

English Translation of a Report and Financial Statements Originally Issued in Chinese

**SILICON INTEGRATED SYSTEMS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

**Address: No.180, Sec. 2, Gongdao 5th Rd., Hsinchu City, Taiwan R.O.C.
Telephone: 886-3-516-6000**

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2021 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

Silicon Integrated Systems Corporation

Chairman: Louis Chien

March 10, 2022

Independent Auditors' Report

To Silicon Integrated Systems Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Silicon Integrated Systems Corporation and its subsidiaries (“the Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial position of the Company as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company recognized NT\$252,153 thousand as net sales for the year ended December 31, 2021. Sales of products is the main operating activity of the Company. Its sale regions include not only Taiwan but also Asia and other regions. Trade terms of sales of products under each sale order may be different. It is necessary for the Company to judge and determine the performance obligations and the timing of its satisfaction under each sale order. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of internal control which is related to the timing of revenue recognition; assessing the appropriateness of the accounting policy for revenue recognition; performing test of details on samples selected; tracing to relevant documentation of transactions, reviewing the significant terms of sale orders and agreements, identifying the performance obligations of the sale orders and agreements and timing of its satisfaction, performing cutoff procedures and reviewing sales allowance after the reporting date. Please refer to Note 4 and Note 6 in notes to the consolidated financial statements.

Non-financial asset impairment

The Company's book value of property, plant and equipment amounted to NT\$747,713 thousand as of December 31, 2021, representing 3% of total assets. As there existed an impairment indicator of the Company's cash-generating unit, the Company performed an impairment testing on the cash-generating unit. After performing the testing, the Company concludes that the cash-generating unit's net fair value is higher than its carrying amount and therefore no impairment loss is recognized. Since the estimate of net fair value involves management's judgements and subjective assumptions, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) understanding and evaluating the management process related to assets impairment recognition and measurement, evaluating the reasonableness of the property, plant and equipment appraisal report, reviewing the calculation of the fair value of property, plant and equipment which is adopting the comparative method, and inspecting the evidence of the Company's ownership of the property.

Please refer to Note 5 and Note 6 in notes to the consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, whose statements reflected total assets in the amount of NT\$68,010 thousand, constituting 0% of the consolidated total assets as of December 31, 2021; and total operating revenues in the amount of NT\$12,337 thousand, constituting 5% of the consolidated operating revenues for the year ended December 31, 2021. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. The investment in these associates and joint ventures under equity method amounted to NT\$101,275 thousand and NT\$106,599 thousand, representing 1% and 1% of the consolidated total assets as of December 31, 2021 and 2020, respectively. The related shares of losses from the associates and joint ventures under the equity method amounted to NT\$22,214 thousand and NT\$68,904 thousand, representing (11)% and 27% of the consolidated net income (loss) before tax for the years ended December 31, 2021 and 2020, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of Silicon Integrated Systems Corporation as of and for the years ended December 31, 2021 and 2020.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 10, 2022

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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.

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2021	%	December 31, 2020	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 654,921	3	\$ 819,360	5
Financial assets measured at amortized cost-current	4, 6(3), 12	9,624	-	9,605	-
Trade receivables, net	4, 6(4), 6(12), 12	17,530	-	21,306	-
Trade receivables-related parties, net	4, 6(4), 6(12), 7, 12	705	-	2,631	-
Other receivables	12	50,680	-	22,066	-
Inventories, net	4, 5, 6(5)	118,978	1	73,127	1
Prepayments		5,860	-	4,583	-
Other current assets		20,282	-	4,767	-
Total current assets		878,580	4	957,445	6
Non-current assets					
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(2), 12	21,568,706	92	15,697,723	89
Investments accounted for using the equity method	4, 6(6)	101,275	1	106,599	1
Property, plant and equipment	4, 5, 6(7)	747,713	3	749,534	4
Right-of-use assets	4, 6(13)	7,721	-	15,026	-
Intangible assets	4, 6(8)	6,507	-	7,054	-
Deferred tax assets	4, 5, 6(17)	2,473	-	-	-
Prepayment for equipment		2,902	-	705	-
Refundable deposits	12	2,448	-	2,659	-
Net defined benefit assets-noncurrent	4, 6(9)	59,171	-	57,364	-
Total non-current assets		22,498,916	96	16,636,664	94
Total assets		\$ 23,377,496	100	\$ 17,594,109	100

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

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2021	%	December 31, 2020	%
Current liabilities					
Contract liabilities-current	6(11)	\$ 543	-	\$ 428	-
Accounts payable	12	15,443	-	10,270	-
Accounts payable-related parties	7, 12	8,669	-	6,130	-
Other payables	12	60,044	-	41,258	-
Other payables-related parties	7, 12	2,639	-	-	-
Payables on equipment		1,943	-	1,706	-
Lease liabilities-current	4, 6(13), 12	7,626	-	8,293	-
Other current liabilities		5,277	-	2,560	-
Refund liabilities		3,492	-	3,214	-
Total current liabilities		105,676	-	73,859	-
Non-current liabilities					
Deferred tax liabilities	4, 5, 6(17)	4,960	-	2,487	-
Lease liabilities-noncurrent	4, 6(13), 12	250	-	6,783	-
Guarantee deposits	12	3,772	-	3,405	-
Total non-current liabilities		8,982	-	12,675	-
Total liabilities		114,658	-	86,534	-
Equity					
Share capital	6(10)				
Common stock		6,814,449	29	6,309,675	36
Capital surplus	4,6(10)	81,798	1	85,807	1
Retained earnings	6(10)				
Legal reserve		402,492	2	143,742	1
Special reserve		-	-	2,878,280	16
Unappropriated earnings		2,811,971	12	935,441	5
Other equity		13,125,503	56	7,145,252	41
Equity attributable to owners of the parent		23,236,213	100	17,498,197	100
Non-controlling interests	4	26,625	-	9,378	-
Total equity		23,262,838	100	17,507,575	100
Total liabilities and equity		\$ 23,377,496	100	\$ 17,594,109	100

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	For the years ended December 31		
		2021	%	2020
Net sales	4, 6(11), 7, 14	\$ 252,153	100	\$ 160,171
Operating costs	6(5), 6(13), 6(14), 7	(167,666)	(66)	(115,036)
Gross profit		84,487	34	45,135
Operating expenses	6(12), 6(13), 6(14), 7			
Selling expenses		(71,921)	(29)	(41,542)
General and administrative expenses		(121,408)	(48)	(120,040)
Research and development expenses		(249,734)	(99)	(325,022)
Expected credit gain (loss)		3,119	1	(5,905)
Total operating expenses		(439,944)	(175)	(492,509)
Operating losses		(355,457)	(141)	(447,374)
Non-operating income and expenses	4, 6(6), 6(15)			
Interest income		2,506	1	3,316
Other income		565,202	224	266,612
Other gains and losses		6,309	3	(10,025)
Finance costs		(425)	-	(195)
Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method		(22,214)	(9)	(68,904)
Total non-operating income and expenses		551,378	219	190,804
Income before income tax		195,921	78	(256,570)
Income tax expense	4, 5, 6(17)	(11,243)	(5)	(43,520)
Net income		184,678	73	(300,090)
Other comprehensive income	6(16)			
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	6(9)	1,773	1	5,465
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income		6,047,183	2,398	10,025,377
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations		(468)	-	1,375
Other comprehensive income, net of tax		6,048,488	2,399	10,032,217
Total comprehensive income		6,233,166	2,472	9,732,127
Net income for the periods attributable to :				
Owners of the parent		\$198,311	78	\$ (299,468)
Non-controlling interests		(13,633)	(5)	(622)
		\$184,678	73	\$ (300,090)
Total comprehensive income for the periods attributable to :				
Owners of the parent		\$6,246,799	2,477	\$9,732,749
Non-controlling interests		(13,633)	(5)	(622)
		\$6,233,166	2,472	\$9,732,127
Earnings per share (NTD)	6(18)			
Basic Earnings Per Share (in New Taiwan Dollars)		\$ 0.29		\$ (0.45)
Diluted Earnings Per Share (in New Taiwan Dollars)		\$ 0.29		\$ (0.45)

