



矽统科技股份有限公司
Silicon Integrated Systems Corp.

Stock Code: 2363



2022 Annual Report

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Silicon Integrated Systems Corp.

Registered address: No. 180, Sec. 2, Gongdao 5th Rd., East Dist., Hsinchu City

Tel:886-3-516-6000 Fax:886-3-571-1479

Website: <https://www.sis.com>

Company Spokesperson

Name: Cheng-Chien Chien

Title: Chairman

Tel:886-3-516-6000 Fax:886-3-571-1479

Email: support@sis.com

Deputy Spokesperson

Name: Shur-Jung Shyi

Title: President

Tel:886-3-516-6000 Fax:886-3-571-1479

Email: support@sis.com

CPA

Ernst & Young Global Limited www.ey.com

9F, 333 Keelung Rd., Sec. 1, Taipei City

Name of CPAs: Shen-Chieh Hu, Hsin-Min Hsu

Tel:886-2-2720-4000

Stock Transfer Agent

Horizon Securities Corp. www.honsec.com.tw

3F, No. 236, Sec. 4, Xinyi Road, Taipei City

Tel:886-2-2719-8899

The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities

N/A

-----Disclaimer-----

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Chapter 1. Letter to Shareholders

Dear Shareholders,

Although the global epidemic in 2022 has gradually slowed down, the purchase willingness of consumer electronics has been significantly reduced due to inflation, interest rate rises and other factors. In addition, excessive stock stocking during the epidemic period has resulted in a high inventory level, causing the overall consumer electronics supply chain to be in an extremely imbalanced state where supply far exceeds demand. The Company's performance failed to reach the expected target due to the impact of the destocking of client inventories and the sluggish consumer demand. However, due to the substantial growth of non business earnings, the Profit before income tax of 2022 reached NT \$519 million and the earnings per share was NT \$ 0.65.

Looking ahead to 2023, we launched a new generation of active stylus ICs and touch ICs, which will improve functionality integration and reduce power consumption, while also supporting multiple active stylus protocols; In addition, we also launched the first generation of 3D immersive live streaming products, combining hardware, software and algorithms to achieve a super high cost performance 3D immersive live streaming experience, all of which will help further increase overall revenue.

2022 Business Performance

Results of the Business Plan

In the touchscreen field, we continuously focus on medium to large inch capacitive touch chips and active pen chips for use in markets such as notebook computers and smart interactive whiteboards, as well as in various consumer, business, educational, industrial, and automotive applications. At the same time, we continue to improve and enhance the performance of smart whiteboards. Combining wireless transmission and cloud technology, smart presentation products can be applied to office business presentations, school teaching, and other applications. In addition, we also launched the first-generation 3D immersive live streaming machine product, which combines software, hardware, and body simulation algorithms to achieve an easy to operate and cost-effective 3D immersive live streaming experience. It can be widely used in business live streaming promotion, school distance teaching and self media education, online entertainment drama performances, and other applications.

The Company's financial condition, profitability and research and development are as follows:

Financial Condition

IFRS Consolidated Financial Statement

Currency Unit: NT\$'000

Item	2022	2021	Increase (decrease) amount
Revenue	182,202	252,153	(69,951)
Gross profit	4,640	84,487	(79,847)
Operating loss	(463,840)	(355,457)	(108,383)
Net income	463,903	184,678	279,225

Profitability

IFRS Consolidated Financial Statement

Item		2022	2021
Return on assets (%)		2.39	0.90
Return on equity (%)		2.40	0.91
Ratio to paid-in capital (%)	Operating loss	(6.19)	(5.22)
	Profit before income tax	6.92	2.88
Net profit margin (%)		254.61	73.24
Earnings per share (NT\$)		0.65	0.26

Research and development

- Continued to improve touchscreen chip performance and improve the existing business, education, industrial control, and smart whiteboard markets. Develop touch modules of various sizes, and cloud blackboard touchscreen module products, which are highly cost-effective.
- Launched a new generation active stylus with USI and MPP specification and Bluetooth tactile feedback function for notebook and tablet computers.
- Continued to develop microelectromechanical sound control products for AI applications.
- Developed 3D live streaming machine products that integrate software, hardware, and algorithms, and incorporate body sensing function to achieve various new online and self media live streaming applications with ease of operation and cost-effective positioning.

Summary of 2023 Business Plan

Thank you for the support and encouragement, we will continue to invest in R&D resources and innovative technologies to improve the performance of our existing products and promote new modules, so as to meet the market demand, increase revenue and return profits to our shareholders.

Sincerely,

We wish you all health and good fortune.

Chairman: Cheng-Chien Chien

President: Shur-Jung Shyi

Chapter 2. Company Profile

I. Date of Incorporation

The Company was incorporated on August 26, 1987.

II. Company History

The Company: Silicon Integrated Systems Corp. (SiS). was officially listed on the Taiwan Stock Exchange under the code "2363" in August 1997. At present, the Company and its subsidiaries have approximately 210 employees. The Company has set up offices in Shenzhen and Suzhou in order to provide services to more customers with its proximity to the market.

The Company is the leader in cutting-edge digital technology with the innovation advantage brought by its research and development. In order to meet the diversified consumption patterns, the Company is committed to providing human-centered, intelligent and eco-friendly products and further accelerating the popularity of cloud entertainment. Our products are used in a wide range of applications, including touchscreen devices, tablets, personal computers, and intellectual property core services, which have changed the interactive lifestyle of the new generation of digital home users.

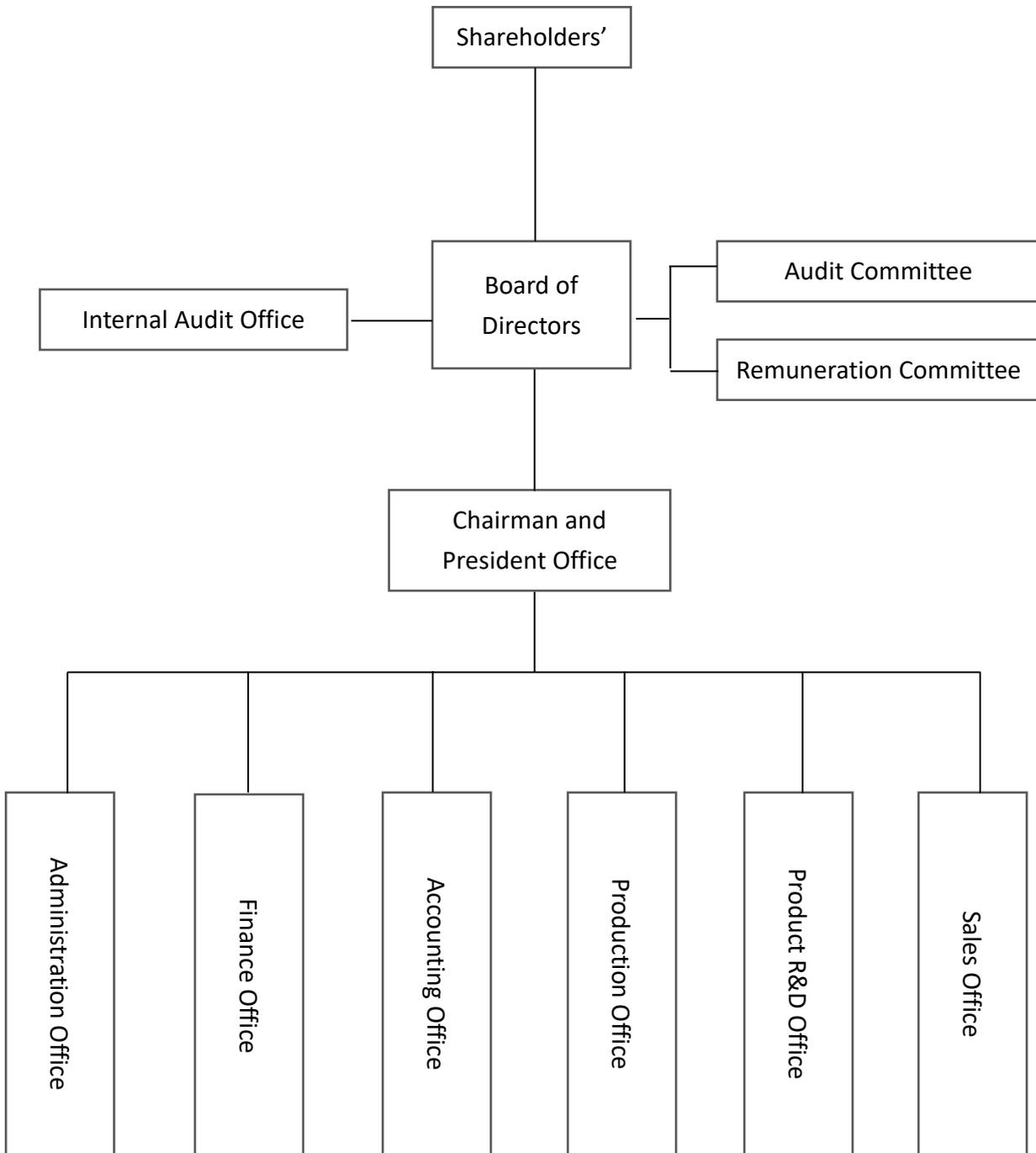
In addition to creating value through high-quality technology innovation and customer service, the Company's business philosophy is also to actively fulfill its corporate social responsibility. By acting as a corporate citizen, the Company contributes to the national economy, improves the quality of life of employees, communities, and society, and enhances its competitive advantage based on corporate responsibility. The Company continues to focus on a wide range of academic activities, including the education of knowledge and information communication, encouraging academic research and technology development, organizing academic seminars and workshops, providing scholarships for academic research and nurturing outstanding talents, and promoting international academic exchanges. The Company hopes to contribute to Taiwan's technology education, fulfill corporate social responsibility, and maintain the balance and sustainable development of the economy, society, and the environment.

- (I) In response to the reorganization of the Company: SiS Holding Limited was liquidated in December 2014.
- (II) Mars Investments (SAMOA) Ltd. invested and established Suzhou MLight Electronics Co., Ltd. in August 2014.
- (III) In order to simplify the organizational structure and enhance management efficiency, the Company merged with its wholly-owned subsidiary (Yungchi Investment Co., Ltd.) on December 31, 2016, which was approved by the competent authority and became effective in February 2017.
- (IV) Invested in and established HuiTong Intelligence Co., Ltd. in September 2020 with current shareholding of 52.15%.
- (V) Other issues, such as company reorganization, substantial transfer or replacement of equity of directors or major shareholders with shareholdings of over 10%, change of ownership, or significant changes in the operation method or business: None.
- (VI) Other matters that are material to the understanding of the Company's development that may affect the shareholders' interest and information of earlier years: None.

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organizational Chart



(II) Introduction to the Company's Organization and Functions

Chairman/President Office

Overall management of the Company's business operations, planning and overseeing the execution of the Company's overall strategy.

Internal Audit Office

Assists the Board of Directors, independent directors, and managers in examining and reviewing the deficiencies of the internal control system and evaluating the effectiveness and efficiency of operations. Provision of timely suggestions for improvement to ensure the continuous and effective implementation of the internal control system, which shall act as a basis for the review and amendment of the internal control system. Execution of the nine procedures of internal control (sales and receipts, procurement and payment, production, financing, investment, payroll, property, plant and equipment, research and development, and computerized operations) and audits required by the competent authorities. Reporting of the Securities and Futures Bureau the annual audit plan, implementation results, internal control deficiencies, and follow-up of deficiency improvement in accordance with government regulations.

Audit Committee

Supervision of the appropriate presentation of the Company's financial statements, election (dismissal), independence and performance of the certified public accountants, the effective implementation of the Company's internal controls, the Company's compliance with relevant laws and regulations, and the Company's risk control mechanism.

Remuneration Committee

Aims to assist the Board of Directors in implementing and evaluating the Company's overall compensation and benefits policies, as well as the compensation of managers. The duties include : to determine the overall remuneration policy and structure of the Company, the remuneration and payment method of directors (including the Chairman), the remuneration and payment method of managers, the incentive and tenure incentive for managers, and other matters as specified or authorized by the Board of Director.

Administration Office

Management of human resources, information technology, legal affairs, intellectual property, procurement, plant affairs, and administration and execution of domestic and overseas subsidiaries.

Accounting Office

Account management, tax reporting, and preparation of financial statements.

Finance Office

Responsible for fund allocation, credit management, stock affairs, investment evaluation and management.

Production Office

Production and sales/production management, packaging and testing outsourcing, quality service, and wafer procurement. Development of the Company's product testing technology and program, product testing, and production. Management of the order processing and shipment arrangement of the Company. Acts as a window for customer complaints, responsible for reporting customer complaints to the relevant department and reply the results to customers.

Product R&D Office

Research and development of the Company's products and procedures establishment.

Sales Office

Development and maintenance of global customers and agents, market intelligence collection and analysis, and contract (order) review in order to keep track of the market and customer. Provision of timely sales strategies and product guidance to achieve sales targets. Responsible for customer technical support and service.

II. Information on the President, Vice Presidents, Assistant Managers, and Supervisors of Divisions and Branches

(I) Director Information

A. Board Members Introduction

Name/Title Nationality/Place of Registration/Gender	Date of Election (Appointment)	Term/Age	Shareholding When Elected April 23, 2022 (Closing Date)		Current Shareholding 2023.03.29		Spouse/Minor Shareholding	
			Number of Shares	Shareholding	Number of Shares	Shareholding	Number of Shares	Shareholding
Chairman / Cheng-Chien Chien / R.O.C./ Male	2022.06.21 2004.06.01	3 60-70	1,886,182	0.28%	2,074,800	0.28%	0	-
United Microelectronics Corp./Corporate Director/R.O.C.	2022.06.21 2003.1.14	3	129,577,431	19.02%	142,535,174	19.02%	0	-
Hsun Chieh Investment Co., Ltd./Corporate Director/R.O.C.	2022.06.21 2016.06.21	3	32,715,833	4.80%	35,987,416	4.80%	0	-
Liang Hsun Investment Co., Ltd./Corporate Director/R.O.C.	2022.06.21 1998.05.15	3	1,500,386	0.22%	1,650,424	0.22%	0	-
Representative: Cai-Feng Hou R.O.C./Female	2022.06.21 1998.05.15	3 70-80	274,069	0.04%	401,475	0.05%	579	-
Goaltop Technology Corporation/Corporate Director/R.O.C.	2022.06.21 2022.06.21	3	10,800	0.002%	11,880	0.002%	0	-
Representative: Shur-Jung Shyi R.O.C. and United States/Male	2022.06.21 2013.06.28	3 60-70	22,452	0.003%	24,697	0.003%	0	-
Wan-Fen Chou/ Director R.O.C./Female	2022.06.21 2022.06.21	3 50-60	0	-	0	-	0	-
Independent Director/ Ya-Ching Li/R.O.C./ Female	2022.06.21 2019.06.21	3 50-60	0	-	0	-	0	-
Jia-Wei Dai/Independent Director/R.O.C./ Male	2022.06.21 2022.06.21	3 60-70	0	-	0	-	0	-
Qing-Liu Xiao/Independent Director/R.O.C./ Male	2022.06.21 2022.06.21	3 60-70	0	-	0	-	127,160	0.017%

Note 1. The shareholding is calculated based on the number of issued shares of 749,589,356 shares, less 3 treasury shares, and the number of outstanding shares of 749,589,353 shares as of March 29, 2023. The shareholding of outstanding shares is calculated by unconditionally rounding off two decimal places.

Note 2. The age of directors/independent directors is presented in ranges

Note 3. Mr. Cheng-Chien Chien was first elected as the representative of the Company's corporate director of the 7th term on June 01, 2004, which was interrupted by the reassignment of the corporate director. He was elected as a director of the 9th term as a natural person.

Note 4. Chairman Chien is also the Chief Strategy Officer of the Company. In order to enhance operational efficiency and decision execution, the Chairman also maintains close communication with the directors about the Company's operations, plans and policies to implement corporate governance.

Note 5. More than half of the Board members are not employees or managers of the Company. In the future, the Company intends to increase the number of independent directors in a timely manner to actively enhance the functions of the Board of Directors and strengthen its functions.

Note 6. Ms. Cai-Feng Hou was first appointed as the representative of the corporate director of the Company on May 15, 1998, but was interrupted due to the reassignment of the corporate director. She was elected as the representative of the corporate director for the twelfth term.

Note 7. Mr. Shur-Jung Shyi was first appointed as a director of the Company on June 28, 2013, and was elected as the legal representative of Goaltop Technology Corporation in the 12th director election.

Note 8. None of the directors of the Company has held the Company's shares in the names of others.

Note 9. The directors of the Company do not have executives, directors who are spouses or within the second degree of kinship.

Major Academic Background and Working Experience	Position Concurrently Held at the Company and Other Companies
MBA, Saginaw Valley State University Chairman, XGI Technology	Chief Strategy Officer of SiS, Director of Unimicron Technology, Chairman of Huitong Intelligence, Director of Shieh Yong Capital, Vice Chairman of Asia Pacific Microsystems, Director of Mars Investment, Executive Director of Shenzhen Bangtong
Corporate Director	Director of Unimicron Technology Corp., Director of Faraday Technology Corporation, Director of Novatek Microelectronics Corp., Director of ITE Tech. Inc.
Corporate Director	Director of Coretronic Corporation , Director of Harvatek Corporation, Director of United Microelectronics Corp., Director of PixArt Imaging Inc., Director of Unimicron Technology Corp., and Director of Subtron Technology Co., Ltd.
Corporate Director	None.
Executive Master of Public Policy, National Sun Yat-sen University	Independent Director /Audit Committee Member/Remuneration Committee Member/Risk Management Committee Member of Nanya Technology Corporation, Director of Taiwan Implant Technology Co., Ltd.
Corporate Director	None.
MA in Electrical Engineering, New York State University President, XGI Technology	President of Silicon Integrated Systems Corp., Executive Director of Suzhou MLight Electronics
Bachelor of International Trade, Tamkang University	Senior Director of Finance Department of King Yuan Electronics Co., Ltd. Independent Director and Remuneration Committee of Faraday Technology Corporation, and Supervisor of Hsun Chieh Investment Co., Ltd.
School of Accounting, University of Missouri, USA	Independent Director and Remuneration Committee member of Unimicron
Bachelor of Business Administration, Fu Jen Catholic University	Director of U-neuron Biomedical Inc.
Bachelor of Economics, Feng Chia University	None.

Major Shareholder of Institutional Shareholder

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder	Shareholding %
United Microelectronics Corp.(Note 1)	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs	4.90
	Hsun Chieh Investment Co., Ltd.	3.54
	Fubon Life Insurance Co., Ltd.	2.42
	Silicon Integrated Systems Corp.	2.29
	Taiwan Life Insurance Co., Ltd.	1.76
	Trust Account of UMC Employee Stock Ownership in CTBC Bank	1.55
	New Labor Pension Fund	1.50
	Yann Yuan Investment Co., Ltd.	1.28
	China Life Insurance Co., Ltd.	1.17
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.11
Hsun Chieh Investment Co., Ltd.(Note 2)	Shieh Yong Capital Co., Ltd.	63.51
	United Microelectronics Corp.	36.49

Note 1. The shareholding base date of United Microelectronics's institutional shareholders is March 29, 2022, which is the closing date at the 2022 annual shareholders' meeting.

Note 2. The shareholding of Hsun Chieh Investment is based on the change registration form on May 17, 2022.

Major shareholders of institutional shareholders in which the major shareholders are institutions

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder/Shareholding
Fubon Life Insurance Co., Ltd.(Note 1)	Fubon Financial Holding Co., Ltd. 100%
Yann Yuan Investment Co., Ltd. (Note 2)	Hspin Investment Co., Ltd 27.94%, United Microelectronics Corp. 26.78%, King Yuan Electronics Co., Ltd. 14.55%, Unimicron Technology Corp. 11.64%, Coretronic Corporation 11.06%, Sigurd Microelectronics 5.70%, Pohua Investment Co., Ltd. 2.33%
Taiwan Life Insurance Co., Ltd. (Note 3)	CTBC Financial Holding Co., Ltd. 100%
China Life Insurance Co.,Ltd (Note 1)	China Development Financial Holding Corporation 100%
Shieh Yong Capital Co., Ltd. (Note 5)	Unimicron Technology Corp. 16.67%, Silicon Integrated Systems Corp. 16.67%, Novatek Microelectronics Corp. 15.15%, Yann Yuan Investment Co., Ltd. 12.20%, Faraday Technology Corporation 12.12%, King Yuan Electronics Co., Ltd. 7.58%

Note 1. The shareholding of Fubon Life Insurance is based on the change registration form on March 14, 2023.

Note 2. The shareholding of Yann Yuan Investment is based on the change registration form on August 12, 2022.

Note 3. The shareholding of Taiwan Life Insurance Co., Ltd. is based on the change registration form on January 5, 2023.

Note 4. The shareholding base date of China Life Insurance Co., Ltd. is December 30, 2021.

Note 5. The shareholding of Shieh Yong Capital is based on the change registration form on April 13, 2022.

B. Duties of Board of Directors

- (1) Overseeing the compliance of the Company, financial transparency, immediate disclosure of important information, absence of corruption, etc. To fulfill its supervisory responsibilities, the Company's Board of Directors has established various organizations and channels, such as the Audit Committee, the Remuneration Committee, Internal Audit, etc.
- (2) Evaluate the performance of the management team and appoint and dismiss managers. The Company's management maintains smooth and good communication with the Board of Directors and is dedicated to implementing the Board's directives and business operations for the best interests of shareholders.
- (3) Resolve material matters, such as capital expenditures, reinvestments, dividends, etc.
- (4) Guiding the management team. The Company's Board of Directors receives regular quarterly reports from the management team and spends a significant amount of time in dialogue with the management. The management must report the Company's strategies to the Board, and the Board must evaluate the likelihood of success of those strategies and must frequently review the progress of those strategies and urge the management team to make adjustments when necessary.

C. Nomination and Election of Board of Directors

The Company's Board of Directors is comprised of professionals with diverse backgrounds, sufficient expertise, experience and insight, and high ethical standards. The Board of Directors has established the "Rules Governing the Nomination of Directors" to specify the procedures and criteria for the nomination, qualification and evaluation of director candidates. In addition, the Company values the independence of its board members, and in addition to increasing the number of independent directors to three, the independence of independent directors is judged and evaluated in accordance with relevant laws and regulations.

The Company adopts the candidate nomination system under Article 192-1 of the Company Act for the election of directors, and the term of office of directors is three years. The independence of independent director candidates shall also comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." In accordance with the relevant laws and regulations, shareholders holding 1% or more of the total issued shares of the Company will be allowed to propose a list of candidates to the Company so that shareholders will also be allowed to participate in the nomination process of director candidates. All director candidates shall be elected by shareholders' vote at the annual shareholders' meeting.

There is no restriction on the number of times an individual director shall be eligible for re-election. We believe that the longevity of the directors will enable them to provide a more in-depth and unique perspective on the Company's operations and finances, which will contribute positively to the overall benefit of the Company. At the same time, the Company will continue to evaluate the contributions of individual directors to ensure that the Board retains a fresh perspective.

D. Remuneration of Directors

In accordance with Article 24 of the Company's Articles of Incorporation, the Board of Directors is authorized to remunerate all directors in accordance with their participation in the Company's operations and the value of their contributions, taking into account the usual industry standards. The Articles of Incorporation also state that: after offsetting the accumulated losses with the profit before tax for the year, the remaining amount shall be appropriated as remuneration to directors. The remuneration to directors shall be no more than 2% of the aforementioned balance. Director compensation is distributed by cash. The amount to be distributed of the director compensation shall be approved by a majority of the attending directors at a Board meeting attended by over two-thirds of the directors, and then reported at the shareholders' meeting.

E. Implementation of Diversity Policy of Board Members

The Company's Board of Directors is currently comprised of nine directors with experience in business or professional fields who are highly valued by the Company for their extensive knowledge, personal insight and business judgment. Of the nine directors, three are independent directors, as follows: Ms. Ya-Ching Li, the current independent director of Unimicron Technology Corporation, Mr. Jia-Wei Dai, the current director of U-neuron Biomedical Inc., and Mr. Qing-Liu, Xiao, the former Vice President of CTBC Bank Co., Ltd. The number of independent directors' accounts for 33% of all directors; the number of directors with employee status accounts for 22% of the total number of directors; the number of female directors currently accounts for 33% of the total number of directors, and the number of female directors has increased by one compared to the previous year. The Company values gender equality in its board of directors and considers operational needs, and will strive to increase the number of female directors and independent directors in the future. To strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company established a Code of Corporate Governance Practices, which specifies that the Board of Directors shall consider diversity, with the criteria of basic qualifications and values and professional knowledge and skills, and that they shall possess the following competencies:

Diversity Item/Name of Director	Gender Age	Business Judgment	Accounting Financial Analysis	Operation Management	Crisis Management	Industry Knowledge	International Perspective	Leadership	Decision-making Ability
Cheng-Chien Chien Chairman	Male 60-70	√	√	√	√	√	√	√	√
Kuei-Hung Tseng Director	Male 50-60	√	√	√	√	√	√	√	√
Bing-Kun Hong Director	Male 60-70	√	√	√	√	√	√	√	√
Cai-Feng Hou Director	Female 70-80	√		√	√	√	√	√	√
Shur-Jung Shyi Director	Male 60-70	√		√	√	√	√	√	√
Wan-Fen Chou Director	Female 50-60	√	√	√	√	√	√	√	√
Ya-Ching Li Independent Director	Female 50-60	√	√	√	√	√	√	√	√
Jia-Wei Dai Independent Director	Male 60-70	√	√	√	√	√	√	√	√
Qing-Liu, Xiao Independent Director	Male 60-70	√	√	√	√	√	√	√	√

Note: Mr. Kuei-Hung Tseng is the legal representative of United Microelectronics Corp.; Mr. Bing-Kun Hong is the legal representative of Hsun Chieh Investment Co., Ltd.; Ms. Cai-Feng Hou is the legal representative of Liang Hsun Investment Co., Ltd; Mr. Shur-Jung Shyi is the legal representative of Goaltop Technology Corporation

F. Professional qualifications and independence of directors

The number of three independent directors accounts for 33% of the total number of directors, and all directors do not have any of the circumstances specified in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act, including no spouse or second degree of kinship among directors.

Criteria/Name	Professional Qualifications and Experience	Independence (Note)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Cheng-Chien Chien Chairman	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business MBA, Saginaw Valley State University Director of Unimicron Technology, Director of Shieh Yong Capital, Vice Chairman of Pacific Microsystems, Chairman of HuiTong Intelligence Co., Ltd.	None.	None.
Director of United Microelectronics Corp.	Not Applicable	None.	None.
Director of Hsun Chieh Investment Co., Ltd.	Not Applicable	None.	None.
Wan-Fen Chou Director	Having Work Experience in the Areas of Commerce, and Otherwise Necessary for the Business Bachelor of International Trade, Tamkang University/Senior Director of Finance Department of King Yuan Electronics Co. Independent Director of Unimicron Technology Corp., Supervisor of Hsun Chieh Investment Co., Ltd.	None.	1
Shur-Jung Shyi Director	Having Work Experience in the Areas of Commerce, and Otherwise Necessary for the Business MA in Electrical Engineering, New York State University/ President, XGI Technology President of Silicon Integrated Systems Corp., Executive Director of Suzhou MLight Electronics	None.	None.
Cai-Feng Hou Director	Having Work Experience in the Areas of Commerce, and Otherwise Necessary for the Business Executive Master of Public Policy, National Sun Yat-sen University Independent Director /Audit Committee Member/Remuneration Committee Member/Risk Management Committee Member of Nanya Technology Corporation, Director of Taiwan Implant Technology Co., Ltd.	None.	None.

