

**SIGURD MICROELECTRONICS
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2021 AND 2020**

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

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Sigurd Microelectronics Corporation (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2021 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Sigurd Microelectronics Corporation and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. In addition, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Sigurd Microelectronics Corporation does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Sigurd Microelectronics Corporation

By

Shin-Yang Huang, Chairman

March 8, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 21000354

To the Board of Directors and Shareholders of Sigurd Microelectronics Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Sigurd Microelectronics Corporation and subsidiaries (the “Sigurd Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sigurd Group as at December 31, 2021 and 2020, and its consolidated financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Sigurd Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are the matters that, in our professional judgement, were of most significance in our audit of consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on the matters.

Key audit matters for Sigurd Group's consolidated financial statements of the current period are stated as follows:

Capitalisation of property, plant and equipment

Description

Sigurd Group increased its capital expenditure to meet its operational needs. Please refer to Note 4(15) for accounting policies on property, plant and equipment, and Note 6(7) for details of property, plant and equipment. Considering that capitalisation of property, plant and equipment is significant to Sigurd Group's consolidated financial statements, thus, we identified the audit of capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed and validated the effectiveness of the internal control system over additions to property, plant and equipment, as well as sample tested and examined respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were accurate. Sample tested and examined the acceptance documents to validate the appropriateness of the timing that assets are ready for use and capitalisation (timing of starting depreciation).

Merger transaction - Acquisition of UTC Group

Description

On April 14, 2021, the Group acquired 100% of share equity of UTC Holdings Corporation with US\$ 165,000 thousand (approximate NT\$ 4,701,842 thousand) and control over UTC Holdings Corporation and its subsidiary, starting from the day, the UTC Holdings Corporation was consolidated into financial statements. The preceding business combination was accounted by the acquisition method. Please refer

to Note 4(30) for the related accounting policies and Note 6(27) for the details of the purchase price allocation. Since the effect of merger transaction was material to consolidated financial statements and the purchase price allocation involved the assessment of management, thus, we consider the merger transaction as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Inquired of management about the decision procedure of the acquisition, including motivation of acquisition, the determination of acquisition price, and the approval of transaction.
2. Reviewed merger transaction contract and checked the voucher of payment.
3. The purchase price allocation was commissioned by Sigurd Group to external appraisers to perform a fair value evaluation of identifiable assets and liabilities of the acquiree. For the report of purchase price allocation, we assessed the reasonableness of valuation method, assumption, discount rate and the purchase price allocation which were used by the appraisers in measuring the fair value of identifiable assets and liabilities of the acquiree.

Other matter – Audited by other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent auditors, whose reports thereon have been consolidated furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements was based solely on the reports of other independent auditors. Total assets of those consolidated subsidiaries amounted to NT\$392,778 thousand and NT\$330,564 thousand, constituting 1.07% and 1.11% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and total operating revenues amounted to NT\$332,105 thousand and NT\$212,271 thousand, constituting 1.99% and 1.71% of the total operating revenues for the years ended December 31, 2021 and 2020, respectively.

Other matter – Parent company only financial statements

We have also expressed an unqualified opinion on the parent company only financial statements of Sigurd Microelectronics Corporation as of and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for consolidated financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as the management determines are 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 Sigurd Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Sigurd Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Sigurd Group’s financial reporting process.

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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 controls.

2. Obtain an understanding of internal controls 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 Sigurd Group's internal controls.
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 Sigurd Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 report. However, future events or conditions may cause the Sigurd Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Sigurd Group to express an opinion on 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 controls 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 those matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our 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.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 8, 2022

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 7,943,271	22	\$ 5,628,675	19
1110	Current financial assets at fair value through profit or loss	6(2)	481,282	1	532,109	2
1136	Current financial assets at amortised cost	6(4) and 8	1,011,455	3	2,524,164	9
1140	Current contract assets	6(18)	193,381	1	109,872	-
1150	Notes receivable, net	6(5)	720	-	396	-
1170	Accounts receivable, net	6(5)	3,866,733	11	3,303,912	11
1180	Accounts receivable - related parties, net	6(5) and 7	5,491	-	3,811	-
1200	Other receivables		97,947	-	32,833	-
1220	Current tax assets		32,791	-	12,532	-
130X	Inventories	6(6)	304,078	1	185,466	1
1410	Prepayments		746,019	2	667,396	2
1470	Other current assets		164,916	-	37,463	-
11XX	Total current assets		14,848,084	41	13,038,629	44
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	1,576,506	4	878,100	3
1535	Non-current financial assets at amortised cost	6(4) and 8	69,887	-	159,813	1
1600	Property, plant and equipment	6(7) and 8	18,479,301	50	14,629,289	49
1755	Right-of-use assets	6(8)	826,733	2	822,847	3
1780	Intangible assets		192,547	1	101,740	-
1840	Deferred tax assets	6(25)	389,770	1	75,345	-
1900	Other non-current assets		220,145	1	108,148	-
15XX	Total non-current assets		21,754,889	59	16,775,282	56
1XXX	Total assets		\$ 36,602,973	100	\$ 29,813,911	100

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SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(9) and 8	\$ 245,444	1	\$ 1,067,131	3
2130	Current contract liabilities	6(18)	106,290	-	19,127	-
2150	Notes payable		4,175	-	2,658	-
2170	Accounts payable		378,437	1	379,746	1
2219	Other payables	6(10)	3,383,018	9	2,650,287	9
2230	Current income tax liabilities		489,295	1	306,627	1
2250	Current provisions		9,817	-	12,321	-
2280	Current lease liabilities		263,461	1	488,684	2
2320	Long-term liabilities, current portion	8	2,423,169	7	3,786,572	13
2399	Other current liabilities, others		391,208	1	225,465	1
21XX	Total current liabilities		7,694,314	21	8,938,618	30
Non-current liabilities						
2530	Bonds payable	6(11)	4,383,961	12	830,801	3
2540	Long-term borrowings	6(12) and 8	5,748,648	16	4,518,748	15
2570	Deferred tax liabilities	6(25)	52,366	-	40,931	-
2580	Non-current lease liabilities		560,131	1	305,872	1
2600	Other non-current liabilities	6(13)	336,730	1	232,770	1
25XX	Total non-current liabilities		11,081,836	30	5,929,122	20
2XXX	Total liabilities		18,776,150	51	14,867,740	50
Equity						
Equity attributable to owners of parent						
	Share capital	6(14)				
3110	Ordinary share		4,520,782	12	4,316,114	15
	Capital surplus	6(15)				
3200	Capital surplus		942,353	3	715,446	2
	Retained earnings	6(16)				
3310	Legal reserve		1,526,636	4	1,351,118	5
3350	Unappropriated retained earnings		7,816,291	21	6,029,494	20
	Other equity interest	6(17)				
3400	Other equity interest		636,474	2	284,146	1
31XX	Equity attributable to owners of parent		15,442,536	42	12,696,318	43
36XX	Non-controlling interests		2,384,287	7	2,249,853	7
3XXX	Total equity		17,826,823	49	14,946,171	50
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the reporting period	11				
3X2X	Total liabilities and equity		\$ 36,602,973	100	\$ 29,813,911	100

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

		Year ended December 31			
		2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$ 16,681,264	100	\$ 12,428,549	100
5000 Operating costs	6(6)(23)(24)	(11,732,806)	(70)	(8,819,196)	(71)
5950 Gross profit from operations		<u>4,948,458</u>	<u>30</u>	<u>3,609,353</u>	<u>29</u>
Operating expenses	6(23)(24)				
6100 Selling and marketing expenses		(218,888)	(1)	(176,411)	(2)
6200 General and administrative expenses		(872,459)	(5)	(671,642)	(5)
6300 Research and development expenses		(416,714)	(3)	(422,555)	(3)
6000 Total operating expenses		(1,508,061)	(9)	(1,270,608)	(10)
6900 Operating profit		<u>3,440,397</u>	<u>21</u>	<u>2,338,745</u>	<u>19</u>
Non-operating income and expenses					
7100 Interest income	6(19)	30,930	-	52,764	-
7010 Other income	6(20)(27)	157,193	1	66,315	1
7020 Other gains and losses	6(21)	199,497	1	(59,688)	-
7050 Finance costs	6(22)	(165,205)	(1)	(119,560)	(1)
7000 Total non-operating income and expenses		<u>222,415</u>	<u>1</u>	<u>(60,169)</u>	<u>-</u>
7900 Profit before income tax		3,662,812	22	2,278,576	19
7950 Income tax expense	6(25)	(626,564)	(4)	(351,987)	(3)
8000 Profit from continuing operations		<u>3,036,248</u>	<u>18</u>	<u>1,926,589</u>	<u>16</u>
8200 Profit for the year		<u>\$ 3,036,248</u>	<u>18</u>	<u>\$ 1,926,589</u>	<u>16</u>

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SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Losses on remeasurements of defined benefit plans	6(13)	\$ 54,894	-	(\$ 31,484)	-
8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	415,297	3	322,368	2
8349 Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	6(25)	(11,543)	-	-	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		458,648	3	290,884	2
Components of other comprehensive loss that might be reclassified to profit or loss					
8361 Exchange differences on translation of foreign operations	6(17)	(85,086)	(1)	(147,137)	(1)
8360 Components of other comprehensive loss that might be reclassified to profit or loss		(85,086)	(1)	(147,137)	(1)
8300 Other comprehensive income		\$ 373,562	2	\$ 143,747	1
8500 Total comprehensive income		\$ 3,409,810	20	\$ 2,070,336	17
Profit, attributable to:					
8610 Owners of parent		\$ 2,787,446	17	\$ 1,783,299	15
8620 Non-controlling interests		248,802	1	143,290	1
Total profit		\$ 3,036,248	18	\$ 1,926,589	16
Comprehensive income attributable to:					
8710 Owners of parent		\$ 3,194,808	19	\$ 2,005,290	16
8720 Non-controlling interests		215,002	1	65,046	1
Total comprehensive income		\$ 3,409,810	20	\$ 2,070,336	17
Basic earnings per share (in dollars)	6(26)				
9750 Basic earnings per share		\$ 6.25		\$ 4.22	
Diluted earnings per share (in dollars)	6(26)				
9850 Diluted earnings per share		\$ 5.95		\$ 3.87	

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent											

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,662,812	\$ 2,278,576
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(23)	3,973,194	2,865,109
Amortisation	6(23)	56,813	63,250
Net profit on financial assets at fair value through profit or loss	6(2)(21)	(18,734)	(46,228)
Finance costs	6(22)	165,205	119,560
Interest income	6(19)	(30,930)	(52,764)
Dividends income	6(20)	(16,121)	(12,495)
Gain on disposal of property, plant and equipment	6(21)	(166,080)	(22,105)
Gain recognised in bargain purchase transaction	6(20)	16,441	-
Government grants	6(12)	(1,628)	-
Impairment of non-financial assets	6(7)(21)	350	2,083
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		70,611	(147,874)
Contract assets		(83,846)	10,150
Notes receivable		(323)	276
Accounts receivable		(224,899)	(264,264)
Accounts receivable-related parties		(1,680)	1,813
Other receivables		(22,270)	20,732
Inventories		(61,007)	(15,561)
Prepayments		(50,116)	(396,247)
Other current assets		(127,568)	(16,889)
Other non-current assets		(5,985)	(285)
Changes in operating liabilities			
Contract liabilities		87,191	8,939
Notes payable		1,516	248
Accounts payable		(116,342)	154,129
Other payables		588,020	358,077
Provisions		(2,244)	9,949
Other current liabilities		32,373	136,402
Defined benefit liabilities		(20,825)	(789)
Other non-current liabilities		(3,283)	(1,399)
Cash inflow generated from operations		7,700,645	5,052,393
Interest received		35,313	57,018
Dividends received		16,121	12,495
Interest paid		(142,423)	(118,478)
Income tax paid		(470,343)	(414,451)
Net cash flows from operating activities		<u>7,139,313</u>	<u>4,588,977</u>

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SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 1,695,455)	(\$ 5,061,760)
Proceed from disposal of financial assets at amortised cost		3,273,128	6,636,660
Acquisition of financial assets at fair value through other comprehensive income		(158,000)	(60,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	11,058	-
Decrease in other receivable		3,040,026	-
Acquisition of property, plant and equipment	6(28)	(7,366,952)	(6,883,125)
Proceeds from disposal of property, plant and equipment		782,493	151,632
Acquisition of intangible assets		(125,417)	(61,995)
Increase in refundable deposits		(21,258)	(5,086)
Decrease in refundable deposits		15,099	6,145
Net cash outflows from acquisition of a subsidiary	6(27)	(4,458,677)	-
Net cash flows used in investing activities		(6,703,955)	(5,277,529)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(29)	2,520,595	2,901,946
Repayments of short-term borrowings	6(29)	(3,341,024)	(2,474,973)
Proceeds from issuance of corporate bonds		4,487,903	-
Repayments of corporate bonds		-	(400)
Proceeds from long-term borrowings		13,369,450	13,636,854
Repayments of long-term borrowings		(13,496,286)	(11,175,194)
Increase in guarantee deposits received	6(29)	445	3,032
Decrease in guarantee deposits received	6(29)	(89)	(4,407)
Repayments of lease liabilities	6(29)	(230,276)	(158,112)
Cash dividends paid	6(16)	(880,165)	(463,680)
Cash distribution from capital surplus	6(15)(16)	(396,074)	(463,680)
Cash dividends paid to non-controlling interests	4(3)	(80,568)	(98,354)
Non-controlling interests		-	(1,217)
Subsidiary's issuance of share capital - increase in non-controlling interests		-	14,850
Net cash flows from financing activities		1,953,911	1,716,665
Effect of changes in exchange rate		(74,673)	(20,377)
Net increase in cash and cash equivalents		2,314,596	1,007,736
Cash and cash equivalents at beginning of year	6(1)	5,628,675	4,620,939
Cash and cash equivalents at end of year	6(1)	<u>\$ 7,943,271</u>	<u>\$ 5,628,675</u>

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANISATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd., the “Company”) was established in the Republic of China (R.O.C.) on December 15, 1988. In 1998, the Company acquired Sigurd Corporation, via assets purchase (the acquired company was liquidated and dissolved after the merger), in order to expand and provide turnkey assembly and testing services to customers. The name of the Company was changed to Sigurd Microelectronics Corporation on November 27, 1998. The main business activities of the Company and its subsidiaries (collectively referred herein as “Sigurd Group” or the “Group”) include the design, processing, testing, burn-in treatment, manufacture, trading, etc., of integrated circuits.