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Retained earnings							Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	Treasury stock	Equity attributable to owners of the parent			
Balance as of January 1, 2020	\$ 5,540,625	\$ 6,445	\$ -	\$ 4,576,364	\$ 633,194	\$ (5,966)	\$ (2,872,314)	\$ (182,840)	\$ 7,695,508	\$ -	\$ 7,695,508	
Appropriation and distribution of 2019 retained earnings												
Legal reserve	-	-	143,742	-	(143,742)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(769,050)	-	-	-	(192,262)	-	(192,262)	
Share dividends	769,050	-	-	-	1,698,084	-	-	-	-	-	-	
Special reserve reversed	-	-	-	(1,698,084)	-	-	-	-	-	-	-	
Other changes in capital surplus	-	7,796	-	-	-	-	-	-	7,796	-	7,796	
Share of changes in associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	
Net loss for the year ended December 31, 2020	-	-	-	-	(299,468)	-	-	-	(299,468)	(622)	(300,090)	
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	5,465	1,375	10,025,377	-	10,032,217	-	10,032,217	
Total comprehensive income (loss)	-	-	-	-	(294,003)	1,375	10,025,377	-	9,732,749	(622)	9,732,127	
Treasury stock acquired	-	71,160	-	-	-	-	-	182,840	254,000	-	254,000	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,220	-	(3,220)	-	-	-	-	
Others	-	406	-	-	-	-	-	-	406	-	406	
Non-controlling Interests	-	-	-	-	-	-	-	-	-	10,000	10,000	
Balance as of December 31, 2020	\$ 6,309,675	\$ 85,807	\$ 143,742	\$ 2,878,280	\$ 935,441	\$ (4,591)	\$ 7,149,843	\$ -	\$ 17,498,197	\$ 9,378	\$ 17,507,575	
Balance as of January 1, 2021	\$ 6,309,675	\$ 85,807	\$ 143,742	\$ 2,878,280	\$ 935,441	\$ (4,591)	\$ 7,149,843	\$ -	\$ 17,498,197	\$ 9,378	\$ 17,507,575	
Appropriation and distribution of 2020 retained earnings												
Legal reserve	-	-	258,750	-	(258,750)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(504,774)	-	-	-	(504,774)	-	(504,774)	
Share dividends	504,774	-	-	-	(504,774)	-	-	-	-	-	-	
Special reserve reversed	-	-	-	(2,878,280)	2,878,280	-	-	-	-	-	-	
Other changes in capital surplus	-	(10,889)	-	-	-	-	-	-	(10,889)	-	(10,889)	
Share of changes in associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	
Net income for the year ended December 31, 2021	-	-	-	-	198,311	-	-	-	198,311	(13,633)	184,678	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,773	(468)	6,047,183	-	6,048,488	-	6,048,488	
Total comprehensive income (loss)	-	-	-	-	200,084	(468)	6,047,183	-	6,246,799	(13,633)	6,233,166	
Changes in subsidiaries' ownership	-	6,620	-	-	-	-	-	-	6,620	(6,620)	-	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	66,464	-	(66,464)	-	-	-	-	
Others	-	260	-	-	-	-	-	-	260	-	260	
Non-controlling Interests	-	-	-	-	-	-	-	-	-	-	-	
Balance as of December 31, 2021	\$ 6,814,449	\$ 81,798	\$ 402,492	\$ -	\$ 2,811,971	\$ (5,059)	\$ 13,130,562	\$ -	\$ 23,236,213	\$ 26,625	\$ 23,262,838	

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31	
	2021	2020
Cash flows from operating activities :		
Net income before tax	\$ 195,921	\$ (256,570)
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	26,566	21,736
Amortization	2,631	1,857
Expected credit (gains) losses	(3,119)	5,905
Interest expenses	425	195
Interest income	(2,506)	(3,316)
Dividend income	(532,886)	(236,400)
Share-based payment	-	71,200
Share of loss of subsidiaries and joint ventures accounted for using the equity method	22,214	68,904
(Gains) losses on disposal of property, plant and equipment	(5)	468
(Gains) losses on disposal of investments	(6,922)	7,157
Others	-	(33)
Changes in operating assets and liabilities:		
Trade receivables	6,951	1,669
Trade receivables-related parties	1,926	(2,631)
Other receivables	1,178	(643)
Inventories	(45,851)	(1,217)
Prepayments	(1,277)	(1,123)
Other current assets	(15,515)	1,878
Other operating assets	(34)	(21)
Contract liabilities	115	(328)
Accounts payable	5,173	4,162
Accounts payable-related parties	2,539	(2,045)
Other payables	18,786	(5,881)
Other payables-related parties	2,639	-
Other current liabilities	2,995	(4,515)
Cash generated from operating activities	(318,056)	(329,592)
Interest received	2,518	3,411
Income tax paid	(41,047)	(20,648)
Net cash used in operating activities	(356,585)	(346,829)
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	183,122	19,550
Acquisition of financial assets measured at amortized cost	(19)	(20)
Acquisition of investments accounted for using the equity method	(30,000)	(48,807)
Acquisition of property, plant and equipment	(15,778)	(10,055)
Proceeds from disposal of property, plant and equipment	64	1,522
Decrease (increase) in refundable deposits	211	(1,218)
Acquisition of intangible assets	(2,091)	(1,872)
Increase in prepayment for equipment	(2,197)	(674)
Dividends received	534,902	238,900
Net cash provided by investing activities	668,214	197,326
Cash flows from financing activities :		
Increase (decrease) in guarantee deposits	367	(22)
Cash payment for the principle portion of lease liabilities	(9,119)	(4,499)
Cash dividends	(504,774)	(192,262)
Treasury stock sold to employees	-	182,800
Change in non-controlling interests	37,500	10,000
Others	260	406
Net cash used in financing activities	(475,766)	(3,577)
Effect of changes in exchange rate on cash and cash equivalents	(302)	827
Net decrease in cash and cash equivalents	(164,439)	(152,253)
Cash and cash equivalents at the beginning of the year	819,360	971,613
Cash and cash equivalents at the end of the year	\$ 654,921	\$ 819,360

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

English Translation of Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. HISTORY AND ORGANIZATION

Silicon Integrated Systems Corporation (“the Company”) was incorporated in August 26, 2006. The Company primarily engages in the R&D, production, manufacturing and selling of integrated circuits and the related components, system products, design of the integrated circuits, testing and assembly service of I/O precision packaging, and import and export business for the aforementioned products. On August 26, 1997, the shares of the Company were listed on the Taiwan Stock Exchange. The Company’s registered office and the main business location is at No. 180, Sec. 2, Gongdao 5th Rd., Hsinchu City, Taiwan (R.O.C.)

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on March 10, 2022.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The application of these new standards and amendments had no material effect on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2022 have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC and not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” between an investor and its associate or joint venture is recognized in full.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

IFRS 10 was also amended so that the gains or losses resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company's financial statements, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and TIFRS as endorsed by FSC.