Criteria/Name	Professional Qualifications and Experience	Independence (Note)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director Ya-Ching Li	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business Graduate of the University of Missouri Graduate School of Accounting/ Senior Assistant of President of GCS Holdings, Director of D-Tech Optoelectronics, Director of GCOM Semiconductor, Independent Director of Unimicron Technology	Independence	1
Jia-Wei Dai Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business Bachelor of Business Administration, Fu Jen Catholic University/Vice President of Investment Banking Division of SinoPac Securities, Director of SinoPac Venture Capital Corp., Director of Top Taiwan Xiv Venture Capital Co., Ltd., and Director of Taihan Precision Technology Co., Ltd. Director of U-neuron Biomedical Inc.	Independence	None.
Qing-Liu Xiao Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business Bachelor of Economics, Feng Chia University/Vice President of CTBC Bank Co., Ltd.	Independence	None.

Note 1. Circumstances in Article 30 of the Company Act are not applicable for the above directors.

A person who is under any of the following circumstances shall not act as managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges.
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet.
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2. All independent directors of the Company are in compliance with the independence criteria: Including, but not limited to, whether he/she, his/her spouse, his/her second degree kinship, etc. are directors, supervisors or employees of the Company or its affiliated companies; the number and proportion of shares of the Company held by him/her, his/her spouse, or second degree of kinship (or in the name of another person); whether he/she is a director, supervisor or employee of a company with a specific relationship with the Company (refer to Article 3, Paragraphs 1, 5-8 of the Regulations Governing the Establishment of and Matters to be Followed by Independent Directors of Public Companies); the amount of remuneration received for the provision of business, legal, financial and accounting services to the Company or its affiliates in the last two years.

(II) Information of Managers

Title/Nationality	Name/Gender	Election (appointment) date	Shareholding		Current Shares Held by Children of Minor Age	
			Number of Shares	Shareholding	Number of Shares	Shareholding
President R.O.C. and United States	Shur-Jung Shyi Male	2013.02.01	24,697	0.003%	0	0.00%
Chief Strategy Officer R.O.C.	Cheng-Chien Chien Male	2013.01.01	2,074,800	0.28%	0	0.00%
Vice President R.O.C. and United States	Sin-Kuo Cho Male	2007.09.03	0	0.00%	0	0.00%
Associate Vice President ,R.O.C.	Geng-Nan Chen Male	2022.06.01	0	0.00%	0	0.00%
Associate Vice President ,R.O.C.	Ying-Hu Ye Male	2022.06.01	717	0.00%	6,559	0.0009%
Associate Vice President ,R.O.C.	Min-Han Li Male	2022.06.01	0	0.00%	0	0.00%
Associate Vice President ,R.O.C.	Kang-Zhen Peng Male	2022.06.01	157	0.00%	0	0.00%
Senior Manager R.O.C.	Yuan-Long Xue Male	2022.06.01	11,000	0.001%	0	0.00%
Senior Manager R.O.C.	Bei-Yun Wang Female	2022.06.01	0	0.00%	0	0.00%
Chief Accountant R.O.C.	Yuan-Kwei Chen / Male	2013.01.01	0	0.00%	0	0.00%
Chief at Finance Office/ Chief Corporate Governance Officer	Zhe-Jia Xu Male	2022.04.01	228,888	0.03%	0	0.00%

Note 1. The shareholding is calculated based on the number of issued shares of 789,589,356 shares, less 3 treasury shares, and the number of outstanding shares of 789,589,353 shares as of March 29, 2023. The shareholding of outstanding shares is calculated by unconditionally rounding off two decimal places.

Note 2. The shareholdings of managers are calculated based on the number of shares held on March 29, 2023.

Note 3. Election and appointment date of the Company's managers.

Note 4. Chairman Chien is also the Chief Strategy Officer of the Company. In order to enhance operational efficiency and decision execution, the Chairman also maintains close communication with the directors about the Company's operations, plans and policies to implement corporate governance.

Note 5. None of the managers has held the Company's shares in the names of others.

Note 6. All managers are not spouses or relatives within the second degree of kinship of other managers

Major Experience (Education)	Position Concurrently Held at Other Companies
MA in Electrical Engineering, New York State University President, XGI Technology	Director of SiS, Executive Director of Suzhou MLight Electronics
MBA, Saginaw Valley State University Chairman, XGI Technology	Chief Strategy Officer of SiS, Director of Unimicron Technology, Chairman of Huitong Intelligence, Director of Shieh Yong Capital, Vice Chairman of Asia Pacific Microsystems, Director of Mars Investment, Executive Director of Shenzhen Bangtong
Master in Computer, New Jersey Technology Institute Market Technology Assistant Manager of Altera, President of Vxis Technology	None.
MA in Electrical Engineering, National Central University Director of Chip Development Office	None.
Master of Science, National Cheng Kung University Director of Touch Technology Office	None.
Master of Electronics and Computer Science, Syracuse University Director of Business Marketing Office	None.
Master's Degree, Graduate Institute of Statistics, National Central University Director of Administration Office	None.
Master's Degree, Optics and Photonics, National Central University Senior Manager of Product Engineering Office	None.
Master's Degree, Department of Business Administration, National Dong Hwa University Senior Manager of Production Office	None.
Bachelor of Accounting, Culture University Senior Manager of Accounting Office	None.
Master Degree, Business Administration, Southeast University Senior Director of Finance Office	Supervisor of Vxis Technology

III. Remuneration of the Directors, President and Vice Presidents

(I) Director Remuneration

Position	Name	Director Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Profit After Tax (Note 3)	
		Remuneration (A)		Pension (B)		Director Compensation (C)		Business Expenses (D)		The Company	All Companies in Consolidated Financial Statements
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements		
Chairman	Cheng-Chien Chien	-	-	-	-	766	766	630	630	0.29%	0.29%
Director	United Microelectronics Corp. Representative: Kuei-Hung Tseng	-	-	-	-	766	766	-	-	0.16%	0.16%
		-	-	-	-	-	-	150	150	0.03%	0.03%
Director	Hsun Chieh Investment Co., Ltd. Representative: Bing-Kun Hong Former Representative: Wan-Ling Cheng	-	-	-	-	766	766	-	-	0.16%	0.16%
		-	-	-	-	-	-	83	83	0.02%	0.02%
		-	-	-	-	-	-	67	67	0.01%	0.01%
Director	Liangxun Investment Co., Ltd. Representative: Cai-Feng Hou	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	78	78	0.02%	0.02%
Director	Goatop Technology Corporation Representative: Shur-Jung Shyi	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	766	766	150	150	0.19%	0.19%
Director	Wan-Fen Chou	-	-	-	-	-	-	83	83	0.02%	0.02%
Independent Director	Ya-Ching Li	-	-	-	-	225	225	630	630	0.18%	0.18%
Independent Director	Jia-Wei Dai	-	-	-	-	-	-	337	337	0.07%	0.07%
Independent Director	Qing-Liu Xiao	-	-	-	-	-	-	337	337	0.07%	0.07%
Former Director	Wen-Chi Chen	-	-	-	-	766	766	57	57	0.17%	0.17%
Former Independent Director	Tsai-Wang Huang	-	-	-	-	225	225	293	293	0.11%	0.11%
Independent Director	Jui-Hsiang Lo	-	-	-	-	225	225	293	293	0.11%	0.11%

(II) Range of Director Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	Financial Statements All Companies in Financial Statements	The Company	Financial Statements All Companies in Financial Statements
Below NT\$1,000,000	United Microelectronics, Kuei-Hung Tseng, Hsun Chieh Investment, Bing-Kun Hong, Wan-Ling Cheng, Liangxun Investment, Cai-Feng Hou, Goatop Technology, Shur-Jung Shyi, Wan-Fen Chou, Ya-Ching Li, Jia-Wei Dai, Qing-Liu Xiao, Wen-Chi Chen, Tsai-Wang Huang, Jui-Hsiang Lo	United Microelectronics, Kuei-Hung Tseng, Hsun Chieh Investment, Bing-Kun Hong, Wan-Ling Cheng, Liangxun Investment, Cai-Feng Hou, Goatop Technology, Shur-Jung Shyi, Wan-Fen Chou, Ya-Ching Li, Jia-Wei Dai, Qing-Liu Xiao, Wen-Chi Chen, Tsai-Wang Huang, Jui-Hsiang Lo	United Microelectronics, Kuei-Hung Tseng, Hsun Chieh Investment, Bing-Kun Hong, Wan-Ling Cheng, Liangxun Investment, Cai-Feng Hou, Goatop Technology, Wan-Fen Chou, Ya-Ching Li, Jia-Wei Dai, Qing-Liu Xiao, Wen-Chi Chen, Tsai-Wang Huang, Jui-Hsiang Lo	United Microelectronics, Kuei-Hung Tseng, Hsun Chieh Investment, Bing-Kun Hong, Wan-Ling Cheng, Liangxun Investment, Cai-Feng Hou, Goatop Technology, Wan-Fen Chou, Ya-Ching Li, Jia-Wei Dai, Qing-Liu Xiao, Wen-Chi Chen, Tsai-Wang Huang, Jui-Hsiang Lo
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Cheng-Chien Chien	Cheng-Chien Chien		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)			Shur-Jung Shyi	Shur-Jung Shyi
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)			Cheng-Chien Chien	Cheng-Chien Chien
Total	17 people	17 people	17 people	17 people

Note 1. General directors are: Director Cheng-Chien Chien, Director Kuei-Hung Tseng as corporate representative directors of United Microelectronics, Director Bing-Kun Hong as the legal representative of Hsun Chieh Investment, Director Cai-Feng Hou as the legal representative of Liangxun Investment, Director Shur-Jung Shyi as the legal representative of Goatop Technology, and Director Wan-Fen Chou. Independent directors are: Independent Director Ya-Ching Li, Independent Director Jia-Wei Dai, Independent Director Qing-Liu Xiao

Currency Unit: NT\$'000

Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Profit After Tax (Note 3)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)				The Company	All Companies in Consolidated Financial Statements	
The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements				
				Cash	Stock	Cash	Stock			
3,418	3,418	-	-	243	-	243	-	1.05%	1.05%	None.
-	-	-	-	-	-	-	-	0.16%	0.16%	None.
-	-	-	-	-	-	-	-	0.03%	0.03%	None.
-	-	-	-	-	-	-	-	0.16%	0.16%	None.
-	-	-	-	-	-	-	-	0.02%	0.02%	None.
-	-	-	-	-	-	-	-	0.01%	0.01%	None.
-	-	-	-	-	-	-	-	0.02%	0.02%	None.
-	-	-	-	-	-	-	-	0.02%	0.02%	None.
3,263	3,263	108	108	232	-	232	-	0.93%	0.93%	None.
-	-	-	-	-	-	-	-	0.02%	0.02%	None.
-	-	-	-	-	-	-	-	0.18%	0.18%	None.
-	-	-	-	-	-	-	-	0.07%	0.07%	None.
-	-	-	-	-	-	-	-	0.07%	0.07%	None.
-	-	-	-	-	-	-	-	0.17%	0.17%	None.
-	-	-	-	-	-	-	-	0.11%	0.11%	None.
-	-	-	-	-	-	-	-	0.11%	0.11%	None.

Note 1. The Company's directors of the 11th term resigned on June 21, 2022. Directors of the 12th term were elected on June 21, 2022.

Note 2. Information of director remuneration updated as of December 31, 2022.

Note 3. In 2022, the consolidated net profit after tax attributable to the owners of the parent company was NT\$483,657 thousand.

Note 4. The ratio is calculated by unconditionally rounding off two decimal places.

Note 5. With regard to the remuneration of the Company's independent directors, in addition to the evaluation results of the performance evaluation of the directors, the Remuneration Committee shall, in accordance with Article 24 of the Company's Articles of Incorporation, consider the independent director's participation and contribution in the Company's operations, connect the reasonable fairness of the performance risk with the remuneration received, take into account the Company's operating performance and the general remuneration in the industry, and submit to the Board of Directors for approval.

Note 6. Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.

(III) Remuneration Paid to the President and Vice Presidents

Currency Unit: NT\$'000

Currency Unit: NT\$'000 Position	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)	
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
President	Shur-Jung Shyi	3,263	3,263	108	108	-	-
Chief Strategy Officer	Cheng-Chien Chien	3,418	3,418	-	-	-	-
Vice President	Sin-Kuo Cho	2,721	2,721	108	108	-	-

(IV) Range of Remuneration Paid to the President and Vice Presidents

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	Total Amount of Remuneration (A+B+C+D)	
	The Company	All Companies in Consolidated Financial Statements
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Sin-Kuo Cho	Sin-Kuo Cho
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Cheng-Chien Chien, Shur-Jung Shyi	Cheng-Chien Chien, Shur-Jung Shyi
Total	3 people	3 people

(V) Top Five Managers with the Highest Remuneration

Position	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)	
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Chief Strategy Officer	Cheng-Chien Chien	3,418	3,418	-	-	-	-
President	Shur-Jung Shyi	3,263	3,263	108	108	-	-
Associate Vice President	Geng-Nan Chen	2,510	2,510	108	108	800	800
Associate Vice President	Ying-Hu Ye	2,444	2,444	108	108	822	822
Associate Vice President	Min-Han Li	2,341	2,341	108	108	608	608

Currency Unit: NT\$'000

Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Profit After Tax (Note 2)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
Cash	Stock	Cash	Stock			
232	-	232	-	0.75%	0.75%	None.
243	-	243	-	0.76%	0.76%	None.
194	-	194	-	0.63%	0.63%	None.

Note 1. Information of President, Vice President and supervisors updated as of December 31, 2022.

Note 2. In 2022, the consolidated net profit after tax attributable to the owners of the parent company was NT\$483,657 thousand.

Note 3. The ratio is calculated by unconditionally rounding off two decimal places.

Currency Unit: NT\$'000

Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Profit After Tax (Note 2)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
Cash	Stock	Cash	Stock			
243	-	243	-	0.76%	0.76%	None.
232	-	232	-	0.75%	0.75%	None.
179	-	179	-	0.74%	0.74%	None.
174	-	174	-	0.73%	0.73%	None.
165	-	165	-	0.67%	0.67%	None.

Note 1. Information of President, Vice President and supervisors updated as of December 31, 2022.

Note 2. In 2022, the consolidated net profit after tax attributable to the owners of the parent company was NT\$483,657 thousand.

Note 3. The ratio is calculated by unconditionally rounding off two decimal places.

(VI) Name of manager who distributed employee compensation and the distribution status:

December 31, 2022 Unit: NT\$'000

Position	Name	Stock	Cash	Total	Ratio of total remuneration to net profit after tax %
President	Shur-Jung Shyi	0	1,744	1,744	0.36%
Chief Strategy Officer	Cheng-Chien Chien				
Vice President	Sin-Kuo Cho				
Associate Vice President	Geng-Nan Chen				
Associate Vice President	Ying-Hu Ye				
Associate Vice President	Min-Han Li				
Associate Vice President	Kang-Zhen Peng				
Senior Manager	Yuan-Long Xue				
Senior Manager	Bei-Yun Wang				
Chief Accountant	Yuan-Kwei Chen				
Chief at Finance Office / Chief Corporate Governance Officer	Zhe-Jia Xu				

(VII) Analysis of Director and Manager Remuneration

A. Analysis of Director and Manager Remuneration in the Past Two Years

Currency Unit: NT\$'000

Position	Ratio of total remuneration to net profit after tax					
	2022			2021		
	Remuneration	net profit after tax	Remuneration net profit after tax	Remuneration	Net income	Remuneration net profit after tax
Director	7,694	483,657	1.59%	3,125	198,311	1.57%
Manager	30,039		6.21%	12,787		6.44%

Note 1. In 2022, the consolidated net profit after tax attributable to the owners of the parent company was NT\$483,657 thousand.

Note 2. The ratio is calculated by unconditionally rounding off two decimal places.

B. Remuneration policies, standards and packages, procedures for determining remuneration, and connection between operating performance and future risk exposure

- In accordance with the Remuneration Committee Charter of the Company, the compensation system for directors and managers includes cash compensation, stock options, stock dividends, retirement benefits or severance pay, allowances and other substantial incentives, which shall be approved by the Remuneration Committee of the Company and then submitted to the Board of Directors for approval.
- Director remuneration distribution policy and the procedures of determining remuneration: in addition to the monthly fixed amount of transportation fee, pursuant to the Company's Articles of Incorporation, the net profit after final accounts shall be used to pay the income tax in accordance with the laws and regulations and offset the accumulated loss. Afterward, 10% shall be allocated as a legal reserve. The percentage of director remuneration shall not exceed 2% of the aforementioned balance.
- The manager's compensation policy, standards and packages are determined with reference to the industry standard, the Company's payroll regulations, the manager's respective areas of responsibility, the performance and achievement rate of the same year, and the reasonable compensation based on the contribution to the Company's overall operation in that year.
- The Company has assessed that there are no significant future risks.

IV. Implementation of Corporate Governance

(I) Operation of the Board of Directors

A. The 11th Board of Directors were held two meetings in 2022 (March 10, 2022, May 10, 2022), and the attendance of directors is as follows:

Position	Name	Attendance in person	Attendance by proxy	Actual attendance	Remarks
Chairman	Cheng-Chien Chien	2	0	100 %	
Director	Representative of United Microelectronics: Kuei-Hung Tseng	2	0	100 %	
Director	Representative of Hsun Chieh Investment: Wan-Ling Cheng	2	0	100%	
Director	Wen-Chi Chen	0	0	0 %	
Director	Shur-Jung Shyi	2	0	100%	
Independent Director	Tsai-Wang Huang	2	0	100 %	
Independent Director	Jui-Hsiang Lo	2	0	100 %	
Independent Director	Ya-Ching Li	2	0	100 %	

B. The 12th Board of Directors were held 5 meetings (June 21, 2022, August 9, 2022, November 8, 2022, November 25, 2022, March 2, 2023) from 2022 up to the publication date of this annual report. The attendance of directors is as follows:

Position	Name	Attendance in person	Attendance by proxy	Actual attendance	Remarks
Chairman	Cheng-Chien Chien	5	0	100%	
Director	Representative of United Microelectronics: Kuei-Hung Tseng	5	0	100%	
Director	Representative of Hsun Chieh Investment: Bing-Kun Hong	4	0	80%	
Director	Wan-Fen Chou	5	0	100%	
Director	Representative of Goaltop Technology : Shur-Jung Shyi	5	0	100%	
Director	Representative of Liang Hsun Investment : Cai-Feng Hou	4	0	80%	
Independent Director	Ya-Ching Li	5	0	100%	
Independent Director	Jia-Wei Dai	5	0	100%	
Independent Director	Qing-Liu Xiao	5	0	100%	

Note: Directors of the 11th term resigned on June 21, 2022. Directors of the 12th term were elected on June 21, 2022.

Other matters to be recorded:

- With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all opinions of independent directors and the Company's handling of such opinions shall be specified.
 - (1) Matters set out in Article 14- 3 of the Securities and Exchange Act : the Company has established an Audit Committee; thus, this not applicable to Article 14-3 of the Securities and Exchange Act. Please refer to the annual report on the implementation of the Audit Committee for relevant information.
 - (2) Except for the aforementioned matters, other resolutions made by the Board of Directors which are opposed or reserved by the independent directors; these are recorded or the independent directors have submitted written statements against the resolutions: None.
- Recusals of directors from voting due to conflicts of interests:
 - (1) On March 10, 2022, for the nomination and review of the 12th term directors, Chairman Mr. Cheng-Chien Chien, Director Mr. Kuei-Hung Tseng, Director Ms. Wan-Ling Cheng, Director Mr. Shur-Jung Shyi and Independent Director Ms. Ya-Ching Li were recused from reviewing and voting on the qualifications and review of her own nomination.
 - (2) On August 9, 2022, for the appointment of members of the 5th Remuneration Committee, Director Ya-Ching Li, Director Jia-Wei Dai, and Director Qing-Liu Xiao, as appointed members, were recused from and did not participate in discussions and resolutions.
 - (3) On December 25, 2022, for the disposal of the common stock of United Microelectronics Corp., Director Kuei-Hung Tseng, as the legal representative of United Microelectronics Corp., was voluntarily recused from the meeting after the discussion and before the resolution.
 - (4) On March 2, 2023, for the remuneration distribution of directors, employees, and managers for 2022, Director Cheng-Chien Chien and Director Shur-Jung Shyi, who also hold employee positions, abstained from discussing and resolution due to conflicts of interest.
- Targets and implementation of the Board of Directors' functions in the current and most recent years: in order to implement corporate governance and enhance the functions of the Company's Board of Directors, performance targets are established to strengthen the efficiency of the Board of Directors' operations. The Company established the "Board of Directors Performance Evaluation Procedures" in 2019 and conducts performance evaluation annually and review for improvement on an ongoing basis. For the sustainable development of the Company and to assist the Board of Directors to strengthen the management mechanism and improve the corporate governance, the Nomination Committee is expected to be established in the future.

C. Evaluation of the Board of Director

Frequency	Once a year			
Period	2022.01.01-2022.12.31			
Scope of evaluation	Evaluation method	Evaluation aspects	Single/total evaluation results	
Board of Directors	Internal evaluation of the Board of Directors	Participation in the Company's operation (12 items)	4.83	4.88
		Improvement of the Board of Directors decision-making quality (12 items)	4.83	
		Composition and structure of the Board of Directors (7 items)	5.00	
		Election and continuous education of the directors (7 items)	4.85	
		Internal control (7 items)	5.00	
Individual directors	Self-evaluation and peer evaluation of Board members	Understanding of the Company's objectives and missions (3 items)	4.95	4.97
		Understanding of the duties of directors (3 items)	5.00	
		Participation in the Company's operation (8 items)	4.96	
		Management and communication of the internal relations (3 items)	4.94	
		Expertise and continuing education of the directors (3 items)	5.00	
		Internal control (3 items)	5.00	
Audit Committee	Self-evaluation and peer evaluation of the Audit Committee members	Participation in the Company's operation (4 items)	5.00	4.98
		Understanding of the duties of the Audit Committee (6 items)	4.94	
		Improvement of the Board of Directors decision-making quality (7 items)	5.00	
		Composition and election of the Audit Committee members (3 items)	5.00	
		Internal control (3 items)	5.00	
Remuneration Committer	Self-evaluation and peer evaluation of the Remuneration Committee members	Participation in the Company's operation (4 items)	5.00	4.86
		Understanding of the duties of the Remuneration Committee (5 items)	4.53	
		Improvement of the Board of Directors decision-making quality (6 items)	4.94	
		Composition and election of the Remuneration Committee members (3 items)	5.00	
		Internal control (1 items)	5.00	

Note 1. The evaluation results are presented in five levels, and the principles of the assessment levels are as follows: Number 1: Very poor (strongly disagree); Number 2: Poor (disagree); Number 3: Moderate (average); Number 4: Excellent (agree); Number 5: Excellent (strongly agree).

Note 2. Reported at the Board meeting on March 2, 2023.

D. Results of Board of Directors Performance Evaluation

The selection of the Company's Board members takes into account the operational development needs and facilitates the full performance of the Board of Directors' functions. The Board meetings have an open discussion atmosphere, which enables the directors to provide guidance and supervision, and form medium and long-term strategies and annual plans that can be implemented, which is conducive to the Company's sustainable operation. The Board of Directors attaches great importance to corporate risk management. The Chief Corporate Governance Officer is committed to providing the necessary assistance to the directors to facilitate timely access to sufficient information and resources for Board members to exercise their duties. The evaluation report also recommends the revision of the Nomination Committee Charter and the definition of the division of responsibilities of the committee, which will serve as a reference for the Company to improve the performance of the Board of Directors.

E. Succession planning for Board members and important management

(1) Succession planning and operation of the Board members

The election of directors of the Company is based on the candidate nomination system adopted in the "Articles of Incorporation", and is elected through voting at the shareholders' meeting to form the board of directors. Each term of the director is three years. The election of directors shall be conducted in accordance with the "Rules for Election of Directors" of the Company, unless otherwise provided by laws or Articles of Incorporation. The members of the board of directors must have a professional background (such as legal, accounting, industry, finance, marketing, or technology) and professional skills (such as business judgment ability, accounting and financial analysis ability, operation management ability, crisis management ability, industry knowledge, international market view, leadership ability, and decision-making ability.)

The Company plans for the succession of directors through the following methods:

- (a) Suitable directors candidates recommended by the current directors.
- (b) Directors candidates recommended by shareholders.
- (c) The board of directors' performance evaluation results serve as a reference for nominating directors for reappointment.

In order to strengthen the functions of the board of directors and encourage them to continuously improve their abilities, the Company arranges at least 6 hours of director training courses per person every year to assist directors in acquiring new knowledge, keeping up with the times, and familiarizing themselves with their roles, functions, responsibilities, and obligations on the board of directors, effectively implementing the corporate governance system, and facilitating the continuation and optimization of the board of directors to achieve sustainable business operations; In addition, the members of the board of directors conduct annual performance evaluations, and the evaluation results serve as a reference for selecting or nominating directors, as well as for determining their individual salary and remuneration.

(2) Succession planning and operation of important management personnel

The Company regards employees at or above the manager level as the important management level, mainly based on personality traits, performance, and future potential as evaluation criteria. Personality traits should include positive influence, growth-oriented mindset, and team spirit. In addition to excellent work performance, they should also comply with the Company's core values and mission vision. As important management positions cover various departments within the Company, they are all targets of active cultivation by the Company. Department heads have clear job responsibilities; they are actively trained and nurtured, and they cooperate with management succession planning to conduct internal training on management skills. In addition, the Company encourages important management levels to engage in on-the-job training or participate in training programs provided by external units to enhance individuals' comprehensive abilities. The Company conducts cross departmental collaborative training for key talents based on future development, hoping to cultivate the diverse abilities of successor talents to facilitate the smooth implementation of future succession plans.

In response to the Company's future strategic direction and focus on talent development, important management personnel within the company receive annual training in leadership, operational management, and other related courses to cultivate a broad perspective and advanced comprehensive management skills. The company conducts annual employee performance evaluations, through daily observations and performance evaluations; thus employee will better understand due areas for strengthening, personal development needs, and company expectations; the company uses the evaluation results as a reference for future succession planning.

(II) Operations of the Audit Committee:

The Audit Committee supports the Board of Directors to oversee the Company and responsible for the missions granted by Company Act, Securities and Exchange Act, and other related laws and regulations. The Company's Audit Committee is composed all independent directors. The operation of the committee complies with the Audit Committee Charter.