On February 11, 2004, the Company’s Board of Directors resolved to acquire Ucomm Caesar Technology Co., Ltd., whose main business was RF testing. The Company is the surviving company and Ucomm Caesar Technology Co., Ltd. is the dissolved company. After the merger, the Company’s name was retained. The effective date for the merger was March 1, 2005.

On December 30, 2005, the Company’s Board of Directors resolved to acquire ASI Semiconductor Co., Ltd., whose main business was integrated circuit testing. The Company is the surviving company and ASI Semiconductor Co., Ltd. is the dissolved company. After the merger, the Company’s name was retained. The effective date for the merger was June 12, 2006.

On May 8, 2013, the Company’s Board of Directors resolved to acquire Meicer Semiconductor Co., Ltd., whose main business was integrated circuits packaging. The Company is the surviving company and the effective date for the merger was May 31, 2013.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 8, 2022.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new or amended International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to Sigurd Group's financial position and financial performance based on Sigurd Group's assessment.

(2) Effect of new or amended IFRSs as endorsed by the FSC but not yet adopted

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Sigurd Group's financial position and financial performance based on the Sigurd Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to Sigurd Group's financial position and financial performance based on Sigurd Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRS and relevant laws and requirements" or "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension funds assets less present value of defined benefit obligation.
- B. The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Sigurd Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in Sigurd Group's consolidated financial statements. Subsidiaries are all entities controlled by Sigurd Group. Sigurd Group controls an entity when Sigurd Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date Sigurd Group obtains control of the subsidiaries and ceases when Sigurd Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within Sigurd Group have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by Sigurd Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Sigurd Microelectronics Corporation	Sigurd International Co., Ltd.	Investment company	100	100	-
Sigurd Microelectronics Corporation	Burgurd Co., Ltd.	International trade company	100	100	Note 6
Sigurd Microelectronics Corporation	TEST-SERV Inc.	Semiconductor assembly and testing	100	100	-
Sigurd Microelectronics Corporation	Bloomeria Limited	Investment company	100	100	-
Sigurd Microelectronics Corporation	AMBERSAN Medical Technology Co., Ltd.	Medical equipment manufacturing and sales	55	55	-
Sigurd Microelectronics Corporation	Flatek, Inc.	Digital information supply service	58.77	58.77	-
Sigurd Microelectronics Corporation	Flusol Co., Ltd.	Investment company	96.66	96.66	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Sigurd Microelectronics Corporation	Ge-Shing Cooperation	Investment company	0.65	0.65	Note 3 and Note 4
Sigurd Microelectronics Corporation	UTC Holdings Corporation	Investment company	100	-	Note 5
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Investment company	78.33	78.33	-
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Investment company	3.34	3.34	Note 1
Flusol Co., Ltd.	SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated circuits and advanced service of circuits testing	100	100	-
Sigurd Microelectronics (Cayman) Co., Ltd.	Sigurd Micro Electronics (Wuxi) Co., Ltd.	Manufacture and sales of microelectronic products	100	100	-
Bloomeria Limited	Ge-Shing Cooperation	Investment company	99.35	99.35	Note 3 and Note 4
Ge-Shing Cooperation	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	51.90	51.90	Note 4
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	0.03	0.03	-
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Services of turnkey wafer bumping and wafer level packaging	100	100	-
FLATEK, INC.	OPS Electronic Limited	Investment company	100	100	-

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
FLATEK, INC.	TPFUSION, INC.	Digital information supply service	75	75	-
FLATEK, INC.	Valuenet International Limited	Digital information supply service	100	100	-
OPS Electronic Limited	OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic	100	100	-
TPFUSION INC.	TPfusion Corp.	Digital information supply service	98	98	-
UTC Holdings Corporation	Sigurd UTC Corporation (UTAC (Taiwan) Corporation rename)	Testing service of integrated circuits and manufacture, sales and design of flip chip and substrate based	100	-	Note 5

Note 1: Flusol Co., Ltd., a foreign subsidiary, originally wholly-owned by Sigurd International Co., Ltd., increased its capital by cash, amounting to US\$45,000 thousand. The Company has made the investment directly by remitting US\$45,000 thousand (\$1,359,700) as Flusol Co., Ltd.'s capital. As of December 31, 2020, the Company held 96.66% shareholding of Flusol Co., Ltd.

Note 2: On February 27, 2020, Flusol (Shenzhen) Co., Ltd. has completed its deregistration as approved by the Investment Commission of the Ministry of Economic Affairs and remitted the residual property amounting to US\$258,990 to Flusol Co., Ltd.

Note 3: Ge-Shing Cooperation was established on March 12, 2020. The Company invested \$10,000 to obtain its 100% shareholding.

Note 4: To improve the overall operating efficiency of Sigurd Group, on July 6, 2020, Bloomeria Limited, the subsidiary of the Company, swapped all 70,694,438 shares it held in Winstek Semiconductor Co., Ltd. (consisting approximately 51.88% of the total shares issued) for new shares issued from capital increase of the wholly-owned subsidiary of the Company, Ge-Shing Cooperation. After the swap, the Company and Bloomeria Limited hold 0.65% and 99.35% shareholdings in Ge-Shing Cooperation, respectively.

Note 5: On April 14, 2021, the Company completed the acquisition of a 100% share equity in UTC

Holdings Corporation with US\$165,000 thousand (approximate \$4,701,842). The subsidiary which was belonging to UTC Holdings Corporation were included in the consolidated financial statements.

On June 7, 2021, UTC Holdings Corporation performed capital reduction and returned cash to the Company in the amount of \$2,900,000 (including \$920,470 and US\$71,489 thousand), the ratio of capital reduction was 52.59%.

On August 4, 2021, UTC Holdings Corporation increased cash capital in the amount of \$701,337. On August 11, 2021, the Company has remitted capital in the amount of \$701,337 and acquired all of increased share equity.

Note 6: On July 15, 2021, the Company's foreign subsidiary, Burgurd Co., Ltd., increased cash capital in the amount of US\$ 1,500 thousand. On August 19, 2021, the Company has remitted capital in the amount of US\$ 1,500 thousand (\$41,931) and acquired all of increased share equity.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to Sigurd Group:

As of December 31, 2021 and 2020, the non-controlling interests amounted to \$2,384,287 and \$2,249,853, respectively. The information on non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2021		December 31, 2020		
		Amount	Ownership (%)	Amount	Ownership (%)	
Winstek Semiconductor Co., Ltd. and its Subsidiary	Taiwan	\$2,284,926	48.10%	\$2,155,855	48.10%	-

Summarised financial information of subsidiaries:

Balance sheets

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	December 31, 2021	December 31, 2020
Current assets	\$ 3,378,430	\$ 3,813,896
Non-current assets	2,959,821	1,879,064
Current liabilities	(683,581)	(639,675)
Non-current liabilities	(778,759)	(323,892)
Total net assets	<u>\$ 4,875,911</u>	<u>\$ 4,729,393</u>

Statements of comprehensive income

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	Year ended	Year ended
	December 31, 2021	December 31, 2020
Revenue	\$ 3,086,392	\$ 2,613,534
Profit before income tax	471,140	227,746
Income tax expense	(77,209)	(18,348)
Profit from continuing operations	393,931	209,398
Profit for the year	393,931	209,398
Other comprehensive loss, net of tax	(79,895)	(164,609)
Total comprehensive income for the year	\$ 314,036	\$ 44,789
Comprehensive income attributable to non-controlling interests	\$ 151,036	\$ 21,543
Dividends paid to non-controlling interests	\$ 80,568	\$ 98,354
Statements of cash flows		

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	Year ended	Year ended
	December 31, 2021	December 31, 2020
Net cash provided by operating activities	\$ 963,575	\$ 1,197,431
Net cash used in investing activities	(559,520)	(66,554)
Net cash used in financing activities	145,835	(489,838)
Effect of exchange rates on cash and cash equivalents	(12,100)	(6,835)
Increase in cash and cash equivalents	537,790	634,204
Cash and cash equivalents, beginning of year	1,065,623	431,419
Cash and cash equivalents, end of year	\$ 1,603,413	\$ 1,065,623

(4) Foreign currency translation

Items included in the consolidated financial statements of each of Sigurd Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional and Sigurd Group's presentation currency.

A. Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their

translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “Other gains and losses”.

B. Translation of foreign operations

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

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Sigurd Group classifies the assets which do not meet the above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Sigurd Group classifies the liabilities which do not meet the above criteria as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. Sigurd Group subsequently measures the financial assets at fair value and recognises the gain or loss in profit or loss.
- D. Sigurd Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to Sigurd Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which Sigurd Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of Sigurd Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value plus transaction costs. Sigurd Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as income when the right to receive payment is established, future economic benefits associated with the dividend will flow to Sigurd Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments

are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of Sigurd Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. Sigurd Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle Sigurd Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, Sigurd Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, Sigurd Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

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

(13) Operating leases (lessor)

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

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Sigurd Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	4 ~ 60 years
Machinery and equipment	1 ~ 10 years
Office equipment	3 ~ 6 years
Other equipment	2 ~ 15 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by Sigurd Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

Sigurd Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Intangible assets

Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(18) Impairment of non-financial assets

- A. Sigurd Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill is acquired to each of the cash-generating units,

or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

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

(21) Provisions

- A. Provisions are recognised when Sigurd Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense.
- B. In the process of service provision, customers were unable to sell their products due to Sigurd Group's operational errors or poor product yield. Sigurd Group has assessed the liability for compensation when facts occur, and therefore has estimated related expenses and the provision for the recognition of liabilities. The provision is measured based on historical data and all possible outcomes.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refunds or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with Sigurd Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, Sigurd Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Other long-term employee benefit

Sigurd Group has long-term employee benefits in addition to the pension plans. Its net obligation is calculated by using projected unit credit method. It is measured by discounting the amount of future benefits earned by the employees from current or past services less the fair value of any relevant assets. The discounting rate adopts the interest rates of government bonds (at the balance sheet date) with terms to maturity approximating to the terms of Sigurd Group's obligations. All actuarial gains and losses are recognised as profit and loss in the current period.

E. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those

amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'Finance costs'.

(24) Convertible bonds payable

Convertible bonds issued by Sigurd Group contain conversion options (that is, the bondholders have the right to convert the bonds into Sigurd Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares). Sigurd Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity in accordance with the contract terms. They are accounted for as follows:

- A. The embedded redemption rights are recognised initially at net fair value as 'Financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of equity are initially recognised in 'Capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and "Capital surplus—share options".

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively

enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Sigurd Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax assets shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in Sigurd Group's financial statements in the period in which they are resolved by Sigurd Group's shareholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) Sigurd Group manufactures and sells electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or Sigurd Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discount. The estimation is subject to an assessment at each reporting date. A refunds liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Provision of services

- (a) Sigurd Group provides the services of research and design, engineering and testing of integrated circuits as well as the related services such as wafer bumping and wafer assembly services. An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The testing and packaging services provided by Sigurd Group are in compliance with the (b) above, and shall be gradually recognised as revenue over time, and recognised as revenue via the progress towards satisfaction of completion performance obligation.
- (b) Since the time interval between the transfer of the promised goods or services to the customer and payment by the customer has not exceeded one year, Sigurd Group has not adjusted the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

C. Compensatory revenue

Sigurd Group reserves its capacity to provide customers with wafer bumping and testing services of integrated circuits. During the term of the contract, the customer's purchase volume did not reach the minimum annual purchase amount mutually agreed upon in the contract. Sigurd Group may claim compensation for the difference between retained production capacity and purchased

amount in accordance with the terms stipulated in the contract. Compensatory revenue from the difference is fulfilled through the transfer of each of the performance obligations and is recognised accordingly.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Business combinations

A. Sigurd Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed, and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, Sigurd Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Sigurd Group's chief operating decision maker, has been identified as Board of Directors who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying Sigurd Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are

continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying Sigurd Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 2,069	\$ 4,387
Checking accounts and demand deposits	5,370,830	3,266,457
Time deposits	<u>2,570,372</u>	<u>2,357,831</u>
	<u>\$ 7,943,271</u>	<u>\$ 5,628,675</u>

A. Sigurd Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Sigurd Group has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 315,000	\$ 334,678
Corporate bonds	143,480	143,480
Convertible bonds	-	18,906
Redemption right of convertible bonds of the Company	<u>1,050</u>	<u>-</u>
	459,530	497,064
Valuation adjustment	<u>21,752</u>	<u>35,045</u>
	<u>\$ 481,282</u>	<u>\$ 532,109</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

		Year ended December 31,	
		2021	2020
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$	1,369	\$ 265
Beneficiary certificates		23,002	16,904
Corporate bonds	(	4,739)	2,455
Convertible bonds	(	898)	26,604
	\$	<u>18,734</u>	<u>\$ 46,228</u>

B. Information relating to price risk of financial assets at fair value through profit or loss is provided in Notes 12(2) and (3).