(2) Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The accompanying consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of the consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- B. exposure, or rights, to variable returns from its involvement with the investee; and
- C. the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee;
- B. rights arising from other contractual arrangements;
- C. the Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date the Company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period with the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership	
			December 31, 2021	December 31, 2020
SIS	Mars Investments (SAMOA) Ltd.	General investing	100.00%	100.00%
SIS	HuiTong Intelligence Co., Ltd.	Develop various AIOT products and provide integrated solutions	55.81% (Note)	80.00%
Mars Investments (SAMOA) Ltd.	Shenzhen SiS Technology Co., Ltd.	Marketing and technical service business	100.00%	100.00%
Mars Investments (SAMOA) Ltd.	Suzhou Mlight Electronics Co., Ltd.	Design, production, and sales integrated circuits	100.00%	100.00%

Note:

The Company did not subscribe to the new shares proportionate to its original ownership interest of HuiTong Intelligence Company Limited and the percentage of ownership decreased from 80% to 55.81%.

(4) Foreign Currency Transactions

The Company's consolidated financial statements are presented in NT\$, which is also the parent company's functional currency. Each entity in the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Financial Statements in Foreign Currency

Each foreign operation of the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that results in a loss of control, loss of significant influence or joint control but retaining partial equity is considered a disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted in “investments accounted

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

for using the equity method”. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-Current Distinction

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- B. The Company holds the asset primarily for the purpose of trading.
- C. The Company expects to realize the asset within twelve months after the reporting period.
- D. The asset is cash or cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle.
- B. The Company holds the liability primarily for the purpose of trading.
- C. The liability is due to be settled within twelve months after the reporting period.
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, (including time deposits with original maturities of three months or less).

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- (a) the Company’s business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This 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 those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investments.

Financial assets measured at fair value through profit or loss

Financial assets are measured at amortized cost or measured at fair value through other comprehensive income only if they meet particular conditions. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Gains or losses resulting from remeasurement of such financial assets are recognized in profit or loss which includes any dividends or interest received from such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For financing lease receivable arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) the rights to receive cash flows from the asset have expired.
- (b) the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. in the principal market for the asset or liability; or
- B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials — Purchase cost on first in first out.

Finished goods and work in progress — Stated at standard cost and the cost difference is allocated to the cost of goods sold and the inventory at the end of the period at the checkout, so that it is close to the weighted average cost valuation.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Investments accounted for using the equity method

An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the Company that has joint control of the arrangement has rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

When the associate or joint venture issues new shares, and the Company's interest in an associate or joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 "Impairment of Assets".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(12) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	3-50 years
Machinery equipment	3-5 years
Transportation equipment	5 years
Office equipment	3-5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

After the commencement date, the Company measures the lease liability on an amortized cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use assets applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Gains or losses arising from derecognition of an intangible asset are recognized in other operating income and expenses.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- A. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- B. its intention to complete and its ability to use or sell the asset;
- C. how the asset will generate future economic benefits;
- D. the availability of resources to complete the asset; and
- E. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

	IPs	Computer software
Useful lives	Finite (3-5 years)	Finite (10 years)
Internally generated or acquired	Acquired	Acquired

Abovementioned intangible assets are amortized on a straight-line basis over the estimated useful life.

(15) Impairment of Non-Financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A CGU, or the groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), then to the other assets of the unit (groups of units) pro rata on the basis of the carrying amount of each asset in the unit (groups of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue Recognition

The Company's revenue arising from contracts with customers mainly include sale of goods. The accounting policies for the Company's types of revenues are explained as follows:

Sale of goods

The Company manufactures and sells merchandise. Sales are recognized when goods have been shipped and customers have obtained the control (the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits from the goods). The main products of the Company are touch ICs and server and industrial computer ICs. Sales transactions are usually accompanied by discounts. Therefore, revenues from these sales are recognized based on the price specified in the contract, net of the estimated volume discounts. Based on previous experience, the Company uses the expected value method to estimate volume discounts. However, revenues are only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Refund liability is also recognized during the period specified in the contract.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The credit period of the Company's sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and has no significant financing component to the contract.

(17) Post-Employment Benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment; and
- B. the date that the group recognizes related restructuring or termination costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(18) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The additional income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the stockholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or CGU. The value in use calculation is based on a discounted cash flow model. The main assumption is that the recoverable amount of the CGU is used, which may affect the result of its impairment test.

B. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could cause future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets of the Company as of December 31, 2021.

C. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2021	2020
Cash on hand and savings accounts	\$122,496	\$206,967
Time deposits	532,425	612,393
Total	<u>\$654,921</u>	<u>\$819,360</u>

(2) Financial Assets at Fair Value through Other Comprehensive Income-noncurrent

	December 31,	
	2021	2020
Equity instrument investments measured at fair value through other comprehensive income-noncurrent		
Listed companies' stocks	\$18,549,728	\$13,504,363
Unlisted companies' stocks	3,018,978	2,193,360
Total	<u>\$21,568,706</u>	<u>\$15,697,723</u>

Financial assets at fair value through other comprehensive income were not pledged. Please refer to Note 12 for more details on credit risk.

The Company lost significant influence over Waltop International Corporation as the Company did not subscribe to the new shares issued by Waltop International Corporation proportionately. Please refer to Note 6(6).

In consideration of the Company's investment strategy, during 2021, the Company disposed of certain listed shares (classified as financial assets measured at fair value through other comprehensive income) with fair value of NT\$105,100 thousand at the time of disposal. Related unrealized gain of NT\$62,479 thousand was transferred from other equity to retained earnings.

In consideration of the Company's investment strategy, during 2021, the Company disposed of certain un-listed shares (classified as financial assets measured at fair value through other comprehensive income) with fair value of NT\$78,022 thousand at the time of disposal. Related unrealized gain of NT\$3,985 thousand was transferred from other equity to retained earnings.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

In consideration of the Company's investment strategy, during 2020, the Company disposed of certain listed shares (classified as financial assets measured at fair value through other comprehensive income) with fair value of NT\$19,550 thousand at the time of disposal. Related unrealized gain of NT\$3,220 thousand was transferred from other equity to retained earnings.

Dividends received from equity instrument investments measured at fair value through other comprehensive income were NT\$532,886 thousand for the year ended December 31, 2021.

Dividends received from equity instrument investments measured at fair value through other comprehensive income were NT\$236,400 thousand for the year ended December 31, 2020.

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
Related to investments held at the end of the reporting period	\$532,886	\$236,400
Related to investments derecognized during the period	-	-
Dividends recognized during the period	<u>\$532,886</u>	<u>\$236,400</u>

(3) Financial Assets Measured at Amortized Cost

	December 31,	
	2021	2020
Time deposits	<u>\$9,624</u>	<u>\$9,605</u>

No loss allowance was recognized for financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(4) Trade Receivables and Trade Receivables from Related Parties

	December 31,	
	2021	2020
Trade receivable	\$21,509	\$28,460
Less: allowances for goods returns and discounts	-	-
Less: allowance for doubtful debts	(3,979)	(7,154)
Subtotal	17,530	21,306
Trade receivables from related parties	705	2,631
Less: allowance for doubtful debts	-	-
Subtotal	705	2,631
Total	\$18,235	\$23,937

Trade receivables were not pledged.

Trade receivables are generally on 30-90 day terms. The total carrying amounts were NT\$22,214 thousand and NT\$31,091 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(12) for more details on impairment of trade receivables for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	December 31,	
	2021	2020
Raw materials	\$231	\$94
Work in process	25,640	38,803
Finished goods	93,107	34,230
Total	\$118,978	\$73,127

The cost of inventories recognized in expenses amounted to NT\$167,666 thousand, including the write-down of inventories of NT\$10,734 thousand for the year ended December 31, 2021.

The cost of inventories recognized in expenses amounted to NT\$115,036 thousand, including the write-down of inventories of NT\$2,730 thousand for the year ended December 31, 2020.