A. Professional qualifications and experience of Audit Committee members

Criteria/Name	Professional Qualifications and Experience
Ya-Ching Li Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business/ School of Accounting, University of Missouri, USA Senior Assistant of President of GCS Holdings, Independent Director and Remuneration Committee member of Unimicron, Director of D-Tech Optoelectronics, Director of GCOM Semiconductor, Supervisor of Unikorn Semiconductor
Jia-Wei Dai Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business/ Bachelor of Business Administration, Fu Jen Catholic University Director of U-neuron Biomedical Inc.
Qing-Liu Xiao Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business/Bachelor of Economics, Feng Chia University Vice President of CTBC Bank Co., Ltd.

B. Key work items of the Audit Committee:

- (1) The Company's financial statements
- (2) The Company's internal control system
- (3) Material properties, derivatives, loaning of funds, and provision of endorsements/guarantees
- (4) Audit plan of the internal audit department and implementation of such plan
- (5) Appointment, discharge, compensation, and independence of certified public accountants
- (6) Management's understanding of the risks and control procedures of compliance to laws and regulations

C. The first Audit Committee in 2022 were held two meetings (March 10, 2022, and May 10, 2022), and the attendance of the audit committee was as follows:

Position	Name	Attendance in person	Attendance by proxy	Actual attendance	Remarks
Independent Director (Convener)	Ya-Ching Li	2	0	100 %	
Independent Director	Tsai-Wang Huang	2	0	100 %	
Independent Director	Jui-Hsiang Lo	2	0	100 %	

Note: The 1st Audit Committee resigned on June 21, 2022.

D. The 2nd Audit Committee were held 5 meetings (June 21, 2022, August 9, 2022, November 8, 2022, November 25, 2022, March 2, 2023) from 2022 up to the publication date of this annual report. The attendance of Audit Committee members is as follows:

Position	Name	Attendance in person	Attendance by proxy	Actual attendance	Remarks
Independent Director (Convener)	Ya-Ching Li	5	0	100 %	
Independent Director	Jia-Wei Dai	5	0	100 %	
Independent Director	Qing-Liu Xiao	5	0	100 %	

Note: The 2nd members of Audit Committee were inaugurated on June 21, 2022.

- E. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.

(1) Matters set out in Article 14-5 of the Securities and Exchange Act

Board of Directors Date(Republic of China)/Term	Major resolutions	Audit Committee resolution	The Company's response to the Audit Committee
2022.03.10 13th meeting of the 11th term	Deliberation of the independence evaluation of the Company's CPAs, 2021 financial statements, 2021 Internal Control System Statement, Accounts receivable that are three months past due: unrelating to loans of funds, Donation to the SiS Education Foundation, 2021 Earnings Distribution Proposal, Issuance of new shares by capital increase from earnings, Proposal of amendment to Articles of Incorporation, Application for bank credit extensions, and Change of Chief Financial officer/ Chief Corporate Governance Officer	Approved by all attending committee members	Approved by directors participated in the discussion
2022.05.10 14th meeting of the 11th term	Financial statements for the first quarter of 2022, Accounts receivable that are three months past due: unrelating to loans of funds, Establishment of "Sustainable Development Principles", Establishment of "Risk Management Measures and Procedures"	Approved by all attending committee members	Approved by directors participated in the discussion
2022.06.21 1st meeting of the 12th term	Election of the convenor and meeting chairperson of the 2nd Audit Committee	Approved by all attending committee members	Approved by directors participated in the discussion
2022.08.09 2nd meeting of the 12th term	Financial statements for the second quarter of 2022, Accounts receivable that are three months past due: unrelating to loans of funds, Application for bank short-term credit extensions, Determination of the ex-dividend and distribution dates for shareholder stock dividends and cash dividends which distributed by the Company's earnings	Approved by all attending committee members	Approved by directors participated in the discussion
2022.11.08 3rd meeting of the 12th term	Financial statements for the third quarter of 2022, Accounts receivable that are three months past due: unrelating to loans of funds, 2023 Audit plan. Donation to the SiS Education Foundation	Approved by all attending committee members	Approved by directors participated in the discussion
2022.11.25 4th meeting of the 12th term	Disposal of the common stock of United Microelectronics Corp.	Approved by all attending committee members	Approved by directors participated in the discussion
2023.03.02 5th meeting of the 12th term	Deliberation of the independence evaluation of the Company's CPAs, 2022 financial statements, Internal adjustment and replacement of CPAs in accounting firms and evaluation of their competence, 2022 Internal Control System Statement, Accounts receivable that are three months past due: unrelating to loans of funds, 2022 Remuneration for directors, employees, and managers, 2022 Earnings Distribution Proposal, Donation to the SiS Education Foundation, Amendments to the procedures for obtaining or disposing of assets, Amendment to internal audit and control systems, Application for bank credit extensions, Non-assurance services provided by Ernst & Young Global Limited and its affiliated entities.	Approved by all attending committee members	Approved by directors participated in the discussion

- (2) In addition to the above-mentioned matters, other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

- F. Recusals of independent directors from resolutions due to conflicts of interests:
- (1) On March 10, 2022, for the nomination and review of the 12th term directors, Chairman Mr. Cheng-Chien Chien, Director Mr. Kuei-Hung Tseng, Director Ms. Wan-Ling Cheng, Director Mr. Shur-Jung Shyi and Independent Director Ms. Ya-Ching Li were recused from reviewing and voting on the qualifications and review of her own nomination.
 - (2) On August 9, 2022, for the appointment of members of the 5th Remuneration Committee, Director Ya-Ching Li, Director Jia-Wei Dai, and Director Qing-Liu Xiao, as appointed members, were recused from and did not participate in discussions and resolutions.
- G. Communication between the independent directors and the Chief Internal Auditor, and the CPAs:
- (1) In addition to submitting monthly audit finding reports and follow-up reports to the independent directors by the Company's internal audit department, the Company's Chief Internal Auditor holds at least one meeting of the Audit Committee every quarter to report on audit work, audit results, and follow-ups to the independent directors.
 - (2) Every half year, the Company's CPAs report and communicate to independent directors regarding the review or audit results of the Company and its subsidiaries at home and abroad, internal control audit, the impact of the amendments to and release of IFRSs on the Company, and other relevant legal requirements.
 - (3) Communication between the independent directors and the Chief Internal Auditor
In addition to submitting monthly audit reports and follow-up reports to the independent directors, the Company's internal audit department explains the audit, the audit results, and their follow-ups at the Board meetings and regularly communicate with the independent directors.

Date	Attendees	Key communication topics	Communication results
2022.05.10 Internal Audit Project Report Meeting	Independent Director Mr. Tsi-Wang Huang Independent Director Mr. Jui-Hsiang Lo Independent Director Ms. Ya-Ching Li Chief Auditor Mr. Hung-Jen Li	Improvement of deficiencies and irregularities of the internal control system of 2021	All attending independent directors have no opinion and no recommendation
2022.08.09 Internal Audit Project Report Meeting	Independent Director Ms. Ya-Ching Li Independent Director Mr. Jia-Wei Dai Independent Director Mr. Qing-Liu Xiao Chief Auditor Mr. Hung-Jen Li	2023 Audit Plan	All attending independent directors have no opinion and no recommendation

(4) Communication between the independent directors and CPAs

Date	Attendees	Key communication topics	Communication results
2022.03.10 Project Report Meeting	Independent Director Mr. Tsi-Wang Huang Independent Director Mr. Jui-Hsiang Lo Independent Director Ms. Ya-Ching Li CPA Mr. Shao-Pin Kuo	Audit results of the consolidated and parent company only financial statements for 2021, communication with corporate governance unit and management, update of securities act, update of tax act, update of IFRSs	All attending independent directors have no opinion and no recommendation
2022.08.09 Project Report Meeting	Independent Director Ms. Ya-Ching Li Independent Director Mr. Jia-Wei Dai Independent Director Mr. Qing-Liu Xiao CPA Mr. Shao-Pin Kuo	Review results of the consolidated financial statements for the first half of 2022, communication with corporate governance unit and management, update of securities act, update of tax act, update of IFRSs	All attending independent directors have no opinion and no recommendation
2023.03.02 Project Report Meeting	Independent Director Ms. Ya-Ching Li Independent Director Mr. Jia-Wei Dai Independent Director Mr. Qing-Liu Xiao CPA Shen-Jie Hu CPA Hsin-Min Hsu	Audit results of the consolidated and parent company only financial statements for 2022, communication with corporate governance unit and management, update of securities act, update of tax act, update of IFRSs	All attending independent directors have no opinion and no recommendation

- (5) The chief internal auditor, CPAs, and independent directors can communicate directly with each other as needed at any time, and the communication channel runs smoothly.

(III) Implementation of Corporate Governance

Item	Implementation Answer/Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
I.	Has the Company established and disclosed its code of practice on corporate governance based on Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies	
	<p>Yes/To establish a good corporate governance system, the Company has established its own Corporate Governance Principles based on the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" prepared by Taiwan Stock Exchange Corporation and Taipei Exchange to establish an effective corporate governance framework and then abide by it. In addition to complying with the laws and regulations and the Articles of Incorporation, the Company's corporate governance system is based on the principles of protecting the rights and interests of shareholders, strengthening the functions of the Board of Directors, fulfilling the functions of the Audit Committee, respecting the rights and interests of stakeholders, and enhancing the transparency of information, as well as upholding Ethical Corporate Management Best Practice Principles, with the hope to fulfill corporate responsibility for sustainable management and enhance operational performance through effective corporate governance operations.</p> <p>The Principles are disclosed and available for download on the Company's website at www.sis.com.</p>	None.
II.	Shareholding structure and shareholders' rights	
■ Does the Company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigation	Yes/The Company attaches great attention to right-to-know of shareholders and complies with the relevant regulations of information disclosure, and shall, in a frequent and timely manner, provide the Company's financial, business, internal shareholding, and corporate governance information to the shareholders through the MOPS or the Company's website. For ensuring shareholder's interests, the Company has appointed dedicated staff to handle the suggestions, inquiries, and disputes of shareholders.	None.
■ Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders	Yes/The Company has established a system, where a dedicated person will retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders. Pursuant to the information disclosure requirements, the Company shall regularly disclose relevant pledges and addition/decrease in the shares of shareholders who have over 10% of the Company shares. The Company shall also disclose major items that can result in changes in shares so other shareholders can conduct supervision.	None.
■ Does the Company establish and execute a risk management and firewall system with its affiliates	Yes/The Company and its affiliates have established specific rules for their personnel, assets, and financial affairs, which clearly stated their responsibilities. In addition, risk assessments are conducted and firewalls are established to prevent unpredictable issues.	None.
■ Does the Company establish internal rules against insiders using undisclosed information for securities trading	Yes/ The Company has established and effectively implemented a comprehensive internal control system in accordance with relevant laws, orders and standards. In addition to the regular self-inspection of each department, the audit department reviews the results of self-inspection of each department from time to time for better supervision.	None.

Item	Implementation Answer/Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
III. Composition and responsibilities of the Board of Directors		
<p>■ Has the Board of Directors established diversified policies, specific management objectives and implementation for the composition of its members</p>	<p>Yes/ To strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company established a Code of Corporate Governance Practices in 2020, which specifies in Chapter 3 that the Board of Directors shall consider diversity as the basis for the nomination and election of directors. The Company's Board of Directors is composed of nine directors (including three female directors) with different professional backgrounds, who are responsible for the operation and supervision of the Company. The diversity of academic and industrial experience of the Board of Directors is beneficial to corporate operational decision-making and medium and long-term strategic planning. Currently, there are three independent directors on the Board. The number of directors who are not managers of the Company exceeds half of the Board of Directors. For related information, please refer to page 11 of this annual report and the Company's website at www.sis.com.</p>	None.
<p>■ Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and Audit Committee required by the laws</p>	<p>No/ The Company has established the Remuneration Committee and the Audit Committee, which are composed of independent directors in accordance with the law, to contribute to the Company's sustainable development, assist the Board of Directors in strengthening the management mechanism and improve corporate governance. It is expected that the Board of Directors will approve the establishment of the Nomination Committee in the future, to improve the functions of the Board of Directors and strengthen the management mechanism of the Company. In the future, other functional committees will be established according to legal requirements and actual needs.</p>	None.
<p>■ Does the Company establish Board of Directors Performance Evaluation Procedures and its evaluation methods, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal</p>	<p>Yes/The Company has established standards and methods to evaluate the performance of the Board of Directors, conducts Board evaluation, self/peer evaluation annually and regularly, reports the results of evaluations to the Remuneration Committee and the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal. Evaluation criteria includes the participation in the Company's operations, improvement of the Board of Directors decision-making quality, composition and structure of the Board of Directors, election and continuing education of directors, internal control, understanding of the Company's objectives and missions, understanding of directors' responsibilities, participation in the Company's operations, management and communication of the internal relations, and expertise and continuing education of directors. The 2022 Board of Directors had a high attendance rate of over 93%. The overall performance evaluation can be found on page 22 of this Annual Report.</p>	None.
<p>■ Does the Company regularly evaluate the independence of the CPAs</p>	<p>Yes/The Company's Audit Committee regularly evaluates the internal quality control procedures of the CPAs and their independence on the basis of the following matters, which are reported to the Board of Directors for approval: the CPAs' independence statement; the audit or non-audit services provided by the CPAs are reviewed in advance by the Audit Committee to ensure that the non-audit services do not affect the audit results; the same CPA does not provide CPA services for more than seven consecutive years; the suitability and independence of the certified public accountants are evaluated annually, including the scale and reputation of the accounting firm, the nature and extent of non-audit services provided, peer reviews, the quality of audit services, and whether there is any lawsuits. Please refer to Note 1 on Page 32.</p>	None.

Item	Implementation Answer/Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
IV.	Does the Company has a suitable and appropriate number of corporate governance officer and designates a Chief Corporate Governance Officer to be responsible for corporate governance-related matters	
	<p>Yes/The Remuneration Committee and the Board of Directors on March 10, 2022, approved a Chief Corporate Governance Officer who has more than three years of experience as the head of finance and stock affairs of a public company. The Company's Chief Corporate Governance Officer has completed 26 hours of professional training in accordance with laws and regulations in 2022. Please refer to Note 2 on Page 35. The Chief Corporate Governance Officer is responsible for supervising the stock affairs division under the finance department on matters related to the convening of Board meetings and shareholders' meetings, preparing minutes and disclosures, providing information necessary for directors to perform their duties, assisting directors in complying with laws and regulations, and assisting directors in their appointment and continuing education. In addition, the Chief Corporate Governance Officer communicates with the independent directors on an annual basis on matters related to corporate governance. In 2022, the implementation of corporate governance was as follows:</p> <ul style="list-style-type: none"> ■ Oversee the planning and implementation of the corporate governance system of the Company and its subsidiaries; report regularly to the Board of Directors on important issues or legal amendments related to the Company's business sectors and corporate governance. ■ The Company arranges training courses according to the needs of Board members, evaluates and purchases appropriate liability insurance for directors, supervisors, and important employees; the company reports the contents of the insurance policy to the Board of Directors. ■ The independent directors meet regularly and as necessary with the accountants and auditors to implement internal audit and control systems. ■ The agenda of the directors' meetings is notified to the directors 7 days in advance, and the meetings are convened and information is provided. If there is a conflict of interest in a resolution, those with a conflict of interests shall be recused from the discussion and voting. The minutes of the Board meetings are completed and sent to the directors within 20 days after the meeting. ■ To implement corporate governance, the performance of the Board of Directors, functional committees, and individual directors are regularly evaluated in accordance with the "Board of Directors Performance Evaluation Procedures" established by the Company. ■ The Company holds corporate meetings every year for its business performance, participates in investment forums from time to time, has dedicated staff to serve shareholders, and established diversified communication channels with investors. ■ The Company sets the date of the shareholders' meeting in accordance with the law, prepares and publishes the notice of the meeting, the meeting handbook, and the minutes of the meeting within the statutory period, and handles the registration of changes in the Articles of Incorporation or the election of directors within the statutory period. The Company assigns the Chief Corporate Governance Officer responsible for corporate governance-related matters and coordinate all corporate governance matters of the Company. 	None.
V.	Has the Company established communication channels with stakeholders, set up a stakeholder area on the Company's website, and responded appropriately to important social responsibility issues of the stakeholders	
	Yes/ The Company has a spokesperson, stock affair office, investor relations, and email address to maintain smooth communication channels with banks and employees, consumers, suppliers, communities, or stakeholders of the Company, and to respect and protect their legitimate rights and interests.	None.
VI.	Does the Company appoint a professional shareholder service agency to deal with shareholder affairs	
	Yes/The Company has appointed a professional shareholder service agency, Horizon Securities Corp., to deal with shareholder affairs on behalf of the Company.	None.

Item	Implementation Answer/Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
VII. Information Disclosure		
<p>■ Does the Company have a website to disclose the financial operations and corporate governance information</p>	<p>Yes/Company website: http:// www.sis.com , which established an Internet-based reporting system for information disclosure. A dedicated staff was appointed to be responsible for gathering and disclosing information. A spokesperson system was also established so as to ensure the proper and timely disclosure of information on policies that might affect the decisions of shareholders and stakeholders.</p>	<p>None.</p>
<p>■ Did the Company adopt other means of information disclosure</p>	<p>Yes/The Company sets up a bilingual website with the use of Internet access, which is maintained by a dedicated staff and provides updated information on the Company's financial business and corporate governance. The information is detailed and accurate for the reference of shareholders and stakeholders.</p>	<p>None.</p>
<p>■ Does the Company announce and file the annual financial reports within two months after the close of the fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline</p>	<p>No/Through the efforts of different departments and the cooperation with the accounting firm, the Company will make the announcement and filing of annual financial, whenever possible, reports within two months after the close of the fiscal year as the main objective of our annual efforts. The Company looks forward to providing shareholders and investors with more transparent and timely financial information. The Company announces and files Q1, Q2, Q3 financial reports and its monthly operating within the period prescribed by the competent authority.</p>	<p>None.</p>
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance: Yes		
<p>■ Employee benefits and care</p>	<p>The Company adheres to relevant labor laws to protect employees' legitimate interests. The Company has comprehensive and generous welfare measures for our employees. In addition to free medical checkups every 1-2 years, the Company also provides psychological counseling services for its employees to relieve their stress. In addition, the Company provides employees' family members with consultant service on economic and legal expertise, and encourage them to communicate directly with the management to appropriately reflect their opinions on the Company's operation and financial condition or major decisions involving their interests.</p>	<p>None.</p>
<p>■ Investor relations</p>	<p>The Company has been attaching great attention to the right-to-know of investors and shareholders and complies with the relevant regulations of information disclosure through the shareholders' meetings and spokesperson system. The Company provides information on its financial, business, internal shareholding, and corporate governance to the shareholders and investors in a frequent and timely manner through the MOPS or the Company's website.</p>	<p>None.</p>
<p>■ Supplier relations</p>	<p>Upholding the principle of honesty, equality, and mutual benefit, the Company is committed to building a foundation of harmonious relationship and trust with its partners and customers with good business reputations to create a win-win situation. The Company has also set up a dedicated customer service department responsible for the communication and coordination with the inquiries of its suppliers and customers.</p>	<p>None.</p>

Item	Implementation Answer/Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
■ Rights of stakeholder	The Company maintains smooth communication channels with banks, employees, consumers, suppliers, communities or stakeholders of the Company, and respects and protects their legitimate interests. When any of a stakeholder's legitimate interests are infringed, the Company shall handle the matter in a proper manner and in good faith.	None.
■ Implementation of risk management policies and risk evaluation measures	The Company has a sound financial, business and accounting management system, conducts comprehensive risk assessments with its major banks, customers, and suppliers, and implements necessary control mechanisms to identify and prevent potential risks, so as to enhance the correctness and accuracy of its decision-making and reduce its credit risk and operating risks.	None.
■ Implementation of customer policy	The Company has a dedicated customer service department, which is responsible for providing customer consultation and assisting in handling customer-related issues, and responding to relevant contractors in a timely manner to provide the assistance required by the customers.	None.
■ Purchase of liability insurance for the directors and supervisors	To reduce and spread the unexpected risk arising from unexpected accidents or omissions of directors and independent director to the Company and its shareholders, the Company purchases liability insurance for its directors every year. In 2022 and 2023, the Company purchased "Directors, Supervisors and Important Employees Liability Insurance" with Cathay Century Insurance Co., Ltd. in an amount of US\$10 million for the directors and important employees of the Company.	None.
■ Continuous education of directors and managers	Related information Note 2 on Page 32	None.
IX. The improvements made in accordance with the Corporate Governance Evaluation results issued in the most recent year and provide prioritized plans for improvement with aspects yet to be improved		
Yes/In accordance with the results of last year's corporate governance evaluation, the Company has disclosed its company profile (including company history, product introduction, organizational structure, and management team) and investor relations contact window and response to shareholders' inquiries on the Company's website. The Company will prioritize the improvement of early disclosure of the shareholders' meeting handbook and annual report, increasing the number of independent directors to meet diversity, gender policy, and detailed disclosure of relevant corporate information in the annual report and on the Company's website. The future self-evaluation report or evaluation report will be made in accordance with the needs of the company and the regulations of the competent authorities.		None.

Note 1. Deliberation and result of the independence evaluation of the CPAs

	Evaluation Item	Evaluation Result	Compliance with Independence
(1)	Does the CPA have a direct or material indirect financial interest in the Company	No	Yes
(2)	Does the CPA have any significant close business or employment relationship with the Company	No	Yes
(3)	Does the CPA and its audit team currently hold any positions of significant influence over the Company's directors, supervisors, managers or audit cases, or have they held any positions within the last two years	No	Yes
(4)	Has the CPA's family held any positions of significant influence on the Company's directors, supervisors, managers or audit cases during the audit period	No	Yes
(5)	Does the CPA provide any non-audit services to the Company that may directly affect the audit	No	Yes
(6)	Is the CPA related to any of the Company's directors, supervisors, managers or persons with significant influence on the audit	No	Yes
(7)	Has the CPA received any gifts or presents of significant value from the Company, its directors, supervisors, managers or major shareholders	No	Yes
(8)	Has the CPA provided audit services to the Company for seven consecutive years	No	Yes

Note 2. Continuous education of directors 2022

Position	Name	Education Date (Republic of China)		Training Institution	Course Name	Training Hours
		From	To			
Chairman	Cheng-Chien Chien	2022/10/12	2022/10/12	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/14	2022/10/14	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
Corporate Representative Director	Kuei-Hung Tseng	2022/10/05	2022/10/05	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/28	2022/10/28	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
Representative of Corporate Director	Bing-Kun Hong	2022/02/16	2022/02/16	Securities & Futures Institute	Risks and opportunities of climate change and net zero emissions policies for business operations	3
		2022/02/23	2022/02/23	Securities & Futures Institute	Discussion on employees compensation and directors remuneration issues	3
		2022/07/06	2022/07/06	Securities & Futures Institute	Benefits and business models of circular economy	3
		2022/07/13	2022/07/13	Securities & Futures Institute	Legality of cybersecurity management laws under the threat of ransomware attacks.	3

Continuous education of directors 2022

Position	Name	Education Date (Republic of China)		Training Institution	Course Name	Training Hours
		From	To			
Representative of Corporate Director	Cai-Feng Hou	2022/05/20	2022/05/20	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
		2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/10/07	2022/10/07	Taiwan Stock Exchange	Reference guide for Independent Director and Audit Committee	3
Representative of Corporate Director	Shur-Jung Shyi	2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/10/05	2022/10/05	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/21	2022/10/21	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
Director	Wan-Fen Chou	2022/05/12	2022/05/12	Taiwan Stock Exchange	International Twin Summit	2
		2022/07/26	2022/07/26	Independent Director Association Taiwan	Zero-emissions Business Operations Challenges and Opportunities Professional Development Course	3
		2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/10/05	2022/10/05	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/14	2022/10/14	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
		2022/10/25	2022/10/25	Independent Director Association Taiwan	Opportunities and challenges of Taiwan's semiconductor and ICT industries	3
Independent Director	Ya-Ching Li	2022/09/29	2022/09/29	Taiwan Stock Exchange	Reference guide for Independent Director and Audit Committee	3
		2022/10/14	2022/10/14	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
Independent Director	Jia-Wei Dai	2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/10/12	2022/10/12	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/21	2022/10/21	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3

Continuous education of directors 2022

Position	Name	Education Date (Republic of China)		Training Institution	Course Name	Training Hours
		From	To			
Independent Director	Qing-Liu Xiao	2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/10/11	2022/10/11	Taiwan Stock Exchange	Reference guide for Independent Director and Audit Committee	3
		2022/10/12	2022/10/12	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/21	2022/10/21	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
		2022/11/11	2022/11/11	Securities & Futures Institute	Derivative Trading Strategies and Market Outlook Seminar	3
		2022/11/17	2022/11/17	Taiwan Institute for Sustainable Energy	5Th Global Corporate Sustainability Forum	3
		2022/11/18	2022/11/18	Taiwan Institute for Sustainable Energy	5Th Global Corporate Sustainability Forum	3

Continuous education of managers in 2022

Position	Name	Education Date (Republic of China)		Training Institution	Course Name	Training Hours
		From	To			
President	Shur-Jung Shyi	2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/10/05	2022/10/05	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/21	2022/10/21	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
Chief Strategy Officer	Cheng-Chien Chien	2022/10/12	2022/10/12	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/14	2022/10/14	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3

Continuous education of managers in 2022

Position	Name	Education Date (Republic of China)		Training Institution	Course Name	Training Hours
		From	To			
Chief at Accounting Office	Yuan-Kwei Chen	2022/12/19	2022/12/20	Accounting Research and Development Foundation	Continuing Education Course for Chief Accountant of Issuers, Securities Firms and the Securities Exchange	12
Chief at Finance office/ Chief Corporate Governance Officer	Zhe-Jia Xu	2022/07/27	2022/07/27	Taiwan Stock Exchange	Sustainable Development Roadmap Seminar	2
		2022/09/22	2022/09/22	Taiwan Securities Association	Corporate Sustainability and ESG Development Trends	3
		2022/09/29	2022/09/29	Taiwan Stock Exchange	2022Reference guide for Independent Director and Audit Committee	3
		2022/10/05	2022/10/05	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/10/21	2022/10/21	Securities & Futures Institute	2022 Insider Trading Prevention Seminar	3
		2022/10/26	2022/10/26	Securities & Futures Institute	2022 Legal Compliance Briefing for Insider Stock Transactions	3
		2022/11/11	2022/11/11	Securities & Futures Institute	Companies with Listed Securities-Derivative Trading Strategies and Market Outlook Seminar	3
		2022/11/14	2022/11/14	Taiwan Stock Exchange	2022 Cathay Sustainable Finance and Climate Change Summit	6

(IV) Operation of the Remuneration Committee

A. Duties of Remuneration Committee

The operation of the Committee aimed to strengthen corporate governance and risk management. The Committee evaluates and monitors the remuneration system of directors and managers of the Company to motivate and retain talents. The main responsibilities are to regularly review the performance evaluation and policies and systems of the directors' and managers' remuneration, and evaluate and set the remuneration of directors and managers.