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 150,000	\$ 150,000
Unlisted stocks	<u>659,167</u>	<u>365,000</u>
	809,167	515,000
Valuation adjustment	<u>767,339</u>	<u>363,100</u>
	<u>\$ 1,576,506</u>	<u>\$ 878,100</u>

A. Sigurd Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,576,506 and \$878,100 as at December 31, 2021 and 2020, respectively.

B. Sigurd Group did not sell any financial assets at fair value through other comprehensive income during the year ended December 31, 2020.

In addition, in September 2020, the Company's subsidiary, Sigurd UTC Corporation (formerly named UTAC Taiwan Corporation), disposed investments in the fair value amount of \$7,580 due to the acquisition of the acquirer, the accumulated loss from disposal was \$84,070 and was reclassified as retained earnings. In November 2021, the acquisition price has been modified, the fair value of disposal was adjusted to \$18,672. In December 2021, Sigurd UTC Corporation collected the price difference amounting to \$11,058 (less related taxes) and reclassified the difference to retained earnings.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 415,297	\$ 322,368
Cumulative gains reclassified to retained earnings due to derecognition	\$ 11,058	\$ -
Dividend income recognised in profit or loss held at end of year	\$ 16,121	\$ 12,362

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by Sigurd Group was \$1,576,506 and \$878,100, respectively.

E. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Pledged time deposits	\$ 25,000	\$ -
Time deposits	986,455	2,524,164
	<u>\$ 1,011,455</u>	<u>\$ 2,524,164</u>
Non-current items:		
Demand deposits	\$ -	\$ 81,203
Pledged time deposits	39,887	48,610
Corporate bonds	30,000	30,000
	<u>\$ 69,887</u>	<u>\$ 159,813</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31,	
	2021	2020
Interest income	\$ 8,911	\$ 26,957

B. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by Sigurd Group was \$1,081,342 and \$2,683,977, respectively.

C. On December 31, 2020, demand deposits amounting to \$81,203, which were pledged for the guarantee purpose of issuing usance L/C, were shown as “Non-current financial assets at

amortised cost”. Please refer to Notes 6(12) and 8 for details.

D. On December 31, 2021 and 2020, time deposits amounting to \$64,887 and \$48,610, respectively, which were restricted for the purpose of customs guarantee and participation of government grants program guarantee were shown as “Current financial assets at amortised cost” and “Non-current financial assets at amortised cost”. Please refer to Note 8 for details.

E. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 720	\$ 396
Accounts receivable	\$ 3,914,441	\$ 3,351,683
Accounts receivable - related parties	5,491	3,811
	3,919,932	3,355,494
Less: Loss allowance	(47,708)	(47,771)
	<u>\$ 3,872,224</u>	<u>\$ 3,307,723</u>

A. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$3,074,729.

B. The ageing analysis of accounts receivable and notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 3,735,127	\$ 720	\$ 3,219,977	\$ 396
Up to 30 days	120,818	-	82,306	-
31 to 90 days	13,777	-	4,305	-
91 to 180 days	5	-	509	-
Over 180 days	50,205	-	48,397	-
	<u>\$ 3,919,932</u>	<u>\$ 720</u>	<u>\$ 3,355,494</u>	<u>\$ 396</u>

The above ageing analysis was based on past due date.

C. As at December 31, 2021 and 2020, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents Sigurd Group’s notes receivable was \$720 and \$396, respectively, and the maximum exposure to credit risk in respect of Sigurd Group’s accounts receivable was \$3,872,224 and \$3,307,723, respectively.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 215,763	(\$ 5,381)	\$ 210,382
Supplies	82,026	(3,106)	78,920
Work in progress	7,457	-	7,457
Merchandises and finished goods	8,121	(802)	7,319
	<u>\$ 313,367</u>	<u>(\$ 9,289)</u>	<u>\$ 304,078</u>

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 119,580	(\$ 5,895)	\$ 113,685
Supplies	60,156	(2,498)	57,658
Work in progress	9,225	(1,036)	8,189
Merchandises and finished goods	6,860	(926)	5,934
	<u>\$ 195,821</u>	<u>(\$ 10,355)</u>	<u>\$ 185,466</u>

The cost of inventories recognised as expense for the year:

Year ended December 31,		
	2021	2020
Cost of goods sold	\$ 11,731,362	\$ 8,823,676
Inventory valuation gain	(869)	(4,434)
Inventory scrapped	2,726	1,673
Revenue from sale of scrapped inventories	(216)	(1,636)
Net exchange differences	(197)	(83)
	<u>\$ 11,732,806</u>	<u>\$ 8,819,196</u>

Sigurd Group recognised inventory valuation gain for the years ended December 31, 2021 and 2020 because some of the inventories previously written down were consumed or sold.

(7) Property, plant and equipment

2021

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1							
Cost	\$ 844,353	\$ 3,254,658	\$ 24,827,007	\$ 366,435	\$ 2,369,687	\$ 1,258,941	\$ 32,921,081
Accumulated depreciation and impairment	-	(1,246,624)	(15,329,982)	(199,145)	(1,516,041)	-	(18,291,792)
	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>
2021							
At January 1	\$ 844,353	\$ 2,008,034	\$ 9,497,025	\$ 167,290	\$ 853,646	\$ 1,258,941	\$ 14,629,289
Additions	-	19,115	4,852,680	85,225	422,262	1,323,264	6,702,546
Transferred from merger	-	675,023	389,656	7,920	4,572	22,632	1,099,803
Transferred from prepayment for equipment	-	-	75,000	-	-	-	75,000
Transferred from right-of-use assets	-	-	427,981	-	-	-	427,981
Reclassifications (Note)	-	-	1,170,220	13,286	14,590	(1,223,472)	(25,376)
Disposals	-	-	(602,137)	(4,155)	(10,121)	-	(616,413)
Depreciation	-	(132,054)	(3,314,063)	(80,142)	(242,904)	-	(3,769,163)
Impairment loss	-	-	(350)	-	-	-	(350)
Net exchange differences	-	(701)	(31,470)	(1,077)	(7,468)	(3,300)	(44,016)
At December 31	<u>\$ 844,353</u>	<u>\$ 2,569,417</u>	<u>\$ 12,464,542</u>	<u>\$ 188,347</u>	<u>\$ 1,034,577</u>	<u>\$ 1,378,065</u>	<u>\$ 18,479,301</u>
At December 31, 2021							
Cost	\$ 844,353	\$ 3,947,609	\$ 28,945,355	\$ 412,521	\$ 2,647,787	\$ 1,378,065	\$ 38,175,690
Accumulated depreciation and impairment	-	(1,378,192)	(16,480,813)	(224,174)	(1,613,210)	-	(19,696,389)
	<u>\$ 844,353</u>	<u>\$ 2,569,417</u>	<u>\$ 12,464,542</u>	<u>\$ 188,347</u>	<u>\$ 1,034,577</u>	<u>\$ 1,378,065</u>	<u>\$ 18,479,301</u>

2020							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1							
Cost	\$ 844,353	\$ 2,594,643	\$ 21,215,491	\$ 257,251	\$ 2,234,126	\$ 804,938	\$ 27,950,802
Accumulated depreciation and impairment	- (1,182,183)	(14,534,908)	(177,783)	(1,412,198)	- (17,307,072)		
	<u>\$ 844,353</u>	<u>\$ 1,412,460</u>	<u>\$ 6,680,583</u>	<u>\$ 79,468</u>	<u>\$ 821,928</u>	<u>\$ 804,938</u>	<u>\$ 10,643,730</u>
2020							
At January 1	\$ 844,353	\$ 1,412,460	\$ 6,680,583	\$ 79,468	\$ 821,928	\$ 804,938	\$ 10,643,730
Additions	-	643,865	4,618,695	143,390	216,698	1,235,766	6,858,414
Transferred from prepayment for equipment	-	-	6,010	-	-	-	6,010
Disposals	- (244)	(128,093)	(14)	(994)	(182)	(129,527)	
Depreciation	- (63,271)	(2,416,318)	(55,539)	(200,706)	- (2,735,834)		
Impairment loss	-	- (2,083)	-	-	- (2,083)		
Reclassifications (Note)	-	880	767,050	-	21,737	(790,514)	(847)
Net exchange differences	-	14,344	(28,819)	(15)	(5,017)	8,933	(10,574)
At December 31	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>
At December 31, 2020							
Cost	\$ 844,353	\$ 3,254,658	\$ 24,827,007	\$ 366,435	\$ 2,369,687	\$ 1,258,941	\$ 32,921,081
Accumulated depreciation and impairment	- (1,246,624)	(15,329,982)	(199,145)	(1,516,041)	- (18,291,792)		
	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>

Note: In 2021 and 2020, the transfers-out of construction in progress and equipment to be inspected amounted to \$1,223,472 and \$790,514, of which \$7,381 and \$0 were transferred to intangible assets, \$17,995 and \$847 were transferred to prepaid expenses (shown as “Prepayments”).

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31,	
	2021	2020
Amount capitalised	\$ 15,070	\$ 17,904
Range of the interest rates for capitalisation	0.98%~1.42%	0.55%~1.39%

B. The significant components of buildings and structures include buildings, laboratory and facility equipment, which are depreciated over 50 to 60 years.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

D. As of December 31, 2021 and 2020, the area of the land amounting to 12,061 square meters held by Sigurd Group was a farming and grazing land held in the name of others. Sigurd Group has obtained the mortgage set by the landowner to secure Sigurd Group’s right on the untransferred part of the land.

(8) Leasing arrangements — lessee

- A. Sigurd Group leases various assets, including buildings, machinery and equipment and transportation equipment for the purposes of manufacture and operations. Lease agreements are typically made for periods of 1 to 32 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases consisted of machinery and equipment and transportation equipment leased by Sigurd Group with lease terms no more than 12 months, and low-value assets are comprised of office equipment.
- C. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31,	
	2021	2020
	Carrying amount	Carrying amount
Land	\$ 202,410	\$ -
Buildings	260,678	192,151
Machinery and equipment	351,233	616,687
Transportation equipment (business vehicles)	12,412	14,009
	<u>\$ 826,733</u>	<u>\$ 822,847</u>
	Year ended December 31,	
	2021	2020
	Depreciation	Depreciation
Land	\$ 4,587	\$ -
Buildings	57,732	39,812
Machinery and equipment	132,289	79,432
Transportation equipment (business vehicles)	9,423	10,031
	<u>\$ 204,031</u>	<u>\$ 129,275</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets was \$431,379 and \$556,209, respectively.
- E. When the lease terms ceased, the Company had preemptive right on some of leased machinery and equipment. For the year ended December 31, 2021, aforementioned lease contracts with preemptive right were due, the Company exercised the preemptive right to buy machinery and equipment in the amount of \$427,981. In addition, for the year ended December 31, 2020, there were no lease contracts with preemptive right which were due.
- F. The information on profit and loss accounts relating to lease agreements is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 26,604	\$ 20,920
Expense on short-term lease agreements	160,814	253,693
Expense on leases of low-value assets	9,082	9,082

G. For the years ended December 31, 2021 and 2020, Sigurd Group's total cash outflow for leases were \$795,477 and \$441,807, respectively.

(9) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 245,444</u>	0.80%~1.87%	None
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,029,399	0.69%~2.57%	None
Secured borrowings	<u>37,732</u>	0.63%~0.84%	Land and plant
	<u>\$ 1,067,131</u>		

(10) Other payables

	December 31, 2021	December 31, 2020
Accrued salaries and bonuses	\$ 798,648	\$ 561,792
Accrued employees' compensation and directors' remuneration	474,749	328,614
Payable for equipment and construction	645,355	866,979
Others	1,464,266	892,902
	<u>\$ 3,383,018</u>	<u>\$ 2,650,287</u>

(11) Bonds payable

	December 31, 2021	December 31, 2020
Convertible bonds payable	\$ 2,700,000	\$ 1,200,000
Bonds payable	3,000,000	-
Less: Bonds payable converted	(1,054,000)	(352,500)
Less: Discount on bonds payable	(117,272)	(16,699)
	4,528,728	830,801
Less: Current portion (shown as "Other current liabilities")	(144,767)	-
	<u>\$ 4,383,961</u>	<u>\$ 830,801</u>

Domestic 2nd Unsecured Convertible Bonds

A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the domestic 2nd unsecured convertible bonds on March 8, 2017, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on April 14,

2017 and were issued on April 24, 2017. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years; from on April 24, 2017 to April 24, 2020.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
 - (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (July 25, 2017) until the maturity date (April 24, 2020). The conversion deadline of the domestic 2nd unsecured convertible bonds for bondholders was April 9, 2020 due to the handling of 2020 general shareholders' meeting according to the Article 9 of related provisions of the issuance and conversion method.
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$28.70 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$28.7 (in dollars) to \$27 (in dollars) on August 13, 2017; and the conversion price was adjusted from \$27 (in dollars) to \$25.8 (in dollars) on July 15, 2018; and the conversion price was adjusted from \$25.8 (in dollars) to \$24 (in dollars) on July 21, 2019; and the conversion price was adjusted from \$24 (in dollars) to \$23.7 (in dollars) on November 15, 2019.
 - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of domestic 2nd unsecured convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- C. Trough conversion deadline, April 9, 2020, the bonds totaling \$1,199,600 (face value) had been converted into 46,023,851 shares of common stock. The remaining unconverted bonds amounting to \$400 (face value) were redeemed in cash at face value at the maturity date according to the

Article 6 of provisions of the issuance and conversion method of the 2nd domestic unsecured convertible bonds.