No inventories were pledged.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Investments Accounted for Using the Equity Method

Details of the investments accounted for under the equity method are as follows:

Investee companies	December 31,			
	2021		2020	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investments in associates</u>				
Vxis Technology Corporation	\$39,285	34.03	\$45,247	34.03
Goaltop Technology Corporation (NOTE A)	39,866	29.05	32,428	27.55
Waltop International Corporation (NOTE B)	-	-	2,486	27.70
Asia Pacific Microsystems, Inc. (NOTE C)	-	-	-	-
Haining Jingqi Technology Corporation (NOTE D)	22,124	38.57	26,438	38.57
Total	<u>\$101,275</u>		<u>\$106,599</u>	

- A. The Company subscribed to the new shares issued by Goaltop Technology Corporation in the amount of NT\$30,000 thousand for the year ended December 31, 2021. Related registration processes were completed on August 17, 2021.
- B. During the fourth quarter of 2021, the Company did not subscribe to the new shares proportionate to its original ownership interest of Waltop International Corporation and lost the significant influence since the percentage of ownership decreased from 27.7% to 4%. Accordingly, the Company transferred the investment from investments accounted for using the equity method to equity instrument investments measured at fair value through other comprehensive income based on the fair value at the date the Company lost the significant influence. The difference between the fair value and book value of the investment (NT\$6,922 thousand in the amount) was recognized as gains on disposal of investments. During the year 2020, the Company subscribed to the new shares issued by Waltop International Corporation in the amount of NT\$18,694 thousand. Related registration processes were completed on September 17, 2020.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- C. The Company did not subscribe to the new shares proportionate to its original ownership interest of Asia Pacific Microsystems Inc. and lost the significant influence since the percentage of ownership decreased from 26.78% to 15.37%. Accordingly, the Company transferred the investment from investments accounted for using the equity method to equity instrument investments measured at fair value through other comprehensive income based on the fair value at the date the Company lost significant influence. The difference between the fair value and book value of the investment (NT\$7,157 thousand in the amount) was recognized as losses on disposal of investments.
- D. The Company invested in Haining Jingqi Technology Co., Ltd. in the amount of NT\$30,112 thousand in 2020. Relevant filing processes in Mainland China were completed on May 29, 2020.

The Company's investments in Vxis Technology Corporation, Goaltop Technology Corporation and Haining Jingqi Technology Corporation are not individually material. The summarized financial information of the Company's ownership in those associates is as follows:

	For the years ended December 31,	
	2021	2020
Loss from continuing operations	\$(22,214)	\$(68,904)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$(22,214)</u>	<u>\$(68,904)</u>

As of December 31, 2021 and 2020, the aforementioned associates did not have contingent liabilities or capital commitments and the investments in associates were not pledged.

(7) Property, Plant and Equipment

	As of	
	December 31, 2021	December 31, 2020
Owner-occupied property, plant and equipment	<u>\$747,713</u>	<u>\$749,534</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(a) Property, plant and equipment for own-use

	Land	Buildings and facilities	Machinery equipment	Transportation equipment	Office equipment	Total
Cost:						
As of January 1, 2021	\$476,328	\$981,877	\$421,738	\$2,071	\$141,503	\$2,023,517
Additions	-	3,564	7,640	-	4,811	16,015
Disposals	-	-	-	-	(248)	(248)
Exchange differences	-	-	-	-	(50)	(50)
As of December 31, 2021	<u>\$476,328</u>	<u>\$985,441</u>	<u>\$429,378</u>	<u>\$2,071</u>	<u>\$146,016</u>	<u>\$2,039,234</u>
As of January 1, 2020	\$476,328	\$976,154	\$426,597	\$2,071	\$141,887	\$2,023,037
Additions	-	6,011	2,358	-	2,796	11,165
Disposals	-	(288)	(7,217)	-	(3,299)	(10,804)
Exchange differences	-	-	-	-	119	119
As of December 31, 2020	<u>\$476,328</u>	<u>\$981,877</u>	<u>\$421,738</u>	<u>\$2,071</u>	<u>\$141,503</u>	<u>\$2,023,517</u>
Depreciation and Impairment:						
As of January 1, 2021	\$-	\$723,758	\$411,243	\$1,265	\$137,717	\$1,273,983
Depreciation	-	9,576	5,920	206	2,065	17,767
Disposals	-	-	-	-	(189)	(189)
Transfers and reclassifications	-	-	-	(19)	19	-
Exchange differences	-	-	-	-	(40)	(40)
As of December 31, 2021	<u>\$-</u>	<u>\$733,334</u>	<u>\$417,163</u>	<u>\$1,452</u>	<u>\$139,572</u>	<u>\$1,291,521</u>
As of January 1, 2020	\$-	\$715,001	\$410,721	\$850	\$139,489	\$1,266,061
Depreciation	-	8,933	5,612	415	1,363	16,323
Disposals	-	(176)	(5,090)	-	(3,228)	(8,494)
Exchange differences	-	-	-	-	93	93
As of December 31, 2020	<u>\$-</u>	<u>\$723,758</u>	<u>\$411,243</u>	<u>\$1,265</u>	<u>\$137,717</u>	<u>\$1,273,983</u>
Net carrying amounts as of:						
December 31, 2021	<u>\$476,328</u>	<u>\$252,107</u>	<u>\$12,215</u>	<u>\$619</u>	<u>\$6,444</u>	<u>\$747,713</u>
December 31, 2020	<u>\$476,328</u>	<u>\$258,119</u>	<u>\$10,495</u>	<u>\$806</u>	<u>\$3,786</u>	<u>\$749,534</u>

(b) There was no interest capitalization during the year of 2021 and 2020.

(c) Main components of buildings include main building structure, electric engineering and air-conditioning equipment, etc., which are depreciated over useful lives of 50 years and 10 years, respectively.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(d) Certain of the Company's R&D building land is farmland and therefore is registered under a third party's name. The farmland has been mortgaged to the Company for security.

(e) The investment activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$16,015	\$10,845
Increase in right-of-use assets	-	916
Increase in payables to equipment	(237)	(1,706)
Total	<u>\$15,778</u>	<u>\$10,055</u>

(f) Property, plant and equipment were not pledged.

(8) Intangible Assets

	Software	Patents	Total
Cost:			
As of January 1, 2021	\$11,953	\$265,866	\$277,819
Additions	2,091	-	2,091
Exchange differences	(8)	-	(8)
As of December 31, 2021	<u>\$14,036</u>	<u>\$265,866</u>	<u>\$279,902</u>
As of January 1, 2020	\$10,081	\$265,866	\$275,947
Additions	1,872	-	1,872
As of December 31, 2020	<u>\$11,953</u>	<u>\$265,866</u>	<u>\$277,819</u>
Amortization and Impairment:			
As of January 1, 2021	\$4,899	\$265,866	\$270,765
Amortization	2,631	-	2,631
Exchange differences	(1)	-	(1)
As of December 31, 2021	<u>\$7,529</u>	<u>\$265,866</u>	<u>\$273,395</u>
As of January 1, 2020	\$3,036	\$265,866	\$268,902
Amortization	1,857	-	1,857
	6	-	6
As of December 31, 2020	<u>\$4,899</u>	<u>\$265,866</u>	<u>\$270,765</u>
Net carrying amount as of:			
December 31, 2021	<u>\$6,507</u>	<u>\$-</u>	<u>\$6,507</u>
December 31, 2020	<u>\$7,054</u>	<u>\$-</u>	<u>\$7,054</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Amortization expense of intangible assets:

	For the years ended December 31,	
	2021	2020
Selling expenses	\$335	\$4
General and administrative expenses	597	505
Research and development expenses	1,637	1,348
Operating costs	62	-
Total	<u>\$2,631</u>	<u>\$1,857</u>

(9) Post-Employment Benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employee's salaries or wages to the employee's individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$10,754 thousand and NT\$10,711 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is not sufficient to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regards to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$0 to its defined benefit plan during the 12 months beginning after December 31, 2021.