B. Key Work Items of the Remuneration Committee

Approval of director-related remuneration, review of managers' performance and remuneration structure, and approval of managers' salaries and bonuses

C. Information of the 5th Remuneration Committee members

Criteria/Name	Professional Qualifications and Experience	Independence (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Ya-Ching Li Independent Director Convener	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business Graduate of the University of Missouri Graduate School of Accounting/ Senior Assistant of President of GCS Holdings, Independent Director and Remuneration Committee member of Unimicron, Director of D-Tech Optoelectronics, Director of GCOM Semiconductor, Supervisor of Unikorn Semiconductor	Independence Criteria	1
Jia-Wei Dai Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business Bachelor of Business Administration, Fu Jen Catholic University/Director of U-neuron Biomedical Inc.	Independence Criteria	0
Qing-Liu Xiao Independent Director	Having Work Experience in the Areas of Commerce, Finance, Accounting, and Otherwise Necessary for the Business Bachelor of Economics, Feng Chia University/Vice President of CTBC Bank Co., Ltd.	Independence Criteria	0

Note 1. Independence Criteria: the members of the Remuneration Committee are in compliance with the independence requirements including, but not limited to, whether he/she, his/her spouse, his/her second degree kinship, etc. are directors, supervisors or employees of the Company or its affiliated companies; the number and proportion of shares of the Company held by him/her, his/her spouse, or second degree of kinship (or in the name of another person); Whether he/she is a director, supervisor or employee of a company with a specific relationship with the Company (refer to Article 6, Paragraph 1, Sub-Paragraphs 5-8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange;) the amount of remuneration received for the providing of business, legal, financial and accounting services to the Company or its affiliates in the last two years.

Note 2. The 5th Remuneration Committee was inaugurated on August 9, 2022.

D. The 4th Remuneration Committee were held two meetings in 2022 (March 10, 2022, May 10, 2022), and the attendance of Remuneration Committee members is as follows:

Position	Name	Attendance in person	Attendance by proxy	Actual attendance	Remarks
Convener	Ya-Ching Li	2	0	100%	
Committee Member	Tsai-Wang Huang	2	0	100%	
Committee Member	Jui-Hsiang Lo	2	0	100%	

Note: The 4th Remuneration Committee resigned on June 21, 2022.

E. The 5th Remuneration Committee were held 3 meetings (August 9, 2022, November 8, 2022, March 2, 2023.) from 2022 up to the publication date of this annual report. The attendance of Remuneration Committee members is as follows:

Position	Name	Attendance in person	Attendance by proxy	Actual attendance	Remarks
Convener	Ya-Ching Li	3	0	100%	
Committee Member	Jia-Wei Dai	3	0	100%	
Committee Member	Qing-Liu Xiao	3	0	100%	

Note: The 5th Remuneration Committee members were inaugurated on August 9, 2022.

Other matters to be recorded:

- If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

F. Important resolutions of the 4th Remuneration Committee from 2022 to the date of publication of this annual report

Remuneration Committee Date/Term	Major resolutions	Remuneration Committee resolution	The Company's response to the Remuneration Committee
2022.03.10 9th meeting of 4th session	2021 Board of Directors, Audit Committee and Remuneration Committee performance evaluation, distribution of directors' and managers' remuneration for 2021, and Change in the Company's Chief Financial Officer and Chief Corporate Officer	Approved by all attending committee members	Approved by directors participated in the discussion
2022.05.10 10th meeting of 4th session	Add insider announcement information.		
2022.08.09 1st meeting of 5th session	Election of the convener and meeting chairperson of the 5th Remuneration Committee of the Company		
2022.11.08 2nd meeting of 5th session	Review of the 2023 managers (including all employees) remuneration adjustment proposal, 2023 managers (including all employees) year-end bonus evaluation proposal		
2023.03.02 3rd meeting of 5th session	2022 Board of Directors, individual directors, Audit Committee and Remuneration Committee performance evaluation, distribution of directors' and managers' remuneration for 2022, and Promotion of the Company's managers.		

G. Remuneration Committee members have different opinions on the adoption of important resolutions with records or written statements: None.

(V) Implementation of Promoting Sustainable Development

Item	Implementation Answer/Explanation	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
I.	Does the Company establish a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the Board of Directors supervise the situation?	
	No/Although the Company does not have a dedicated (part-time) unit to implement sustainable development, the Company has been actively implementing various sustainable development policies within the existing organizational structure in accordance with the work attributes of each department, with a view to implementing corporate governance, developing a sustainable environment, and safeguarding social welfare.	None.
II.	Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies	
	Yes/The Company conducts risk assessment from time to time according to the different nature of ESG issues related to the Company's operations, and formulates related risk management policies or strategies. The Company also actively fulfills corporate social responsibility while engaging in business operations to meet the international trend of maintaining a balance between environmental, social and governance.	None.
III.	Environmental issues	
■	Has the Company established proper environmental management systems based on the characteristics of the industries	Yes/The Environmental Safety and Health Department is responsible for collecting and evaluating adequate and timely information of the impact of operational activities on the natural environment. Establish measurable goals and objectives, review the sustainability and relevance of these objectives from time to time, and review the progress of environmental sustainability goals or objectives.
■	Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact	Yes/ Due to the limited global resources and the phenomenon of climate change and global warming, the Company actively strives to improve the efficiency of resource conservation and recycling, including water resources and all kinds of energy, in the hope of reducing the burden on the earth and the environment, so that the earth's resources can be conserved and utilized in a sustainable manner.
■	Does the Company evaluate current and future climate change potential risks and opportunities and take relevant countermeasures?	Yes/The Company evaluates the potential risks and opportunities to enterprises arising from climate changes from time to time, conducts risk assessments and analyses for enterprises based on different climate changes in different periods and topics, and makes effective prevention and control in response to the risks.
■	Does the Company inspect its greenhouse gas emissions, water consumption, and the total weight of wastes in the past two years. Does the Company formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or waste management	No/Although the Company has not specified and compiled statistics on greenhouse air emissions, water consumption, and the total weight of waste in the past, it is actively committed to low carbon, energy reduction, proper disposal of waste, and effective recycling of renewable energy for the Company and its employees in consideration of climate change in recent years and the related corporate responsibility as a member of the earth, with a hope to build a green Taiwan and environmental-friendly earth.

Item	Implementation Answer/Explanation	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
IV. Social issues		
<p>■ Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights</p>	<p>Yes/The Company adheres to its management philosophy; we have established management policies and procedures for related issues in our rules and regulations and international human rights conventions, in the hope that we can more actively fulfill our corporate social responsibility.</p>	<p>None.</p>
<p>■ Does the Company formulate and implement reasonable employee benefit measures and appropriately reflect operating performance or results in employee compensation</p>	<p>Yes/ Please refer to page 76 of this Annual Report for the welfare measures and benefits for the Company's employees. Employees' remuneration is based on their academic background and working experience, performance and market standards, and do not differ due to gender, race, religion, political affiliation or marital status. The Company also protect the rights and interests of the employees in accordance with relevant laws and regulations and systems. The Company conducts performance appraisals for all employees on a regular basis every year for the purpose of promotion, employee training and development, and remuneration payment.</p>	<p>None.</p>
<p>■ Does the Company provide a safe and healthy working environment and organize training on health and safety for its employees on a regular basis</p>	<p>Yes/The Company provides a safe and healthy working environment for employees, including the provision of necessary health and first aid facilities and the implementation of related education and training from time to time, as well as the implementation and reporting of employee temperature and environment-related tests on a regular basis, and strives to reduce the risk factors to employees' safety and health, in order to maintain their safety and health and prevent the occurrence of occupational hazards.</p>	<p>None.</p>
<p>■ Has the Company established effective career development training plans</p>	<p>Yes/The Company organizes training and seminars from time to time to actively train our employees' career abilities through different training and communication with the peers.</p>	<p>None.</p>
<p>■ Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures</p>	<p>Yes/The Company actively and clearly explains and labels the health and safety, customer privacy, marketing, and labeling of our products and services to our customers in accordance with relevant laws and regulations and international standards. The Company also provides relevant communication and consultation channels to properly communicate and serve our customers. The Company attaches great importance to the interests of the customers. In addition to providing the necessary consultation and after-sales services, the Company also provide effective and simple channels for complaints to protect the rights of consumers.</p>	<p>None.</p>
<p>■ Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights and the implementation</p>	<p>Yes/In accordance with relevant governmental laws and regulations and international standards, the Company has defined the management policies for suppliers in the Company's rules and regulations to ensure the safety of the working environment, human rights, and ethical standards for the implementation of the green supply chain. In addition to the Company's rules and regulations, the Company requires suppliers to comply with the laws and regulations of the place where they operate.</p>	<p>None.</p>
<p>V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the aforementioned reports certified or assured by a third-party accreditation body?</p>		
<p>Yes/The Company's sustainability development report is prepared in accordance with international report preparation standards and guidelines. The Company will actively obtain confirmation and valuable opinions from third-party accreditation bodies in the future.</p>		<p>None.</p>

Item	Implementation Answer/Explanation	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
VI.	If the Company has established its own sustainable development principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles	
	<p>The Company established a " Sustainable Development Best Practice Principles" as approved by the Board of Directors in May 2022. In pursuit of corporate globalization and economic development, the Company respects social ethics and the rights of other stakeholders, and attaches great importance to issues such as resource depletion and environmental pollution. In addition to sustainable operation and profitability, the Company shall also take into account the responsibilities and obligations of stakeholders in the environment, society, corporate governance, and human rights, and incorporate them into the basic responsibilities of the Group's management and operations.</p> <p>To implement the corporate sustainability development, the Company is advised to follow the principles below: promote corporate governance, develop a sustainable environment, maintain social welfare, and enhance the information disclosure related to corporate sustainability development.</p>	
VII.	Important information to facilitate a better understanding of the Company's sustainable development practices	
	<p>The Company shall also pay attention to the issues such as consumer rights, social environmental protection and public welfare, and attach importance to its social responsibility while pursuing business expansion and maximizing shareholders' benefits. While engaging in business activities, the management team also actively fulfill its sustainable development to follow the international trend of maintaining a balance between environmental, social and corporate governance, enhance national economic contribution, improve the quality of life of employees, communities and society, fulfill the mission of sustainable development, and incorporate sustainable development into the Company's business activities and development direction.</p> <p>Implementing sustainable environment</p> <p>The Company installed a solar energy system on the rooftop of the building, which has been operational since its completion in August 2022 until the publication of the annual report. The total electricity generated was approximately 170 MWh, and the accumulated carbon reduction was approximately 106 tons. This is equivalent to powering 12,000 light bulbs of 20 watts for a month or reducing the cutting down of 11,000 banyan trees. In addition, the Company planted approximately 4,019 square meters of forest behind the Company to help reduce carbon dioxide and achieve urban greening.</p> <p>Expand social participation</p> <p>In 2000, SiS established the "SiS Education Foundation", adhering to the principle of "what is taken from the community is used in the community", the Foundation's mission is to promote education, sponsor technology research and development, and promote information dissemination. It actively encourages young students to engage in relevant research to enhance academic development and innovation and strengthen competitiveness. The Foundation also supports various educational and artistic activities through corporate actions. The Foundation participated in the following charitable activities in 2022:</p> <ul style="list-style-type: none"> ■ From April to December of 2022, donated NT \$30,000 to the Chensenmei Social Welfare Foundation "Mentally challenged children Work Brigade" program. ■ From April to December 202, donated NT \$30,000 to the Taiwan Public Welfare League for "Elderly dining and learning in rural communities" program. ■ From April to December of 2022, sponsored the Boyo Social Welfare Foundation "Food Bank Emergency Assistance" program with NT \$30,000. ■ From August to December of 2022, donated NT \$30,000 to the Saint Joseph Social Welfare Foundation of Hsinchu City. ■ From August to December of 2022, donated NT \$30,000 to the IET Taipei Local Network. ■ From August to December of 2022, donated NT \$30,000 to the Chinese Professional Management Association of Hsinchu. ■ From November to December of 2022, donated NT \$30,000 to the Eden Social Welfare Foundation. ■ From November to December of 2022, donated NT \$30,000 to the Taiwan Foundation for the Blind. ■ From November to December of 2022, donated NT \$30,000 to the China Medical University. ■ From November to December of 2022, donated NT \$30,000 to the Enjiyou Education Foundation. 	

(VI) Integrity Management

Item	Implementation Answer/Explanation	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
I. Establishment of ethical corporate management policies and programs		
<p>■ Does the Company have policies and practices for ethical corporate management passed by the Board of Directors and clearly state them in regulations and publicly available documents and do Board of Directors and senior management make commitments to actively implement those business policies</p>	<p>Yes/In order to establish a corporate culture and sound development of ethical management and a reference framework for the establishment of solid business operations, the Company has established the Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and the Rules for Handling Reports of Illegal, Unethical or Dishonest Practices in accordance with the relevant regulations of the competent authorities and the Company's policies, which have been approved by the Board of Directors. The Company also discloses its corporate culture and policies for ethical management, the Board of Directors and the management on its website and actively implemented and enforced them in internal management and external business activities.</p>	<p>None.</p>
<p>■ Does the Company establish an evaluation mechanism for the risk of unethical conduct regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope and therefore formulate a plan to prevent unethical conducts, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p>	<p>Yes/On March 18, 2020, the Company has established the Ethical Corporate Management Best Practice Principles, and established the Procedures for Ethical Management and Guidelines for Conduct, and the Rules for Handling Reports of Illegal, Unethical or Dishonest Practices in accordance with the Principles. The details of the Code cover all aspects and the code of conduct. Through internal announcements and training from time to time, the Company aims to provide clear regulations and explanations for different types of dishonest conduct, so that the Company's employees can comply with the standard and avoid unnecessary deviations and incidents of dishonest conduct, prevent unethical conducts of employees, and establish a solid risk control mechanism. Establish fair, honest, trustworthy and transparent business activities.</p>	<p>None.</p>
<p>■ Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies</p>	<p>Yes/Dishonest conducts within the scope of business and activities of the Company include political candidates or party officials, as well as any stated-owned or private enterprises or organizations and their directors, supervisors, managers, employees, persons with substantial control or other interested parties, etc. If the Company's personnel are threatened or intimidated to provide or promise to facilitate, they shall record the process and report to their immediate supervisors, and notify the Company's dedicated department to handle the matter in order to eliminate dishonest conducts.</p>	<p>None.</p>

Item	Implementation Answer/Explanation	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
II. Fulfillment of ethical corporate management		
<p>■ Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties</p>	<p>Yes/Before entering into a contract with another party, the Company has fully understood the ethical management of the other party and includes ethical management in the terms and conditions of the contract, which stipulated ethical conduct, such as clear and reasonable payment terms, including payment location and method, as well as taxation laws to be complied with.</p>	<p>None.</p>
<p>■ Has the Company established a dedicated unit under Board of Directors to implement ethical corporate management, and report to Board of Directors on a regular basis on ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information</p>	<p>Yes/The Company's Legal Department is responsible for the implementation, explanation, consultation service and notification of the Company's ethical corporate management and monitoring the implementation. Human Resources Administration Department has incorporated ethical corporate management into employee performance appraisal and human resources policies, and has established a reward system and complaint channels, and reports to Board of Directors on the implementation and effectiveness of the ethical corporate management policy and prevention of dishonest conduct as a basis for monitoring.</p>	<p>None.</p>
<p>■ Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly</p>	<p>Yes/The Company has adopted policies for preventing conflicts of interest and offer appropriate means for the related personnel to explain whether their interests would potentially conflict with those of the companies in the group. If a director has an interest in a proposal listed by Board of Directors that is harmful to the interests of the Group, he or she may present his or her opinion and answer questions, and may not participate in the discussion and voting, and shall recuse himself or herself and may not exercise his or her voting rights on behalf of other directors. Directors and managers of companies in the Group shall not use their positions in the Group to improperly benefit their own relatives or any other person.</p>	<p>None.</p>
<p>■ To implement relevant policies on ethical conduct, does the Company establish effective accounting and internal control systems and assign an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks and therefore inspect the implementation of such auditing plans or assign CPAs to implement the auditing</p>	<p>Yes/The Company follows Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Rules for Handling Reports of Illegal, Unethical or Dishonest Practices, which were approved by Board of Directors as guidelines. The Company has effectively established an accounting system and an internal control system for the purpose of implementing ethical corporate management, and has established a risk assessment and verification plan for each item in accordance with the aforementioned methods, and reviews the results of each risk assessment and plan from time to time and requests for improvement immediately to ensure that the design and implementation of this system remains accurate and effective. In the future, the Company will also consider the need for an accountant to perform such audits in light of the scale of the audits.</p>	<p>None.</p>
<p>■ Does the Company regularly conduct internal and external educational training on ethical corporate management</p>	<p>No/Although the Company does not regularly conduct internal and external training on ethical corporate management, it conducts seminars and training for its employees from time to time.</p>	<p>None.</p>

Item	Implementation Answer/Explanation	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
III. Operation of the whistle-blowing system		
<p>■ Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels and an appropriate personnel assigned to the alleged party</p>	<p>Yes/The Company provides proper reporting channels and shall keep the identity of the whistle-blower and the content of the report confidential. In addition, the Company has established a disciplinary and complaint system for violations of the ethical corporate management, and immediately discloses the titles, names, dates of violations, details of violations, and the follow-up actions on the Group's</p>	<p>None.</p>
<p>■ Does the Company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms</p>	<p>Yes/The Company has established standard operating procedures and confidentiality mechanisms for the investigation of reports of illegal, unethical or dishonest conduct in accordance with the rules and regulations governing the handling of such reports. Any related incidents shall be reported to the Company's dedicated unit to prevent any leakage of information.</p>	<p>None.</p>
<p>■ Does the Company provide protection for whistle-blowers against improper treatment</p>	<p>Yes/The Company has established a whistleblower protection policy in accordance with the Company's Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, and the Rules for Handling Reports of Illegal, Unethical or Dishonest Practices. The Company has a dedicated unit to handle such cases and to protect whistleblowers from improper treatment.</p>	<p>None.</p>
IV. Enhanced disclosure of ethical corporate management information		
<p>■ Does the Company disclose the Ethical Corporate Management Best Practice Principles and the results of its implementation on the company website and MOPS</p>	<p>Yes/Disclose at Public Information Observation Post System and the Company's website http://www.sis.com The Company discloses its policy of ethical management on the company website, and shall make timely announcements of the policy in product launches, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>	<p>None.</p>
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles		
<p>The Company has established the "Ethical Corporate Management Best Practice Principles", the "Code of Ethical Conduct for Directors and Managers", and the "Code of Ethics for Employees" In accordance with Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest. All directors, managers, and employees of the Company must comply with the Code and related regulations. Please refer to "Code of Ethics for Employees" on pages 45 to 47 of this Annual Report for information on the implementation of the Company's Code of Ethics for Employees.</p>		<p>None.</p>
VI. Important information to facilitate a better understanding of the Company's ethical corporate management practices		
<p>The Company shall engage in commercial activities in a fair and transparent manner. Prior to any commercial transactions, companies in the Group shall consider the legality of its agents, suppliers, clients, or other trading counterparts and whether any of them are involved in unethical conduct or are discovered thereof during credit assessment and shall avoid any dealings with persons so involved.</p>		<p>None.</p>

Code of Ethical Conduct for Directors and Managers (Approved by the Board of Directors on March 22, 2019)

- Article 1. In order to bring the conduct of all directors and managers of the Company to a more ethical standard, this Code of Ethical Conduct was hereby enacted.
- Article 2. The Code of Ethical Conduct shall include the following:
- I. Prevent conflicts of interest
Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interests of the Company, where a director or manager of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of his/her position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions, or the purchase (or sale) of goods involving the affiliated enterprises at which a director or manager works. The Company shall adopt policies for preventing conflicts of interest and also offer appropriate means for directors and managerial officers to voluntarily explain whether their interests would potentially conflict with those of the Company.
 - II. Prevent inappropriate profits derived from their positions
The Company shall prevent its directors or managers from engaging in any of the following activities:
 1. Seeking an opportunity to pursue personal gain by using company property or information, or taking advantage of their positions.
 2. Obtaining personal gain by using company property or information, or taking advantage of their positions.
 3. Competing against the Company.Where the Company has an opportunity for profit, it is the responsibility of the directors and managers to maximize the reasonable and proper benefits that can be obtained by the Company.
 - III. Duty of confidentiality
The directors and managers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any private information that, if exploited by a competitor or disclosed, could result in damage to the Company or its suppliers and customers.
 - IV. Fair trade
Directors and managers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
 - V. Safeguard and proper use of company properties
Directors and managers have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes. Avoid any theft, negligence in care, or waste of company assets that will directly impact the Company's profitability.
 - VI. Compliance with laws and regulations
Directors or managers shall comply with the Securities Exchange Act and other laws and regulations when performing their duties.
 - VII. Encourage reporting on illegal or unethical activities
The Company shall raise employees' awareness of ethics internally and encourage employees to report to supervisors, managerial officers, or other appropriate individuals upon suspicion or discovery of any activity in violation of law or regulations or the Code of Ethical Conduct. In order to encourage employees to report illegal conduct, the Company shall make employees aware that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.
 - VIII. Punishment
When a director, supervisor, or manager violates the "Code of Ethical Conduct," the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Code, and shall disclose in time on the MOPS the date of the violation by the violator, reasons for the violation, the provisions of the Code violated, and the disciplinary actions taken. The Company shall also establish relevant complaint channels to provide the person who violates the Code of Ethical Conduct with remedies.

- Article 3. Exemption procedure
The Code of Ethical Conduct must require that any exemption for directors or managerial officers from compliance with the Code be adopted by a resolution of the Board of Directors, and that information on the date on which the Board of Directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the Board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.
- Article 4. Code of Ethical Conduct for Directors and Managers and any amendments hereto shall be implemented after approval by Board of Directors.

Code of Ethics for Employees (Approved by the Board of Directors on March 22, 2019)

- Article 1. Code of Ethics for Employees is hereby established to enhance the ethics, honesty, and professionalism of the Company and its employees.
- Article 2. This Code and related procedures and rules are applicable to all employees of the Company (including heads of functional organizations and other managers).
- Article 3. Content
- I. Ethics and integrity
 1. The Company is committed to business ethics and upholds the principle of ethical operation. The purpose of this Code is to require the Company and all employees to comply with all applicable legal requirements and company policies. For inquiries on any ethical or legal matter, please seek professional advice from the department head or the Company's Legal Department.
 2. Ethical standards are not limited to legal provisions. Even when permitted by law, all business should be conducted in good faith and avoid any conflict of interest.
 3. The principles of ethics and integrity include:
 - (1) Conducting all business in good faith and keeping faithful records of all transactions.
 - (2) Business information shall be kept confidential, while business and operational records shall be maintained when performing duties to value the business assets and honor intellectual property of the Company, its customers, and partners.
 - (3) The Company's account records, invoices, records, entries, funds and assets must be properly prepared and maintained so that the Company's transactions and business transactions are properly and accurately reflected. It is prohibited to produce false or misleading statements or records in the entries, records, financial statements or other documents, and to intentionally conceal or disguise the Company's transactions. It is prohibited to open, maintain, or use any secret accounts with banks or any third-party institutions for the purpose of the Company's account.
 - (4) It is prohibited to destroy, falsify or forge any records that may be relevant to investigations, litigation, or legal proceedings.
 - (5) All employees are obligated to report any suspected breach of conduct or violation of this Code to the management.
 - II. Respect individuals and customers
 1. The Company values the privacy and integrity of each employee and has adopted strict standards to protect the privacy and confidentiality of personal information. Business information of customers and others shall be handled in the same manner as described above.
 2. Each employee shall make every effort to treat the Company's customers, suppliers, competitors and other employees fairly. All employees shall not manipulate, conceal or misuse proprietary information, misrepresent material facts, or engage in other unfair trades.
 3. The Company maintains an open communication channel in which employees are encouraged to participate in the Company's affairs and respond to their opinions to managers in all levels.
 - III. Avoid conflicts of interest
 1. Each employee must disclose details to and obtain approval from the Chairman and the President's Office before engaging in any business, investment or related activity that may constitute a conflict of interest between the employee and the Company. The relevant employees shall report potential conflicts of interest involving themselves or the Company to Company's Human Resources Department.
 2. All employees shall avoid conflicts of interest, such as taking a part-time job in an unaffiliated company, negotiating or trading with the Company for themselves or their relatives. Each employee shall not

- (1) take away any business opportunity of the Company through the use of the Company's property, information, or by virtue of his or her position for his or her own benefit;
 - (2) obtain benefits through the use of the Company's property, information or by virtue of his or her position;
 - (3) Competing against the Company.
3. Any conduct that may result in the transfer of the Company's resources or interests to oneself or to one's relatives is prohibited. If employees consider that certain acts can benefit the Company and themselves, they may obtain special permission, provided that it is reported to and has obtained approval from the chairman.
 4. All employees are prohibited from providing or disclosing confidential information to third parties without the appropriate authorization from the Company. It is strictly prohibited to use confidential or insider information for personal benefits, or as a present or to cause damage to others.
 5. All employees are prohibited from engaging in the aforementioned activities through agents, partners or other representatives for the purpose of circumventing this Code.
 6. All persons involved in the review, evaluation or selection of suppliers shall avoid any involvement in any situation that may affect a fair decision.
 7. Employees shall not seek or accept loans from the Company, or require the Company to provide a guarantee for a loan for themselves or their relatives, except with the prior approval of the Company's Board of Directors and not in violation of any applicable law.
 8. Prior authorization must be obtained for the use of the Company's services, equipment, facilities, goods or other resources that is not related to the Company's business. All employees are expected to ensure that the Company's assets are used effectively. The Company's tangible or intangible assets may only be used by authorized employees or designated persons within the scope of the Company's legal operations.
 9. Annual declaration of interests is made for the employees of the affiliated department that are confirmed by the functional organization head. For employees or their family members who are within second degree lineage (inclusive) that have investments or hold any position involving the Company's customers, distributors, customers of distributors, suppliers or competitors under such employees' duties, they are required to declare their interests honestly and by level through the annual interest reporting system. The Human Resources Department compiles information on the heads of related departments and functional organizations and submit it to the head of the functional organization to which the related department belongs and to the chairman. However, the Company is not required to report investments in companies invested by the Company, companies in which the Company has made publicly permitted investments, and listed companies.
 10. All employees are prohibited to disclose confidential information about the Company to third parties (including but not limited to customers, suppliers or other persons who are not required to access such information) through opportunities arising from their duties (including but not limited to relevant meetings: production and marketing meetings, annual planning, policy development).
- IV. Gifts and entertainment
1. All employees are prohibited from accepting or giving kickbacks or other improper benefits (including any cash or other properties: such as coupons, checks, stock certificates)
 2. All employees are prohibited from accepting entertainment.
 3. If a gift is given to a business person for the purpose of maintaining a proper business relationship, the gift shall be printed with the Company's logo whenever possible.
 4. Any business entertainment should be accepted or arranged in accordance with the Company's regulations and general business etiquette, and should not be too extravagant or frequent that will incur significant or unnecessary expenses.
- V. Complete, fair, accurate, timely and understandable disclosure
1. It is important to the Company that all books of account or records of the Company shall be complete, fair, accurate and timely in reflecting all transactions and dispositions of assets.
 2. All employees involved in the Company's disclosure process should be aware of and understand the disclosure procedures to be followed by the Company with their responsibilities. The Company shall also ensure that documents containing relevant information or other disclosures to the public are reported or sent to Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan in a complete, fair, accurate, timely and understandable manner.