Domestic 3rd Unsecured Convertible Bonds

- A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the 3rd domestic unsecured convertible bonds on August 7, 2019, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 3, 2019 and were issued on October 15, 2019. The major terms of issuance are as follows:
- (a) Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years, from October 15, 2019 to October 15, 2022.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
 - (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 16, 2020) until the maturity date (October 15, 2022).
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$37 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$37 (in dollars) to \$36.6 (in dollars) on November 15, 2019; and the conversion price was adjusted from \$36.6 (in dollars) to \$34.8 (in dollars) on August 2, 2020; and the conversion price was adjusted from \$34.8 (in dollars) to \$33.2 (in dollars) on August 22, 2021.
 - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of 3rd unsecured convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- C. As of December 31, 2021, the 3rd domestic unsecured convertible bonds totaling \$1,054,000

thousand (face value) had been converted into 30,567,762 shares of common stock.

Domestic 1st Secured Bonds

In order to fulfill working capital, on March 10, 2021, the Company's Board of Directors approved to issue domestic first secured corporate bonds, the issuance has been filed to Taipei Exchange and has been effective. Main terms of the issuance were as follows:

- (a) Total issuance amount: The bonds were issued at face value of \$1,000, the issuance number was 3,000 with a total issuance amount of \$3,000,000.
- (b) Issuance duration: 5 years, from March 19, 2021 to March 19, 2026.
- (c) Coupon rate and payment method: The coupon rate was fixed rate at 0.58%. Interest will be paid annually. The principle will be paid at once when it is due.
- (d) Secured method: The corporate bond was guaranteed by the syndicated guaranteed contract and performance obligation contract of corporate bond guarantee which were entered by banks.

Domestic 4th Unsecured Convertible Bonds

A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the 4th domestic unsecured convertible bonds on August 4, 2021, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 2, 2021 and were issued on October 13, 2021. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 106.2% of par value of \$100. The units for this offering were 15,000, with aggregated offering amount of \$1,592,946.
- (b) Issuance duration: Three years, from October 13, 2021 to October 13, 2024.
- (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
- (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 14, 2022) until the maturity date (October 13, 2024).
- (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$65.4 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights.
- (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and

obligations attached to the bonds are also extinguished.

B. Regarding the issuance of the domestic 4th unsecured convertible bonds, the equity conversion options amounting to \$136,893 were separated from the liability component and were recognised in “Capital surplus—share options” in accordance with IAS 32. The embedded in bonds payable were separated from their host contracts and were recognised in ‘Financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.09%.

C. As of December 31, 2021, the 4th unsecured convertible bonds hadn’t been converted into common stock.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Credit borrowings	Borrowing period is from September 17, 2018 to August 10, 2026; principal and interest are repayable by instalments	0.48%~4.75%	(Note 1)	\$ 7,688,472
Secured borrowings	Borrowing period is from September 26, 2019 to January 8, 2026; principal and interest are repayable by instalments	0.79%~1.19%	Land, plant and machinery and equipment (Note 3)	483,345
				8,171,817
Less: Current portion				(2,423,169)
				<u>\$ 5,748,648</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Credit borrowings	Borrowing period is from May 18, 2018 to December 1, 2025; principal and interest are repayable by instalments	0.60%~4.75%	(Note 2)	\$ 7,434,489
Secured borrowings	Borrowing period is from July 18, 2019 to July 29, 2025; principal and interest are repayable by instalments	1.01%~1.25%	Demand deposits, Land, plant and machinery and equipment (Note 4)	870,832
				8,305,321
Less: Current portion				(3,786,573)
				\$ 4,518,748

For the years ended December 31, 2021 and 2020, interest expenses arising from long-term and short-term bank borrowings amounted to \$116,994 and \$98,963, respectively.

Note 1: Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortisation expenses divided by interest expenses of consolidated financial statements shall be more than ten.
- D. Net tangible assets shall not be less than \$11 billion.
- E. Committed that in the borrowing period, there can not be new machinery and equipment pledged to others.
- F. Shares of TEST-SERV Inc. held by the Company shall not be less than 51%.
- G. Shares of Winstek Semiconductor Co., Ltd. held by the Company shall not be less than 51%.
Shares of Winstek Semiconductor Technology Co., Ltd. held by Winstek Semiconductor Co.,

Ltd. shall not be less than 100%.

- H. The balance of deposits of Winstek Semiconductor Co., Ltd. and its subsidiaries at the contracted bank over the recent three months on average shall not be less than \$ 60 million.
- I. On July 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Accelerated Investment by Domestic Corporations” and companies are subsidised by financial institutes with preferential interest loans, 0.58%~0.80% of loan interest for qualified investment projects. Winstek Corporation has obtained the qualification from the MOEA, and signed loan agreements with financial institutions for the line of credit amounted to \$746 million with terms of 5 years. Funding from these borrowings were used in machinery and equipment and working capital. For the year ended December 31, 2021, the Company recognised grant revenue from the borrowing project in the amount of \$1,628 (shown as ‘Other income’).

Note 2: Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortisation expenses divided by interest expenses of consolidated financial statements shall be more than fifteen.
- D. Net tangible assets shall not be less than \$10 billion.
- E. Committed that in the borrowing period, there can not be new machinery and equipment pledged to others.
- F. Shares of TEST-SERV Inc. held by the Company shall not be less than 51%.
- G. Shares of Winstek Semiconductor Co., Ltd. held by the Company shall not be less than 51%.
Shares of Winstek Semiconductor Technology Co., Ltd. held by Winstek Semiconductor Co., Ltd. shall not be less than 100%.
- H. The balance of deposits of Winstek Semiconductor Co., Ltd. and its subsidiaries at the contracted bank over the recent three months on average shall not be less than \$ 60 million.
- I. Winstek Semiconductor Technology Co., Ltd. has obtained the qualification from the MOEA, and repaid the long-term borrowings in advance, the former credit contract had no restrictions on repaying in advance.

Note 3: Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Debt ratio: the total liabilities plus contingent liabilities divided by net tangible assets shall not

be more than 100%.

B. Cash and cash equivalents divided by short-term borrowings plus current portion of long-term borrowings and corporate bond shall not less than 1.

C. The purpose of bank borrowings shall be acquisition of equipment and working capital.

Note 4: Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 120%.

B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.

C. Net tangible assets shall not be less than \$11 billion.

D. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortization expenses divided by interest expenses in the consolidated financial statements shall not be less than three.

E. The purpose of bank borrowings shall be acquisition of equipment and working capital.

The abovementioned ratios were calculated based on the quarterly consolidated financial statements audited or reviewed by the independent auditors. The 2021 and 2020 consolidated financial statements met the requirements of the abovementioned ratios.

(13) Pensions

A. (a) The Company and its domestic subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plans, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension funds deposited with Bank of Taiwan, the trustee, under the name of the independent pension funds committees. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 507,993)	(\$ 373,585)
Fair value of plan assets	200,746	154,299
Net defined benefit liabilities	(\$ 307,247)	(\$ 219,286)

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

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 373,585)	\$ 154,299	(\$ 219,286)
Consolidated transfer in	(215,387)	44,777	(170,610)
Current service cost	(1,979)	-	(1,979)
Interest (expense) income	(3,517)	1,159	(2,358)
	(594,468)	200,235	(394,233)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,837	2,837
Change in demographic assumptions	(2,400)	-	(2,400)
Change in financial assumptions	(11,560)	-	(11,560)
Experience adjustments	66,017	-	66,017
	52,057	2,837	54,894
Pension fund contribution	-	12,786	12,786
Paid pension	34,418	(34,418)	-
At December 31	(\$ 507,993)	\$ 181,440	(\$ 326,553)

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 338,719)	\$ 146,967	(\$ 191,752)
Current service cost	(1,588)	-	(1,588)
Interest (expense) income	(4,065)	1,735	(2,330)
	<u>(344,372)</u>	<u>148,702</u>	<u>(195,670)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,121	4,121
Change in demographic assumptions	(825)	-	(825)
Change in financial assumptions	(19,141)	-	(19,141)
Experience adjustments	(15,639)	-	(15,639)
	<u>(35,605)</u>	<u>4,121</u>	<u>(31,484)</u>
Pension fund contribution	-	7,868	7,868
Paid pension	6,392	(6,392)	-
At December 31	<u>(\$ 373,585)</u>	<u>\$ 154,299</u>	<u>(\$ 219,286)</u>

- (d) The Bank of Taiwan was commissioned to manage the funds of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the funds' annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Funds" (Article 6: The scope of utilisation for the funds includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the funds their minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that funds and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Funds Utilisation Report announced by the government.

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

	Year ended December 31,	
	2021	2020
Discount rate	0.70%~0.79%	0.43%~0.80%
Future salary increase rate	3.00%~4.00%	3.00%

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

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligations	(\$ 13,752)	\$ 14,431	\$ 47,706	(\$ 43,494)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligations	(\$ 10,106)	\$ 10,653	\$ 42,826	(\$ 38,313)

(f) Expected contributions to the defined benefit pension plans of Sigurd Group for the year ending December 31, 2022 amount to \$32,091.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, Sigurd Micro Electronics (Wuxi) Co., Ltd. and SIRIZE Technology (Suzhou) Corp., have defined contribution plans. Monthly contributions to an independent funds administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2021 and 2020, was 16%, and 13% to 20%, respectively. Other than the monthly contributions, Sigurd Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of Sigurd Group for the years ended December 31, 2021 and 2020 were \$113,611 and \$92,721, respectively.

C. Long-term employee benefits

Winstek Semiconductor Co., Ltd. and its subsidiary provide other long-term employee benefit

plans (pensions) to employees. Actuarial techniques are used to measure other long-term employee benefit obligations and respective balances as of December 31, 2021 and 2020 were \$0 and \$3,335, respectively.

(14) Share capital

As of December 31, 2021, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,520,782 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Unit: shares	
	2021	2020
At January 1	431,611,382	420,683,401
Conversion of corporate bonds	20,466,774	10,927,981
At December 31	<u>452,078,156</u>	<u>431,611,382</u>

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021			
	Share premium	Consolidation premium	Share options	Total
At January 1	\$ 440,441	\$ 244,129	\$ 30,876	\$ 715,446
Issuance of convertible bonds	-	-	136,893	136,893
Conversion of corporate bonds	511,632	- (	25,544)	486,088
Cash distribution from capital surplus	(396,074)	-	-	(396,074)
At December 31	<u>\$ 555,999</u>	<u>\$ 244,129</u>	<u>\$ 142,225</u>	<u>\$ 942,353</u>

	2020			
	Share premium	Consolidation premium	Share options	Total
At January 1	\$ 635,056	\$ 244,129	\$ 44,487	\$ 923,672
Conversion of corporate bonds	269,065	- (	13,611)	255,454
Cash distribution from capital surplus	(463,680)	-	-	(463,680)
At December 31	<u>\$ 440,441</u>	<u>\$ 244,129</u>	<u>\$ 30,876</u>	<u>\$ 715,446</u>

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Legal reserve is not necessary once the reserve is equal to total paid-in capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the Board of Directors and reported to the shareholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

The distribution of the Company's distributable earnings is made via cash dividends or stock dividends. Dividends are given priority in the form of cash dividends in terms of distributable earnings and is also distributed via stock dividends. The ratio for cash dividends shall not be less than 10% of total dividends to be distributed.

The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with the Company Act. The earnings distribution in cash shall be resolved by the Board of Directors; when issuing new shares, it shall be resolved by the shareholders' meeting in accordance with respective regulations.

On July 15, 2021, the Company's shareholders approved to appropriate earnings in cash or in shares, the first priority when appropriating earnings is cash, it also can be appropriated in shares. The appropriation of shareholders dividends was 10% ~80% of distributable earnings in the current year, the ratio of cash dividends can not be lower than 10%.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity interests is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations for 2020 and 2019 earnings had been resolved at shareholders' meeting on July 15, 2021 and June 10, 2020, respectively. Details are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 175,518		\$ 132,661	
Reversal of special reserve	-		(48,273)	
Cash dividends	880,165	\$ 2.00	463,680	\$ 1.10
Total	<u>\$ 1,055,683</u>		<u>\$ 548,068</u>	

- E. On July 15, 2021 and June 10, 2020, the shareholders' meeting resolved the distribution of capital

surplus amounting to \$396,074 in cash (\$0.90 (in dollars) per share) and \$463,680 in cash (\$1.10 (in dollars) per share) , respectively.