The weighted average duration of the defined benefit obligations were 11 years as of December 31, 2021 and 2020.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31,	
	2021	2020
Current service costs	252	\$367
Net interest on the net defined benefit liabilities	(286)	(388)
Total	<u>\$(34)</u>	<u>\$(21)</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	December 31,		January 1,
	2021	2020	2020
Defined benefit obligation	\$61,529	\$61,096	\$73,656
Plan assets at fair value	<u>(120,700)</u>	<u>(118,460)</u>	<u>(125,534)</u>
Other non-current liabilities — accrued pension liabilities (assets) recognized on the balance sheets	<u>\$(59,171)</u>	<u>\$(57,364)</u>	<u>\$(51,878)</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2020	\$73,656	\$(125,534)	\$(51,878)
Current service cost	367	-	367
Interest expense (income)	553	(941)	(388)
Subtotal	74,576	(126,475)	(51,899)
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	344	-	344
Actuarial gains and losses arising from changes in financial assumptions	75	-	75
Experience adjustments	(1,766)	-	(1,766)
Remeasurements of the defined benefit assets	-	(4,118)	(4,118)
Remeasurements of the defined benefit liabilities	(12,133)	12,133	-
Subtotal	(13,480)	8,015	(5,465)
As of December 31, 2020	\$61,096	\$(118,460)	\$(57,364)
Current service cost	252	-	252
Interest expense (income)	306	(592)	(286)
Subtotal	61,654	(119,052)	(57,398)
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	1,655	-	1,655
Actuarial gains and losses arising from changes in financial assumptions	(1,550)	-	(1,550)
Experience adjustments	(230)	-	(230)
Remeasurements of the defined benefit assets	-	(1,648)	(1,648)
Subtotal	(125)	(1,648)	(1,773)
As of December 31, 2021	\$61,529	\$(120,700)	\$(59,171)

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The principal assumptions used in determining the Company's defined benefit plan are as follows:

	December 31,	
	2021	2020
Discount rate	0.500%	0.500%
Expected rate of salary increases	3.500%	3.750%

Sensitivity analysis of significant assumptions is as follows:

	For the years ended December 31,			
	2021		2020	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$-	\$1,585	\$-	\$1,596
Discount rate decrease by 0.25%	1,648	-	1,663	-
Rate of future salary increase by 0.25%	1,577	-	1,587	-
Rate of future salary decrease by 0.25%	-	1,525	-	1,532

The sensitivity analysis shown above is based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(10) Equities

A. Common stock

The Company's authorized capital as of December 31, 2021 and 2020 was NT\$18,000,000 thousand, divided into 1,800,000 thousand shares, each at a par value of NT\$10. The Company's issued capital was NT\$6,814,449 thousand and NT\$6,309,675 thousand, divided into 681,445 thousand shares and 630,967 thousand shares, as of December 31, 2021 and 2020, respectively, each at a par value of NT\$10.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Capital surplus

	December 31,	
	2021	2020
From share of changes in associates and joint ventures	\$7,184	\$11,453
Others	74,614	74,354
Total	<u>\$81,798</u>	<u>\$85,807</u>

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

On May 10 and November 7, 2018, Board of Directors of the Company resolved to purchase and transfer the treasury shares to employees. During the period from May 11, 2018 to January 7, 2019, the Company purchased 26,000 thousand common shares in the amount of NT\$250,065 thousand from the centralized securities exchange market.

On July 15, 2019, the Company retired 6,000 thousand common shares and the registration processes have been completed.

On September 4, 2020, the Company transferred 20,000 thousand common shares to employees, each at a price of NT\$12.7, and recognized NT\$71,200 thousand as compensation expenses for the year end December 31, 2020.

D. Retained earnings and dividend policy:

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) reserve for tax payments;
- (b) offset accumulated losses in previous years, if any;
- (c) legal reserve, which is 10% of leftover profits.
- (d) allocation or reverse of special reserve as required by law or government authorities;

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(e) the board of directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the earnings for the year or undistributed retained earnings for prior year according to the debit balance of the components of shareholders' equity for the year (and prior year). For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$0.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Details of the 2020 and 2019 earnings distribution and dividends per share as resolved by general shareholders' meeting on July 15, 2021 and June 12, 2020, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$258,750	\$143,742		
Reversal of special reserve	(2,878,280)	(1,698,084)		
Common stock - cash dividend	504,774	192,262	0.80	0.347
Common stock - stock dividend	504,774	769,050	0.80	1.388

Please refer to Note 6(14) for information regarding the employees' compensation (bonuses) and remuneration to directors.

(11) Operating Income

A. Disaggregation of revenues

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenues from contracts with customers		
Sales of goods	<u>\$252,153</u>	<u>\$160,171</u>

Revenues from contracts with customers are all recognized at a point in time for the years ended December 31, 2021 and 2020.

B. Contract balances

Contract liabilities – current

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods	<u>\$543</u>	<u>\$428</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	For the years ended December 31,	
	2021	2020
Revenue recognized during the period that was included in the beginning balance	\$428	\$756
Increase (decrease) in receipts in advance during the period	115	(328)

(12) Expected Credit Losses

	For the years ended December 31,	
	2021	2020
Operating expenses – expected credit (gain) loss		
Trade receivables	<u><u>\$(3,119)</u></u>	<u><u>\$5,905</u></u>

Please refer to Note 12 for more details on credit risk.

The Company measures the allowance of its receivables (including trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2021 and 2020 is as follows:

As of December 31, 2021

		Past due					
	Neither past due (Note)	Within 90 days	91-180 days	181-270 days	271-365 days	After 366 days	Total
Gross carrying amount	\$15,561	\$2,674	\$-	\$-	\$-	\$3,979	\$22,214
Loss ratio	-	-	25%	50%	75%	100%	
Lifetime expected credit losses	-	-	-	-	-	(3,979)	(3,979)
Carrying amount of trade receivables	<u><u>\$15,561</u></u>	<u><u>\$2,674</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$18,235</u></u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2020

	Neither past due (Note)	Past due					Total
		Within 90 days	91-180 days	181-270 days	271-365 days	After 366 days	
Gross carrying amount	\$15,310	\$4,887	\$-	\$5,616	\$3,726	\$1,552	\$31,091
Loss ratio	-	-	25%	50%	75%	100%	
Lifetime expected credit losses	-	-	-	(2,808)	(2,794)	(1,552)	(7,154)
Carrying amount of trade receivables	\$15,310	\$4,887	\$-	\$2,808	\$932	\$-	\$23,937

The movements in the provision for impairment of trade receivables for the years ended December 31, 2021 and 2020 are as follows:

	<u>Trade receivables</u>
As of January 1, 2021	\$7,154
Increase for the current period	-
Reversal for the current period	(3,119)
Effect of changes in exchange rate	(56)
As of December 31, 2021	<u>\$3,979</u>
As of January 1, 2020	\$2,338
Increase for the current period	5,905
Reversal for the current period	(1,216)
Effect of changes in exchange rate	127
As of December 31, 2020	<u>\$7,154</u>

(13) Leases

A. The Company as lessee

The Company leases various property (buildings and facilities), machinery equipment and office equipment. These leases have terms between 1 and 5 years.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

(a) Amounts recognized in the balance sheet

i. Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2021	2020
Buildings and facilities	\$7,672	\$14,814
Machinery equipment	5	66
Office equipment	44	146
Total	<u>\$7,721</u>	<u>\$15,026</u>

During the years ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounted to NT\$1,561 thousand and NT\$16,490 thousand, respectively.

ii. Lease liability

	For the years ended December 31,	
	2021	2020
Lease liability	<u>\$7,876</u>	<u>\$15,076</u>
Lease liability-current	\$7,626	\$8,293
Lease liability-noncurrent	<u>250</u>	<u>6,783</u>
Total	<u>\$7,876</u>	<u>\$15,076</u>

Please refer to Note 6(15)4. for the interest on lease liability recognized during the years ended December 31, 2021 and 2020, and refer to Note 12(5). for the maturity analysis of lease liabilities as of December 31, 2021 and 2020.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Buildings and facilities	\$8,636	\$5,250
Machinery equipment	61	61
Office equipment	102	102
Total	<u>\$8,799</u>	<u>\$5,413</u>

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expense relating to leases of low-value assets	<u>\$72</u>	<u>\$21</u>

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases amounted to NT\$9,191 thousand and NT\$4,520 thousand, respectively.