3. The financial statements and related disclosures must not contain any material errors. Employee shall not knowingly, or procure others to, provide misleading, incomplete or inaccurate statement to the accountants or attorneys in connection with any audit, or filing or application with any governmental authority (such as Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, Republic of China).
 4. Individual or other person acting at his or her direction shall not influence, directly or indirectly, any of the Company's auditors or accountants by coercion, manipulation, misleading or fraudulent means if he or she knows (or should know) that his or her conduct is likely to result in materially misleading disclosures of the Company's financial statements.
- VI. Implementation of Code of Ethics and fraud prevention and protection against whistle-blowing and retaliation
1. All employees shall comply with governmental laws and regulations, as well as rules and procedures prescribed by the Company.
 2. Relevant personnel should be alert to any violation of governmental laws and regulations, Code of Ethics, or fraud. When in doubt or aware of any violation of governmental laws and regulations, Code of Eethics or fraud (illegal acts or serious misconduct by the Company's employees or supervisors), they shall report it to the independent director, Chief Auditor, the head of human resources and the head of legal affairs, or directly to the head of human resources or through another appropriate department head. Once the Company receives a whistleblower report, the Company will form an investigation team to investigate the suspected fraud described in the report.
 3. Employees who report any violations of the Code of Ethics or fraud and who participate in the investigation process will be protected from retaliation or unfair treatment.
 4. The Company will take appropriate action against any employee who violates the Code of Ethics or commits fraud, depending on the severity of the situation. Each employee is responsible for reading, understanding and complying with the contents of this Code. In case of inquiries, please seek clarification immediately. Any questions regarding the law or the requirements of this Code may be submitted to the Company's Human Resources Department or the head of Legal Department.
- VII. Exemptions and amendments
1. The Company may exempt employees from this Code under certain circumstances. The Company's Board of Directors may grant exemptions from this Code to management only in exceptional circumstances. The Company will immediately disclose the names of the exempted management and the reasons for such exemption.
 2. The Company shall promptly disclose any amendments to the Code. All employees are obligated to understand the contents after the amendment of this Code by the Company.
- Article 4. The Company's Code of Ethics for Employees and any amendments hereto shall be implemented after approval by Board of Directors.

Code of Ethics and Integrity (Approved by the Board of Directors on March 22, 2019)

- Article 1. These Principles are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. These Principles are applicable to business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company.
- Article 2. The Company's directors, managers, employees, mandataries or persons with substantial control (hereinafter referred to as substantial controllers) shall not offer, promise, demand or receive, directly or indirectly, any improper benefits or commit any other unethical conduct that is unethical, illegal or in breach of a commitment in order to obtain or maintain benefits (hereinafter referred to as unethical conduct) in the course of business.
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 3. Benefits referred to in these Principles mean any valuable items, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

- Article 4. The Company shall comply with Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, and relevant regulations in relation to TWSE/GTSM listed companies and other related business law and regulations, as the foundation for ethical corporate management.
- Article 5. The company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain approval from the board of directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6. The Company shall in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (the "Prevention Programs"), including operational procedures, guidelines, and training. When establishing the Prevention Programs, the Company shall comply with relevant laws and regulations of the territory where the Company and its business group are operating.
In the course of developing the Prevention Programs, the Company shall negotiate with staff, labor union members, important trading counterparties, or other stakeholders.
- Article 7. The Company shall establish an assessment mechanism for the risk of unethical conduct, analyze and evaluate the business activities within the scope of business that has a higher risk of unethical conduct, formulate the Prevention Programs accordingly, and review the appropriateness and effectiveness of Prevention Programs.
The Company shall establish the Prevention Programs with reference to common domestic and international standards or guidelines that should cover at least the following behavioral prevention measures:
- I. Offering and acceptance of bribes.
 - II. Offering illegal political donations.
 - III. Improper charitable donations or sponsorship.
 - IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
 - V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
 - VI. Engaging in unfair competitive practices.
 - VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.
- Article 8. The Company shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.
The Company and its respective business group shall clearly specify in their internal rules and external documents the ethical corporate management policies, the commitment by the Board of Directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.
The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.
- Article 9. The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.
When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.
- Article 10. When conducting business, the Company and its directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.
- Article 11. The Company and its directors, officers, employees, mandataries, and substantial controllers shall make direct or indirect contributions to political parties or organizations or individuals involved in political activities in accordance with Political Donations Act and the Company's internal procedures, and shall not use them to obtain commercial benefits or trading advantage.

- Article 12. When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- Article 13. The Company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.
- Article 14. The Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, its own internal operational procedures, and contractual provisions concerning intellectual property, and shall not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holders.
- Article 15. The Company shall engage in business activities in accordance with applicable competition laws and regulations, and shall not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.
- Article 16. In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, its products and services. The Company shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in the operations, with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.
- Article 17. The directors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge itself to prevent unethical conduct, always review the results of the preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.
- To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the Board and avail itself of adequate resources and the staff itself with competent personnel; the unit shall be responsible for establishing and supervising the implementation of the ethical corporate management policies and Prevention Programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board on a regular basis:
- I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
 - II. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the operations and business.
 - III. Planning internal organization, structure, and allocation of responsibilities. Setting up mutual supervision and checks-and-balance mechanisms for operating activities within business scopes that are at high risk of unethical conduct.
 - IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
 - V. Developing a whistle-blowing system and ensuring its operating effectiveness.
 - VI. Assisting Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operated, and preparing reports on the assessment of compliance with the ethical management in operating procedures from time to time.
- Article 18. The Company's directors, management, employees, mandataries, and substantial controllers shall comply with laws and regulations and Prevention Programs when conducting business.

- Article 19. The Company have established policies for preventing conflicts of interest in the code of ethics for the Company's directors and managers to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.
- The Company's directors, managers and other interested parties attending or participating in the Board meetings shall state their important interests at such Board meeting if they have an interest in the proposals listed in the Board meeting or in the legal person they represent. If it may damage the Company's interests, he/she shall not join the discussion and voting, and shall be recused from the discussion and voting, and shall not exercise his/her voting rights on behalf of other directors. Directors shall maintain self-discipline and shall not improperly support each other.
- The directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.
- Article 20. The Company shall establish an effective accounting system and internal control system for business activities with a high risk of unethical conduct. No private ledgers or off-the-book accounts may be retained, and this should be monitored at all times, to ensure continuous and effective design and implementation of the systems.
- The internal audit unit of the Company shall, based on the results of the assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the Prevention Programs. The internal audit unit may engage a certified public accountant to carry out the audit and may engage professionals to assist if necessary.
- The results of examination referred to in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the Board of Directors.
- Article 21. The Company shall formulate operating procedures and behavior guidelines in accordance with the provisions of Article 6 to regulate directors, managers, employees, mandataries, and substantial controllers on how to conduct business; the content shall at least contain the following matters:
- I. Standards for determining whether improper benefits have been offered or accepted.
 - II. Procedures for offering legitimate political donations.
 - III. Procedures and the standard rates for offering charitable donations or sponsorship.
 - IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
 - V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
 - VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
 - VII. Handling procedures for violations of Ethical Corporate Management Best Practice Principles
 - VIII. Disciplinary measures on offenders.
- Article 22. Chairman, President, or the senior management of the Company shall communicate the importance of corporate ethics to directors, employees, and mandataries.
- The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the commercial transaction counterparties so they understand the Company's resolve to implement ethical corporate management, the related policies, Prevention Programs and the consequences of committing unethical conduct. The Company shall integrate its ethical management policy with employee performance appraisal and human resources policy, and establish a clear and effective reward and punishment system.

- Article 23. The Company shall adopt a whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:
- I. The Company has established and announced an internal independent mailbox, hotline, or commissioned other external independent organizations to provide whistle-blowing mailbox and hotline for the Company's internal and external personnel.
 - II. The dedicated personnel or unit to handle the whistle-blowing system. Any case involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
 - III. After the investigation of the prescribed prosecution case is completed, follow-up measures to be taken in accordance with the severity of the circumstances shall be reported to the competent authority or transferred to judicial institutions for investigation if necessary.
 - IV. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
 - V. The identity of whistle-blowers and the content of reported cases shall be kept confidential.
 - VI. Measures to provide protection for whistle-blowers against improper treatment due to whistle-blowing.
 - VII. Whistle-blowing incentive measures.
- When material misconduct or likelihood of material impairment to the Company comes to the awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.
- Article 24. The Company should adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.
- Article 25. The Company should establish quantitative data to promote ethical management, continuously analyze and evaluate effects on promoting ethical management policies, disclose the adoption measures, performance conditions, quantitative data and effects on promoting ethical management on the company's website, annual report and prospectus, and disclose the content of ethical management rules at MOPS.
- Article 26. The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical management and encourage its directors, managers, and employees to make suggestions, based on which the adopted ethical management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.
- Article 27. The Company's Ethical Corporate Management Best Practice Principles and any amendments hereto shall be implemented after approval by the Board of Directors.

- (VII) The Company shall disclose access to its Corporate Governance Best Practice Principles and related rules and regulations if it has such rules and regulations
The "Corporate Governance" section of the Company's website explains the relevant corporate governance policies and their implementation, and provides investors with access to download the relevant corporate governance regulations; please refer to Market Observation Post System and the Company's website at [http:// www.sis.com/](http://www.sis.com/) For more information on the Company's corporate governance practices, please refer to Corporate Governance Practices section of this Annual Report (page 25 to 29).
- (VIII) Other material information that enables a better understanding of the Company's corporate governance shall be disclosed together
In order to establish a good internal mechanism for handling and disclosing material information, to avoid improper leakage of information, and to ensure the consistency and accuracy of information released by the Company, the Company has established the "Internal Material Information Handling Procedures" for all directors, managers and employees of the Company to follow and to provide education and guidance in a timely manner.

(IX) Implementation of the internal control system

A. Statement on Internal Control

Silicon Integrated Systems Corp.

Statement on Internal Control

Date: March 2, 2023

Based on the self-assessment results, the Company issued the following statement with regard to its internal control system in 2022:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to provide reasonable assurance for the achievement of operational effectiveness and efficiency (including profitability, performance, and ensuring asset safety), reliability, timeliness, transparency of reporting, and compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to review whether the design and implementation of the internal control system are effective.
- V. Based on the review results in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations, are effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of the Company's Annual Report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 2, 2023, and none of the eight directors in attendance objected to it and all consented to the content expressed in this statement.

Silicon Integrated Systems Corp.

Chairman: Cheng-Chien Chien

President: Shur-Jung Shyi

B. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules, as well as details of the sanctions, major deficiencies and subsequent improvements: None.

(XI) Major resolutions at the shareholders' meetings and Board meetings

A. The Company's 2022 annual shareholders' meeting was held at No. 180, Sec. 2, Gongdao 5th Rd., East Dist., Hsinchu City (Silicon Technology Building) on June 21, 2022. Resolutions and implementation of the attending shareholders are as follows:

Resolution at the shareholders' meetings	Implementation
Ratified the Company's 2021 Business Report and Financial Statements	The Company 2021 Consolidated revenue of NT\$252,153 thousand Net profit after tax of NT\$198,311 thousand Earnings per share of NT\$0.29
Ratified the Company's 2021 Earnings Distribution	The Company 2021 Beginning undistributed retained earnings of NT\$2,545,423,629 Plus remeasurement of defined benefit plans of NT\$1,771,827 Plus Gain on sale - at fair value through other comprehensive income Measured investment in equity instruments of NT\$66,464,340 Beginning retained earnings after adjustment of NT\$2,613,659,796 Profit after tax for the period of NT\$ 198,311,209 Less provision of legal reserve of NT\$26,654,738 Distributable earnings for the period of NT\$2,785,316,267 Less cash dividends of NT\$0.8/share, NT\$545,155,893 Less share dividend of NT\$1.0/share NT\$681,444,860 Ending undistributed retained earnings of NT\$1,558,715,514
Proposal of amendment to Articles of Incorporation	Enforced as resolved
Issuance of new shares by capital increase from earnings	Enforced as resolved
Election of 12th Nine Directors of the Company	Enforced as resolved
Proposal of release of the Company's newly directors from non-competition restrictions	Enforced as resolved

B. A summary of the material resolutions adopted by the Board of Directors of the Company from January 1, 2022 to the date of publication of this Annual Report are as follows.

Board of Directors Date/Term	Major resolutions	Resolution of Board of Directors	Implementation
2022.03.10 13th meeting of the 11th term	Approval of the independence evaluation of the Company's certified public accountants. Approved the 2021 Financial Statements, non-funding loans of accounts receivable that were three months past due, the 2021 Internal Control System Statement, the donation to SiS Education Foundation, bank credit extension, distribution of directors', employees' and managers' remuneration for 2021, approved the 2021 Earnings Distribution. approved the 2021 Issuance of new shares by capital increase from earnings, amendment to Articles of Incorporation, approved the date, venue and proposals accepted of the 2022 annual shareholders' meeting, Election of the 12th Director (including Independent Director), nomination and review of the 12th Director (including Independent Director) of the Company. Release of new directors from non-competition restriction, change in the Company's Chief Financial Officer and Chief Corporate Officer.	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved
2022.05.10 14th meeting of the 11th term	Approved the Financial Statements for the first quarter of 2022, the Accounts receivable that are three months past due: unrelating to loans of funds, the Addition of insider announcement information, the Establishment of "Sustainable Development Principles", and the Establishment of "Risk Management Measures and Procedures	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved
2022.06.21 1st meeting of the 12th term	Election of 12th Chairman of the Company	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved
2022.08.09 2nd meeting of the 12th term	Approved the Financial Statements for the second quarter of 2022, the Accounts receivable that are three months past due: unrelating to loans of funds, the Application for bank short-term credit extensions, the Determination of the ex-dividend and distribution dates for shareholder stock dividends and cash dividends which distributed by the Company's earnings, and the Election of 5th Remuneration Committee members	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved
2022.11.08 3rd meeting of the 12th term	Approved the Amendments to "Internal Material Information Handling Procedures," the Financial Statements for the third quarter of 2022, the Accounts receivable that are three months past due: unrelating to loans of funds, the 2023 Audit Plan, the Donation in amount of NT\$ 100,000 to the " SiS Education Foundation," the 2023 managers (including all employees) remuneration adjustment proposal, the 2023 managers (including all employees) year-end bonus evaluation proposal, and the 2023 work plan of the Remuneration Committee.	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved

Board of Directors Date/Term	Major resolutions	Resolution of Board of Directors	Implementation
2022.11.25 4th meeting of the 12th term	Approved the disposal of the common stock (18,800,000 shares) of United Microelectronics Corp.	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved
2023.03.02 5th meeting of the 12th term	Approved the Deliberation of the independence evaluation of the Company's CPAs, the 2022 financial statements, the Internal adjustment and replacement of CPAs in accounting firms and evaluation of their competence, the 2022 Internal Control System Statement, the Accounts receivable that are three months past due:unrelating to loans of funds, the 2022 Remuneration for directors, employees, and managers, the 2022 Earnings Distribution Proposal, the Donation in amount of NT\$500,000 to the "SiS Education Foundation," the Amendments to "Articles of Incorporation" of the Company , the Amendments to the "Procedures for Obtaining or Disposing of Assets"of the Company, the Amendments to "Rules and Procedures of Board Meetings" of the Company, the Amendments to internal audit and control systems of the Company, the Application for bank credit extensions, the Promotion of managers, the Proposal for convening 2023 regular shareholders' meeting of the Company, and the the proposal period and location for accepting proposals from shareholders holding more than 1% of the shares at 2023 regular shareholders' meeting	Independent directors attended have no opinion/all directors attended approved	Enforced as resolved

(XII) Directors (including independent directors) have different opinions on important resolutions passed by the Board of Directors with records or written statements: None.

(XIII) Resignation and dismissal of Chairman, President, Chief Accountant, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer and Head of Research and Development:

Position	Name	Date of Appointment	Date of dismissal	Reasons for resignation or dismissal
Chief Financial officer Chief Corporate Governance Officer	Ming-Hua Su (Note)	2013.01.01 2020.03.18	2022.04.01 2022.04.01	Retirement

Note: The Board of Directors resolved on March 10, 2022 to approve the retirement of the Company's Chief Financial Officer and Chief Corporate Governance Officer.

V. Information on CPA Fees

Unit: NT\$'000

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
Ernst & Young Global Limited	Shao-Pin Kuo Hsin-Min Hsu	2022	2,545	310	2,855	

Note: The audit fees refer to the fees paid to CPAs by the Company with regards to the services of financial report auditing, verification, and review.

Note: The non-audit fee refers to \$200,000 for tax certification, \$30,000 for the service fee for the capital review report released for the change of registration for the issuance of new shares by capital increase from earnings and \$80,000 for the service charge for filing of the report for the issuance of new shares by capital increase from earnings.

- (i) Disclosure of audit and non-audit fees as well as details of the non-audit services where the non-audit fees paid to the certified public accountants, the independent certified public accounting firm and/or its affiliates account for 25% or more of the audit fees: None.
- (ii) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees and the reasons shall be disclosed: As of 2022 up to the date of publication of this Annual Report, there was no change in the CPA firm of the Company.
- (iii) Disclosure of the amount, percentage and reasons of decrease where the audit fees are lower than the previous fiscal year by 10% or more: None.

VI. Replacement of CPA:

The former CPAs for the Company's financial statements were Shao-Pin Kuo and Hsin-Min Hsu from Ernst & Young Global Limited. In accordance with Article 68 of Statement of Auditing Standards No. 46, and Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the presiding CPAs should be rotated within a period of time (usually no more than 7 years). Ernst & Young Associates has made internal reassignment in accordance with the letter from the competent authority. On January 30, 2023, Ernst & Young informed the Company with a letter that the CPAs for the Company's financial statements were changed to Shen-Jie Hu and Hsin-Min Hsu. The replacement of the CPAs is adjusted internally by the CPA firm and is not included in the scope of the announcement and report. The change in the composition of the CPAs was approved by the Company's 5th meeting of the 12th Board of Directors and became effective from the 2023 Q1 Financial Statements.

VII. The Company's Chairman, Presidents, or financial and accounting managers did not hold any positions in the CPA firm or its affiliates last year.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent in the recent year and up to the date of publication of the Annual Report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, and shareholders who hold more than 10% of the shares, and the number of shares transferred or pledged.

- (I) Change of equity of directors, managers and shareholders in the most recent year and up to the date of publication of the Annual Report.

Position	Name	2022		As of March 29, 2023	
		Increase (Decrease) in the Number of Shares	Increase (Decrease) in the number of Pledged Shares	Increase (Decrease) in the Number of Shares	Increase (Decrease) in the number of Pledged Shares
Chairman/Chief Strategy Officer	Cheng-Chien Chien	188,618	-	-	-
Director	United Microelectronics Corp. Legal representative: Kuei-Hung Tseng	12,957,743	-	-	-
		-	-	-	-
Director	Hsun Chieh Investment Co., Ltd. Legal representative: Bing-Kun Hong	3,271,583	-	-	-
		-	-	-	-
Director	Liangxun Investment Co., Ltd. Legal representative: Cai-Feng Hou	150,038			
		27,406		100,000	-
Director Chairman/President	Goaltop Technology Corporation Legal representative: Shur-Jung Shyi	1,080	-	-	-
		2,245	-	-	-
Director	Wan-Fen Chou	-	-	-	-
Independent Director	Ya-Ching Li	-	-	-	-
Independent Director	Jia-Wei Dai	-	-	-	-
Independent Director	Qing-Liu Xiao	-	-	-	-
Vice President	Sin-Kuo Cho	-	-	-	-
Associate Vice President	Geng-Nan Chen	-	-	-	-
Associate Vice President	Ying-Hu Ye	717	-	-	-
Associate Vice President	Min-Han Li	-	-	-	-
Associate Vice President	Kang-Zhen Peng	14	-	-	-
Senior Manager	Yuan-Long Xue	1,000	-	-	-
Senior Manager	Bei-Yun Wang	-	-	-	-
Chief Accountant	Yuan-Kwei Chen	-	-	-	-
Chief at Finance Office / Chief Corporate Governance Officer	Zhe-Jia Xu	20,808	-	-	-

Note: The increase in the shareholding of directors and managers in 2022 was due to the conversion of earnings to capital increase

- (II) Equity transfer information (where the counterparty is a related party): None
(III) Equity pledge information (where the counterparty is a related party): None.

IX. Information of the Top Ten Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship:

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding in the Names of Others		Among ten largest shareholders, name and relationship with any one who is a related party or a relative within the second degree of kinship		Remarks
	Number of Shares	% of Shareholding	Number of Shares	% of Shareholding	Number of Shares	% of Shareholding	Name	Relationship	
United Microelectronics Corp. Chairman: Chia-Tsung Hung	142,535,174 0	19.02 0.00	- -	- -	- -	- -	Hsun Chieh Investment	Related party	-
Hsun Chieh Investment Co., Ltd. Chairman: Chun Kuan	35,987,416 0	4.80 0.00	- -	- -	- -	- -	United Microelectronics	Related party	-
Hsin-Shen Liu	10,350,696	1.38	-	-	-	-	-	-	-
Long-Xiong Ye	9,628,300	1.28	-	-	-	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	8,916,400	1.19	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	8,711,821	1.16	-	-	-	-	-	-	-
Standard Chartered Custodian Swiss Credit International Corporate Investment Account	4,151,848	0.55	-	-	-	-	-	-	-
Cong-Ming Zhuang	3,696,000	0.49	-	-	-	-	-	-	-
Chase Custodian Advanced Trust Equity Index II Investment Account	3,523,668	0.47	-	-	-	-	-	-	-
Gao-Huang Lin	2,750,000	0.37	-	-	-	-	-	-	-

Note 1. As of August 30, 2022, the number of shares outstanding was 749,589,353 after deducting 3 treasury shares.

Note 2. The base date of shareholding is August 30, 2022. The shareholding ratio is calculated by unconditionally rounding off two decimal places.

X. Share Ownership in Affiliated Companies by the Company and its Directors, Managers, as well as Entities Controlled Directly and Indirectly by the Company, as well as the Condoliated Shareholding

Currency Unit: Share

Investee business	Ownership by the Company		Investment by Directors, Managers and by Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %
Vxis Technology Corp.	4,032,703	34.03	0	0.00	4,032,703	34.03
Goaltop Technology Corporation	10,200,000	29.05	500,000	1.42	10,700,000	30.47
NextHID Inc.	-	38.57	-	0.00	-	38.57
HuiTong intelligence Co., Ltd.	8,500,000	52.15	25,000	0.15	8,525,000	52.30

Note 1. Data as of March 29, 2023. Refers to the long-term investment by the Company using the equity method.

Note 2. The ratio is calculated by unconditionally rounding off two decimal places

Chapter 4. Fund Raising

I. Source of Capital

Currency Unit: NT\$'000/thousand shares

Month/Year	Issue Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2012.03.28	10	1,800,000	18,000,000	627,733	6,277,330	Cancellation of Treasury Shares of 30,000,000 shares	-	Note 1
2013.08.09	10	1,800,000	18,000,000	613,535	6,135,350	Cancellation of Treasury Shares of 14,198,000 shares	-	Note 2
2016.10.05	10	1,800,000	18,000,000	560,062	5,600,625	Cancellation of Treasury Shares of 53,473 thousand shares	-	Note 3
2019.06.21	10	1,800,000	18,000,000	554,062	5,540,625	Cancellation of Treasury Shares of 6,000,000 shares	-	Note 4
2020.10.11	10	1,800,000	18,000,000	630,967	6,309,675	Issuance of new shares by capital increase from earnings of 76,905,960 shares	-	Note 5
2021.09.15	10	1,800,000	18,000,000	681,445	6,814,449	Issuance of new shares by capital increase from earnings of 50,478 shares	-	Note 6
2022.09.14	10	1,800,000	18,000,000	749,589	7,495,894	Issuance of new shares by capital increase from earnings of 68,144 shares	-	Note 7

Note 1. Cancellation of treasury share of 30,000,000 shares, capital decrease of NT\$300,000,000.

Note 2. Cancellation of treasury share of 14,198,000 shares, capital decrease of NT\$141,980,000.

Note 3. Capital reduction to cover losses, decrease of 53,472,499 shares, capital decrease of NT\$534,724,990.

Note 4. Cancellation of treasury share of 6,000,000 shares, capital decrease of NT\$60,000,000.

Note 5. Issuance of new shares by capital increase from earnings, capital increase of NT\$769,049,960

Note 6. Issuance of new shares by capital increase from earnings, capital increase of NT\$504,773,970

Note 7. Issuance of new shares by capital increase from earnings, capital increase of NT\$681,444,860

Share Type	Authorized Capital			Amount of Stock Warrants (Unit)
	Outstanding Shares (Note)	Unissued Shares	Total Shares	
Registered Common Shares	749,589,356	1,050,410,644	1,800,000,000	200,000,000

Note 1. As of the date of publication of the Annual Report, the outstanding shares are based on the Company's issued ordinary shares less 3 shares of the Company's treasury share, total 749,589,353 shares.

Note 2. The original 4 shares of treasury shares were fractional shares due to the capital reduction in September 2009 as a result of the issuance of overseas depository receipts in January 2003. On November 30, 2012, the depository institution, Bank of New York, USA, instructed the custodian bank, Mega International Commercial Bank, to remit the shares to SiS's account. The treasury share was reduced to 3 shares due to the capital reduction in October 2016.

Information About Shelf Registration System: Not Applicable

II. Shareholder Structure

Shareholder Structure/Amount	Government Agencies	Financial Institutions	Other Institutional Shareholders	Individuals	Foreign Institutions and Overseas Persons	Total
Number of Shareholders	0	2	198	121,730	172	122,102
Number of Shares Held	0	481,800	187,001,246	521,766,046	40,340,264	749,589,356
Shareholdings	0	0.06	24.95	69.61	5.38	100

Note 1. The base date of shareholding is August 30, 2022.

Note 2. As of August 30, 2022, the number of shares outstanding was 749,589,353 after deducting 3 treasury shares.

Note 3. As of the base date of shareholding, the Company did not have any shareholdings from Chinese investors.

III. Share Ownership Distribution

Range of Shares	Number of Shareholders	Number of Shares Held	Percentage of Shareholding
1~999	50,806	11,096,904	1.48
1,000~5,000	50,658	106,486,362	14.21
5,001~10,000	9,951	66,542,145	8.88
10,001~15,000	5,112	60,600,872	8.08
15,001~20,000	1,315	22,691,526	3.03
20,001~30,000	1,928	45,946,547	6.13
30,001~40,000	786	26,977,188	3.60
40,001~50,000	404	18,048,741	2.41
50,001~100,000	684	46,239,570	6.17
100,001~200,000	290	38,486,520	5.13
200,001~400,000	99	26,980,018	3.60
400,001~600,000	29	14,608,891	1.95
600,001~800,000	10	6,662,227	0.89
800,001~1,000,000	5	4,570,581	0.61
Over 1,000,001 shares	25	253,651,264	33.84
Total	122,102	749,589,356	100

Note 1. The base date of shareholding is August 30, 2022.

Note 2. As of August 30, 2022, the number of shares outstanding was 749,589,353 after deducting 3 treasury shares.

