Research and development equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 44,592	\$ 42,008	\$ 20,594	\$ 20,728	\$ 127,922
Additions	-	-	2,060	2,436	4,496
Disposals	-	-	-	( 762 )	( 762 )
Balance at December 31, 2021	<u>\$ 44,592</u>	<u>\$ 42,008</u>	<u>\$ 22,654</u>	<u>\$ 22,402</u>	<u>\$ 131,656</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 8,552	\$ 14,522	\$ 16,283	\$ 39,357
Depreciation	-	1,900	2,425	2,915	7,240
Disposals	-	-	-	( 762 )	( 762 )
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 10,452</u>	<u>\$ 16,947</u>	<u>\$ 18,436</u>	<u>\$ 45,835</u>
Balance at December 31, 2021, net	<u>\$ 44,592</u>	<u>\$ 31,556</u>	<u>\$ 5,707</u>	<u>\$ 3,966</u>	<u>\$ 85,821</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 44,592	\$ 42,008	\$ 15,360	\$ 18,173	\$ 120,133
Additions	-	-	5,234	2,899	8,133
Disposals	-	-	-	( 344 )	( 344 )
Balance at December 31, 2020	<u>\$ 44,592</u>	<u>\$ 42,008</u>	<u>\$ 20,594</u>	<u>\$ 20,728</u>	<u>\$ 127,922</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 6,651	\$ 12,167	\$ 13,221	\$ 32,039
Depreciation	-	1,901	2,355	3,405	7,661
Disposals	-	-	-	( 343 )	( 343 )
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 8,552</u>	<u>\$ 14,522</u>	<u>\$ 16,283</u>	<u>\$ 39,357</u>
Balance at December 31, 2020, net	<u>\$ 44,592</u>	<u>\$ 33,456</u>	<u>\$ 6,072</u>	<u>\$ 4,445</u>	<u>\$ 88,565</u>

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

Buildings	10-35 years
Research and development equipment	1-3 years
Other Equipment	1-2 years

For the amount of property, plant and equipment set as collateral for borrowings, please refer to Note 31.

## 12. LEASE ARRANGEMENTS

### Other lease information

	<u>2021</u>	<u>2020</u>
Short-term rental expenses	\$ 7,126	\$ 5,862
The total amount of cash (outflow) from the lease	(\$ 7,126)	(\$ 5,862)

The Corporation leases certain office equipment which qualify as short-term leases and parking space and certain office equipment. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 13. OTHER INTANGIBLE ASSETS

	<u>Photomask</u>	<u>Computer Software</u>	<u>Technology Licensing</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 62,076	\$ 6,633	\$ 107,123	\$ 175,832
Additions	<u>11,466</u>	<u>-</u>	<u>11,700</u>	<u>23,166</u>
Balance at December 31, 2021	<u>\$ 73,542</u>	<u>\$ 6,633</u>	<u>\$ 118,823</u>	<u>\$ 198,998</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 60,306	\$ 5,549	\$ 73,248	\$ 139,103
Amortization	<u>2,406</u>	<u>668</u>	<u>19,874</u>	<u>22,948</u>
Balance at December 31, 2021	<u>\$ 62,712</u>	<u>\$ 6,217</u>	<u>\$ 93,122</u>	<u>\$ 162,051</u>
Balance at December 31, 2021, net	<u>\$ 10,830</u>	<u>\$ 416</u>	<u>\$ 25,701</u>	<u>\$ 36,947</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 62,076	\$ 5,846	\$ 79,370	\$ 147,292
Additions	-	902	27,753	28,655
Disposal	<u>-</u>	<u>( 115 )</u>	<u>-</u>	<u>( 115 )</u>
Balance at December 31, 2020	<u>\$ 62,076</u>	<u>\$ 6,633</u>	<u>\$ 107,123</u>	<u>\$ 175,832</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 54,827	\$ 4,271	\$ 56,831	\$ 115,929
Amortization	5,479	1,393	16,417	23,289
Disposal	<u>-</u>	<u>( 115 )</u>	<u>-</u>	<u>( 115 )</u>
Balance at December 31, 2020	<u>\$ 60,306</u>	<u>\$ 5,549</u>	<u>\$ 73,248</u>	<u>\$ 139,103</u>
Balance at December 31, 2020, net	<u>\$ 1,770</u>	<u>\$ 1,084</u>	<u>\$ 33,875</u>	<u>\$ 36,729</u>

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives of the assets:

Photomask	2 years
Computer Software	1~3 years
Technology Licensing	1~3 years

## 14. OTHER ASSETS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Payment on behalf of others	\$ 339	\$ 325
Temporary payments	<u>84</u>	<u>7</u>

	<u>\$ 423</u>	<u>\$ 332</u>
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## 15. LOANS

### Short-Term Loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured loans		
Credit Limit loans(a)	<u>\$ -</u>	<u>\$ 126,450</u>

Bank borrowing rate on December 31, 2020 was 0.91% ~ 1.03%.