B. The Company as a lessor

The Company entered into an office lease agreement. As the lease did not transfer substantially all the risks and rewards incidental to the ownership of the underlying asset, the Company classified the lease as an operating lease.

	For the years ended December 31,	
	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$25,029</u>	<u>\$26,153</u>

The undiscounted lease payments to be received for the remaining years as of December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
Not later than one year	\$29,884	\$26,083
Later than one years and not later than five years	43,971	23,159
Later than five years	-	-
Total	<u>\$73,855</u>	<u>\$49,242</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(14) Employee Benefits, Depreciation and Amortization Expenses are summarized by Function As Follows:

	For the years ended December 31,					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll	\$13,980	\$259,178	\$273,158	\$12,241	\$318,120	\$330,361
Labor and health	1,234	21,000	22,234	783	17,757	18,540
Pension	562	10,158	10,720	369	10,321	10,690
Others	-	8,697	8,697	-	4,689	4,689
Total	<u>\$15,776</u>	<u>\$299,033</u>	<u>\$314,809</u>	<u>\$13,393</u>	<u>\$350,887</u>	<u>\$364,280</u>
Depreciation	<u>\$1,689</u>	<u>\$24,877</u>	<u>\$26,566</u>	<u>\$525</u>	<u>\$21,211</u>	<u>\$21,736</u>
Amortization	<u>\$62</u>	<u>\$2,569</u>	<u>\$2,631</u>	<u>\$10</u>	<u>\$1,847</u>	<u>\$1,857</u>

According to the Articles of Incorporation of the Company, no less than 5% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current year, the Company estimated 5% and 2 % of the employees' compensation and remuneration to directors for the year ended December 31, 2021, respectively. The Company recognized the amounts of NT\$11,265 thousand and NT\$4,506 thousand of employees' compensation and remuneration to directors for the year ended December 31, 2021, respectively. The employees' compensation and remuneration to directors were recognized as salary expense. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Company incurred net losses in 2020 and thus the Company did not accrue employees' compensation and remuneration to directors.

(15) Non-Operating Income and Expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Financial assets measured at amortized cost	\$2,506	\$3,316

B. Other income

	For the years ended December 31,	
	2021	2020
Rental income	\$25,029	\$26,153
Dividend income	532,886	236,400
Others	7,287	4,059
Total	\$565,202	\$266,612

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange losses, net	\$(618)	\$(2,309)
Gains (losses) on disposal of property, plant and equipment	5	(468)
Gains (losses) on disposal of investment	6,922	(7,157)
Others	-	(124)
Gain on lease modification	-	33
Total	\$6,309	\$(10,025)

D. Finance cost

	For the years ended December 31,	
	2021	2020
Interest expenses on lease liabilities	\$(425)	\$(195)

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(16) Components of Other Comprehensive Income

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$1,773	\$-	\$1,773	\$-	\$1,773
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	6,047,183	-	6,047,183	-	6,047,183
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(468)	-	(468)	-	(468)
Total other comprehensive income	<u>\$6,048,488</u>	<u>\$-</u>	<u>\$6,048,488</u>	<u>\$-</u>	<u>\$6,048,488</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$5,465	\$-	\$5,465	\$-	\$5,465
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	10,025,377	-	10,025,377	-	10,025,377
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	1,375	-	1,375	-	1,375
Total other comprehensive income	<u>\$10,032,217</u>	<u>\$-</u>	<u>\$10,032,217</u>	<u>\$-</u>	<u>\$10,032,217</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(17) Income Tax

(a) The major components of income tax expense are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax payable	\$11,243	\$55
Deferred tax expense (income):		
Deferred income tax related to origination and reversal of temporary differences	(8,569)	(6,345)
Deferred income tax related to recognition and derecognition of tax losses and unused tax credits	8,569	49,810
Income tax expense recognized in profit or loss	<u>\$11,243</u>	<u>\$43,520</u>

Reconciliation of income tax expense and the accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2021	2020
Accounting profit (losses) before tax from continuing operations	<u>\$195,921</u>	<u>\$(256,570)</u>
At statutory income tax rate	\$39,184	\$(51,314)
Tax effect of expenses not deductible for tax purposes	(96,699)	(37,188)
Adjustments of deferred tax assets/liabilities for write-downs/reversals and different jurisdictional tax rates	54,794	131,854
Tax effect of other adjustments in accordance with the Income Tax Act	<u>13,964</u>	<u>168</u>
Income tax expense recognized in profit or loss	<u>\$11,243</u>	<u>\$43,520</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2021

		Recognized in				
	Beginning	Recognized	other	Charged	Exchange	Ending
	balance	in profit or	comprehensive	directly to	differences	balance
		loss	income	equity		
Temporary differences						
Depreciation difference for tax purpose	\$(2,483)	\$(2,477)	\$-	\$-	\$-	\$(4,960)
Unrealized exchange gains	(4)	11	-	-	-	7
Impairment loss	6,506	-	-	-	-	6,506
Investments accounted for using the equity method	26,178	6,727	-	-	-	32,905
Loss allowance	50	37	-	-	-	87
Unrealized allowance for inventory obsolescence	16,433	1,735	-	-	-	18,168
Others	643	56	-	-	-	699
Unused tax losses	(49,810)	(6,089)	-	-	-	(55,899)
Deferred tax expense		\$-	\$-	\$-	\$-	
Net deferred tax assets / (liabilities)	<u>\$(2,487)</u>					<u>\$(2,487)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$-</u>					<u>\$2,473</u>
Deferred tax liabilities	<u>\$(2,487)</u>					<u>\$(4,960)</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Depreciation difference for tax purpose	\$(2,484)	\$1	\$-	\$-	\$-	\$(2,483)
Unrealized exchange gains	(51)	47	-	-	-	(4)
Impairment loss	6,506	-	-	-	-	6,506
Investments accounted for using the equity method	19,382	6,796	-	-	-	26,178
Loss allowance	33	17	-	-	-	50
Unrealized allowance for inventory obsolescence	16,034	399	-	-	-	16,433
Others	1,558	(915)	-	-	-	643
Unused tax losses	-	(49,810)	-	-	-	(49,810)
Deferred tax expense		<u>\$(43,465)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	
Net deferred tax assets / (liabilities)	<u>\$40,978</u>					<u>\$(2,487)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$43,513</u>					<u>\$-</u>
Deferred tax liabilities	<u>\$(2,535)</u>					<u>\$(2,487)</u>

(c) The following table contains information of the unused tax losses of the Company:

Year	Tax losses for the period	Unused tax losses as at		
		December 31, 2021	December 31, 2020	Expiration year
2011	\$472,178	\$472,178	\$472,178	2021
2012	1,343,045	1,343,045	1,343,045	2022
2013	594,767	594,767	594,767	2023
2014	856,518	856,518	856,518	2024
2015	44,752	44,752	44,752	2025
2016	40,639	40,639	40,639	2026
2017	86,061	86,061	86,061	2027
2018	138,422	138,422	138,422	2028
2019	308,713	308,713	308,713	2029
2020	180,566	180,566	180,566	2030
2021	231,245	231,245	-	2031
		<u>\$4,296,906</u>	<u>\$4,065,661</u>	

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(d) Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized amounted to NT\$924,101 thousand and NT\$866,039 thousand, respectively.