Preferred shares: Not Applicable

IV. List of Major Shareholders

List of Major Shareholders	Number of Shares Held	% of Shareholding
United Microelectronics Corp.	142,535,174	19.02
Hsun Chieh Investment Co., Ltd.	35,987,416	4.80
Hsin-Shen Liu	10,350,696	1.38
Long-Xiong Ye	9,628,300	1.28
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	8,916,400	1.19
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	8,711,821	1.16
Credit Suisse Securities (Europe) Limited	4,151,848	0.55
Cong-Ming Zhuang	3,696,000	0.49
Chase Custodian Advanced Trust Equity Index II Investment Account	3,523,668	0.47
Gao-Huang Lin	2,750,000	0.37

Note 1. The base date of shareholding is August 30, 2022.

Note 2. As of August 30, 2022, the number of shares outstanding was 749,589,353 after deducting 3 treasury shares, and the shareholding ratio was calculated by unconditionally rounding off two decimal places.

V. Market Price, Net Value, Earnings, Dividend per Share and Relevant Information in the Most Recent Two Years

Item/Year		2023(Note 3)	2022	2021	
Market Price Per Share	Highest	19.20	26.55	31.80	
	Lowest	16.10	14.80	15.20	
	Average	17.97	20.44	22.44	
Net Worth per Share	Before distribution	(Note 3)	20.49	34.10	
	After distribution	-	(Note 2)	30.27	
Earnings per share	Weighted Average Shares (thousand shares)	(Note 3)	749,588	681,444	
	Earnings Per Share	(Note 3)	0.65	0.26	
Dividends Per Share	Cash Dividend (Per Share)		-	(Note 2)	0.80
	Stock Dividends	Issuance of Shares by Earnings (Per Share)	-	(Note 2)	1.00
		Stock dividends appropriated from capital surplus	-	-	-
	Accumulated unpaid dividends		-	-	-
Return on Investment	Price/Earnings Ratio		(Note 3)	(Note 4)	-
	Price/Dividend Ratio		-	-	-
	Cash Dividends Yield %		-	-	3.57

Note 1. Earnings per share calculated based on the weighted average number of shares for the year.

Note 2. The Company distributed dividend in 2022.

Note 3. 2023 data as of the date of publication on March 29. The information reviewed by the accountants for the most recent quarter is not yet available.

Note 4. On March 2, 2023, the Board of Directors resolved to set the amount of cash dividends and share dividends to be distributed to shareholders from the Company's 2022 earnings in 2023, effective upon the resolution of the 2023 annual shareholders' meeting.

VI. The Company's dividend policy and implementation

(I) The Company's dividend policy is as follows:

A. Dividend policy prescribed in the Articles of Incorporation

The Company shall allocate the remaining amount from the profit before tax after offsetting the accumulated loss to the employee compensation and director compensation. The percentage of employee compensation shall be no less than 5% of the aforementioned balance and the percentage of director compensation shall be no more than 2% of the aforementioned balance. Employee compensation is distributed by share or cash. Director compensation is distributed by cash. The distribution method, amount, or shares to be distributed of the employee compensation, as well as the amount to be distributed of the director compensation shall be approved by a majority of the attending directors at a Board meeting attended by over two-thirds of the directors, and then reported at the shareholders' meeting. Employee compensation shall be distributed by shares or cash to employees with over 50% shareholding in the Company. If there is any surplus in the annual accounts, the Company shall first deduct tax contributions and make up for losses, and then set aside 10% of the remaining balance as legal reserve, and after setting aside or reversing the special reserve as required by law. If there is still a surplus, the remaining balance shall be added to the accumulated undistributed earnings of previous years and submitted to the shareholders for resolution by the Board of Directors for distribution.

B. Dividends Policy of the Company

The distribution of the Company's dividends is determined with reference to industry trends, future revenue and profitability, capital expenditure estimates, and working capital requirements. Dividends may be distributed as cash dividends or share dividends, either individually or in combination. Cash dividends shall not be less than 20% of the total amount of dividends distributed to shareholders for the year.

- (II) Proposed dividend distribution at the shareholders' meeting: The earnings distribution proposal for 2022 was approved by the Board of Directors on March 2, 2023 and is set to distribute a cash dividend of NT\$1.0 per share for ordinary shares. The total amount of the cash dividend is NT\$749,589,353. The proposed distribution will be made in accordance with the relevant regulations after the resolution of the annual shareholders' meeting in 2023.
- (III) Explanation for an anticipated material change in dividend policy: there is no material changes in the Company's dividend policy.

VII. Impact of the proposed stock dividend payment by the shareholders' meeting on the business performance and earnings per share of the Company: not applicable as no compensation is distributed this year.

VIII. Employee Compensation and Director Remuneration

- (I) Percentage or range of the employee's compensation and directors remuneration as set forth in the Articles of Incorporation
In accordance with the Company's Articles of Incorporation:
After offsetting the accumulated losses with the profit before tax for the year, the remaining amount shall be appropriated as compensation to employees and directors. The percentage of the aforementioned compensation to employees shall be no less than 5% of the aforementioned balance, and the percentage of the compensation to directors shall be no more than 2% of the aforementioned balance. Employee compensation is distributed by share or cash. Director compensation is distributed by cash. The distribution method, amount, or shares to be distributed of the employee compensation, as well as the amount to be distributed of the director compensation shall be approved by a majority of the attending directors at a Board meeting attended by over two-thirds of the directors, and then reported at the shareholders' meeting. Employee compensation shall be distributed by shares or cash to employees with over 50% shareholding in the Company.
- (II) The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: not applicable as no compensation is distributed this year.
- (III) Information on any approval by the Board of Directors of distribution of compensation:
 - A. Employee compensation and director compensation distributed in cash or shares:
 - (1) On March 2, 2023, the Board of Directors resolved to distribute employees' compensation in the amount of NT\$28,948,024 and directors' remuneration in the amount of NT\$11,579,208, both in cash.
 - (2) Difference between expense recognition and estimated amount: None.
 - (3) Reason for difference: None.
 - (4) Handling: None.
 - B. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the net profit after tax stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: not applicable as no such compensation is distributed this year.
- (IV) Distribution of employee's compensation and director compensation for the previous year:
The distribution of the Company's employee compensation and director remuneration for 2021 has been approved by the 13th meeting of the 11th Board of Directors in 2022: The distributed employees' compensation amounted to NT\$11,264,830 in cash; the distributed directors' remuneration amounted to NT\$4,505,931 in cash. There is no difference between the distributed amount resolved by the Board of Directors and the recognized expenses.

IX. Share repurchase by the Company: None

- (I) Completed None
- (II) Undergoing: None

X. Corporate Bonds

- (I) Corporate Bonds: None
- (II) Convertible Corporate Bonds: None
- (III) Exchangeable Corporate Bonds: None
- (IV) Issuance of Corporate Bonds by Shelf Registration: None
- (V) Information on Bonds with Warrants: None

XI. Preferred Shares

- (I) Preferred Shares: None
- (II) Information on Preferred Shares with Warrants: None

XII. Global Depository Receipts: None

XIII. Employee Stock Options

- (I) Unexpired employee stock options issued by the Company in existence as of the date of publication of the annual report on March 29, 2023, and the effect of such options upon shareholders' equity: None
- (II) Name of manager who acquired employee stock options as of the date of publication of the Annual Report on March 29, 2023, and the acquisition and subscription: None
- (III) Names of the top ten employees who have acquired employee stock options as of the date of publication of the annual report on March 29, 2023, and the acquisition and subscription: None

XIV. New Restricted Employee Shares: None

XV. New Shares Issuance in Connection with Mergers and Acquisitions

- (I) The Company acquired or transferred shares of other companies and issued new shares in the most recent year and as of the date of publication of the Annual Report: None.
- (II) The Company's Board of Directors resolved to issue new shares through merger or acquisition of shares of other companies in the most recent year and up to the date of publication of the Annual Report: None.

XVI. Implementation of capital utilization plan: None.

Chapter 5. Operational Highlights

I. Business Activities

(I) Scope of Business

A. Principal Business Activities of the Group

Research, development, production, manufacture and sales of the following products:

- (1) Integrated circuits
- (2) Products and components listed above, system products, design of integrated circuits, testing services
- (3) Trading business related to side business
- (4) Touch chip control circuit boards
- (5) Touch panel application modules and solution design services
- (6) 3D immersive virtual live streaming system integrated with body detection system
- (7) Active stylus controller chips
- (8) Microelectromechanical microphone chips and solutions

B. Group's Business Focus

The Group's main businesses are research and development, production and manufacturing, and sales of integrated circuits, which accounted for approximately 100% of the business.

C. Current products and services of the Group

Projected capacitive touch chips, touch chip control circuit boards, multimedia graphics chips, SoC integration and design services, touch panel application modules and solution design services, 3D immersive virtual live streaming system, active stylus controller chips, microelectromechanical microphone chips and solutions, etc.

D. Development of new products and services

Projected multi-touch capacitive touchscreen chips, capacitive stylus touchscreen chips, stylus control chips, touch panel modules, glass touchscreen modules, touch panel application modules and solution design services, and microelectromechanical microphone chips and solutions, 3D immersive virtual live streaming system solutions and body motion detection system solutions.

(II) Industry Overview

A. Current Status and Development of the Industry

Since 2011, the Company has been gradually withdrawing from the PC chipset business and transforming to consumer products. The Company has chosen projected capacitive touchscreen chips and in-cell touch chips as the main development directions in the future, which can support all kinds of touch sensors in the market, such as GFF, G1F, OGS, GF2, GG(DITO), GG(SITO). The current status and development of the touchscreen industry are as follows: as more human-centered and intuitive touch devices are continuously introduced into mobile devices, such as cell phones, tablets, NBs, PCs and AIOs (All-in-One computers), touchscreens have become a trend that affects all kinds of consumer goods, such as ticketing and ordering systems, car touch panels, bank ATMs, etc. These functions have replaced the traditional keypad and have been integrated into the human-machine interface of daily life, industrial production and medical equipment, making touch an indispensable part of the electronics industry.

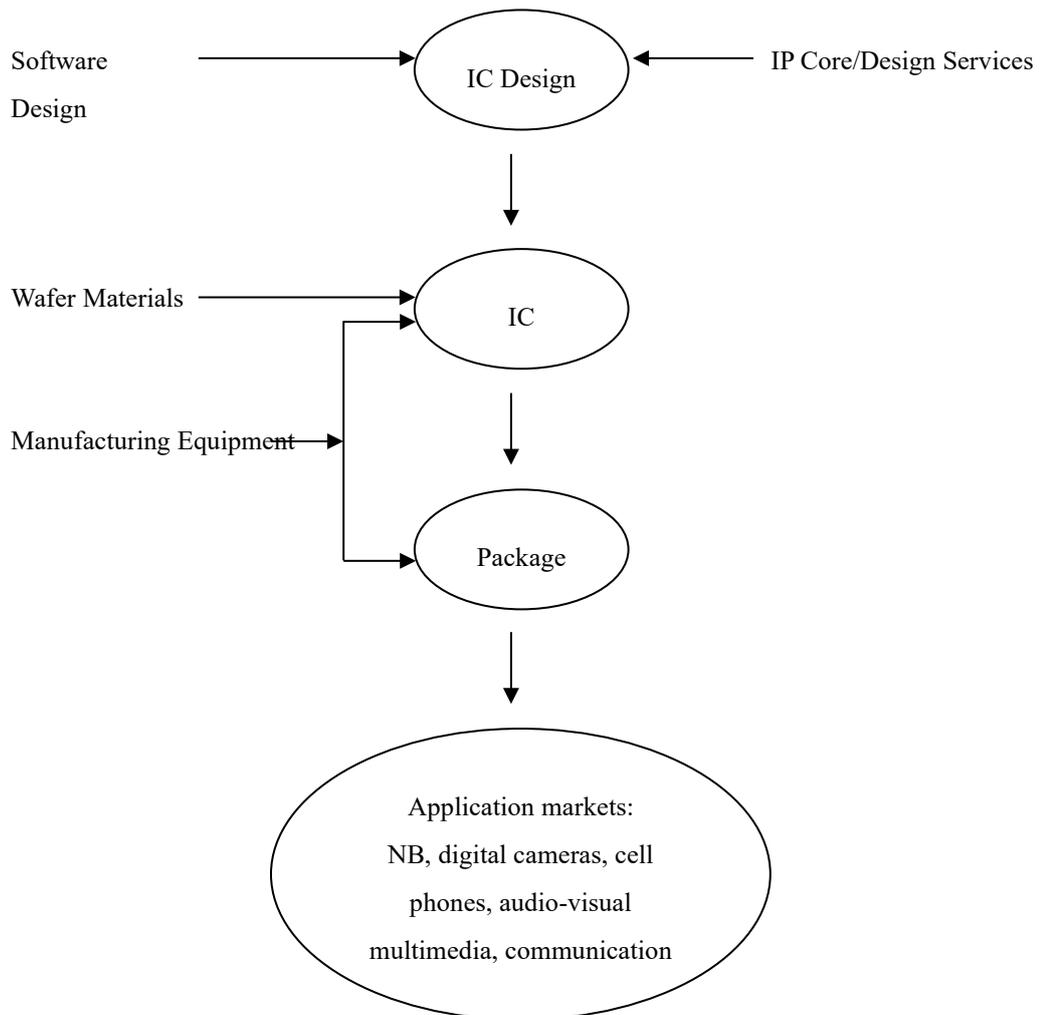
The growth of PC before the epidemic is slowing down or even declining. Although tablets and smart phones are the largest supply of touch products in the touch market and the largest application market for touch chips, the gross margin of touch chips for cell phones and tablets has declined significantly due to the stabilization of touch technology and the large number of competitors. After the outbreak of the epidemic, due to the impact of working from home and not being able to leave home, the whole PC industry has become red hot; thus, the sales through the Internet channels have been hitting new highs and spurring the entire touch IC industry. In addition, as less time is spent in school, school classes were replaced by online classes. Therefore, the market of large-size educational whiteboards originally deployed in physical classrooms has been stagnant, while personal PC devices for work at home continue to grow.

Since 2016, the consumer touch market has started promoting the functionality of active styluses, and after Apple's iPad supported the Apple Pencil, the application of active styluses on touch products has become a trend. Various touch chip manufacturers have successively announced their support for active styluses that comply with their own defined specifications. CPU giant Intel was the first to propose a new standard, and the active stylus agreement jointly developed by the association was called the Universal Stylus Initiative (USI). On the other hand, the OS giant Microsoft defined its own active stylus pen agreement named Microsoft Pen Protocol (MPP). Since 2017, major laptop brand manufacturers have started adopting the MPP in their consumer laptop products. MPP active styluses gradually became the leader of the market in 2017, and further in 2018, with Google evaluating the USI agreement as the active pen agreement for Chromebook, USI also began to gain attention in the market. The trend of active styluses has provided a new opportunity for touch chip manufacturers, computer peripheral manufacturers, OS giants, OEM manufacturers, and laptop brand manufacturers. With the pandemic, laptop sales have increased significantly, making the functionality and application of active styluses one of the necessary options for consumers. This has spurred the entire supply chain and brought about a new era for the touch and active stylus industry.

In recent years, with the outbreak of the pandemic, a global trend towards WEB3.0 has emerged, with a significant increase in demand for online courses and live streaming. However, professional live broadcasting equipment in the market is too expensive and not easy to learn. In addition, content creation is limited to 2D platforms. Therefore, in this market environment, affordable live streaming or recording equipment and content creation platforms are expected to become a thriving industry and an important step towards connecting with the metaverse.

B. Relationship Amongst the Upstream, Midstream, and Downstream Industry

The structure of Taiwan's IC industry is unique because of the close vertical integration between IC design and manufacturing and the downstream packaging and testing industries. Therefore, close cooperation between industries in the whole value chain is crucial to provide comprehensive services to our customers.



IC Design MediaTek, Silicon, VIA Technologies, Ali, Sunplus, Realtek, Elan Microelectronics, Silicon Motion, Phison Electronics

Photomask: Taiwan Mask, Toppan Chunghwa Electronics

Foundry model: United Microelectronics, TMC, Vanguard International Semiconductor

Package testing: ASE Technology, Siliconware Precision Industries, King Yuan Electronics, OSE

C. Product Development Trends

Touch panels can be divided into two types based on their structure: external and embedded. The embedded technology of projected capacitive input can be divided into on cell and in cell technologies. Development requires deep cooperation with LCD panel manufacturers and coordination with TFT process adjustments. Improving yield is a challenge that requires technological refinement and accumulation of experience. After several years of development, it has gradually become one of the important technologies in the market for small and medium-sized touch applications, and the market share has also increased significantly. On the other hand, the maturity of out cell TP technology and significant cost reduction have made it impossible for embedded touch technology to completely replace out cell. In terms of the trend of the active stylus market, led by the trend of active styluses from Microsoft Surface Pro and Apple iPad, OEM manufacturers began adding touch control solutions with active stylus functions in 2018. Initially, active styluses were still only an optional item. After the market promotion and development in recent years, and with the maturity and ease of use of the active stylus application being accepted by consumers, the active stylus application has become one of the main functions of the notebook market, especially in tablet products, the active stylus is one of the indispensable functions in product specifications. The Company has launched the first generation MPP or USI active stylus controller chips in early 2020, and completed the sampling and verification of the active stylus controller chips in the same year. At the same time, we successfully imported the chips into the pen manufacturers and cooperated with NB OEM factories for mass production.

As the active stylus market applications have risen, the specifications for the new generation of active styluses were proposed separately in 2021 by the USI Association and Microsoft. The USI Association has proposed the new generation USI 2.0 specification, which mainly adds several new features, including the function of active styluses paired with in-cell touch panels, support for tilt functionality of active styluses, and more interactive features, such as using the active styluses to pick colors from an object and directly transmit the color information on the surface of the object to the laptop, providing consumers with more versatile and convenient color selection options when using active styluses for drawing. Currently, USI active styluses are mostly paired with Google Chromebook laptops in the market, and USI1.0 active styluses of the first generation have also been integrated into multiple Chromebook models. In addition, Microsoft has also proposed a new generation of MPP2.6 active stylus specifications. The main new features include the function of pairing an active stylus with an in-cell touch panel, support for seamless Bluetooth pairing, and handwriting interaction and haptic feedback functions, etc. Consumers no longer need to worry about traditional Bluetooth device pairing issues when using the MPP2.6 active styluses. Simply touch the stylus on a compatible panel to complete the Bluetooth pairing between the active stylus and the laptop. In addition, handwriting interaction and haptic feedback can simulate different stylus strokes. For example, when using an active stylus, consumers can experience a slight vibration similar to using a regular pencil to write on paper. Regarding the USI2.0 and MPP2.6 active stylus specifications of the new generation, the Company has developed the relevant active stylus controller chips in 2022, and is currently undergoing sampling and verification. We have completed cooperation testing with a well-known LCD display panel manufacturer for in-cell panels, and have successfully obtained relevant certifications. This indicates that the Company's active stylus controller chip technology has taken a significant step forward.

For large-size touch applications, the Company extends its design service to glass touch application modules, which can be applied to glass window advertisements and office glass partitions. Projection equipment is combined with touch and advertisement application to become a new media interactive advertisement solution, which can also be applied to office interactive whiteboard. In particular, for oversized screens, compared to LCD touchscreens, the projection touch interactive solution has better advantages.

To cope with the fierce competition in the touchscreen market, we have also designed and developed large-sized touchscreen products. In the application development of smart whiteboards, we developed a feature that recognizes different color whiteboard pens and integrates with end applications to achieve real-time meeting sharing of whiteboards.

Due to the rise of the internet metaverse trend in recent years, we have developed a competitive 3D immersive virtual live streaming system using 3D imaging application technology already available in large-scale touchscreen applications, as well as new human-machine interface technology to develop body motion detection functions, which has become a new opportunity for us to embrace the metaverse.

D. Competition

The demand for touch panels is driven by touch-enabled mobile devices, prompting the industry to actively develop various specifications to meet different needs. External projected capacitive technologies include Glass-Glass (GG), Glass-Film-Film (GFF), Glass One Film (G1F), One Glass Solution (OGS), also known as Touch on Lens (TOL), GF2, etc. Embedded technologies include in-cell and on-cell. In the past two years, stylus pen solutions have become the mainstream of the market, which is a huge technological change for the whole touch market and makes the touch market active. In 2020, the Company launched the corresponding stylus pen touch master chip and stylus pen control chip, and started the design integrated by customers and was put into mass production in 2020, and increased the market share in 2022.

In the consumer electronics, industrial and automotive touch products sector, the Company has launched a series of oversized products in the external capacitive touch sector, featuring 40-finger touch, high interruption resistance, spill resistance, and false triggering by palms, which can meet the demand of the touch market in all aspects, such as consumer handheld devices, tablet, notebook, as well as all-in-one devices, industrial and business POS, ultra-large interactive whiteboard (IWB), and touch solutions that are in compliance with the AEC-Q100 regulation. The operating systems support Windows 7/8.1/10, Android, and Linux. The touch chip supports various touch sensor types in the market, such as GFF, G1F, OGS, GF2, GG(DITO), GG(SITO), and various sensor materials, such as ITO, Metal Mesh, AgNano, and Carbon Nano, etc. The Company is the leader in the oversized capacitive touch market. The Company launched 84" projected capacitive solution early in 2014, which has secured our mature technology in the ultra-large size sector, attracted many customers to cooperate with us for trial production, and successfully put into mass production in Q1 2015. The Company launched the 100" projected capacitive touch solution in Q1 2015 and also showcased the 134" multi-finger touch demo in Q3 2015. However, the large-size touchscreen market is shrinking rapidly due to the impact of the epidemic in 2020. As business travel is hindered, business promotion is greatly restricted. Therefore, we must shift the direction of large-size touchscreens. In the industrial computer sector, the Company has developed firmware adaptation software tools and improved algorithm technology to meet the diverse needs of a small number of customers in the industrial computer field, giving industrial computer customers more autonomy in adaptation and significantly reducing support requirements and costs. In the industrial computer market, customers' requirements for noise resistance have increased. The Company has developed new solutions to improve noise resistance in response to the demand, which were successfully launched and put into mass production in 2018 to enhance the competitiveness of the Company's IC. In addition, we have maintained our leading position in large-size interactive whiteboard IWB and projection touch whiteboard PWB. Currently, most of the smart whiteboard products in the market use infrared technology to effectuate; however, the resolution limitation of infrared technology is not good enough to recognize the handwriting. The company has used capacitive touch technology to develop the smart whiteboard, not only closer to the real handwriting recognition, but also provide the function of color recognition to increase the competitiveness. In terms of 3D immersive virtual live streaming system, the market is still dominated by 2D, although there are 3D virtual live streaming products, but they are very expensive; only professional studios would use. The Company launched the 3D immersive virtual live streaming system using exclusive technology that can achieve high technology low-cost low threshold in the market, and this is very competitive.

(III) Technology, Research and Development Overview

In terms of technology requirements, the Company's single-chip and multi-chip technology have become mature. In the single-chip sector, our single chips were only able to support 17" Win8 NB in 2014Q1, 24" Win8 AIO in 2015Q1. In 2016, single chips were able to support 27" Win10 AIO. The Company has also broken through the bottleneck of multi-chip data synchronization and refresh rate in large-size applications. With the increasingly mature metal-mesh TP technology, the Company has successfully broken through the 85" true flat projected capacitive touch technology, which was well-received by customers with its high market acceptance and cost advantage. We showcased the 268" 7m ultra-wide capacitive touch projection whiteboard at the exhibition in 2017Q1. In addition to the consumer market and ultra-large touch solutions, the Company has also successfully passed the stringent automotive AEC-Q100 regulation to provide touch solutions in the automotive market. In 2017, our vehicle touch solution was successfully adopted by a car manufacturer as a factory-installed feature, which has passed the strict 100,000 km testing and put into mass production. In terms of the development of capacitive active styluses, the Company began research and development in 2016. In early 2020, we had launched two types of active stylus controller chips: MPP and USI. The active stylus controller chips were sampled and verified in the same year, and were smoothly introduced into pen factories for use in volume production with NB OEM factories. In 2021, both the USI Association and Microsoft separately proposed new specifications for active styluses, namely USI 2.0 and MPP 2.6. Regarding the USI2.0 and MPP2.6 active stylus specifications of the new generation, the Company has developed the relevant active stylus controller chips in 2022, and is currently undergoing sampling and verification. We have completed cooperation testing with a well-known LCD display panel manufacturer for in-cell panels, and have successfully obtained relevant certifications. This indicates that the Company's active stylus controller chip technology has taken a significant step forward. However, the large-size touchscreen market is shrinking rapidly due to the impact of the epidemic in 2020. As business travel is hindered, business promotion is greatly restricted. Therefore, we must shift the direction of large-size touchscreens. In the industrial computer sector, the Company has developed firmware adaptation software tools and improved algorithm technology to meet the diverse needs of a small number of customers in the industrial computer field, giving industrial computer customers more autonomy in adaptation and significantly reducing support requirements and costs. In the industrial computer market, customers' requirements for noise resistance have increased. The Company has developed new solutions to improve noise resistance in response to the demand, which were successfully launched and put into mass production in 2018 to enhance the competitiveness of the Company's IC.

In addition, the Company has maintained its leading position in large-size IWB and projection whiteboard (PWB). After the development of multi-pen and multi-color stylus pen applications in 2018, due to the high cost of stylus pens, customers can only use them in high-end models, which affects the promotion of the stylus pen. However, traditional passive stylus pens are limited by performance and cannot meet the user's writing needs. The Company has improved the pen algorithm for passive stylus pens, developed pen pressure detection and ultra-short delay response time to meet the user's writing needs and improve the Company's competitiveness in large-size conference room systems. In addition, in the development of smart whiteboard, we use oversized capacitive touch technology to directly recognize the handwriting of whiteboard, allowing users to maintain the experience of using traditional whiteboard. The seamless extension of the digitalization function allows the handwriting on the whiteboard to be recognized and recorded directly through capacitive touch technology. With the addition of cloud applications for real-time off-site meeting sharing, the Smart Whiteboard is the perfect match for real-time video or voice conferencing, and is priced lower than infrared products in the market, allowing for better resolution, color recognition, and real-time sharing experience.

There are two major types of microelectromechanical microphones: analog output and digital output. Analog output microelectromechanical microphones are generally used in cell phones, hands-free headphones, Bluetooth wireless headphones, noise-canceling headphones, and voice control products, such as smart speakers, remote controls, etc. Digital output microelectromechanical microphones are generally used in notebook computers, smart TVs, video conferencing systems, microphone arrays, and voice control products. According to different market requirements and application specifications, the Company needs to develop products with corresponding specifications, such as low power consumption, noise resistance, high signal-to-noise ratio, etc. The Company has developed analog output and digital output microelectromechanical microphone chips and solutions, which are in the process of testing and sample promotion.

In terms of 3D immersive virtual broadcasting system, we not only provide 3D immersive scenes and 3D objects, but also provide real-time interactive experience through the newly developed human-machine interface with real-time body detection function. We have started to make a name for ourselves in the market and have gained recognition from educational institutions. We are also continuously optimizing our algorithms and integrating real-time interactive platform technologies.