## 16. NOTES AND ACCOUNTS PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes payable</u>		
Arising from operating activities	<u>\$ -</u>	<u>\$ 1,181</u>
<u>Accounts payable</u>		
Arising from operating activities	<u>\$ 144,797</u>	<u>\$ 68,579</u>

## 17. OTHER LIABILITIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Employees' compensation and remuneration of directors payable	\$ 79,850	\$ 8,820
Salaries and bonuses payable	73,469	27,982
Equipment payment payable	15,718	289
Labor and health insurances payable	7,325	6,235
Others	<u>18,872</u>	<u>17,682</u>
	<u>\$ 195,234</u>	<u>\$ 61,008</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other Liabilities		
Refund liabilities	\$ 493	\$ 1,465
Receipts under custody	356	317
Temporary receipts	<u>100</u>	<u>-</u>
	<u>\$ 949</u>	<u>\$ 1,782</u>

## 18. RETIREMENT BENEFIT PLANS

### Defined contribution plan

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

## 19. EQUITY

### a. Common shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>
Number of shares issued and fully	<u>43,037</u>	<u>39,384</u>

paid (in thousands)  
 Shares issued \$ 430,365 \$ 393,835  
 Fully paid issued common shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

On August 26, 2021, it was approved by the general meeting of shareholders to increase the rated share capital to \$1,000,000 thousand.

Of the Corporation's authorized capital shares, 10,000 thousand shares and 5,000 thousand shares were reserved for the issuance of employee share options as of December 31, 2021 and December 31, 2020.

On May 7, 2021, the private placement of common stock was approved by the resolution of the board of directors, and within one year from the date of the resolution of the shareholders' meeting, it will be processed once or twice. The number of private shares does not exceed 3,900 thousand shares.

In order to enrich the operating working capital and the needs of the company's long-term development, the private common stock case was approved by the shareholders' meeting on August 26, 2021, and the board of directors was authorized to handle it.

On November 5, 2021, it was approved by the board of directors to issue 2,175,000 new shares through private placement cash capital increase, with a par value of \$10 per share, and issued at NT\$102.40 per share. The private equity cash capital increase case has been approved by the Securities and Futures Bureau of the Financial Supervisory Commission on November 15, 2021. The resolution of the board of directors takes November 19, 2021 as the base date for capital increase.

The remaining changes in share capital are due to the issuance of 1,478,000 new shares due to the execution of stock options by employees.

b. Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of common shares	\$ 575,572	\$ 374,602
<u>May only be used to offset a deficit</u>		
Employee share options have been adjusted to issuance of common shares	59,118	15,742
<u>Not for any purpose</u>		
Employee share options	<u>17,713</u>	<u>27,549</u>
	<u>\$ 652,403</u>	<u>\$ 417,893</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years (including adjustment of the unappropriated earnings amount), setting aside as legal reserve 10% of the remaining profit; However, this shall not be the case when the

accumulated accumulation of statutory surpluses has reached the total amount of capital received by the Corporation. Then 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 Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, refer to Note 21(g) "employees' compensation and remuneration of directors and supervisors".

The Corporation's dividend distribution policy takes into consideration the current and future investment environment, capital requirements, domestic and international competition, capital budget plans, shareholders' interests, cash dividends should be at least 10% of the total dividends distributed. However, the Corporation may adjust the principle of distribution of cash dividends and stock dividends as necessary, depending on economic conditions, industrial development and capital needs

A legal reserve shall be charged until its balance amounts to the total amount of the Corporation's paid-in share capital. A legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865、1010047490、1030006415 issued by the Financial Supervisory Commission and a question-and-answer question on the application of a special reserve after the adoption of IFRSs

The appropriations of earnings for the years ended December 31 2020 and 2019 were approved in the shareholders' meeting on Aug 26, 2021 and June 19, 2020, respectively, and were as follows:

	<b>Appropriation of Earnings</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 3,237</u>	<u>\$ 6,115</u>
Cash dividends	<u>\$ 19,692</u>	<u>\$ 19,692</u>
Cash dividends per share (NT\$)	\$ 0.50	\$ 0.50

On March 18, 2022, the Board's proposed 2021 earnings distribution plan is as follows:

	<b>Appropriation of Earnings</b>
	<b>2021</b>
Legal reserve	<u>\$ 49,666</u>
Cash dividends	<u>\$ 219,973</u>
Cash dividends per share (NT\$)	\$ 5.00

The 2021 profit distribution plan is subject to the resolution of the general shareholders' meeting held on June 22, 2022.

## 20. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Merchandise sales revenue	<u>\$ 1,935,320</u>	<u>\$ 921,051</u>

a. Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Accounts Receivable(Note 8)	\$ 339,586	\$ 268,187	\$ 235,207
Contract Liability-current			
Merchandise sales	<u>\$ 4,806</u>	<u>\$ 7,077</u>	<u>\$ 2,571</u>

The change in contractual liabilities is mainly due to the difference between the point at which the performance obligation is met and the point at which the customer pays.