F. On March 8, 2022, the Board of Directors resolved the appropriation for 2021 earnings through distribution of cash dividends amounting to \$1,369,427 in cash (\$3.00 (in dollars) per share).

G. On March 8, 2022, the Board of Directors proposed the distribution of cash from capital surplus – share premium amounting to \$502,123 in cash (\$1.10 (in dollars) per share) in proportionate to shareholders’ shareholding interests. The above resection had not been resolved at the shareholders’ meeting.

H. Information of appropriation resolved by shareholder’s meeting and the Board of Directors will be posted in the “Market Observation Post System”.

(17) Other equity interest

	2021		
	valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 363,100	(\$ 78,954)	\$ 284,146
Revaluation			
– Parent company	427,732	-	427,732
– Subsidiaries	(12,435)	-	(12,435)
Revaluation transferred to retained earnings			
– Parent company	-	-	-
– Subsidiaries	(11,058)	-	(11,058)
Currency translation			
– Subsidiaries	-	(51,911)	(51,911)
At December 31	<u>\$ 767,339</u>	<u>(\$ 130,865)</u>	<u>\$ 636,474</u>
	2020		
	valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 40,732	(\$ 6,699)	\$ 34,033
Revaluation			
– Parent company	322,408	-	322,408
– Subsidiaries	(40)	-	(40)
Currency translation			
– Subsidiaries	-	(72,255)	(72,255)
At December 31	<u>\$ 363,100</u>	<u>(\$ 78,954)</u>	<u>\$ 284,146</u>

(18) Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 16,681,264	\$ 12,428,549

A. Disaggregation of Sigurd Group's revenue from contracts with customers:

2021	Sales revenue	Assembly and testing service revenue	Others service revenue	Total
Revenue from external customer contracts	\$ 98,810	\$ 16,554,626	\$ 27,828	\$ 16,681,264
Timing of revenue recognition				
Over time	\$ -	\$ 16,554,626	\$ 27,828	\$ 16,582,454
At a point in time	\$ 98,810	\$ -	\$ -	\$ 98,810
2020	Sales revenue	Assembly and testing service revenue	Others service revenue	Total
Revenue from external customer contracts	\$ 49,513	\$ 12,343,771	\$ 35,265	\$ 12,428,549
Timing of revenue recognition				
Over time	\$ -	\$ 12,343,771	\$ 35,265	\$ 12,379,036
At a point in time	\$ 49,513	\$ -	\$ -	\$ 49,513

B. Contract assets and liabilities

Sigurd Group has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract assets:			
Contract assets –			
Assembly			
and testing	<u>\$ 193,381</u>	<u>\$ 109,872</u>	<u>\$ 120,675</u>
Contract liabilities:			
Contract liabilities –			
Assembly and testing	<u>\$ 106,290</u>	<u>\$ 19,127</u>	<u>\$ 10,202</u>

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

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Revenue from external customer contracts	<u>\$ 13,846</u>	<u>\$ 9,205</u>

D. Refund liabilities (shown as “Other current liabilities”).

The Company estimated sales discounts based on historical experience, the estimates was updated on every balance sheet dates, the details of related refund liabilities were as follows:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Refund liabilities- current		
	<u>\$ 197,681</u>	<u>\$ 146,582</u>

(19) Interest income

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	<u>\$ 18,832</u>	<u>\$ 25,630</u>
Interest income from financial assets measured at amortised cost	<u>8,911</u>	<u>26,957</u>
Other interest income	<u>3,187</u>	<u>177</u>
	<u>\$ 30,930</u>	<u>\$ 52,764</u>

(20) Other income

	Year ended December 31,	
	2021	2020
Rental revenue	\$ 2,612	\$ 4,328
Dividend income	16,121	12,495
Gain recognised in bargain purchase transaction	16,441	-
Government grants	40,267	24,700
Other income, others	81,752	24,792
	<u>\$ 157,193</u>	<u>\$ 66,315</u>

(21) Other gains and losses

	Year ended December 31,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ 166,080	\$ 22,105
Net currency exchange losses	(56,420)	(127,946)
Gains on financial assets at fair value through profit or loss	18,734	46,228
Impairment loss of property, plant and equipment	(350)	(2,083)
Other gains	71,453	2,008
	<u>\$ 199,497</u>	<u>(\$ 59,688)</u>

(22) Finance costs

	Year ended December 31,	
	2021	2020
Bank borrowings	\$ 116,994	\$ 98,963
Bonds payable	36,623	13,154
Lease liabilities	26,604	20,920
Others	54	4,427
Less: Capitalisation of assets	(15,070)	(17,904)
	<u>\$ 165,205</u>	<u>\$ 119,560</u>

(23) Expenses by nature

	Year ended December 31,	
	2021	2020
Employee benefit expense	<u>\$ 4,280,497</u>	<u>\$ 3,230,005</u>
Depreciation expenses on property, plant and equipment	<u>\$ 3,769,163</u>	<u>\$ 2,735,834</u>
Depreciation expenses on right-of-use assets	<u>\$ 204,031</u>	<u>\$ 129,275</u>
Amortisation expenses on intangible assets	<u>\$ 56,813</u>	<u>\$ 63,250</u>

(24) Employee benefit expense

	Year ended December 31,	
	2021	2020
Wages and salaries	\$ 3,660,492	\$ 2,771,304
Labour and health insurance fees	309,555	221,019
Pension costs	134,097	96,639
Other personnel expenses	176,353	141,043
	<u>\$ 4,280,497</u>	<u>\$ 3,230,005</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall range between 8%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$353,000 and \$218,000, respectively; while directors' remuneration was accrued at \$40,000 and \$30,000, respectively. The aforementioned amounts were recognised in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on 9.54% and 1.08%, respectively, of distributable profit of 2021.
- C. Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System."

(25) Income tax

A. Income tax expense

(1) Components of income tax expense:

	Year ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 740,387	\$ 497,817
Tax on unappropriated retained earnings	905	923
Prior year income tax overestimation	(110,785)	(112,083)
Total current tax	<u>630,507</u>	<u>386,657</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,943)	(34,670)
Total deferred tax	<u>(3,943)</u>	<u>(34,670)</u>
Income tax expense	<u>\$ 626,564</u>	<u>\$ 351,987</u>

(2) The income tax charge relating to components of other comprehensive income is as follows:

	Year ended December 31,	
	2021	2020
Losses on remeasurements of defined benefit plans	(\$ 11,543)	\$ -
B. Reconciliation between income tax expense and accounting profit		
	Year ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 786,138	\$ 498,490
Tax exempt income by tax regulation	(126,373)	(42,706)
Expenses disallowed by tax regulation	50,385	-
Taxable losses not recognised as deferred tax assets	28,053	3,828
Tax on unappropriated retained earnings	905	923
Prior year income tax overestimation	(110,785)	(112,083)
Change in assessment of realisation of deferred tax assets	(2,568)	7,775
Temporary differences not recognised as deferred tax liabilities	(8,249)	(6,682)
Separate tax amount	9,934	-
Other	(876)	2,442
Income tax expense	<u>\$ 626,564</u>	<u>\$ 351,987</u>

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

2021					
	January 1	Transferred from merger	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:					
—Deferred tax assets:					
Unrealised inventory valuation loss	\$ 1,668	\$ -	(\$ 290)	\$ -	\$ 1,378
Unrealised pension	-	26	(168)	-	(142)
Defined benefit liabilities	-	33,650	-	(11,543)	22,107
Long-term investment	6,436	-	-	-	6,436
Depreciation expenses	11,602	28,665	(4,648)	-	35,619
Unrealised exchange loss	19,610	24,772	(31,244)	-	13,138
Exchange differences on translation of foreign operations	-	-	-	-	-
Tax losses	-	230,035	30,326	-	260,361
Others	36,029	322	14,522	-	50,873
Subtotal	75,345	317,470	8,498	(11,543)	389,770
Temporary differences:					
—Deferred tax liabilities:					
Defined benefit liabilities	(1,189)	-	(515)	-	(1,704)
Unrealised exchange gain	(1,471)	-	1,133	-	(338)
Bargain purchase gain	(37,146)	-	(3,288)	-	(40,434)
Unrealised gain or loss on financial instrument	(26)	-	(26)	-	(52)
Others	(1,099)	(6,430)	(2,309)	-	(9,838)
Subtotal	(40,931)	(6,430)	(5,005)	-	(52,366)
Total	\$ 34,414	\$ 311,040	\$ 3,493	(\$ 11,543)	\$ 337,404

		2020		
		January 1	Recognised in profit or loss	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised inventory valuation loss	\$	1,917	(\$ 249)	\$ 1,668
Long-term investment		6,436	-	6,436
Depreciation expenses		11,007	595	11,602
Unrealised exchange loss		11,165	8,445	19,610
Others		11,709	24,320	36,029
Subtotal		42,234	33,111	75,345
Temporary differences:				
—Deferred tax liabilities:				
Defined benefit liabilities	(	947)	(242)	(1,189)
Unrealised exchange gain	(	3,598)	2,127	(1,471)
Bargain purchase gain	(	37,146)	-	(37,146)
Unrealised gain or loss on financial instrument		-	(26)	(26)
Others	(	799)	(300)	(1,099)
Subtotal	(	42,490)	1,559	(40,931)
Total	(\$	256)	\$ 34,670	\$ 34,414

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 285,122	\$ 297,962

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

(26) Earnings per share

Year ended December 31, 2021			
	Amount after income tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,787,446	446,115	\$ 6.25
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,787,446	446,115	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	6,378	
Convertible bonds	6,987	17,265	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,794,433	469,758	\$ 5.95
Year ended December 31, 2020			
	Amount after income tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,783,299	422,912	\$ 4.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,783,299	422,912	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,358	
Convertible bonds	10,523	35,286	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,793,822	463,556	\$ 3.87

(27) Business combinations

- A. On April 14, 2021, the Company completed the acquisition of a 100% share equity in UTC Holdings Corporation with US\$ 165,000 thousand (approximately \$4,701,842) and control over UTC Holdings Corporation and its subsidiary (referred herein as the “UTC Group”), starting from the day, the UTC Group was consolidated into financial statements. The UTC Group engaged in the research, development and test of integrated circuit, the Group expected the position in the assembly and testing market can be strengthen after the acquisition.
- B. The following table summarises the consideration paid for the UTC Group. and the fair values of the assets acquired, and liabilities assumed at the acquisition date:

	<u>April 14, 2021</u>
Consideration paid — Cash	<u>\$ 4,701,842</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	243,165
Notes and accounts receivable	352,927
Other receivables	3,085,736
Inventories	59,306
Prepayments	52,747
Non-current financial assets at fair value through other comprehensive income	136,166
Current financial assets at amortised cost	18,187
Property, plant and equipment	1,099,803
Right-of-use assets	207,158
Intangible assets	14,509
Deferred tax assets	317,470
Other non-current assets	20,020
Notes and accounts payable	(116,976)
Current income tax liabilities	(1)
Other payables	(385,814)
Lease liabilities	(208,626)
Deferred tax liabilities	(6,430)
Other non-current liabilities	(171,064)
Total identifiable net assets	<u>4,718,283</u>
Gain recognised in bargain purchase transaction	<u>(\$ 16,441)</u>

- C. The operating revenue and gain (loss) before income tax included in the consolidated statement of comprehensive income since April 14, 2021 contributed by the UTC Group was \$1,155,019 and (\$1,372), respectively. Had the UTC Group been consolidated from January 1, 2021, the consolidated statement of comprehensive income would show an increase in operating revenue of \$17,104,239 and a decrease in profit before income tax of \$3,354,604.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 6,702,546	\$ 6,858,414
Add: Opening balance of payable on equipment	866,979	820,160
Add: Ending balance of prepaid on equipment	117,618	77,573
Add: Transferred from merger		
Payable on equipment	34,036	-
Add: Payment of preemptive right of lease		
liabilities	368,701	-
Less: Opening balance of prepaid on equipment	(77,573)	(6,043)
Less: Ending balance of payable on equipment	(645,355)	(866,979)
Cash paid during the year	<u>\$ 7,366,952</u>	<u>\$ 6,883,125</u>

B. Financing activities with no cash flow effects

	Year ended December 31,	
	2021	2020
Convertible bonds being converted to		
capital stocks	<u>\$ 690,756</u>	<u>\$ 364,734</u>

(29) Changes in liabilities from financing activities

	2021					
	Short-term borrowings	Long-term borrowings	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 1,067,131	\$ 8,305,321	\$ 830,801	\$ 794,556	\$ 6,989	\$ 11,004,798
Changes in cash flow from financing activities	(820,429)	(126,836)	4,487,903	(230,276)	356	3,310,718
Transfer from merger	-	-	-	208,626	453	209,079
Interest paid	-	-	-	(26,604)	-	(26,604)
Payment of preemptive right of lease liabilities	-	-	-	(368,701)	-	(368,701)
Changes in other non-cash items:						
Interest expense	-	-	-	26,604	-	26,604
Effect of foreign exchange	(1,258)	(6,668)	-	(11,992)	-	(19,918)
Option exercised	-	-	(690,756)	-	-	(690,756)
Discount on bonds payable	-	-	36,623	-	-	36,623
Increase in lease liabilities	-	-	-	431,379	-	431,379
Changes in other non-cash items	-	-	(135,843)	-	-	(135,843)
At December 31	<u>\$ 245,444</u>	<u>\$ 8,171,817</u>	<u>\$ 4,528,728</u>	<u>\$ 823,592</u>	<u>\$ 7,798</u>	<u>\$ 13,777,379</u>

	2020					
	Short-term borrowings	Long-term borrowings	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 640,712	\$ 5,824,176	\$ 1,182,781	\$ 395,865	\$ 8,364	\$ 8,051,898
Changes in cash flow from financing activities	426,973	2,461,660	(400)	(158,112)	(1,375)	2,728,746
Interest paid	-	-	-	(20,920)	-	(20,920)
Changes in other non-cash items:						
Interest expense	-	-	-	20,920	-	20,920
Effect of foreign exchange	(554)	19,485	-	5,240	-	24,171
Option exercised	-	-	(364,734)	-	-	(364,734)
Discount on bonds payable	-	-	13,154	-	-	13,154
Increase in lease liabilities	-	-	-	556,209	-	556,209
Decrease in lease liabilities	-	-	-	(4,646)	-	(4,646)
At December 31	<u>\$ 1,067,131</u>	<u>\$ 8,305,321</u>	<u>\$ 830,801</u>	<u>\$ 794,556</u>	<u>\$ 6,989</u>	<u>\$ 11,004,798</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Ene Technology Inc.	The Company is the Director of Ene Technology Inc.