A. R&D Expense

Currency Unit: NT\$'000

Item	As of March 29 (Note)	2022	2021
R&D expense	51,564	266,178	249,734
Net operating profit	27,694	182,202	252,153
R&D expense to Net operating profit (%)	186.19	146.09	99.04

Note: The information is based on IFRS consolidation data as of March 29, 2023, which is a self-calculated figure.

B. R&D results

■ January 2021

SiS microelectromechanical microphone passed Modern Standby certification.

■ February 2021

SiS USI stylus IC supports color absorption function and transmits color information through the USI agreement, replacing Bluetooth transmission, providing differentiated specifications.

■ September 2021

Completed SiS 3D immersive virtual live streaming prototype preparation and provided it to customers for testing.

■ July 2022

SiS USI2.0 active stylus IC has been certified through USI2.0 protocol

■ August 2022

SiS USI2.0 active stylus IC has passed the certification of USI2.0 In-cell panel from a well-known LCD display manufacturer.

■ September 2022

The "3D immersive virtual live-streaming machine" has been approved and included in the 2022 "Digital Content and Teaching Software for Campus" procurement list by the Ministry of Education.

■ November 2022

SiS USI2.0 active stylus IC has passed Google certification.

■ November 2022

SiS MPP2.6 active stylus IC has completed development and testing for in-cell panel support.

■ November 2022

SiS assisted its customer in completing and passing the USI2.0 certification for their active styluses.

■ December 2022

Using a 3D immersive live streaming system with motion detection, we have completed a prototype of a multi-person real-time virtual and physical integrated interactive drama performance, achieving a super low-latency 3D immersive multi-person interactive experience.

■ February 2022

Completed integration and preparation for mass production of SiS smart whiteboard software platform.

(IV) Long and Short-Term Business Development Plans

A. Short-Term Business Development Plans

In the consumer laptop and tablet market, we actively prepare for product certification, customer sampling, and mass production with the newly developed MPP2.6 and USI2.0 active stylus solutions of new generation. We will continue to promote our business to major stylus manufacturers, as well as to the top five global laptop and tablet manufacturers. We will actively strive for new projects and mass production implementation of customer products, which will be one of the most important business goals this year. In addition, in the microelectromechanical microphone chip and solution market, the Company is actively promoting the newly developed analog output and digital output solutions to complete test verification, and customer sampling; preparation for mass production implementation is also one of our most important business goals this year. SIS's team service has been recognized by our customers. The large interactive whiteboards in emerging education market have already gained a considerable market share. Due to the epidemic in 2020, the large-sized interactive whiteboards in the education market have been stagnant. Thus, the Company has quickly shifted the relevant R&D and promotion resources to glass touch solutions and the promotion of the touch smart whiteboard products. In 2019, the Company tapped into the touch module market, and integrate touch panel modules through key touch technology to provide customers with one-stop services. In the fourth quarter of 2020, we began to obtain customer orders and gradually designed in the Company's touch modules. In 2022, the design in of touch modules continued to grow and support efforts continued to increase, which will be one of the important businesses in 2023. The newly launched 3D immersive live streaming machines have been gradually adopted by various units and schools, and there is great development allowance for new educational market applications. In addition to the use of live teaching, they also have the advantage of recording and preparing lessons. After integrating 3D scenes and objects, the teaching content breaks through the limitations of the previous 2D planes and becomes more diverse and flexible.

B. Long-Term Business Development Plans

In the long term, the Company will continue to develop consumer, commercial and industrial touch chips. In addition to the Company's existing IC development capabilities, the Company also combines its existing FAE and software support capabilities to provide Total Solution to most of the existing system vendors or white label mobile device market as well as the new education market and continue to expand our market share in the small and medium-size market. In addition to the original consumer products, the Company is also actively expanding its touch products into the industrial computer and automotive markets. In the ultra-large projected capacitive touch sector, the Company has gained a head start and continues to increase its market share, especially with the lower cost of TP and the competitive price, which have made customers willing to replace optical touch. With the new stylus pen technology, customers are able to develop new functions with software to fulfill the demand of end consumers and differentiate the Company's products, which accelerates customers' willingness to replace products. Currently, the ultra-large interactive multimedia touch experience has led to another wave of touch chip growth in the global conference room and education markets. With the increasing penetration of touch applications in All-in-One computers, notebooks, industrial computers and automotive displays, the Company's strength in ultra-large touch has been demonstrated in the ultra-large touch market. the Company integrate touch panel and multi-functional glass touch panel solution, not only do we provide touch hardware, but also integrate the content of the comprehensive service solution, so that customers have more options to integrate touch panel into product applications. With the completion of the development of the touch chips that support stylus pen and the mass production of stylus pen chips, the Company has further become a professional chip design company of capacitive touch screen chips and stylus pen chips that provides Total Solution with comprehensive services, all sizes and all kinds of functions.

In the long-term development of 3D immersive virtual live streaming system, we will expand the breadth and depth of content by tying up with industry alliances, using 3D immersive virtual live streaming system products as a development platform and content as a tool to penetrate the market. The usage context of 3D immersive live streaming machines will also include body detection to achieve the application of virtual anchors. Adopting single lens for body detection requires a large amount of algorithmic engineering and establishes a technological threshold, which is also preparing for the realization of WEB3.0.

In the market of microelectromechanical microphone chips and solutions, the Company continues to develop business in different application markets, such as TWS active noise-cancelling earbuds, the Artificial Intelligence of Things (AIoT), OTC hearing aid devices, and automotive market. We also seek opportunities for collaboration with companies in the field of voice control and algorithms, to extend the promotion of our products to different markets related to voice input and control.

II. Market, Production and Sales Overview

(I) Market Analysis

A. Analysis of Market Sales of the Company's Products

Currency Unit: NT\$'000

Region/Item		2022		2021	
		Sales Amount	Ratio (%)	Sales Amount	Ratio (%)
Foreign Sales	Asia	93,849	51.51	141,440	56.09
	Others	1,253	0.69	485	0.19
	Subtotal	95,102	52.20	141,925	56.28
Domestic Sales		87,100	47.80	110,228	43.72
Total		182,202	100.00	252,153	100.00

Note: The above sales amounts are expressed in net amount/consolidated using IFRSs.

B. Market Share

According to the statistics of IEK Industrial Economics and Trends Research Center (ITRI), in 2022, the total production of the IC design industry was NT\$1232 billion, the total revenue of the Company was NT\$182 million, accounting for 0.015% of the market share of Taiwan's total production of the IC design industry.

C. Supply, Demand and Growth of the Market in the Future

(1) Supply and Demand

Touch ICs and stylus pen ICs are upstream of the entire touch industry, and the market demand is growing steadily. Domestic suppliers include SiS, FocalTech Systems, ELAN, eGalax_ePMIA, Novatek Microelectronics, ILITEK, and WEIDA Hitech, etc. Foreign suppliers include Goodix, Himax, Synaptics, Melfa, and Cirel, etc.

(2) Demand

Touch ICs are widely used in handheld mobile devices, NB, AIO, and other human-machine interfaces that can replace button control with touch panels. Currently, cell phones and tablet PC are the top two in terms of production volume, but the gross margin is relatively low. The cost of ultra-large touch panels continues to decrease and the demand of the ultra-large touch panel market has formed another wave of growth momentum. In addition, MPP stylus pen and USI stylus pen applications are growing in NB and AIO markets. Ultra-large touch panels will be an important profit direction for the Company.

(3) Growth Rate

The demand for touch functionality has expanded from finger touch applications to active stylus applications. Product types range from laptops, all-in-one (AIO) computers, tablets, handheld devices, to large-sized interactive whiteboard (IWB) conference systems. Major brand manufacturers continue to launch products that support active styluses, such as Microsoft's Surface Pro tablet (Surface Pro), Microsoft's All-in-One computer (Surface Studio), and Microsoft's conference room interactive whiteboard (IWB) system (Surface Hub), all of which have integrated active stylus functions, while also stimulating demand for touch functionality in the market. Google continues to incorporate active stylus applications into Chromebook laptops, and the already launched conference room IWB system (Google Jambo) also supports active stylus applications. Apple also continues to expand the use of active styluses in its iPad products of new generation. The new generation of touch technology is no longer limited to finger touch, and the convenience of active stylus applications has been widely accepted by consumers. For example, people have become accustomed to using active styluses to record daily notes or classroom lectures and save them to the cloud. These new technologies and applications will bring people a more diversified, convenient, and customized human-machine interface. The widespread use of touch functions and applications with fingers, as well as the increasing maturity of active stylus technology and the cultivation of usage habits, will bring another wave of significant growth opportunities for consumer touch products.

D. Competitive Niche, Advantages and Adverse Factors of Development Prospects and Countermeasures

(1) Competitive Niches

With a strong financial foundation and cost control capabilities, while actively investing in R&D resources to develop new technologies and products, the Company continues to develop new specifications, functions and low-power process products. In addition to meeting customers' diverse and flexible needs, we also develop new applications that are in line with market trends. At present, the Company has led the industry in the field of ultra large-sized IWB (Cloud Interactive Whiteboard) touch control and has gained a leading position in the conference room and education markets. The integration of chip software and hardware experience is the foundation of the Company's leadership in ultra large-sized IWB (Cloud Interactive Whiteboard), especially in the technology intensive market with relatively high entry barriers. The Company has been dedicating to the PC chipset and consumer electronics fields for more than 30 years. We have established excellent relationships with world-renowned brands and system manufacturers, and are familiar with market trends in consumer products, which is one of our competitive advantages. In recent years, with the cultivation of emerging markets and investment in new product research and development, in addition to the originally provided oversized touch ICs, we have also launched touch modules of different sizes to provide customers with one-stop service for touch functions, saving them time in touch function development and focusing on system integration. In addition to expanding our market share in the oversized touch screen and industrial applications, the Company has also grasped the market trend in advance. In recent years, the Company has invested in the development of active stylus chips with MPP and USI specifications, leading the market with highly integrated and low-power active stylus chips. We will also work with touch screen chips to jointly promote the market, and strive to demonstrate our advantages once again in the touch screen market.

(2) Advantages of Development Prospects

- The clustering effect of Taiwan's computer industry has a positive impact on the competitive advantage of the IC design industry and should be utilized. The strong demand in the emerging market is also a focus of the Company.
- Our advantages in production are as follows: flexible and responsive manufacturing capabilities, cost and control capabilities, more efficient resource utilization, reduced cycle time, diversified customer base, maximum capacity utilization, and faster growth.
- With a strong management team and local support team, we are able to adjust product design specifications and mass production schedules to meet customer needs.
- The consumer electronics market continues to grow, but the price competition is fierce. One of the most effective methods is for customers to seek a more competitive supply chain of components. The Company improves product competitiveness through high technology integration to meet customers' demand for overall price competition.
- In response to the improvement of performance requirements for oversized touch, the use of highly integrated chip technology and software/hardware integration capabilities, such as the use of concatenable technology to improve the efficiency and elasticity of oversized touch solutions, has enabled oversized integration solutions to be accepted by the IWB (Cloud Interactive Whiteboard) market; this continuously maintains the contribution of high gross profit margin.
- The demand for touch solutions of different sizes in emerging markets and industrial control applications continues to increase. The Company has the ability to integrate software and hardware to provide customers with one-stop touch module solutions, which can reduce the resource investment for customers to develop their own touch solutions. At the same time, local support teams assist customers in integrating touch modules and systems. Integrated services are also one of the important niches for improving market penetration.
- The Company has been dedicating to the PC chipset and consumer electronics fields for more than 30 years. We have established excellent relationships with world-renowned brands and system manufacturers, and are familiar with market trends in consumer products. We also have an early grasp of market trends, which is beneficial for early investment in the development of new products. For example, in recent years, active stylus chip development has led the market to develop chips with high integration functions and low power consumption.

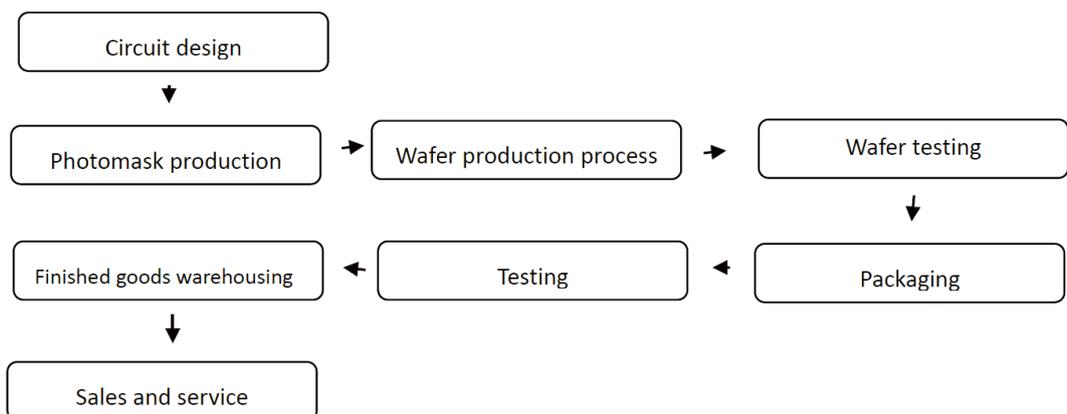
- (3) Adverse Factors of Development Prospects
- Fierce competition in the industry, short lifecycle of consumer products, difficulty in maintaining gross margin are the adverse factors for development.
 - The On-cell/In-cell touch solutions for small to medium size are becoming increasingly mature. If the overall competitiveness continues to improve, the Out-cell touch solutions may gradually lose their overall competitiveness in consumer products such as PC laptops.
 - The overall penetration rate of touch functions in consumer PC products is still low, and the market demand for touch functions is still mainly for mobile phones and tablet applications. Although the penetration rate of the touch function of large-sized IWB is high, it faces low price competition with infrared touch.
- (4) Countermeasures
- Continuously invest in professional technology research and development capabilities, enhance core competitiveness, shorten product development time, and seize market opportunities.
 - Continuously improve innovation capabilities and master market trends and pulsations, provide products with distinctive features. Establish market segmentation and leverage core competitiveness, such as expanding active stylus applications and supporting touch panels of various sizes and markets.
 - Cooperate with panel manufacturers to develop more competitive and differentiated products.
 - Utilize software and hardware integration capabilities and new technology development, integrate the industry chain to provide value-added or one-stop services that meet customer needs and create high product value, such as 3D immersive virtual live-streamer systems that provide diversified content creation platforms that meet business and educational needs; this is also an important step in connecting the metaverse.

(II) Key Functions and Manufacturing Process of Core Products

A. Key Applications of the Products

Instead of using buttons, the screen is operated by touching with fingers or the pen tip, replacing the intuitive user interface of traditional mechanical buttons. It can be used in consumer electronic products such as cell phones, notebooks, tablets, road navigation systems, interactive whiteboards, and human-machine interface for industrial computers.

B. Production process



(III) Supply of Major Raw Materials

United Microelectronics Corp. is the primary raw material supplier for the chips of the Company and has a stable source of supply.

(IV) Information on Manufacturers and Customers that Account for over 10% of Sales and Purchases

A. Supplier Information

Currency Unit: NT\$'000

Item	2022				2021			
	Name	Amount	Percent to the Annual Net Purchase Amount (%)	Relationship with the Issuer	Name	Amount	Percent to the Annual Net Purchase Amount (%)	Relationship with the Issuer
1	United Microelectronics	36,120	25	Note 2	Company A	43,896	22	None
2	Company B	15,779	11	None	United Microelectronics	35,482	18	Note 2
3	Others	92,804	64	None	Company B	21,972	11	None
4					Others	95,247	49	None
	Net purchase	144,703	100		Net purchase	196,597	100	

Note 1. Adopted IFRS consolidated information.

Note 2. Shareholders with over 10% shareholdings

B. Information on Sales Customers

Currency Unit: NT\$'000

Item	2022				2021			
	Name	Amount	Percent to the Annual Net Sales Amount (%)	Relationship with the Issuer	Name	Amount	Percent to the Annual Net Sales Amount (%)	Relationship with the Issuer
1	Company A	54,113	30	None	Company A	78,468	31	None
2	Company B	28,197	15	None	Company C	67,374	27	None
3	Others	99,892	55	None	Others	106,311	42	None
	Net sales	182,202	100		Net sales	252,153	100	

Note 1. Adopted IFRS consolidated information.

(V) Production Volume and Value

Currency Unit: NT\$'000/Thousand

Year/Production Volume and Value/Major Products	2022			2021		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Consumer Electronic IC	-	6,229	58,513	-	22,717	137,159
Total	-	6,229	58,513	-	22,717	137,159

Note 1. The Company's products are not subject to production capacity restrictions.

Note 2. Adopted IFRS consolidated information.

(VI) Sales Volume/Value

Currency Unit: NT\$'000/Thousand

Year/ Sales Volume and Value/Major Products	2022				2021			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Consumer Electronic IC	617	87,100	5,968	95,102	973	110,228	20,387	141,925
Total	617	87,100	5,968	95,102	973	110,228	20,387	141,925

Note 1. Adopted IFRS consolidated information.

III. Employees

Year		As of March 29	2022	2021
Number of Employees	Technicians	0	0	0
	Engineers	181	176	187
	Employees	27	28	28
	Total	208	204	215
Average Age		42.2	42.2	41.1
Average Service Year		9.8	9.9	9.4
Academic Distribution Ratio %	PhD (%)	0.5	0.5	0.9
	Master Degree (%)	44.7	44.6	42.8
	Bachelor Degree (%)	53.4	53.4	54.9
	High School (%)	1.4	1.5	1.4

Note 1. Adopted consolidated information.

Note 2. The publication of this Annual Report is March 29, 2023.

IV. Environmental Expenses

(I) Total losses (including compensation) and penalties arising from environmental pollutions in the past year and up to the date of publication of the Annual Report: None

(II) Countermeasures in the future, including improvement measures and possible expenditures:

The Company is primarily engaged in the design, testing, and sales of integrated circuits and complies with environmental regulations and relevant international standards and norms. In the course of business activities, the Company also aims to protect the nature and strive for environment-friendly and sustainable management. Provide a working environment that is environmentally friendly, safe and hygienic, and establish an appropriate management system so that all employees can work with peace of mind and happiness. In accordance with the environmental, safety and health policy, adhering to the concept of sustainable management, the Company continues to control, prevent and improve environmental protection and green energy. At the same time, the Company participates in activities such as the Taiwan Semiconductor Industry Association and is committed to promoting the environmental, safety and health management system by responding to the activities organized by the competent authorities.

In response to global warming and the sustainable development of our business, we are actively working to save electricity, reduce carbon, improve the high efficiency of our machinery and equipment, and build solar power generation equipment on the roof of our building to develop green energy, of which NT\$15 million has been invested in 2022.

Engage in R&D, production and service in accordance with the following principles to reduce the impact of the Group's operations on the natural environment:

- A. Comply with and implement domestic regulations and other related requirements on environmental, safety and health.
- B. Reduce the resource and energy consumption of products and services.
- C. Increase the durability of products and maximize the lifecycle of renewable resources.
- D. Increase the efficiency of products and services, and improve the recyclability and reuse of raw materials or products.
- E. Establish an environmental, safety and health management system, and continuously prevent and improve pollution.
- F. Regularly review the operation of the environmental, safety and health policy and management system through management and review.
- G. Conduct environmental training courses for management and employees, and regularly review environmental sustainability goals and progress.

V. Labor Relations

The Company's human resource policy respects and guarantees basic labor human rights principles, and establish appropriate management methods and procedures. In order to protect the legal interests of employees, the Company has established the "Work Rules of Silicon Integrated Systems Corporation" in accordance with the Labor Standards Act and related laws and regulations. The Company also provides employees with information on labor laws and regulations for employees to comply with. If the employees have any doubts about the labor human rights protection policy, the Company will appoint a labor-management meeting to discuss the matter. If the discussion fails to reach a consensus, it will be submitted to the competent authority.

(I) The implementation of employee welfare measures, further education, training, retirement systems and implementation, as well as agreements between employers and employees and measures to protect the rights and interests of employees

A. Employee Benefits and Measures

The main welfare items of the Company are as follows:

- (1) Labor insurance and national health insurance: participate in labor insurance and national health insurance in accordance with the law.
- (2) Group insurance: all regular employees are entitled to group insurance from the day they report to work. The premiums are fully borne by the Company. Employees' dependents and parents are allowed to add insurance at their own expense. The insurance premiums are relatively cheaper, providing an extra layer of protection and care for the employees' families.
- (3) Bonus system: provide bonuses (festivals, performance bonuses, intellectual property rights bonuses, awards for excellent performance and senior employees) and employee share options.
- (4) A staff cafeteria and coffee bar are available for lunch, dinner and beverage refreshments, as well as partial meal subsidies provided for lunch and dinner.
- (5) Leisure facilities: gymnasium, basketball court, snooker, badminton, pool, rhythmic yoga, newspaper and library, as well as outdoor walking paths, providing the best place for employees to dine, socialize and work out.
- (6) Social groups: provide a variety of community learning activities to enrich the leisure life of employees, and also to evoke the camaraderie among colleagues.

The main welfare items handled by the Employee Welfare Committee are as follows:

- (1) In order to enhance employee welfare, the Company has established the Employee Welfare Committee to provide employees with recreational activities, annual celebration subsidies, medical treatment, and further education and other related benefits. The Employee Welfare Committee Charter shall be formulated and reported to the competent authorities in accordance with the regulations.
- (2) The source of employee benefits shall be appropriated in accordance with the "Employee Welfare Fund Act." A monthly contribution of 0.1% of total operating revenues, 0.5% of employees' salaries and allowances, and 20% of the scrap sales proceeds are set aside as employee benefits.
- (3) Employees are entitled to childbirth gratuity, wedding gratuity, funeral money; birthday, Labor Day and three festivals gift certificates (Dragon Boat Festival, Mid-Autumn Festival and Chinese New Year).
- (4) Organize various activities.

B. Staff training and education

Talent is the cornerstone of sustainable business. Our company actively promotes a learning organization, strives to refine employees' abilities and cultivate the quality talents needed by the organization, and draws up annual training plans to address the needs of our employees. The Company offers new employee training and in-service employee training, professional and technical training, management training, self-initiative training, quality management training, safety and health, to provide employees with comprehensive professional skill development and self-growth courses required for their careers.

C. Retirement system:

The Company contributes labor retirement fund to the Labor Retirement Fund Supervisory Committee in accordance with the law, and handles employee pension payments in accordance with the Labor Standards Act. Starting from July 1, 2005, those who choose the Labor Pension Act retirement system shall pay 6% of their monthly salaries to the retirement account under the Bureau of Labor Insurance in order to fully protect the rights and interests of employees.

D. Employees Code of Conduct

To ensure the conduct of the Company's employees is in compliance with the Code of Conduct and to provide a basis for rewards and punishments, and to provide a better understanding for the Company's stakeholders to the ethical standards and code of conduct that the Company's employees should follow in performing their duties, the Company has established the Employee Code of Conduct and a rewards and disciplinary system. Its main contents are as follows:

- (1) Ethics and integrity
- (2) Respect individuals and customers
- (3) Avoid conflicts of interest
- (4) Gifts and entertainment
- (5) Complete, fair, accurate, timely and understandable disclosure
- (6) Implementation of Code of Ethics and fraud prevention and protection against whistle-blowing and retaliation

E. Labor-management agreements in recent years

In accordance with the implementation rules of the labor-management meeting promulgated by the government, the Company elects the representatives of the labor and the representatives of the management are sent by the Company to participate in the meeting. The labor-management meeting is held once every three months to coordinate labor-management relations, promote labor-management cooperation, and prevent various labor problems before they occur. The meeting is held once every three months to coordinate labor-management relations, promote labor-management cooperation, and prevent various labor problems. The meeting is held to discuss and negotiate on labor welfare issues, labor safety and health, efficiency improvement, annual calendar, etc., and to reach a consensus for implementation so that both employers and employees can benefit from each other.

F. Measures for preserving employees' rights and interests in recent years

The Company's employees are well qualified and the management philosophy and policies are implemented. In addition, the Company has an internal website to provide employees with up-to-date information and an employee suggestion box to receive different voices.

G. Work environment and employee safety protection measures

To protect the safety and health of workers, the Company has set up occupational safety and health management units, personnel, and labor health care staff to carry out occupational safety and health management in accordance with the requirements of the occupational safety and health related laws and regulations. In addition, according to the structure of the occupational safety and health management system, the Company continuously optimizes the occupational safety and health management and identify the possible hazards and risks in the system, environment and operation in the workplace with the concept of risk prevention. the Company determines the risk level and set improvement measures to eliminate and replace unsafe and unhealthy machines, equipment, and operations, to enhance education and training, and to strengthen compliance with laws and regulations by promoting employee health, and the main work environment and personal safety protection measures are as follows.

- (1) Occupational safety and health measures
- (2) Occupational safety and health management
- (3) Occupational safety and health training
- (4) Health management and health promotion

(II) For the most recent year and as of the date of publication of the Annual Report, the losses suffered as a result of labor disputes, and disclose the estimated amount of current and potential future losses and responses:

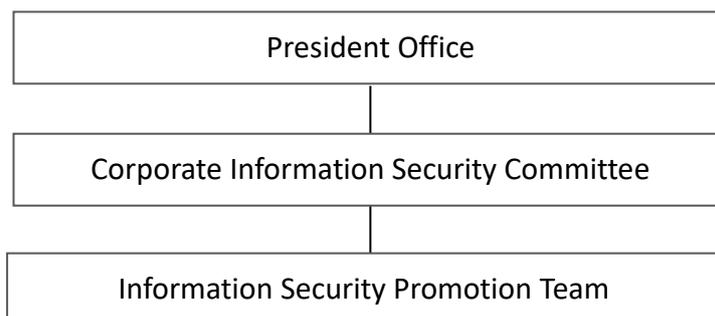
A. The Company did not incur any loss from labor disputes in the past year and up to the date of publication of the Annual Report.

B. The Company values labor relations and is currently maintaining a positive interaction mechanism between the two parties through various communication channels to achieve the goal of taking care of employee welfare and enhancing a quality working environment, and to eliminate disputes that may arise from unnecessary labor disputes by enhancing employee satisfaction in a comprehensive manner. In view of this, under this mechanism of joint participation and adequate communication between employers and employees, it is expected that there will be no labor disputes in the future.

VI. Information Security Management

To prevent various information security threats and prevent theft, tampering or loss of company information, the Company has deployed information security protection technologies to strengthen information security management and internal anti-virus. In addition to adopting a multi-layer network architecture design, the Company has also incorporated anti-hacking and anti-leakage mechanisms to enhance the security of the overall information environment and implement personnel information security management measures. the Company has ensured the security of software and hardware information such as data, systems, equipment and networks, and protected the confidentiality, integrity and availability of information.