The amount of contract liabilities from the beginning of the year recognized as revenue in the current year is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>From contract liabilities at the beginning of the year</u>		
Merchandise sales	<u>\$ 6,015</u>	<u>\$ 2,460</u>

b. Segmentation of revenue from contracts with customers

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>The type of product</u>		
Flash Controller	\$ 1,861,376	\$ 838,156
Packaged Controller	42,631	33,647
Others	<u>31,313</u>	<u>49,248</u>
	<u>\$ 1,935,320</u>	<u>\$ 921,051</u>
 <u>Major regional markets</u>		
Taiwan	\$ 799,342	\$ 478,126
China	649,022	334,518
Others	<u>486,956</u>	<u>108,407</u>
	<u>\$ 1,935,320</u>	<u>\$ 921,051</u>

**21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS**

a. Interest income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Bank deposits	<u>\$ 474</u>	<u>\$ 165</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Government subsidies (Note 25)	\$ 673	\$ 15,426
Others	<u>2,307</u>	<u>859</u>
	<u>\$ 2,980</u>	<u>\$ 16,285</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net foreign exchange gains	\$ 3,706	\$ 9,243
Government subsidy income return (Note 25)	( 4,280)	-
Impairment loss (Note 10)	-	( 5,139)
Others	( 237)	-
	<u>(\$ 811)</u>	<u>\$ 4,104</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	<u>\$ 1,151</u>	<u>\$ 3,290</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating expenses	<u>\$ 7,240</u>	<u>\$ 7,661</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 22,948</u>	<u>\$ 23,289</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plan	\$ 11,598	\$ 10,856
Share-based payment (Note 24)		
Equity settlement	1,320	9,940
Other employee benefits	<u>396,037</u>	<u>252,736</u>
Total employee benefits	<u>\$ 408,955</u>	<u>\$ 273,532</u>
Employee benefits Recognized in operating expenses	<u>\$ 408,955</u>	<u>\$ 273,532</u>

g. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates of 7%-17% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which have been approved by the Corporation's board of directors on March 18, 2022 and March 19, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	10.28%	10.05%
Remuneration of directors	0.93%	1.79%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Cash Dividends</b>	<b>Share Dividends</b>	<b>Cash Dividends</b>	<b>Share Dividends</b>
Employees' compensation	\$ 72,000	\$ -	\$ 4,500	\$ -
Remuneration of directors	6,500	-	800	-

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

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

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

c. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 19,503	\$ 35,560
Foreign exchange losses	( 15,797 )	( 26,317 )
Net (losses) gains	<u>\$ 3,706</u>	<u>\$ 9,243</u>

## 22. INCOME TAXES

a. Income tax recognized in profit or loss:

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 123,752	\$ 7,193
Adjustments for prior periods	<u>1,959</u>	<u>1,821</u>
	125,711	9,014
Deferred tax		
In respect of the current year	( 144 )	( 1,894 )
Income tax expense recognized in profit or loss	<u>\$ 125,567</u>	<u>\$ 7,120</u>

A reconciliation of accounting profit and income tax expense for 2020 and 2019 is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	\$ <u>622,227</u>	\$ <u>39,489</u>
Income tax expense calculated at the statutory rate(20%)	\$ 124,445	\$ 7,898
Nondeductible expenses in determining taxable income	137	94
Tax-exempt income	-	( 3,085 )
Unrecognized deductible temporary differences	4,453	392
Tax credit of investment	( 5,427 )	-
Adjustments for prior years	<u>1,959</u>	<u>1,821</u>
Income tax benefit recognized in profit or loss	<u>\$ 125,567</u>	<u>\$ 7,120</u>

b. Current tax assets liabilities

	<b>December 31,2021</b>	<b>December 31,2020</b>
Current tax liabilities		
Income tax payable	<u>\$ 118,320</u>	<u>\$4,786</u>

c. Deferred tax assets and liabilities

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

**2021**

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<b>Deferred tax assets</b>			
<b>Temporary differences</b>			
Allowance to reduce inventory to market	\$ 13,755	\$ -	\$ 13,755
Allowance for uncollectible accounts exceeds the limits	477	-	477
Unrealized exchange losses	<u>2,203</u>	( <u>43</u> )	<u>2,160</u>
	<u>\$ 16,435</u>	( <u>\$ 43</u> )	<u>\$ 16,392</u>
<b>Deferred tax liabilities</b>			
<b>Temporary differences</b>			
Unrealized exchange gains	<u>\$ 3,115</u>	( <u>\$ 187</u> )	<u>\$ 2,928</u>

**2020**

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
<b>Deferred tax assets</b>			
<b>Temporary differences</b>			
Allowance to reduce	\$ 13,917	( \$ 162 )	\$ 13,755

inventory to market			
Allowance for uncollectible			
accounts exceeds the			
limits	150	327	477
Unrealized exchange losses	<u>808</u>	<u>1,395</u>	<u>2,203</u>
	<u>\$ 14,875</u>	<u>\$ 1,560</u>	<u>\$ 16,435</u>
<hr/>			
Deferred tax liabilities			
Temporary differences			
Unrealized exchange gains	<u>\$ 3,449</u>	<u>( \$ 334 )</u>	<u>\$ 3,115</u>

d. The deductible temporary differences for which no deferred income tax assets have been recognize

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Deductible temporary differences	<u>\$69,349</u>	<u>\$ 47,085</u>

e. Income tax assessments

Income tax returns through 2019 have been assessed by the tax authorities.