(2) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Provision of services:		
Others	\$ <u>24,970</u>	\$ <u>36,345</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Receivables from related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Receivables from related parties:		
Others	\$ <u>5,491</u>	\$ <u>3,811</u>

The receivables from related parties arise mainly from provision of services. The receivables are unsecured in nature and bear no interest.

(3) Key management compensation

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 163,528	\$ 145,496
Post-employment benefits	1,998	2,254
Total	\$ <u>165,526</u>	\$ <u>147,750</u>

8. PLEDGED ASSETS

Sigurd Group's assets pledged as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Property, plant and equipment	\$ 1,450,149	\$ 1,405,798	Short-term and long-term borrowings
Pledged time deposits (Note 1)	64,887	48,610	Guarantee for import customs, lease and government grants
Letter of credit-demand deposits (Note 2)	-	81,203	Long-term usance L/C Issuance guarantee
	\$ <u>1,515,036</u>	\$ <u>1,535,611</u>	

Note 1: Shown as "Current financial assets at amortised cost" and "Non-current financial assets at amortised cost".

Note 2: Shown as "Non-current financial assets at amortised cost".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On August 5, 2015, Winstek Semiconductor Co., Ltd. and its subsidiary entered into a 5-year technical service contract with STATS ChipPAC Ltd. Under the contract, Winstek Semiconductor Co., Ltd. and its subsidiary shall reserve their production capacities for providing wafer assembly and testing services to STATS ChipPAC Ltd. during the 5-year contract period. The terms of the contract are as follows:

- A. Winstek Semiconductor Co., Ltd. and its subsidiary shall reserve their monthly minimum production capacities to STATS ChipPAC Ltd. in order to provide services timely. Winstek Semiconductor Co., Ltd. and its subsidiary provide services within the scope of available production capacity if the order quantity placed by STATS ChipPAC Ltd. is within the minimum and maximum production capacities; Winstek Semiconductor Co., Ltd. and its subsidiary have no obligation to provide additional services if the order quantity placed by STATS ChipPAC Ltd. is beyond the maximum production capacities of Winstek Semiconductor Co., Ltd. and its subsidiary.
- B. Under the contract, order quantities from STATS ChipPAC Ltd. shall meet the agreed minimum order quantity, and Winstek Semiconductor Co., Ltd. and its subsidiary have a right to claim a compensation for the residual capacities between the order quantities and the minimum order quantity based on the procedures specified in the contract. Order quantities will be calculated every 12 months after the contract date. 5% of minimum order quantity can be deferred to the next year if the order quantity placed by STATS ChipPAC Ltd. is under the minimum order quantity, and STATS ChipPAC Ltd. shall compensate Winstek Semiconductor Co., Ltd. and its subsidiary for those order quantities which do not reach the minimum order quantity, excluding those deferrals. The deferral right can be exercised once every year, and those deferrals can not be further deferred in the next year. In addition, the deferral right can not be exercised at the last year of the contract period.
- C. Further, the minimum order quantity is calculated aggregately starting from the second contractual year under mutual agreement, and no change was made in the total minimum order quantity. The consolidated minimum order quantity purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co., Ltd. and its subsidiary is as follows:

	Unit: Thousands of USD			
	Second year	Third year	Fourth year	Fifth year
Minimum procurement amount	\$ 80,800	\$ 75,100	\$ 63,200	\$ 51,400
Deferred amount for the second year	4,750	-	-	-
Deferred amount for the third year	(4,040)	4,040	-	-
Deferred amount for the fourth year	-	(3,755)	3,755	-
Deferred amount for the fifth year	-	-	(3,160)	3,160
	<u>\$ 81,510</u>	<u>\$ 75,385</u>	<u>\$ 63,795</u>	<u>\$ 54,560</u>

Winstek Semiconductor Co., Ltd. has claimed the compensation from STATS ChipPAC Ltd. for not meeting the minimum order quantity of the second and third contractual years in accordance with the contract. Additionally, to maintain the long-term cooperation between the two parties, STATS ChipPAC Ltd. proposed a settlement based on long-term commercial benefits. The Board of Directors of Winstek Technology Co., Ltd. also took into consideration its business operation and commercial judgement, and resolved to settle with STATS ChipPAC Ltd. On September 20, 2018, the resolved settlement with STATS ChipPAC Ltd. is as follows:

- (a) Both parties agreed to extend the technical service contract for two years (from August 5, 2020 to August 4, 2022). In accordance with the contract, the consolidated minimum order quantity purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co., Ltd. and its subsidiary is as follows:

	Unit: Thousands of USD	
	Sixth Year	Seventh Year
Minimum procurement amount	\$ 30,000	\$ 30,000

- (b) Winstek Semiconductor Co., Ltd. and its subsidiary reserve production capacity of US\$40,000 thousand for STATS ChipPAC Ltd. in each contractual year during the extended two years.
- (c) If STATS ChipPAC Ltd. does not meet the committed amount in the current year, the insufficient amount can be deferred to the next year.
- (d) STATS ChipPAC Ltd. agrees to purchase from Winstek Semiconductor Co., Ltd. and its subsidiary at a discounted price in the fourth contractual year.
- (e) For the purpose of commercial benefit and maintenance of long-term cooperation of both parties, Winstek Semiconductor Co., Ltd. and its subsidiary will not claim a compensation against STATS ChipPAC Ltd. amounting to US\$6,830 thousand for those order quantities not meeting the minimum order quantity in the third contractual year.
- The aforementioned settlement was further negotiated bases on the proposal from STATS ChipPAC Ltd. and resolved on March 19, 2019 by the Board of Directors of Winstek Semiconductor Co., Ltd. that STATS ChipPAC Ltd. agreed to pay the compensation of US\$5,000 thousand (\$153,850) for those amounts not meeting minimum order quantity in the third contractual year. The compensation was fully recognised in compensation revenue.
- D. In the fourth contractual year (from August 5, 2018 to August 4, 2019) STATS ChipPAC Ltd. didn't meet the minimum order quantity, the Group had been claimed against it and recognised revenue according to the contract.
- E. In the fifth contractual year (from August 5, 2019 to August 4, 2020), STATS ChipPAC Ltd.'s consolidated order quantities was US\$54,135 thousand. On November 9, 2020, STATS ChipPAC Ltd. agreed to pay compensation amounting to US\$383 thousand for those order quantities not meeting the minimum order quantity. The compensation was fully collected and recognised in compensatory revenue.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ <u>3,310,251</u>	\$ <u>1,792,895</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

A. Please refer to Note 6(16) for the appropriation for 2021 earnings.

B. On March 7, 2022, the Board of Directors of the Company's subsidiary, Winstek Semiconductor Co., Ltd., resolved to expand operating base for the development of business and planned to invest \$400 million to establish the wholly owned subsidiary, TST CO., LTD., with shares of a par value of \$10 dollars. The wholly owned subsidiary is expected to engage in development and lease of industrial manufacturing plant.

12. OTHERS

(1) Capital management

Sigurd Group's capital management objectives are to ensure that Sigurd Group can continue to operate, maintain the best capital structure to reduce capital costs, and provide compensation to shareholders. To maintain or adjust the capital structure, Sigurd Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Sigurd Group uses the debt-to-capital ratio to monitor its capital, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as reported in the consolidated balance sheet) less cash and cash equivalents. The calculation of total capital is the equity reported in the consolidated balance sheet plus the net debt.

Sigurd Group's strategy for 2021 remained the same as that of 2020, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2021 and 2020, Sigurd Group's debt ratio was both less than 40%.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 481,282	\$ 532,109
Financial assets at fair value through other comprehensive income	1,576,506	878,100
Financial assets at amortised cost		
Cash and cash equivalents	7,943,271	5,628,675
Financial assets at amortised cost (including non-current portion)	1,081,342	2,683,977
Notes receivable	720	396
Accounts receivable (including related parties)	3,872,224	3,307,723
Other receivables	97,947	32,833
Refundable guarantee deposits	50,500	30,576
	<u>\$ 15,103,792</u>	<u>\$ 13,094,389</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 245,444	\$ 1,067,131
Notes payable	4,175	2,658
Accounts payable	378,437	379,746
Other payables	3,383,018	2,650,287
Corporate bonds payable (including current portion)	4,528,728	830,801
Long-term borrowings (including current portion)	8,171,817	8,305,321
Guarantee deposits received	7,798	6,989
	<u>\$ 16,719,417</u>	<u>\$ 13,242,933</u>
Lease liabilities	<u>\$ 823,592</u>	<u>\$ 794,556</u>

B. Financial risk management policies

- (a) Sigurd Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management policies are carried out to focus on unforeseen events in markets and to minimise any adverse effects on the financial position and financial performance of Sigurd Group.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges

financial risks in close co-operation with Sigurd Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Sigurd Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and subsidiaries using various functional currencies, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up policies to require group companies to manage their foreign exchange risk against their functional currencies. Group companies are required to hedge their entire foreign exchange risk exposure through coordination with Sigurd Group treasury. Foreign exchange rate risk is resulted by each business unit records their future commercial transactions and recognised assets or liabilities as foreign currency instead of their functional currency.
- iii. Sigurd Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: RMB and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021			
	Foreign currency amount		Book value
	(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 195,635	27.680	\$ 5,415,177
NTD:USD	442,662	0.036	442,662
USD:RMB	11,634	6.370	322,029
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,290	27.680	\$ 146,427
USD:RMB	45,445	6.370	1,257,918
NTD:USD	1,014,687	0.036	1,014,687
JPY:TWD	49,665	0.241	11,944

December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 123,938	28.480	\$ 3,529,754
NTD:USD	427,936	0.035	427,936
USD:RMB	13,815	6.507	393,451
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 32,889	28.480	\$ 936,679
NTD:USD	625,072	0.035	625,072
USD:RMB	40,429	6.507	1,151,418
iv. The total exchange loss from significant foreign exchange variations on the monetary items held by Sigurd Group for the years ended December 31, 2021 and 2020 amounted to \$56,420 and \$127,946, respectively.			
v. Analysis of foreign currency market risk arising from significant foreign exchange variations:			

Year ended December 31, 2021				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 54,152	\$	-
NTD:USD	1%	4,427		-
USD:RMB	1%	3,220		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 1,464)	\$	-
USD:RMB	1%	(12,579)		-
NTD:USD	1%	(10,147)		-
JPY:NTD	1%	(119)		-

Year ended December 31, 2020				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	35,298	\$ -
NTD:USD	1%		4,279	-
USD:RMB	1%		3,934	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	9,367)	\$ -
NTD:USD	1%	(	6,251)	-
USD:RMB	1%	(	11,514)	-

Price risk

- i. Sigurd Group's investments in equity securities, which are exposed to price risk, consist of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, Sigurd Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by Sigurd Group.
- ii. Sigurd Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$3,388 and \$3,513, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss; other comprehensive income would have increased/decreased by \$15,765 and \$8,781, respectively, as a result of the above change of financial assets at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. Sigurd Group's main interest rate risk arises from short-term and long-term borrowings with floating rates, which expose Sigurd Group to cash flow interest rate risk. During 2021 and 2020, Sigurd Group's borrowings at floating rate were mainly denominated in New Taiwan dollars and US dollars.
- ii. Sigurd Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

- iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax, for the years ended December 31, 2021 and 2020 would have decreased/increased by \$84,173 and \$93,725, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to Sigurd Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. Sigurd Group manages their credit risk taking into consideration the entire group's perspective. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to Sigurd Group's credit policy, each entity in Sigurd Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Sigurd Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.
- iv. Sigurd Group categorised customers' accounts receivable and contract assets in accordance with credit rating of customer. Sigurd Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. Sigurd Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated low.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

- (iii) Default or delinquency in interest or principal repayments; and
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. Sigurd Group used the forecastability of the future to adjust historical and current information to assess the default possibility of accounts receivable and contract assets. As of December 31, 2021 and 2020, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2021</u>						
Expected loss rate	0.11%	0.19%-0.29%	3.66%~16.95%	30.88%~50%	41.07%~100%	
Total book value	\$ 3,928,508	\$ 120,818	\$ 13,777	\$ 5	\$ 50,205	\$ 4,113,313
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 47,708	\$ 47,708

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2020</u>						
Expected loss rate	0.001%~0.002%	0.001%~0.06%	0.08%~30%	0.26%~50%	50%~100%	
Total book value	\$ 3,329,849	\$ 82,306	\$ 4,305	\$ 509	\$ 48,397	\$ 3,465,366
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 47,771	\$ 47,771

- viii. Sigurd Group writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, Sigurd Group will continue executing the recourse procedures to secure their rights. Sigurd Group has no financial assets subject to write off on December 31, 2021 and 2020.
- ix. Movements in loss allowance for investments in debt instruments carried at amortised cost are as follows:

December 31, 2021				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	<u>\$ 1,081,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,081,342</u>
December 31, 2020				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	<u>\$ 2,683,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,683,977</u>

The financial assets at amortised cost held by the Company are all time deposits with maturity over three months and pledged time deposit. The credit risk rating has no significant abnormal situation.