The Company does not have undistributed earnings generated in and before 1997.

(e) The assessment of income tax returns

As of December 31, 2021, the assessment of income tax returns of the Company and its material subsidiaries are as follows:

	<u>The assessment of income tax returns</u>
Silicon Integrated Systems Corp.	Assessed and approved up to 2019
Subsidiary- HuiTong Intelligence Company Limited	Assessed and approved up to 2020
Subsidiary- Suzhou Mlight Electronics Co., Ltd.	Assessed up to 2020
Subsidiary- Shenzhen SiS Technology Co., Ltd	Assessed up to 2020

Note:

HuiTong Intelligence Company Limited was not established until September 15, 2020.

(18) Earnings Per Share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
A. Basic earnings per share		
Net income (loss) (in thousand NT\$)	\$198,311	\$(299,468)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	681,444	672,774
Basic earnings per share (NT\$)	\$0.29	\$(0.45)

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	For the years ended December 31,	
	2021	2020
B. Diluted earnings per share		
Net income (loss) (in thousand NT\$)	\$198,311	\$(299,468)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	681,444	672,774
Effect of dilution:		
Employees' compensation — stocks (in thousands)	418	-
Weighted average number of ordinary shares outstanding after dilution (in thousand)	681,862	672,774
Diluted earnings per share (NT\$)	\$0.29	\$(0.45)

The employee stock options have anti-dilutive effect and therefore are not included in the calculation of 2020 diluted earnings per share.

There is no impact of employee stock options in 2021.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related Party Transactions

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corp.	The Company's director
Waltop International Corporation (Note A)	Other related parties
Goaltop Technology Corporation	Associate
Haining Jingqi Technology Co., Ltd.	Associate
Shin Tai Spurt Water Of The Garden Tools Co., Ltd.	Other related parties

A. The Company lost the significant influence over Waltop International Corporation on November 26, 2021. The relationship with Waltop International Corporation became "other related parties".

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31,	
	2021	2020
Associates	\$7,820	\$9,150
Other related parties	6,505	-
	<u>\$14,325</u>	<u>\$9,150</u>

The sales price to related parties was determined through mutual agreement based on the market demands. The trade credit terms with related parties were 90 days, while the terms with non-related parties were 30 to 90 days. The outstanding balance due from related parties as of December 31, 2021 and 2020 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	For the years ended December 31,	
	2021	2020
Other related parties	\$35,482	\$23,990

The purchase price to the above related parties is determined through mutual agreement based on the market demands. The trade credit terms with the related parties and third-party suppliers were the same.

C. Trade receivables from related parties

	December 31,	
	2021	2020
Associates	\$705	\$2,631

D. Accounts payable to related parties

	December 31,	
	2021	2020
Other relate parties	\$8,669	\$6,130

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

E. Other payables to related parties

	December 31,	
	2021	2020
Other relate parties	\$2,639	\$-

F. Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$13,823	\$19,088
Post-employment benefits	512	761
Total	\$14,335	\$19,849

8. Assets Pledged As Collateral

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Purpose of pledge
	December 31, 2021	December 31, 2020	
Financial assets measured at amortized cost-current	\$2,124	\$2,105	Customs clearance
Total	\$2,124	\$2,105	

9. Contingencies and Off Balance Sheet Commitments

None.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Categories of Financial Instruments

	December 31,	
	2021	2020
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$21,568,706	\$15,697,723
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	654,492	818,882
Financial assets measured at amortized cost-current	9,624	9,605
Trade receivables (including related parties)	18,235	23,937
Other receivables (including related parties)	50,680	22,066
Refundable deposits	2,448	2,659
Subtotal	735,479	877,149
Total	\$22,304,185	\$16,574,872
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Accounts payable (including related parties)	\$24,112	\$16,400
Other payables (including related parties)	62,683	41,258
Guarantee deposits	3,772	3,405
Lease liabilities	7,876	15,076
Total	\$98,443	\$76,139

(2) Financial Risk Management Objectives and Policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into accounts the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenues or expenses are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primarily for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates for USD and CNY. The sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2021 and 2020 decreases / increases by NT\$375 thousand and NT\$597 thousand, respectively.

When NTD appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2021 and 2020 decreases / increases by NT\$169 thousand and NT\$286 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment at variable interest rates. As a whole, the interest rates risk is minimal.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2021 and 2020, a change of 1% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT\$185,497 thousand and NT\$135,044 thousand, respectively, on the equity attributable to the Company.

Please refer to Note 12(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit Risk Management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2021 and 2020, receivables from top ten customers represented 87% and 92% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivable was insignificant.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

The Company adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Company are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			As of	
			December 31, 2021	December 31, 2020
Simplified method				
(Note)	Note	Lifetime expected credit losses	\$22,214	\$31,091

Note: Includes trade receivables.

(5) Liquidity Risk Management

The Company's objective is to maintain a balance between continuity of funding and flexibility through use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	Total
As of December 31, 2021			
Accounts payable			
(including related parties)	\$24,112	\$-	\$24,112
Other payables			
(including related parties)	62,683	-	62,683
Guarantee deposits	-	3,772	3,772
Lease liabilities	7,707	250	7,957
As of December 31, 2020			
Accounts payable			
(including related parties)	\$16,400	\$-	\$16,400
Other payables	41,258	-	41,258
Guarantee deposits	-	3,405	3,405
Lease liabilities	8,849	6,896	15,745

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Fair Value of Financial Instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current financial assets approximates their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (i.e. listed equity securities) at the reporting date.
- (c) Fair value of equity instruments without market quotations (i.e. unlisted equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets measured at amortized cost approximates their fair value since short maturities.

C. Fair value recognized on the balance sheet

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair Value Measurement Hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	<u>\$18,549,728</u>	<u>\$-</u>	<u>\$3,018,978</u>	<u>\$21,568,706</u>

As of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	<u>\$13,504,363</u>	<u>\$-</u>	<u>\$2,193,360</u>	<u>\$15,697,723</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

The detail movement of recurring fair value measurements in Level 3

Reconciliation for recurring fair value measurements in Level 3 of the fair value hierarchy during the period is as follows:

	Assets
	Financial assets at fair value through other comprehensive income
	Stocks
As of January 1, 2021	\$2,193,360
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in profit or loss (presented in "other profit or loss")	-
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income")	828,384
Acquisitions/issues for the year ended December 31, 2021	6,922
Disposals/settlements for the year ended December 31, 2021	(9,688)
Transfer in (out) Level 3	-
As of December 31, 2021	<u>\$3,018,978</u>
	Assets
	Financial assets at fair value through other comprehensive income
	Stocks
As of January 1, 2020	\$895,495
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in profit or loss (presented in "other profit or loss")	-
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income")	1,239,472
Acquisitions/issues for the year ended December 31, 2020	58,393
Disposals/settlements for the year ended December 31, 2020	-
Transfer in (out) Level 3	-
As of December 31, 2020	<u>\$2,193,360</u>

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Total gains related to assets recognized for the years ended December 31, 2021 and 2020 amounted to NT\$828,384 thousand and NT\$1,239,472 thousand, respectively.