### 23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 12.20</u>	<u>\$ 0.82</u>
Diluted earnings per share	<u>\$ 11.55</u>	<u>\$ 0.82</u>

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

#### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Net income used to calculate basic and diluted earnings per share	<u>\$ 496,660</u>	<u>\$ 32,369</u>

#### Shares

(In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Weighted-average number of common shares used in the computation of basic earnings per share	40,717	39,384
Effect of potentially dilutive common shares:		
Employee share options	1,787	
Employees' compensation	<u>482</u>	<u>326</u>
Weighted-average number of common shares used in the computation of dilutive earnings per share	<u>42,986</u>	<u>39,710</u>

If the Corporation offered to settle compensation or bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were 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.

The corporation's rights issue is not included in the diluted earnings per share due to the fact that the execution price is higher than the average market value of 2020 shares.

## 24. SHARE-BASED PAYMENT ARRANGEMENTS

### Restricted share plan for employees

#### a. FY2017 share plan for employees

On May 17, 2017, the Corporation gave 2,500 units of equity to employees, each of which can subscribe for 1 share of common stock, to employees who include the Company's specific conditions. The retention period of the rights issue shall be 4 years, and the holder may exercise a certain proportion of the rights to be given to it from the date of the issuance of the certificate for 1 years. The above-mentioned employee warrants are declared effective by Rule No. 1060013848 issued by the Financial Supervisory Commission.

Information on share plan for employees was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
Share plan for employees	Unit	Weighted average execution price	Unit	Weighted average execution price
Balance at January 1	2,473	\$ 31.80	2,473	\$ 36.58
Executed	( 1,478 )	31.80	-	-
Logged out	( 737 )	31.80	-	-
Balance at December 31	<u>258</u>	31.30	<u>2,473</u>	31.80
Balance at December 31 can be executed	<u>258</u>		<u>1,848</u>	

As of the balance sheet date, information on share plan for employees was as follows:

	<b>December 31,2021</b>	<b>December 31,2020</b>
The range of execution price(NT\$)	\$ 31.30	\$ 31.80
Weighted average remaining contract terms ( year )	1.37 years	2.37 years

In May 2017, the Corporation gave its employees a share issue using the Black-Scholes evaluation model, which uses the following input values:

	<b>May 2017</b>
Fair Value	40.15
The execution price	40.15
Expected volatility	25.12~27.25%
Period	2.5~4.5 years
Expected dividend rate	-
Risk-free interest rates	1.04~1.07%

The expected volatility is based on the standard deviation over the life of the simulated company's historical average stock price volatility over time and is annualized.

For the years ended December 31, 2021 and 2020, the compensation costs recognized were \$(1,656) thousand and \$2,098 thousand, respectively.

b. FY2019 share plan for employees

On December 31, 2019, the Corporation gave 2,500 units of equity to employees, each of which can subscribe for 1 share of common stock, to employees who include the Company's specific conditions. The retention period of the rights issue shall be 6 years, and the holder may exercise a certain proportion of the rights to be given to it from the date of the issuance of the certificate for 2 years. The above-mentioned employee warrants are declared effective by Rule No. 1080339350 issued by the Financial Supervisory Commission.

Information on share plan for employees was as follows:

	<b>For the Year Ended December 31</b>			
	2021		2020	
Share plan for employees	Unit	Weighted average execution price	Unit	Weighted average execution price
Balance at January 1	2,500	\$ 32.50	2,500	\$ 33.15
Logged out	( 457 )	32.50	-	
Balance at December 31	<u>2,043</u>	31.90	<u>2,500</u>	32.50
Balance at December 31 can be executed	<u>793</u>		<u>-</u>	

As of the balance sheet date, information on share plan for employees was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The range of execution price(NT\$)	\$ 31.90	\$ 32.50
Weighted average remaining contract terms ( year )	4 years	5 years

In December 2019, the Corporation gave its employees a share issue using the Black-Scholes evaluation model, which uses the following input values:

	<u>December 2019</u>
Fair Value	33.15
The execution price	33.15
Expected volatility	33.21 ~ 37.07%
Period	2.5 ~ 4.5 years
Expected dividend rate	-
Risk-free interest rates	0.55 ~ 0.58%

The expected volatility is based on the standard deviation over the life of the simulated company's historical average stock price volatility over time and is annualized.

For the years ended December 31, 2021 and 2020, the compensation costs recognized were \$2,976 thousand and \$7,842 thousand, respectively.

## **25. GOVERNMENT SUBSIDIES**

In June 2020, the company has applied for wage payment support issued by the Ministry of Economic Affairs, and the support period is from April 2020 to June 2020. The original approved amount was \$15,426 thousand (other incomes for 2020) Because the company did not fully comply with the regulations, the wage subsidy in May 2020 will not be subsidized, and the subsidy of \$4,280 thousand must be returned to the Ministry of Economic Affairs (other losses for 2021). Received a government subsidy of \$673 thousand from the "Flagship Program for Youth Employment" in 2021(other incomes for 2021).

## **26. DISPOSAL OF INVESTMENT SUBSIDIARIES- LOSS OF CONTROL**

Innostor Technology Corporation is responsible for the design of integrated circuits. On August 26, 2021, it was approved by the resolution of the ordinary shareholders' meeting to dissolve and liquidate its operations. The company will complete the disposal in August 2021 and lose control of the subsidiary. For the description of the disposal of Innostor Technology Corporation, please refer to Note 27 of the 2021 Consolidated Financial Report.