- x. Movements in relation to the Group applying the modified approach to provide loss allowance for notes receivable and accounts receivable are as follows:

	2021
	Notes receivable and accounts receivable
At January 1	\$ 47,771
Effect of foreign exchange	(63)
At December 31	<u>\$ 47,708</u>
	2020
	Notes receivable and accounts receivable
At January 1	\$ 53,839
Writes off	(3,552)
Effect of foreign exchange	(2,516)
At December 31	<u>\$ 47,771</u>

- x. Sigurd Group used the forecastability of the future to adjust historical and current information for a specific period to assess the default possibility of other receivables. As of December 31, 2021 and 2020, the provision matrix is as follows:

<u>At December 31, 2021</u>	Not past due
Expected loss rate	0.11%
Total book value	\$ 97,947
Loss allowance	<u>\$ -</u>
	Not past due
Expected loss rate	0~100%
Total book value	\$ 32,833
Loss allowance	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of Sigurd Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of Sigurd Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that Sigurd Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration Sigurd Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- ii. Sigurd Group has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	\$ 2,696,558	\$ 2,281,976
Expiring beyond one year	3,781,222	2,079,379
	<u>\$ 6,477,780</u>	<u>\$ 4,361,355</u>

iii. The table below analyses Sigurd Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 245,444	\$ -	\$ -	\$ -	\$ 245,444
Notes payable	4,175	-	-	-	4,175
Accounts payable	378,437	-	-	-	378,437
Other payables	3,383,018	-	-	-	3,383,018
Lease liabilities	123,203	168,494	140,008	625,924	1,057,629
Bonds payable (including current portion)	17,400	146,000	34,800	4,534,800	4,733,000
Guarantee deposits received	-	-	-	7,798	7,798
Long-term borrowings (including current portion)	1,905,668	622,831	2,064,744	3,787,390	8,380,633

December 31, 2020	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,069,985	\$ -	\$ -	\$ -	\$ 1,069,985
Notes payable	2,658	-	-	-	2,658
Accounts payable	379,746	-	-	-	379,746
Other payables	2,650,287	-	-	-	2,650,287
Lease liabilities	252,390	245,168	62,006	337,644	897,208
Bonds payable (including current portion)	-	-	847,500	-	847,500
Guarantee deposits received	-	-	-	6,989	6,989
Long-term borrowings (including current portion)	2,802,455	1,059,385	1,971,505	2,642,327	8,475,672

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of Sigurd Group's investments in listed stocks and beneficiary certificates are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of Sigurd Group's investments in equity investment without active market are included in Level 3.

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, short-term and long-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

December 31, 2021				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable				
(including current portion)	<u>\$ 4,528,728</u>	<u>\$ -</u>	<u>\$ 4,455,912</u>	<u>\$ -</u>
December 31, 2020				
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable				
(including current portion)	<u>\$ 830,801</u>	<u>\$ -</u>	<u>\$ 834,788</u>	<u>\$ -</u>

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 338,833	\$ -	\$ -	\$ 338,833
Corporate bonds	141,399	-	-	141,399
Redemption rights of the Company's convertible bonds	-	-	1,050	1,050
Financial assets at fair value through other comprehensive income				
Equity securities	<u>129,897</u>	<u>-</u>	<u>1,446,609</u>	<u>1,576,506</u>
	<u>\$ 610,129</u>	<u>\$ -</u>	<u>\$ 1,447,659</u>	<u>\$ 2,057,788</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	<u>\$ -</u>	<u>\$ 4,528,728</u>	<u>\$ -</u>	<u>\$ 4,528,728</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 351,278	\$ -	\$ -	\$ 351,278
Corporate bonds	146,138	-	-	146,138
Convertible bonds	34,693	-	-	34,693
Financial assets at fair value through other comprehensive income				
Equity securities	<u>109,053</u>	<u>-</u>	<u>769,047</u>	<u>878,100</u>
	<u>\$ 641,162</u>	<u>\$ -</u>	<u>\$ 769,047</u>	<u>\$ 1,410,209</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	<u>\$ -</u>	<u>\$ 830,801</u>	<u>\$ -</u>	<u>\$ 830,801</u>

(b) The methods and assumptions Sigurd Group used to measure fair value are as follows:

- i. The instruments Sigurd Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund	Corporate bond	Convertible (exchangeable) bond
Market quoted price	Closing price	Closing price	Weighted average quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to Convertible fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Equity securities	Equity securities
At January 1	\$ 769,047	\$ 449,601
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	394,454	319,446
Purchases in the year	158,000	-
Issuance of corporate bonds this year	1,050	-
Transfer to retain earnings in the year	(11,058)	-
Transferred from merger	136,166	-
At December 31	<u>\$ 1,447,659</u>	<u>\$ 769,047</u>

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

G. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to Convertible market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 1,335,344	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value
Unlisted shares	111,265	Market comparable companies	Price to book ratio multiple	0.89 ~3.05	The higher the market comparable companies, the higher the fair value
			Discount for lack of marketability	25%	The higher the discount for lack of marketability, the higher the fair value
Financial assets at fair value through profit or loss - redemption rights of corporate bonds	1,050	The Binomial- Tree approach to convertible bonds	Stock price volatility	32.49%	The higher the price volatility, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 769,047	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,113	(\$ 1,113)
Redemption rights of corporate bonds	Volatility	±1%	\$ 150	(\$ 150)	\$ -	\$ -

December 31, 2020: None.

(4) The impact of coronavirus pandemic to the operations of Sigurd Group

Sigurd Group has assessed the impact of coronavirus pandemic to the going concern, impairment of assets and the risk of financing risk of Sigurd Group and concluded that there is no significant impact.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting year: None.
- J. Significant inter-company transactions during the reporting year: Please refer to table 7.

(2) Information on investees

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

China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: As of December 31, 2021, there is no major shareholder who held equally or more than 5% shareholding of the Company.

14. SEGMENT INFORMATION

(1) General information

The management of Sigurd Group has identified reporting segments based on the information used by the chief operating decision maker in decision making.

Sigurd Group's chief operating decision maker has conducted businesses from a product line perspective. Sigurd Group's segments include assembly and testing and international trading.

(2) Measurement of segment information

The General Manager evaluates the performance of reporting segments based on a measure excluded the effects of non-recurring expenditure such as restructuring costs, legal fees and goodwill impairments when the impairment is the result of an isolated, non-recurring event, as well as the effects of equity-settled share-based payment and unrealised gains/losses on financial instruments. Interest income and expense are not allocated to reporting segments, as these types of activities are driven by Sigurd Group's Group treasury, which manages the cash position of Sigurd Group.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reporting segments is as follows:

Year ended December 31, 2021			
	International		Total
	Assembly and testing	trading	
Revenue from external customers	\$ 16,681,095	\$ 169	\$ 16,681,264
Segment income (loss) (Note)	3,678,505	(15,693)	3,662,812
December 31, 2021			
	International		Total
	Assembly and testing	trading	
Segment Assets	\$ 36,345,428	\$ 257,545	\$ 36,602,973
Year ended December 31, 2020			
	International		Total
	Assembly and testing	trading	
Revenue from external customers	\$ 12,428,549	\$ -	\$ 12,428,549
Segment income (loss) (Note)	2,286,628	(8,052)	2,278,576

	December 31, 2020		
	International		
	Assembly and testing	trading	Total
Segment Assets	\$ 29,627,448	\$ 186,463	\$ 29,813,911

Note: Exclusive of income tax.

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Revenue, profit and loss, assets and liabilities under reporting segments are carried out the same manner as in the consolidated financial statements. Thus, no reconciliation is needed.

(5) Information on products and services

External customer revenue is mainly derived from the assembly and testing services of integrated circuits. The performance of reporting segments is the same as that in Note 6 (18).

(6) Geographical information

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

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 12,259,134	\$ 17,631,393	\$ 7,529,163	\$ 13,162,977
Singapore	2,177,430	-	2,674,902	-
America	660,237	-	767,606	-
China	753,567	2,084,977	598,377	2,495,111
Others	830,896	2,356	858,501	3,936
Total	<u>\$ 16,681,264</u>	<u>\$ 19,718,726</u>	<u>\$ 12,428,549</u>	<u>\$ 15,662,024</u>

(7) Major customers information

Major customers information of Sigurd Group for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Segment	Revenue	Segment
A	\$ 4,768,630	All group	\$ 2,248,136	All group
D	1,749,295	All group	1,120,919	All group
B	1,400,022	All group	1,354,237	All group
E	1,094,352	All group	1,317,872	All group

Sigurd Microelectronics Corporation

Loans to others

Year ended December 31, 2021

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, (Note 2)	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowancef or doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
1	FLATEK, Inc.	Tpfusion Inc.	Other receivables - related party	Y	\$ 8,050	\$ 8,050	\$ 8,050	0.9%	Reason for short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 68,129	\$ 68,129	Note 4
1	FLATEK, Inc.	Greenflatek, Inc.	Other receivables	N	815	815	815	0.9%	Reason for short-term financing	-	Operational need	-	-	-	68,129	68,129	Note 4
2	Valuenet International Ltd.	Greenflatek, Inc.	Other receivables	N	6,425	6,311	6,311	0.9%	Reason for short-term financing	-	Operational need	-	-	-	20,045	20,045	Note 4
2	Valuenet International Ltd.	TPfusion Corp.	Other receivables - related party	Y	13,128	12,871	12,871	0.9%	Reason for short-term financing	-	Operational need	-	-	-	20,045	20,045	Note 4
2	Valuenet International Ltd.	OPS Electronic Limited	Other receivables - related party	Y	28,292	27,403	27,403	0.9%	Reason for short-term financing	-	Operational need	-	-	-	150,336	150,336	Note 5
3	Winstek Semiconductor Technology	Winstek Semiconductor Co., Ltd.	Other receivables - related party	Y	692,000	692,000	-	1.05%	Reason for short-term financing	-	Operational need	-	-	-	887,467	887,467	Note 4

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

(1)The Company is '0'.

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

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2021.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 4: In accordance with that the Company's Procedures for Provision of Loans: the ceiling on total loans granted is 40% of its net equity , and the limit on loans granted to a single party is 40% of its net equity, except loans to subsidiaries.

Note 5: For loans granted mutually between subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries is 300% of the Company's net assets; limit on loans granted by an overseas subsidiary to a single subsidiary is 300% of the Company's net assets.

Sigurd Microelectronics Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 8)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 10)	Ceiling on total amount of guarantees provided (Note 9)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	3	\$ 6,949,141	\$ 42,803	\$ -	\$ -	\$ -	0.00%	\$ 6,949,141	Y	N	N	
0	Sigurd Microelectronics Corp.	Sigurd UTC Corporation (UTAC(Taiwan) Corporation rename)	3	6,949,141	400,000	400,000	42,758		2.59%	6,949,141	Y	N	N	
0	Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	3	6,949,141	1,002,600	996,480	498,082	-	6.45%	6,949,141	Y	N	Y	
0	Sigurd Microelectronics Corp.	Flatek, Inc.	3	6,949,141	300,000	300,000	135,000	-	1.94%	6,949,141	Y	N	N	
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	2	4,875,910	900,000	300,000	-	-	6.15%	4,875,910	Y	N	N	

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

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Sigurd Microelectronics Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: As of the end of the year, the Company shall bear the responsibility for endorsement/guarantee upon the signing of the endorsement/guarantee contract with the bank or upon the approval of limit.

Other relevant endorsements/guarantees should be included in the endorsement/guarantee balance.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's Procedures for Provision of Loans: the limit on endorsements/guarantees to a single party is 45% of its net assets.

Note 9: In accordance with the Company's Procedures for Provision of Loans: the ceiling on total endorsements/guarantees is 45% of the Company's net assets,

Note 10: The total endorsement/guarantee amount provided by Winstek Semiconductor Co., Ltd. (Winstek Technology) shall not exceed 50% of the its net value in the latest period.