Information on significant unobservable inputs to valuation of fair value measurements categorized within Level 3 of the fair value hierarchy

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	Lack of marketability	30%	The higher the discount for lack of marketability , the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$40,811 thousand.
Stocks	Market approach	Lack of marketability	30%	The higher the discount for lack of marketability , the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$2,317 thousand.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	Lack of marketability	30%	The higher the discount for lack of marketability , the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$29,422 thousand.
Stocks	Market approach	Lack of marketability	30%	The higher the discount for lack of marketability , the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$1,912 thousand.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(8) Significant Assets and Liabilities Denominated in Foreign Currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

December 31, 2021			
	Foreign currencies (thousand)	Exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$1,900	27.68	\$52,581
CNY	5,717	4.344	24,835
<u>Financial liabilities</u>			
Monetary items:			
USD	\$544	27.68	\$15,059
CNY	1,836	4.344	7,975

December 31, 2020			
	Foreign currencies (thousand)	Exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$2,422	28.48	\$68,986
CNY	7,604	4.377	33,284
<u>Financial liabilities</u>			
Monetary items:			
USD	\$327	28.48	\$9,308
CNY	1,063	4.377	4,654

The Company has various functional currencies, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange loss was NT\$618 thousand and NT\$2,309 thousand for the years ended December 31, 2021 and 2020, respectively.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(9) Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates:

- A. Financing provided to others for the year ended December 31, 2021: None.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2021: None.
- C. Securities held as of December 31, 2021: Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021: None.
- I. Financial instruments and derivative transactions: None.
- J. Intercompany relationships and significant intercompany transactions: Please refer to Attachment 2.

(2) Information on Investees

- A. Information regarding investee companies over which the Company can exercise significant influence or direct or indirect control: Please refer to Attachment 3.
- B. When directly or indirectly controlling the investee company, the relevant information of items (1)~(9) of the preceding paragraph of the investee company shall be disclosed: Please refer to Attachment 1 and 3.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Investment in Mainland China

Please refer to Attachment 4.

(4) Main Shareholder Information

Please refer to Attachment 5.

14. Segment Information

(1) General information

The major sales of the Company come from touch ICs and niche graphics processing units which can be applied on servers and industrial computers. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

(2) Geographical information

A. Net sales from external customers

	For the years ended December 31	
	2021	2020
Taiwan	\$110,229	\$77,537
Asia	141,440	78,223
Others	484	4,411
Total	<u>\$252,153</u>	<u>\$160,171</u>

B. Non-current assets

	For the years ended December 31	
	2021	2020
Taiwan	\$755,245	\$761,436
Others	6,696	10,178
Total	<u>\$761,941</u>	<u>\$771,614</u>

(3) Major customers

Individual customers accounting for at least 10% of operating revenues is as follows:

	For the years ended December 31	
	2021	2020
Customer A	\$78,468	\$7,711
Customer B	67,374	34,113
Customer C	23,346	7,133
Total	<u>\$169,188</u>	<u>\$48,957</u>

ATTACHMENT 1 (Securities held as of December 31, 2021)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held company name	Securities Type	Marketable securities type and name	Relationship with the company	Financial statement account	Balances as of December 31, 2021				Note
					Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value	
SILICON INTEGRATED SYSTEMS CORPORATION	Stocks	UNITED MICROELECTRONICS CORPORATION	The Company's director	Non-current financial assets at fair value through other comprehensive income	285,380	18,549,728	2.29%	18,549,728	None
	Stocks	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	268,049	2,856,757	16.67%	2,856,757	None
	Stocks	GLOBAL MOBILE CORP.	-	Non-current financial assets at fair value through other comprehensive income	5,400	-	1.96%	-	None
	Stocks	VADEM CORPORATION - Special shares	-	Non-current financial assets at fair value through other comprehensive income	269	-	-	-	None
	Stocks	TAIWAN IMPLANT TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,328	8,487	7.96%	8,487	None
	Stocks	TC-1 Culture Fund	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	3.61%	-	None
	Stocks	ASIA PACIFIC MICROSYSTEMS, INC.	-	Non-current financial assets at fair value through other comprehensive income	7,218	146,812	15.37%	146,812	None
	Stocks	Waltop International Corporation	-	Non-current financial assets at fair value through other comprehensive income	332	6,922	4.00%	6,922	None
	Stocks	Maxima Ventures Services V, Inc.	-	Non-current financial assets at fair value through other comprehensive income	16	-	4.84%	-	None

ATTACHMENT 2 (Intercompany relationships and significant intercompany transactions)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Term	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Silicon Integrated Systems Corporation	Shenzhen SiS Technology Co., Ltd.	1	Operating expenses	\$14,649	-	5.56%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Revenues	73,375	-	27.86%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Other revenues	122	-	0.05%
1	Suzhou Mlight Electronics Co., Ltd.	Silicon Integrated Systems Corporation	2	Costs of goods sold	7,549	-	2.87%
0	Silicon Integrated Systems Corporation	HuiTong Intelligence Company Limited	1	Other revenues	359	-	0.14%

Note 1: The parent company and its subsidiaries are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The parent company to subsidiary.
2. The subsidiary to parent company.
3. The subsidiary to subsidiary.

Note 3: When calculating the percentage of transaction amount to the consolidated revenues or the consolidated assets: Items of the balance sheets are calculated as its ending balance to total consolidated assets; items of income statement are calculated by its cumulative balance to the total consolidated income.

ATTACHMENT 3 : (Names, locations and related information of investee companies as of December 31, 2021) (Not including investments in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor company	Investee company	Address	Main businesses and products	Original Investment Amount		Balance as of December 31, 2021			Net income (loss) of investee	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Silicon Integrated Systems Corporation	Mars Investments (SAMOA) Ltd.	SAMOA	General investing	\$175,302	\$172,499	5,687	100.00%	\$14,234	\$(22,446)	\$(22,446)	Subsidiary
	HuiTong Intelligence Company Limited	Taipei City, Taiwan	Develop various AIOT products and provide integrated solutions	60,000	40,000	6,000	55.81%	33,626	(44,140)	(30,506)	Subsidiary
	Vxis Technology Corporation	Hsinchu City, Taiwan	Manufacturing of electronic parts	144,760	144,760	4,033	34.03%	39,285	(11,596)	(3,946)	The investee accounted for using the equity method
	Goaltop Technolog Corporation	Taoyuan City, Taiwan	Manufacturing and sales of electronic parts	144,000	114,000	10,200	29.05%	39,866	(41,696)	(11,673)	The investee accounted for using the equity method

ATTACHMENT 4 (Investments in Mainland China as of December 31, 2021)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of Investee Company	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Shenzhen Sis Technology Co., Ltd.	Electronics product technologies development, technical consultation and sales, and import and export business	\$9,320	Indirectly investment in Mainland China through companies registered in a third region	\$8,296	\$-	\$-	\$8,296	\$(1,161)	100.00%	\$(1,161)	\$10,994	\$-
Suzhou Mlight Electronics Co., Ltd.	Design, production and sales of various integrated circuits	\$119,934	Indirectly investment in Mainland China through companies registered in a third region	\$119,934	\$-	\$-	\$119,934	\$(17,512)	100.00%	\$(17,512)	\$1,469	\$-
Haining Jingqi Technology Co., Ltd.	Electronics components manufacturing and software development	\$30,112	Investment in China	\$30,112	\$-	\$-	\$30,112	\$(10,654)	38.57%	\$(4,109)	\$22,124	\$-

Accumulated investment in Mainland China as of December 30, 2020	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$158,315	\$158,315	\$13,941,728

ATTACHMENT 5 (The information of Major shareholder as of December 31, 2021)

Shares		Number of shares (Units/shares)	Percentage of ownership (%)
Name			
UNITED MICROELECTRONICS CORPORATION		119,979,103	19.01%