## **27. PARTIAL ACQUISITION OF EQUITY IN INVESTMENT SUBSIDIARIES- DOES NOT AFFECT CONTROL**

The company acquired 30.26% equity of Innostor Technology (Samoa) Limited on August 26, 2021, increasing the shareholding ratio from 69.74% to 100%.

Since the above transactions did not change the control of the consolidated company over these subsidiaries, the company is treated as a transaction of shareholders' equity. Please refer to Note 28 of the 's 2021 Consolidated Financial Report for the explanation of part of the acquisition of Innostor Technology (Samoa) Limited.

## **28. CAPITAL MANAGEMENT**

Based on the overall operating environment and the future development of the Corporation, and taking into account external competition and environmental changes and other related factors, the Company's capital structure is regularly reviewed by the main management, including consideration of the cost of various types of capital and related risks, in order to determine the appropriate capital structure of the Corporation. Objective to maintain the Company 's working capital requirements, research and development costs and dividend expenses for the future period, and to ensure that the Company can continue to operate, give back to shareholders while taking into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholder value in the long term.

The capital structure of the Company consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital, capital surplus, retained earnings and other equities).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

## **29. FINANCIAL INSTRUMENTS**

- a. Categories of financial instruments

	<u>December 31,2021</u>	<u>December 31,202</u>
Financial assets		
Amortized cost (Note 1)	\$ 1,766,162	\$ 805,781
Financial liabilities		
Amortized cost (Note 2)	340,145	257,332

Note 1: Including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: Including short-term loans, accounts payable (including related parties), payables to contractors and equipment suppliers, cash dividends payable, accrued expenses and other current liabilities, bonds payable and guarantee deposits.

b. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. The Company's financial management department provides services to the business unit and coordinates access to domestic and international financial markets. The risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency rates (please refer below (a)) and interest rates. (please refer below b)) The Company engages in a variety of derivative financial instruments to manage the foreign currency exchange rate risks assumed.

The Company's approach to the risk of market risks in financial instruments and the way in which they are managed and measured has not changed.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. About 100% of the Corporation's sales are not denominated in functional currencies, while about 98% of the cost amounts are not denominated in functional currencies.

The book value of monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date, as well as the book value of derivatives with exchange rate risk, please refer to Note 32..

Sensitivity analysis

The Corporation was mainly exposed to the US dollar.

The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents 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 adjusts its translation at the end of the reporting period for a 1% change in foreign currency rates. A positive

number below indicates a decrease in pre-tax profit and other equity associated with the New Taiwan dollar strengthens 1% against the relevant currency. For a 6% weakening of the New Taiwan dollar 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.

	<b>For the Year Ended December 31</b>	
	<b>Impact of USD</b>	
	<b>2021</b>	<b>2020</b>
<b>Impact of USD</b>	\$ 3,421(i)	\$ 1,270(i)

i. Mainly derived from the Corporation's balance sheet date is still in circulation and no cash flow risk aversion in U.S. dollar-denominated bank deposits, receivables, payables and bank loan.

b) Interest rate risk

As the Company borrows funds at both fixed and floating rates, interest rate risk arises. The Company manages interest rate risk by maintaining an appropriate fixed and floating interest rate portfolio. The Company regularly evaluates risk aversion activities to bring them into line with interest rate perspectives and established risk appetites to ensure the most cost-effective risk aversion strategies are adopted.

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

	<b>December 31,2021</b>	<b>December 31,202</b>
Fair value interest rate risk		
– Financial assets	\$ 694,707	\$ 5,099
Cash flow interest rate risk		
– Financial assets	728,764	529,127
– Financial liabilities	-	126,450

Sensitivity analysis

The following sensitivity analysis is based on the risk of interest rate risk at the balance sheet date for derivatives and non-derivatives. For floating rate assets, the analysis is based on the assumption that the amount of assets in circulation on the balance sheet day is in circulation during the reporting period. The rate of change used to report interest rates to key management within the Company increases or decreases by 1% per year, which also represents management's assessment of the reasonable range of possible changes in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$7,288 thousand and \$4,027 thousand, respectively. The main reason is the net risk of the Company's interest-bearing bank deposits at variable interest rates.

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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to a failure of counterparties to discharge an obligation and financial

guarantees provided by the Company, comes from the carrying amounts of the respective recognized financial assets as stated in the parent company only balance sheets. The Company's credit risk is mainly concentrated in the Company's top five customers, as of December 31, 2021 and 2020, the total accounts receivable from the aforementioned customers' ratio of 65% and 67%, respectively.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. December 31, 2021 and December 31, 2020, the Company's available unutilized bank loan facilities please refer below b):

#### a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following tables' detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

##### **December 31, 2021**

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year
Non-interest bearing liabilities			
Notes payable	\$ 69,942	\$ 74,855	\$ -
Other payables	<u>38,065</u>	<u>3,073</u>	<u>-</u>
	<u>\$ 108,007</u>	<u>\$ 77,928</u>	<u>\$ -</u>

##### **December 31, 2020**

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year
Non-interest bearing liabilities			
Notes payable	\$ -	\$ 591	\$ 590
Accounts payable	24,181	43,266	1,132
Other payables	17,502	2,704	-
Floating interest rate instruments	<u>-</u>	<u>126,450</u>	<u>-</u>
	<u>\$ 41,683</u>	<u>\$ 173,011</u>	<u>\$ 1,722</u>

Note: The amount of the above-mentioned other payables excludes salaries and bonuses payable, pension payable, remuneration of directors payable and employees' compensation payable.