The endorsement guarantee limit for a single enterprise shall be limited at 20% of the net value of Winstek Semiconductor Co., Ltd. (Winstek Technology) at the time when the endorsement/guarantee was made.

However, an endorsement/guarantee between Winstek Semiconductor Co., Ltd. (Winstek Technology) and among companies of which Winstek Technology directly or indirectly holds 100% of the voting shares, or other companies that Winstek Technology has agreed to purchase and upon completion will become a subsidiary of which Winstek Technology directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise. However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

In addition, the endorsement/guarantee not between Winstek Technology and among companies of which Winstek Technology directly or indirectly holds 100% voting shares, the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

Sigurd Microelectronics Corporation
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

		As of December 31, 2021						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership	Fair value	Footnote
Sigurd Microelectronics Corp.	Yuanta New ASEAN Balanced Fund	None	Current financial assets at fair value through profit or loss	\$ 3,000,000	\$ 26,550	-	\$ 26,550	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund I	None	Current financial assets at fair value through profit or loss	2,000,000	22,235	-	22,235	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund II	None	Current financial assets at fair value through profit or loss	1,000,000	11,264	-	11,264	
Sigurd Microelectronics Corp.	Fuh Hwa Emerging Market Short-term Income Fund	None	Current financial assets at fair value through profit or loss	1,798,561	21,043	-	21,043	
Sigurd Microelectronics Corp.	CTBC iCity Development Fund	None	Current financial assets at fair value through profit or loss	500,000	6,965	-	6,965	
Sigurd Microelectronics Corp.	KGI Taiwan Multi-Asset Income Fund	None	Current financial assets at fair value through profit or loss	5,000,000	56,750	-	56,750	
Sigurd Microelectronics Corp.	Fuh Hua Global Bond Fund	None	Current financial assets at fair value through profit or loss	1,983,786	31,210	-	31,210	
Sigurd Microelectronics Corp.	KGI Taiwan Premium Assets Fund	None	Current financial assets at fair value through profit or loss	5,000,000	58,936	-	58,936	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy I Fund	None	Current financial assets at fair value through profit or loss	5,000,000	53,199	-	53,199	
Sigurd Microelectronics Corp.	Chailease International Finance Corp	None	Current financial assets at fair value through profit or loss	50,000	141,399	-	141,399	
Sigurd Microelectronics Corp.	Fuh Hwa Taiwan Intelligence Fund	None	Current financial assets at fair value through profit or loss	1,077,586	20,808	-	20,808	
Sigurd Microelectronics Corp.	Fuh Hwa Global Strategic Alloc FoF TWD	None	Current financial assets at fair value through profit or loss	1,514,005	20,227	-	20,227	
Sigurd Microelectronics Corp.	Fuh Hwa Global IoT and Tech Fund TWD	None	Current financial assets at fair value through profit or loss	354,484	9,646	-	9,646	
Sigurd Microelectronics Corp.	Call option of Sigurd 4th convertible bonds	None	Current financial assets at fair value through profit or loss	-	1,050	-	1,050	

Sigurd Microelectronics Corporation
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

		As of December 31, 2021						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership	Fair value	Footnote
Sigurd Microelectronics Corp.	ENE Technology Inc.	Board of Director	Non-current financial assets at fair value through other comprehensive income	\$ 665,543	\$ 39,267	1.50%	\$ 39,267	
Sigurd Microelectronics Corp.	Advanplating Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,185,000	-	11.36%	-	
Sigurd Microelectronics Corp.	Ordinary Shares of EGTRAN Inc.	None	Non-current financial assets at fair value through other comprehensive income	21,689	-	2.16%	-	
Sigurd Microelectronics Corp.	iDESYN Semiconductor Corp. Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	23,040	-	0.30%	-	
Sigurd Microelectronics Corp.	Yann Yuan Investments Co., Ltd.	Board of Director	Non-current financial assets at fair value through other comprehensive income	7,000,000	1,334,126	4.29%	1,334,126	
Sigurd Microelectronics Corp.	WPG Holdings Limited Preferred Share A	None	Non-current financial assets at fair value through other comprehensive income	600,000	29,730	0.30%	29,730	
Sigurd Microelectronics Corp.	Chailease Holding Co., Ltd-PFD (5871ATT)	None	Non-current financial assets at fair value through other comprehensive income	500,000	50,750	0.33%	50,750	
TEST-SERV Inc.	Samhop Microelectronics Corp.	None	Non-current financial assets at fair value through other comprehensive income	114,757	-	1.07%	-	
TEST-SERV Inc.	Sitec Semiconductor Ltd.	None	Non-current financial assets at fair value through other comprehensive income	20,545,354	-	1.22%	-	
TEST-SERV Inc.	Deepwaters Digital Support Inc.	None	Non-current financial assets at fair value through other comprehensive income	190,476	-	1.11%	-	
TEST-SERV Inc.	Chailease Holding Co., Ltd-PFD (5871ATT)	None	Non-current financial assets at fair value through other comprehensive income	100,000	10,150	0.067%	10,150	
Sigurd UTC Corporation	Paradigm I Venture Capital Company	None	Non-current financial assets at fair value through other comprehensive income	875,000	1,218	7.92%	1,218	
Sigurd UTC Corporation	Nano Electronics and Micro System Technologies, INC.	None	Non-current financial assets at fair value through other comprehensive income	2,316,600	111,265	10.14%	111,265	

Company Name

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year period ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at		Addition		Disposal		Balance as at December 31, 2021	
					January 1, 2021		Number of		Number of		Number of	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	Number of shares	Amount
Sigurd Microelectronic s Corp.	UTC Holdings Corporation (Stock)	Investments accounted for using equity method	UTC Holdings Corporation	Subsidiary	-	\$ -	621,561,007	\$ 5,403,179	290,000,000	\$ 2,900,000	331,561,007	\$ 2,503,179

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be attributable to owners of the parent in the calculation.

Sigurd Microelectronics Corporation
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	Subsidiary	Sales	(\$ 356,985)	-42%	Net 30 days from the end of the month of when invoice is issued	-	-	\$ 92,443	35%	
Winstek Semiconductor Technology Co., Ltd.	Winstek Semiconductor Co., Ltd	Parent Company	Purchases	356,985	24%	Net 30 days from the end of the month of when invoice is issued	-	-	(92,443)	12%	

Note : The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Sigurd Microelectronics Corporation
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Footnote
					Amount	Action taken			
Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	Subsidiary	\$ 106,196	21.51%	\$ -	-	\$ -	\$ -	- Shown as 'Account receivable - related parties,net'
Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	Subsidiary	144,134	Note	-	-	-	-	- Shown as 'Other receivables - related parties'

Nore : The calculation of turnover days excludes other receivables from related parties.

Sigurd Microelectronics Corporation
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Operating revenue	\$ 99,342	Note 6	0.60%
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Accounts receivable	106,196	Note 6	0.29%
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Other receivables	144,134	Note 6	0.39%
0	Sigurd Microelectronics Corporation	TEST-SERV Inc.	1	Dividend	110,275	Note 6	0.66%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Operating revenue	356,985	Note 6	2.14%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Accounts receivable	92,443	Note 6	0.25%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Dividend	162,090	-	0.97%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Business revenue from coordinated management (shown as deduction of operating cost and operating	38,931	-	0.23%
2	VALUENET INTERNAIONAL LIMITED	OPS Electronic Ltd.	3	Other receivables	37,098	Note 6	0.10%
2	TPFUSION INC.	FLATEK, Inc.	2	Other payables	71,628	Note 6	0.20%
3	FLATEK, Inc.	OPS Electronic Ltd.	3	Operating revenue	28,803	Note 6	0.17%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Including the amount of the parent company's fund loaned to subsidiary, according to the agreed interest rate plus interest.

Note 6: For these transactions, the prices and times were determined in accordance with mutual agreements.

Note 7: Only the transactions over \$20,000 are disclosed, and the related party transactions are not disclosed.

Sigurd Microelectronics Corporation
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020						
									Number of shares	Ownership (%)	
Sigurd Microelectronics Corp.	Sigurd International Co., Ltd.	British Virgin Islands	Investment company	\$ 975,135	\$ 975,135	30,254,043	100.00	\$ 173,247	(\$ 5,503)	(\$ 5,329)	
Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	Hongkong	International trade company	62,391	20,460	-	100.00	1,382	162	162	
Sigurd Microelectronics Corp.	TEST-SERV Inc.	Taiwan	Semiconductor assembly and testing	1,403,337	1,403,337	80,200,031	100.00	1,392,368	200,829	201,667	
Sigurd Microelectronics Corp.	Bloomeria Limited	Singapore	Investment company	1,643,776	1,643,776	2,202,218,293	100.00	2,788,099	263,244	273,657	
Sigurd Microelectronics Corp.	AMBERSAN medical technology Co., Ltd.	Taiwan	Medical equipment manufacturing and sales	36,300	18,150	3,630,000	55.00	24,926	(12,928)	(7,110)	
Sigurd Microelectronics Corp.	FLATEK, INC.	Taiwan	Digital Information supply service	100,000	100,000	10,000,000	58.77	96,746	15,028	8,709	
Sigurd Microelectronics Corp.	Flusol Co., Ltd.	Hongkong	Investment company	1,359,400	1,359,400	-	96.66	1,091,102	(89,790)	(94,385)	
Sigurd Microelectronic Corp.	Ge-Shing Cooperation	Taiwan	Investment company	10,000	10,000	200,000	0.65	17,239	265,193	1,714	
Sigurd Microelectronic Corp.	Sigurd UTC Corporation	Taiwan	Investment company	2,503,179	-	331,561,007	100.00	2,551,792	(246,546)	(1,372)	
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Cayman Islands	Investment company	795,850	795,850	35,503,018	78.33	118,280	(2,519)	-	
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Hongkong	Investment company	47,106	47,106	-	3.34	38,085	(89,790)	-	

Sigurd Microelectronics Corporation
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Bloomeria Limited	Ge-Shing Cooperation	Taiwan	Investment company	\$ 2,390,105	\$ 2,390,105	\$ 30,736,712	99.35	\$ 2,649,342	\$ 265,193	\$ -	
Ge-Shing Cooperation	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	2,390,790	2,390,790	70,726,438	51.90	2,467,502	393,931	-	
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Packaging testing	2,875,740	2,875,740	310,000,000	100.00	2,958,224	85,535	-	
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	1,120	1,120	43,000	0.03	1,382	393,931	-	
FLATEK, INC.	OPS Electronic Ltd.	Hongkong	Investment company	40	40	10,000	100.00	71,035	39,677	-	
FLATEK, INC.	TPFUSION INC.	Taiwan	Digital Information supply service	11,250	11,250	1,125,000	75.00	(79,794)	3,973	-	
FLATEK, INC.	Valuenet International Ltd.	British Virgin Islands	Digital Information supply service	1,568	1,568	50,000	100.00	50,112	(1,013)	-	
TPFUSION INC.	TPfusion Corp.	Japan	Digital Information supply service	6,684	6,684	97,971	98.00	(70,559)	4,292	-	
Holding UTC Corporation	Sigurd UTC Corporation (UTAC (Taiwan) Corporation rename)	Taiwan	Packaging testing	6,247,262	-	101,929,982	100.00	2,571,462	(246,471)	-	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the December 31, 2021 column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this year has included its investment income (loss) which shall be recognized by regulations.

Sigurd Microelectronics Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31 2021 (Note 2(2))	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
Sigurd Micro Electronics (Wuxi) Co., Ltd.	Production and sales of microelectronic products	\$ 911,278	2	\$ 611,991	\$ -	\$ -	\$ 611,991	(\$ 2,220)	78.33	(\$ 1,739)	\$ 143,253	\$ -	Note 2(2)B 、 Note 3
OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic components	26,033	2	40	-	-	40	28,732	100	16,885	75,505	-	Note 2(2)B
SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated and advanced services of packing and testing for integrated circuit	1,359,700	2	1,359,700	-	-	1,359,700	(89,471)	100	(89,866)	1,133,379	-	Note 2(2)B

Sigurd Microelectronics Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through Investment in an existing company in the third area, which then invested in the investee in Mainland China. (Invested Sigurd Micro Electronics (Wuxi) Co., Ltd, through Sigurd Microelectronics (cayman) Co., Ltd; invested Flusol(Shenzhen) Co., Ltd and SIRIZE Technology (Suzhou) Corp. through Flusol Co., Ltd and invested OPS Electronic (ShenZhen) Limited through OPS Electronic Limited.
- (3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2021' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Self-contained financial statements.

Note 3: As of December 31, 2021, the accumulated amount of remittance including other investors from Taiwan to Sigurd Micro Electronics (Wuxi) Co., Ltd. is US\$27,700 thousand (NT\$ 826,153).

name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Sigurd Micro Electronics (Wuxi) Co., Ltd.	\$ 611,991	\$ 626,325	\$ 10,696,094
OPS Electronic (ShenZhen) Limited	40	40	89,291
SIRIZE Technology (Suzhou) Corp.	1,359,700	1,359,700	10,696,094

Note 4: The company acquired Flatek, Inc on September 6, 2019 and indirectly obtained the control of OPS Electronic (ShenZhen) Limited., Preceding investment has been submitted to MOEA for approval on September 17, 2021.