The amount of the above-mentioned floating rate instruments for non-derivative financial assets and liabilities will vary depending on the variable rate and the interest rate estimated at the balance sheet date.

b) Bank loan facilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Uncollateralized Bank loan facilities		
– Utilized	\$ -	\$ 126,450
– Unutilized	<u>360,000</u>	<u>217,850</u>
	<u>\$ 360,000</u>	<u>\$ 344,300</u>
Collateralized Bank loan facilities		
– Unutilized	<u>\$ 90,000</u>	<u>\$ 40,000</u>

### 30. RELATED PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:

a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship</u>
Advanced Memory Technology Co., Ltd Innostor Technology Corporation	Subsidiary Subsidiary(On August 26, 2021, the liquidation will be closed, and then it will be a non-related person)
Innostor Technology (Shenzhen) Ltd	Subsidiary

b. Operating revenue

<u>Item</u>	<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Sales revenue	Subsidiary	<u>\$ 65,444</u>	<u>\$ 81,953</u>

The company's sales price to related parties is the same as that of general customers, and its collection conditions are implemented in accordance with the collection policy.

c. Purchase

<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary	<u>\$ 11,165</u>	<u>\$ -</u>

The company's purchase price for related parties is the same as that of general manufacturers, and its payment terms are the same as those for non-related parties.

d. Receivables from related parties(Does not include loans to related parties)

<u>Item</u>	<u>Related Party Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Subsidiary		
	Innostor Technology Corporation	<u>\$ -</u>	<u>\$ 52,411</u>

The collection conditions for the related parties shall be implemented in accordance with the Corporation's collection policy.

e. Rent income

<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary		
Innostor Technology Corporation	\$ <u>155</u>	\$ <u>268</u>

f. Prepayments

<u>Related Party Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary	\$ <u>377</u>	\$ <u>-</u>

g. Other assets acquisition

<u>Related Party Categories</u>	<u>Item</u>	<u>For the Year Ended December 31</u>	
		<u>Get price</u>	
		<u>2021</u>	<u>2020</u>
Subsidiary			
Innostor Technology Corporation	Intangible assets	\$ <u>-</u>	\$ <u>9,000</u>

h. Other related party transactions

The Company has provided some management services to its subsidiary Innostor Technology Corporation, and recognized other income of \$26 thousand and \$82 thousand for the years ended December 31, 2021 and 2020, respectively.

The subsidiary has provided some management services to the Corporation, and recognized and paid management fee of \$1,200 thousand and \$6,600 thousand for the years ended December 31, 2021 and 2020, respectively.

Subsidiaries Innostor Technology Corporation and Innostor Technology (Shenzhen) Ltd provide some research and development services for the company. The research and development service fees recognized and paid in 2021 are \$280 thousand and \$4,290 thousand respectively.

i. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ <u>33,865</u>	\$ <u>15,683</u>

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

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the bank loan and tariff of imported raw materials:

	<u>December 31,2021</u>	<u>December 31,2020</u>
Financial assets at amortized cost - current	\$ 25,066	\$ 25,049
Land	44,592	44,592
Buildings	<u>25,746</u>	<u>26,590</u>
	\$ <u>95,404</u>	\$ <u>96,231</u>

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

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

#### December 31, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary</u>			
USD	\$ 17,589	27.68	\$ 486,864
CNY	161	4.344	699
KRW	2,277	0.0235	54
			<u>\$ 487,617</u>
<u>Financial liabilities</u>			
<u>Monetary</u>			
USD	5,231	27.68	<u>\$ 144,794</u>

#### December 31, 2020

	<u>Foreign Currencies</u>	<u>Exchange Rates</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary</u>			
USD	\$ 11,246	28.48	\$ 320,286
CNY	161	4.377	705
KRW	1,492	0.0264	39
			<u>\$ 321,030</u>
<u>Financial liabilities</u>			
<u>Monetary</u>			
USD	6,788	28.48	<u>\$ 193,322</u>

Foreign exchange gain and loss (unrealized) towards each foreign currency with significant impact were as follows:

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Net exchange gain and loss</u>	<u>Exchange Rate</u>	<u>Net exchange gain and loss</u>
USD	27.68 (USD:NTD)	<u>\$ 8,984</u>	28.48 (USD:NTD)	<u>\$ 9,709</u>

### 33. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees:
  - 1) Financing provided to others. (None)
  - 2) Endorsements/guarantees provided. (None)
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (None).

- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 6) Disposals 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. (None)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
  - 9) Trading in derivative instruments. (None)
- b. Information of investees. (Table 1)
- c. Information on investment in mainland China
- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: (Table 2)
  - 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: (None).
    - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - (3) The amount of property transactions and the amount of the resultant gains or losses.
    - (4) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the period and their purposes.
    - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
    - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Main Shareholder Information: Name of shareholders with an equity ratio of more than 5%, amount and proportion of shareholding. (Table 3)

## ASOLID TECHNOLOGY CO., LTD.

**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		Balance as of September 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Notes
				September 30, 2021	December 31, 2020	Shares	%	Carrying Amount			
ASOLID TECHNOLOGY CO., LTD	Advanced Memory Technology Co., Ltd	Taipei	Integrated circuit design	\$ 21,860	\$ 21,860	2,450	37.12%	\$ 215	\$ ( 441)	\$ ( 164)	—
	Innostor Technology Corporation	Hsinchu	Integrated circuit design	-	59,281	-	-	-	137	3,747	—
	Innostor Technology (Samoa) Limited	Samoa	Investment	2,626 ( USD80 thousand)	-	80	100%	( 11 )	52	17	—
Innostor Technology Corporation	Innostor Technology (Samoa) Limited	Samoa	Investment	-	2,626 (USD80 thousand)	-	-	-	52	35	—

Note: Information on Investment in Mainland China, please refer to TABLE 2

## ASOLID TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars/USD, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	NOTE
					Outflow	Inflow							
Innostor Technology (Shenzhen) Ltd.	Consumer electronics, services business	\$ 2,626 (USD80 thousand)	Indirectly invested through companies registered in a third region	\$ 2,626 (USD80 thousand) (Note 2)	\$ -	\$ -	\$ 2,626 (USD80 thousand) (Note 2)	\$ 52	100%	\$ 52	(\$ 11)	\$ -	Subsidiary

Accumulated Investments in Mainland China as of	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investments(Note 1)
\$2,626 (USD80 thousand)	\$2,626 (USD80 thousand)	\$1,039,685

Note 1 : In accordance with the Provisions on the Examination of Investment or Technical Cooperation in the Mainland Area as stipulated by the Investment Commission of the Ministry of Economic Affairs.

Note 2 : The combined company undergoes organizational reorganization. The company directly holds the equity of Innostor Technology (Samoa) Limited, while the combined company indirectly holds Innostor Technology (Shenzhen) Ltd., and the shareholding ratio has increased from 69.74% to 100%.

**TABLE 3****ASOLID TECHNOLOGY CO., LTD****INFORMATION ON MAJOR SHAREHOLDER****December 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kevin Liu	2,282,022	5.30%
KINGSTON TECHNOLOGY CORPORATION investment account under entrusted custody of China Trust and Commercial Bank	2,175,000	5.05%

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

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

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**STATEMENT 1****ASOLID TECHNOLOGY CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars and Foreign Currency)**

<u>Item</u>	<u>Amount</u>
Cash on hand and Petty cash	\$ 1,514
Cash in banks	
Demand deposits	554,617
Foreign Currency demand deposits ( Note )	154,188
Time Deposits	<u>689,600</u>
	<u>\$ 1,399,919</u>

Note : Including US\$5,579 thousand @27.68

**STATEMENT 2****ASOLID TECHNOLOGY CO., LTD.****STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Amount</u>
Arising from operating activities and non-related parties	
Client A	\$140,824
Client B	36,003
Client C	28,952
Client D	22,812
Client E	22,022
Client F	19,453
Client G	18,621
Others (Note)	<u>78,224</u>
	366,911
Less: Loss allowance	( <u>27,325</u> )
Related parties	<u>\$339,586</u>

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

**ASOLID TECHNOLOGY CO., LTD.**

**STATEMENT OF INVENTORIES**  
**DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars)

<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value (Note)</b>
Raw materials	\$137,297	\$123,725
Work in progress	12,661	12,661
Finished goods	172,703	281,815
Merchandise	<u>67,473</u>	<u>67,605</u>
	390,134	<u>\$485,806</u>
Less: Allowance for losses due to falling market prices and slow-moving inventories	( <u>83,774</u> )	
	<u>\$306,360</u>	

Note : Inventories 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.

## ASOLID TECHNOLOGY CO., LTD.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Investees	Balance, January 1, 2021		Additions in Investment		Decrease in Investment		Balance, December 31, 2021			Market Value or Net Assets Value(Note 1)		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount(Note 1)	Share	%	Amount	Unit Price	Total Amount	
Investments account for using equity method												
Advanced Memory Technology Co., Ltd	2,450	\$ 378	-	\$ -	-	(\$ 163)	2,450	37.12	\$ 215	\$ 0.09	\$ 215	None
Innostor Technology Corporation	5,928	( 12,346)	-	-	( 5,928)	12,346	-	-	-	-	-	None
Innostor Technology (Samoa) Limited	-	-	80	( 11)	-	-	80	100	( 11)	( 0.14)	( 11)	None
		<u>(\$ 11,968)</u>		<u>(\$ 11)</u>		<u>\$ 12,183</u>			<u>\$ 204</u>		<u>\$ 204</u>	

Note 1 : It is calculated by the financial statements of the invested company and the proportion of the company's shareholding.

**STATEMENT 5****ASOLID TECHNOLOGY CO., LTD.****STATEMENT OF ACCOUNTS PAYABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

<u>Vendor Name</u>	<u>Amount</u>
Non-related parties	
Vendor H	\$ 55,100
Vendor I	38,730
Vendor J	20,127
Vendor K	11,270
Vendor L	7,273
Others (Note)	<u>12,297</u>
	<u>\$144,797</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

**STATEMENT 6****ASOLID TECHNOLOGY CO., LTD.****STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Shipments</u>	<u>Amount</u>
Flash Controller	279,947	\$ 1,861,376
Packaged Controller	3,105	42,631
Others	17	<u>31,313</u>
		<u>\$ 1,935,320</u>

**ASOLID TECHNOLOGY CO., LTD.**

**STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Raw materials, beginning of year	\$114,234
Add: Raw material purchased	580,866
Less: Raw materials, end of year	( 43,286)
Others	<u>735</u>
Raw material used	652,549
Add: Subcontract expenses	<u>189,770</u>
Manufacturing costs	842,319
Add: Work in progress, beginning of year	12,661
Less: Work in progress, end of year	( 28,962)
Loss on physical inventory	( <u>288</u> )
Cost of finished goods	825,730
Add: Finished goods, beginning of year	115,781
Add: Purchase	11,165
Less: Transferred to operating expenses	( 2,460)
Others	( 1,635)
Finished goods, end of year	( <u>139,011</u> )
Cost of finished goods	809,570
Merchandise, beginning of year	63,684
Add: Merchandise purchased	45,710
Less: Others	14,973
Merchandise, end of year	( <u>71,962</u> )
Cost of Merchandise	52,405
Loss on physical inventory	288
Others	( <u>99,680</u> )
Operating costs	<u><u>\$762,583</u></u>

**ASOLID TECHNOLOGY CO., LTD.**

**STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Item	Amount		
	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Payroll and related expenses	\$ 35,129	\$ 40,814	\$ 201,820
Bonus expenses	11,301	10,392	65,277
Commission expense	6,036	-	-
Entertainment expenses	2,851	4,904	1,095
Various Amortization	-	2,489	20,459
Other(Note)	<u>35,267</u>	<u>25,298</u>	<u>82,470</u>
	<u>\$ 90,584</u>	<u>\$ 83,897</u>	<u>\$ 371,121</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## ASOLID TECHNOLOGY CO., LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Labor cost						
Salary and bonuses	\$ -	\$358,233	\$358,233	\$ -	\$231,511	\$231,511
Pension	-	11,598	11,598	-	10,856	10,856
Remuneration of directors	-	11,109	11,109	-	11,402	11,402
Board compensation	-	6,500	6,500	-	800	800
Employee insurance	-	21,515	21,515	-	18,963	18,963
Total	<u>\$ -</u>	<u>\$408,955</u>	<u>\$408,955</u>	<u>\$ -</u>	<u>\$273,532</u>	<u>\$273,532</u>
Depreciation	<u>\$ -</u>	<u>\$ 7,240</u>	<u>\$ 7,240</u>	<u>\$ -</u>	<u>\$ 7,661</u>	<u>\$ 7,661</u>
Amortization	<u>\$ -</u>	<u>\$ 22,948</u>	<u>\$ 22,948</u>	<u>\$ -</u>	<u>\$ 23,289</u>	<u>\$ 23,289</u>

Note 1: As of December 31, 2021 and 2020, the Company had 262 and 264 employees, respectively, which included 3 non-employee directors for both years.

Note 2: Companies whose stocks are listed on the stock exchange or listed on the stock counter trading center should disclose the following information:

- (1) The average employee welfare expense for the current year is 1,554 thousand (“Total employee welfare expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who are not concurrent employees”). The average employee welfare expense for the previous year is 1,045 thousand (“Total employee welfare expenses for the previous year-Total directors' remuneration”/“Number of employees for the previous year-Number of non-part-time directors”).
- (2) The average employee salary expenses for the current year is 1,383 thousand (the total salary expenses for the current year/“the number of employees in the current year-the number of directors who are not part-time employees”). The average salary of the previous year is 887 thousand (the total salary expenses of the previous year/“the number of employees in the previous year-the number of directors who have not served concurrently as employees”).
- (3) Changes in the average employee salary expense adjustment (55.92%) (“Average employee salary expense for the current year-Average employee salary expense for the previous year”/Average employee salary expense for the previous year).
- (4) Please describe the Company's pay and compensation policy (including directors, supervisors, managers and employees).

- A. The Company's Remuneration Committee is designed to assist the Board in implementing and evaluating the Company's overall compensation and benefits policy, as well as the remuneration of directors and managers. The Pay and Compensation Committee is made up of three independent directors and meets at least twice a year.
- B. The Pay and Compensation Committee faithfully performs the following functions and powers with the attention of a good manager and submits the recommendations to the Board for discussion:
  - a. Establish and regularly review the policies, systems, standards and structure of directors' and managers' performance appraisals and remuneration.
  - b. Regularly assess and determine the remuneration of directors and managers.
- C. In carrying out the aforementioned functions, the Remuneration Commission shall do in accordance with the following principles:
  - a. The performance appraisal and remuneration of directors and managers shall take into account the usual level of subdivision of the industry and consider the reasonableness of the relationship with personal performance, the company's operating performance and future risks.
  - b. Directors and managers should not be directed to engage in excess of the company's risk appetite in pursuit of remuneration.
  - c. The proportion of dividends paid to directors and senior managers for short-term performance and the timing of payment of part of the variable salary remuneration shall be determined taking into account the characteristics of the industry and the nature of the company's business.