(I) Information Security Management Framework



- Corporate Information Security Committee: it is the highest directing organization for information security in the company and is directly under the President's Office, leading the promotion of company-wide information security policies and plans. There is a chief committee member who is responsible for driving and supervising. The Corporate Information Security Committee is composed of the relevant first-level executives of the department and is responsible for resolution and support.
- Information Security Promotion Team: to effectively promote information security business, the company has an information security promotion team, which consists of various information security experts, responsible for developing information security plans

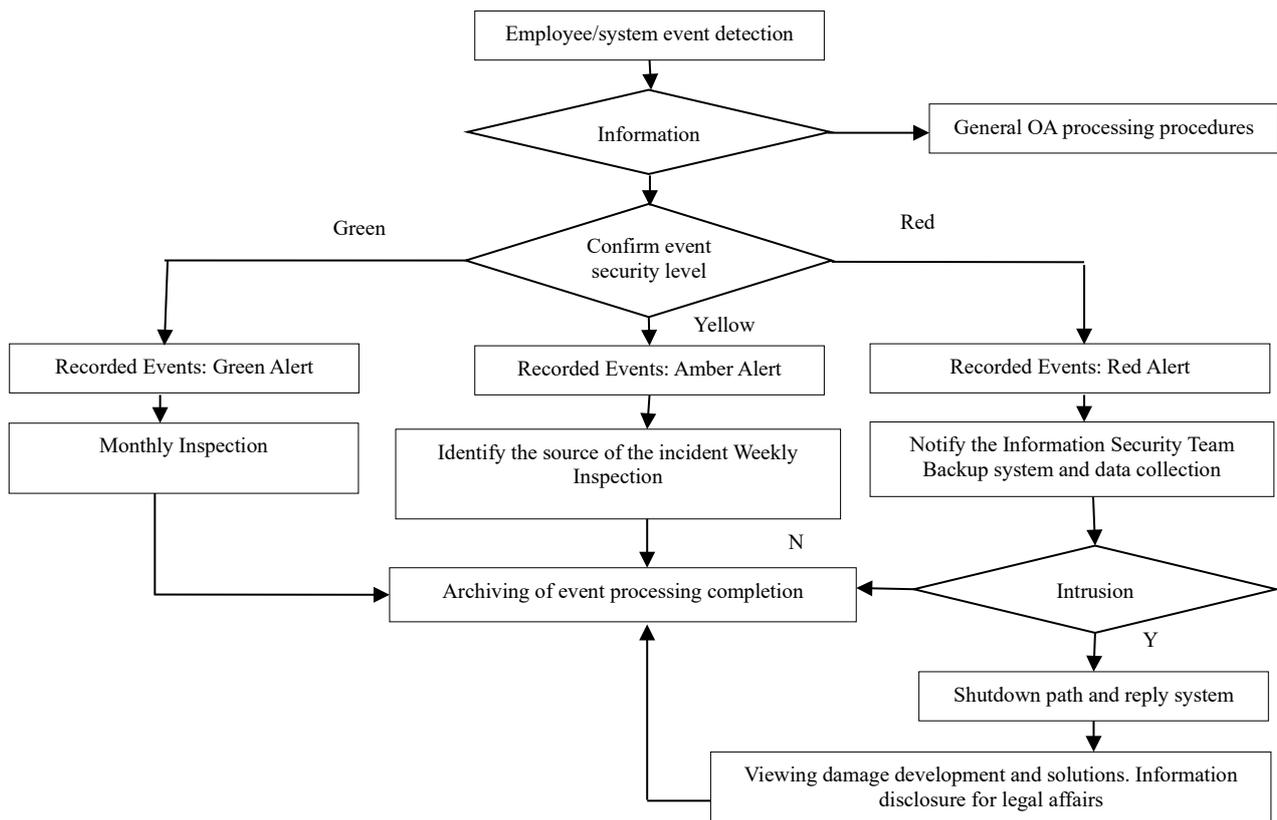
(II) Promoting information security policies: to effectively implement information security management, the company has reviewed the applicability of information security policies and protection measures based on the management cycle of Plan-Do-Check-Act (PD) to strengthen information security management and prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other violations of the company's data systems, equipment and networks to ensure their Confidentiality, integrity and availability.

(III) Specific Management Solutions

Security protection	Control measures
Network security	Strengthen the network firewall network control, blocking network attacks
System security	Regular system bug fixing System virtualization and creation of redundancy on different hosts Regular backup of important information Account passwords must be upgraded to a certain level of complexity and must be updated regularly Build redundancy system in off-site company
Personal system security	Use system update service with software system factory security update Centralized anti-virus system with virus code update, regular scanning, virus event monitoring and event troubleshooting
Enterprise application system	Regularly review user privileges Rigorous procedures for program modification
Information security awareness	Occasional information security concept promotion and education training

(IV) Response and countermeasure to information security incidents

- A. The notification and handling of information security incidents are carried out in accordance with the norms of this procedure, and are classified into red, amber, and green alerts according to the severity of the incident: high, medium, and low, and are handled in various ways, and efforts are made to reduce the loss of information, theft, and interruption of important computer services.
- B. Emergency procedures for handling information security incidents:



(V) Input resources for information security management

- A. Establish an information security team to confirm the effectiveness of information security management operations.
- B. New employees are required to participate in new employee education and training in order to have the awareness of information protection, and the company regularly performs information security promotion operations.
- C. Appropriate backup, redundancy or monitoring mechanisms are in place for critical information systems, and response tests and redundancy drills are performed regularly to maintain their availability.
- D. The personal computer of the employee shall be installed with anti-virus software and regularly checked for virus code updates, and the use of unauthorized software is prohibited. All accounts, passwords and privileges of the employees shall be kept and used with due diligence, and passwords shall be changed regularly.
- E. It is strictly forbidden for employees to set up network equipment to connect external network with the company's internal network, and the internal and external networks are protected by firewalls, demilitarized zone (DMZ), and necessary security facilities.

- F. Design appropriate information security incident response and notification procedures to enable appropriate immediate response to information security incidents and prevent the aggravation of damage.
 - G. Access to information security control areas to implement the relevant access control requirements.
 - H. All employees of the Company shall comply with the requirements of legal regulations and information security policies
- (VI) Losses suffered as a result of significant information security incidents, possible impact and countermeasures for the most recent year and up to the date of publication of the annual report: None

VII. Material Contracts: None

Chapter 6. Review and Analysis of Financial Condition and Financial Performance

I. Financial Condition

(I) IFRS Parent Company Only Financial Statements

Currency Unit: NT\$'000

Item/Year	2022	2021	Increase (decrease) amount	Change ratio %	
Current assets	1,585,775	808,213	777,562	96.21	
Property, plant and equipment	733,251	734,499	(1,248)	(0.17)	
Intangible assets	3,837	4,628	(791)	(17.09)	
Other Assets	13,129,021	21,783,175	(8,654,154)	(39.73)	
Total Assets	15,451,884	23,330,515	(7,878,631)	(33.77)	
Current liabilities	Before distribution	84,613	88,043	(3,430)	(3.90)
	After distribution	(Note)	72,273		
Non-current liabilities	6,820	6,259	561	8.96	
Total Liabilities	Before distribution	91,433	94,302	(2,869)	(3.04)
	After distribution	(Note)	78,532		
Share capital	7,495,894	6,814,449	681,445	10.00	
Capital surplus	85,303	81,798	3,505	4.28	
Retained earnings	Before distribution	2,847,806	3,214,463	(366,657)	(11.41)
	After distribution	(Note)	1,987,862		
Other equity interest	4,931,448	13,125,503	(8,194,055)	(62.43)	
Total equity	Before distribution	15,360,451	23,236,213	(7,875,762)	(33.89)
	After distribution	(Note)	22,691,057		

Note: Subject to the approval at the 2023 annual shareholders' meeting

Differentiation analysis:

1. The increase in current assets was mainly due to cash obtained from the disposal of financial assets measured at fair value through other comprehensive income.
2. The decrease in other assets and other equity was mainly due to the decrease in the fair value of financial assets measured at fair value through other comprehensive income and the disposal of such financial assets.

(II) IFRS Consolidated Financial Statements

Currency Unit: NT\$'000

Item/Year	2022	2021	Increase (decrease) amount	Change ratio %	
Current assets	1,685,268	878,580	806,688	91.82	
Property, plant and equipment	742,521	747,713	(5,192)	(0.69)	
Intangible assets	4,958	6,507	(1,549)	(23.81)	
Other Assets	13,071,647	21,742,223	(8,670,576)	(39.88)	
Total Assets	15,504,394	23,375,023	(7,870,629)	(33.67)	
Current liabilities	Before distribution	100,123	105,676	(5,553)	(5.25)
	After distribution	(Note)	89,906		
Non-current liabilities	9,687	6,509	3,178	48.82	
Total Liabilities	Before distribution	109,810	112,185	(2,375)	(2.12)
	After distribution	(Note)	96,415		
Equity attributable to owners of the parent company	15,360,451	23,236,213	(7,875,762)	(33.89)	
Share capital	7,495,894	6,814,449	681,445	10.00	
Capital surplus	85,303	81,798	3,505	4.28	
Retained earnings	Before distribution	2,847,806	3,214,463	(366,657)	(11.41)
	After distribution	(Note)	1,987,862		
Other equity interest	4,931,448	13,125,503	(8,194,055)	(62.43)	
Non-controlling interest	34,133	26,625	7,508	28.20	
Total equity	Before distribution	15,394,584	23,262,838	(7,868,254)	(33.82)
	After distribution	(Note)	22,717,682		

Note: Subject to the approval at the 2023 annual shareholders' meeting

Differentiation analysis:

1. The increase in current assets is mainly due to cash obtained from the disposal of financial assets measured at fair value through other comprehensive income.
2. The decrease in other assets and other equity was mainly due to the decrease in the fair value of financial assets measured at fair value through other comprehensive income and the disposal of such financial assets.

II. Financial Performance

(I) IFRS Parent Company Only Financial Statements

Currency Unit: NT\$'000

Item/Year	2022	2021	Increase (decrease) amount	Change ratio %
Revenue	143,354	237,235	(93,881)	(39.57)
Gross profit	(9,558)	78,255	(87,813)	(112.21)
Operating loss	(404,595)	(285,299)	(119,296)	41.81
Non-operating income and expenses	943,029	494,825	448,204	90.58
Profit before income tax	538,434	209,526	328,908	156.98
Income from continuing operations	483,657	198,311	285,346	143.89
Net income	483,657	198,311	285,346	143.89
Other income (net amount after tax) for the period	(7,817,768)	6,048,488	(13,866,256)	(229.25)
Total comprehensive income for the period	(7,334,111)	6,246,799	(13,580,910)	(217.41)
Earnings per share	0.65	0.26	0.39	150.00

Differentiation analysis:

1. The changes in operating revenues, operating costs and gross profit were mainly due to changes in customer portfolio.
2. The increase in non-operating income and expenses was mainly due to the decrease in dividend income recognized and the increase in loss of investment using the equity method.
3. The decrease in other comprehensive income was mainly due to the decrease in fair value of financial assets - non-current measured at fair value through other comprehensive income.

The Company continues to focus on touch technologies that support a wide range of touch sensors, and continues to improve chip performance and reduce costs, and actively develops application products in the related sector. The future development of touch applications will gain popularity as the price of touch panels becomes more affordable and the human-machine interaction interface is simplified; this will facilitate the Company in achieving its profit target.

(II) IFRS Consolidated Financial Statements

Currency Unit: NT\$'000

Item/Year	2022	2021	Increase (decrease) amount	Change ratio %
Revenue	182,202	252,153	(69,951)	(27.74)
Gross profit	4,640	84,487	(79,847)	(94.51)
Operating loss	(463,840)	(355,457)	(108,383)	30.49
Non-operating income and expenses	982,524	551,378	431,146	78.19
Profit before income tax	518,684	195,921	322,763	164.74
Net Income from continuing operations	463,903	184,678	279,225	151.20
Net income	463,903	184,678	279,225	151.20
Other income (net amount after tax) for the period	(7,817,768)	6,048,488	(13,866,256)	(229.25)
Total comprehensive income for the period	(7,353,865)	6,233,166	(13,587,031)	(217.98)
Net income attributable to owners of the parent company	483,657	198,311	285,346	143.89
Net income attributable to non-controlling interests	(19,754)	(13,633)	(6,121)	44.90
Comprehensive income attributable to owners of the parent company	(7,334,111)	6,246,799	(13,580,910)	(217.41)
Comprehensive income attributable to non-controlling interests	(19,754)	(13,633)	(6,121)	44.90
Earnings per share	0.65	0.26	0.39	150.00

Differentiation analysis:

1. The changes in operating revenues, operating costs and gross profit were mainly due to changes in customer portfolio.
2. The increase in non-operating income and expenses was mainly due to the decrease in dividend income recognized and the increase in loss of investment using the equity method.
3. The decrease in other comprehensive income was mainly due to the decrease in fair value of financial assets - non-current measured at fair value through other comprehensive income.

The Company continues to focus on touch technologies that support a wide range of touch sensors, and continues to improve chip performance and reduce costs, and actively develops application products in the related sector. The future development of touch applications will gain popularity as the price of touch panels becomes more affordable and the human-machine interaction interface is simplified; this will facilitate the Company in achieving its profit target.

III. Cash Flows

(I) Analysis and Improvement Plan of the Change in Cash Flow in 2022

Currency Unit: NT\$'000

Beginning Cash Balance	Net cash flows from operating activities	Net cash flows from investing and financing activities	Cash surplus	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
654,921	(432,445)	1,253,510	1,475,986	-	-

1. The net cash outflow from operating activities was NT\$432,445 thousand.
2. The net cash inflow from investing activities was NT\$1,776,366 thousand.
3. The net cash outflow from financing activities was NT\$522,754 thousand.
4. The effect of exchange rate changes on cash and cash equivalents was NT\$(102) thousand.
5. There was no cash inadequacy and liquidity deficit for the year.
6. Adopted IFRS consolidated information.

(II) Cash flow analysis for the coming year

Currency Unit: NT\$'000

Beginning Cash Balance	Expected net cash flows from operating activities	Expected net cash flows from investing and financing activities	Expected cash Surplus	Remedial measures for expected cash inadequacy	
				Investment plan	Financial plan
1,475,986	(231,690)	240,101	1,484,397	-	-

Note: Adopted IFRS consolidated information

IV. There were no significant capital expenditures in the recent year, so there was no impact on financial operations.

V. Investment policy for the recent year, main reasons for profit or loss, improvement plan and investment plan for the coming year

- (I) The main reasons for the profit or loss of the investment policy: None.
- (II) Improvement plans: None.
- (III) Investment plans for the coming year: No significant investment plans.

VI. Risk Issues

In view of the internationalization of operations and the increasingly complex impact and challenges posed by changes in the global economic environment, the Company is focusing on the management of corporate risks. In order to ensure the sustainable development of the Company, the Company focuses on the management of corporate risks and conducts risk assessment of economic, environmental and social issues. The Board of Directors will be the highest supervisory unit for risk management and will formulate relevant risk management strategies to identify key risks that may affect the Company's operations and risk response plans from each functional management level to the daily operation management unit, in order to reduce the possible risk of business interruption. The results of risk management activities are summarized and used as the basis for future strategy management, performance measurement and audit plans. The risk management organization of the Company is as follows:

Name of the organization	Duties
Audit Committee and Board of Directors	The Audit Committee evaluates the effectiveness of the Company's internal control system, ensures the effective implementation of internal controls and oversees the control of risks that exist or are potentially present in the Company. The Board of Directors is the highest decision-making body for risk management, approves the risk management policy and structure, and oversees the effective operation of the risk management mechanism.
Audit Unit	In accordance with the risk management policy and risk assessment results, the audit unit prepare an annual audit plan and perform various job audits in accordance with the plan to assist the board of directors in monitoring and controlling the potential risks in the execution of decisions, ensure that all operational risks are effectively controlled, and make timely recommendations for improvement.
Responsible department	The staff of each department shall take the responsibility of first-line risk management in daily operation, analyze, monitor and prevent the related risks within the responsibility of their respective departments, and ensure that the risk control mechanism and procedures can be effectively implemented.

- (l) Impact of interest rate, exchange rate changes and inflation on the Company's profit or loss and future countermeasures
- A. Changes in interest rates: the Company has sufficient working capital and no bank borrowings. An increase in interest rates would result in an increase in interest income. The Company's financial department closely monitors changes in market interest rates to reduce the impact of interest rate changes on the Company's financial condition.
 - B. Changes in exchange rates: the Company engages in derivatives transactions using forward exchange contracts for the purpose of hedging the exchange rate risk arising from its operations. To avoid the exchange rate risk arising from the receivables denominated in foreign currencies held, the sales of forward foreign exchange contracts are the primary instrument for hedging. The Company's exchange profit was NT\$2,814 thousand in 2022.
 - C. Inflation: Inflation has no significant impact on the Company.

- (II) The Company's policy on high-risk, highly leveraged investments, loaning of funds, endorsement and guarantee, and derivatives transactions, the main reasons for profit or loss, and future countermeasures: the Company has established a sound financial, business, and accounting management system in accordance with relevant laws and regulations, and shall properly conduct comprehensive risk assessments with its related companies on correspondent banks, customers and suppliers, and implement necessary control mechanisms to reduce credit risks.

In order to effectively manage financial affairs and avoid potential trading risks, the Company has established various internal procedures and management practices in accordance with the relevant laws and regulations of the competent authorities, including "Regulations Governing Loaning of Funds," "Regulations Governing Provision of Endorsements/Guarantees," and "Procedures for Derivative Transactions." As of the date of publication of this Annual Report, the Company has not engaged in any high-risk and high-leverage investment activities related to the loaning of funds and the provision of endorsement and guarantee. The Company engages in derivative transactions mainly for the purpose of hedging the exchange rate risk arising from its operations.

- (III) Future R&D plans and expected R&D expenses:
- A. Future R&D plans: multi-point projected capacitive touch chips, in-cell embedded touch chips, and system-level applications.
 - B. Estimated R&D expenses: the estimated R&D expenses for 2023 and 2024 are approximately NT\$330,000,000 per annum.

- (IV) Impact of recent changes in domestic and international policies and regulations on the Company's financial operations and countermeasures:

the Company complies with national policies and laws. The finance and legal departments keep track of important changes in domestic and international policies and laws, and make timely adjustments to the internal systems and business activities in accordance with the latest changes in laws and regulations to ensure smooth operation within the Company.

- (V) Impact of technological changes and industry changes on the Company's financial and business operations and countermeasures:

the Company keeps an eye on domestic and international technological and industrial developments to review and improve their impact on the financial and business conditions. With excellent research and development capabilities, the Company continues to upgrade relevant technologies, develop new products, and provide comprehensive technical services to release products that meet customers' needs. At the same time, the Company has enhanced its service efficiency, strengthened interaction with customers, and has a deep understanding of the pulse and trend of the technology industry. Therefore, technological changes and industry changes have no significant impact on the Company's financial condition.

- (VI) Impact of changes in corporate image change on corporate crisis management and countermeasures:

the Company has always attached importance to corporate governance and community relations, and has been able to fully and effectively integrate and utilize the resources to enhance the overall operational performance. In recent years, the Company has been committed to holding social welfare activities. The Company has plans and measures for all kinds of emergencies to minimize the uncertainty of business operation.

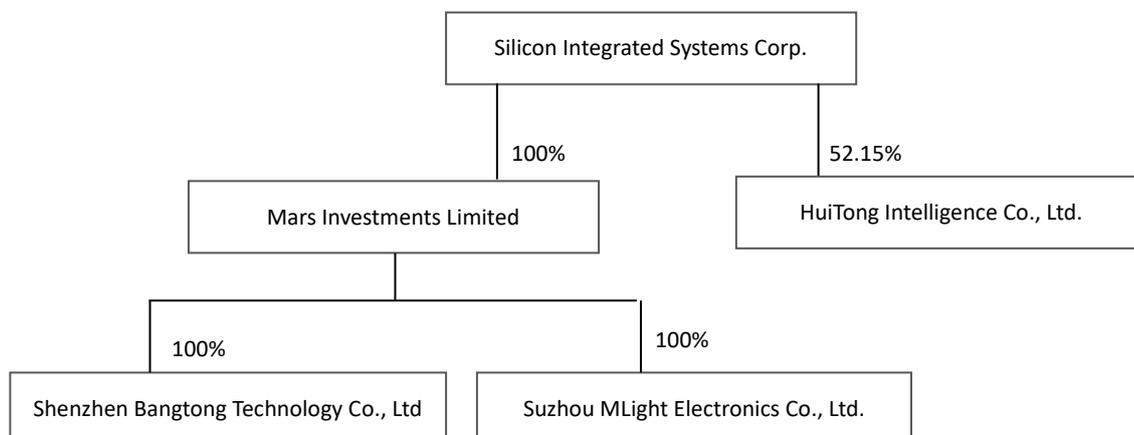
- (VII) Expected benefits, potential risks, and countermeasures of mergers and acquisitions: as of the date of publication of the Annual Report, the Company does not have any merger and acquisition plans.
- (VIII) Expected benefits, potential risks, and countermeasures of plant expansion: the Company currently has no plans to expand its plants.
- (IX) Risks and countermeasures of concentrated imports or sales:
 - A. The concentration of imports is due to the characteristics of the industry and the supply and demand of the market.
 - B. The Company's customers are diversified and there is no risk of concentrated sales.
- (X) As of the date of publication of the Annual Report, there was no significant transfer of equity by the Company's directors or substantial shareholders holding more than 10% of the shares.
- (XI) As of the date of publication of the Annual Report, there was no change in the Company's ownership.
- (XII) For litigation or non-litigation events, the Company shall include the litigation, non-litigation or administrative disputes that have been determined or are still pending against the Company, its directors, president, persons in charge, substantial shareholders holding more than 10% of the shares, and subsidiaries, whose outcome may have a significant impact on shareholders' equity or stock prices: None.
- (XIII) As of the date of publication of the Annual Report, the Company has no other significant risks.

VII. Other Important Issues: None

Chapter 7. Special Disclosure

I. Information on Affiliates

(I) Structure of affiliates



Note: Information as of March 29, 2023.

(II) General information of affiliates

Name of Affiliates	Date of Incorporation	Location	Paid-in Capital	Main Business Activities
HuiTong Intelligence Co., Ltd.	September 2020	Taiwan	NT\$163,000,000	IC design industry
Mars Investments Limited	January 2013	Samoa	US\$6,687,100	Investment business
Shenzhen Bangtong Technology Co., Ltd	October 2018	China Shenzhen	CNY2,000,000	Development, consulting and sales of electronic products and technology
Suzhou MLight Electronics Co., Ltd.	June 2014	China Suzhou	CNY31,850,000	Design, manufacture and sale of integrated circuits

Note: Information as of March 29, 2023.

(III) Information on common shareholders of treated as controlled companies and affiliates: Not Applicable

(IV) Industry and relationship of the overall business of the affiliates

The Company and its affiliates engage in the design, sales and investment of IC products.

(V) Information on the directors, supervisors and president of affiliates

Name of Affiliates	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholdings
HuiTong Intelligence Co., Ltd.	Chairman	Cheng-Chien Chien	0	0%
	Director	Silicon Integrated Systems Corp.	8,500,000	52.15%
MarsInvestmentsLimited	Director	Representative of Silicon Integrated Systems Corp.: Cheng-Chien Chien	6,687,100	100%
Shenzhen Bangtong Technology Co., Ltd	Executive Director	Representative of Mars Investments Limited: Cheng-Chien Chien	-	100%
Suzhou MLight Electronics Co., Ltd.	Executive Director	Representative of Mars Investments Limited: Shur-Jung Shyi	-	100%

Note: Information as of March 29, 2023.

(VI) Operation of affiliates

Currency Unit: NT\$'000, except for earnings (loss) per share

Name of Affiliates	Capital	Total Assets	Total Liabilities	Net Value	Operating Income for the Period	Operating Profit for the Period	Profit or Loss (After Tax) for the Period	Earnings per Share (After Tax)
HuiTong Intelligence Co., Ltd.	163,000	86,792	15,458	71,334	17,589	(44,426)	(44,417)	(2.72)
Mars Investments Limited	204,343	21,544	0	21,544	(20,471)	(21,739)	(21,601)	(3.23)
Shenzhen Bangtong Technology Co., Ltd	9,320	11,992	759	11,233	12,307	268	77	Not Applicable
Suzhou MLight Electronics Co., Ltd.	148,975	13,426	3,757	9,669	38,141	(18,876)	(20,548)	Not Applicable

Note: Information as of December 31, 2022, which is the parent company financial statements.

(VII) Report of Affiliates

A. Relationship overview between the subsidiaries and the holding company

Name of Holding Company	Reason of Holding	Shareholdings and Pledges of Holding Company			Directors, Supervisors, and Managers	
		Number of Shares Held	Shareholdings	Pledged Shares	Position	Name
HuiTong Intelligence Co., Ltd.	Director and Supervisor	8,500,000 0	52.15% 0.00%	0	Chairman Supervisor	Cheng-Chien Chien Shur-Jung Shyi
MarsInvestmentsLimited	Director	6,687,100	100%	0	Director	Cheng-Chien Chien
Shenzhen Bangtong Technology Co., Ltd	Executive Director	-	100%	0	Executive Director	Cheng-Chien Chien
Suzhou MLight Electronics Co., Ltd.	Executive Director	-	100%	0	Executive Director	Shur-Jung Shyi

Note: Information as of December 31, 2022, which is the parent company financial statements.

B. Transactions

- (1) Import and export transactions: In 2022, the Company's sales to Suzhou MLight Electronics Co., Ltd. amounted to NT\$13,609 thousand.
- (2) Property transactions: None
- (3) Lease of assets: None
- (4) Other significant transactions: None

C. Endorsements and guarantees: None

D. Derivative transactions: None

(VIII) Consolidated financial statements of affiliates

Statement of Declaration

The entities that are required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, the Company and subsidiaries do not prepare a separate set of consolidated financial statements.

Sincerely,

Silicon Integrated Systems Corp.

Person in charge: Cheng-Chien Chien

March 2, 2023

- II. In the past year and up to the date of publication of the Annual Report, the Company had no private placement of marketable securities.**
- III. In the past year and up to the date of publication of the Annual Report, the subsidiaries did not hold or dispose of the Company's shares.**
- IV. Other necessary supplementary information: None.**
- V. In the past year and up to the date of publication of the Annual Report, there were no events that had a significant impact on shareholders' equity or the securities price as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act.**

Chapter 8. Financial Overview

I. Condensed Balance Sheet of the Most Recent Year

(I) IFRS Condensed Parent Company Only Balance Sheet

Currency Unit: NT\$'000

Item/Year	Financial Information for the Most Recent 5 Years					
	2022	2021	2020	2019	2018	
Current assets	1,585,775	808,213	874,160	1,039,912	1,251,665	
Property, plant and equipment	733,251	734,499	742,862	756,066	767,579	
Intangible assets	3,837	4,628	5,764	7,045	6,842	
Other Assets	13,129,021	21,783,175	15,939,902	5,966,498	4,353,902	
Total Assets	15,451,884	23,330,515	17,562,688	7,769,521	6,379,988	
Current liabilities	Before distribution	84,613	88,043	58,549	67,107	84,162
	After distribution	(Note 3)	72,273	58,549	67,107	84,162
Non-current liabilities	6,820	6,259	5,942	6,906	5,737	
Total Liabilities	Before distribution	91,433	94,302	64,491	74,013	89,899
	After distribution	(Note 3)	78,532	64,491	74,013	89,899
Share capital	7,495,894	6,814,449	6,309,675	5,540,625	5,600,625	
Capital surplus	85,303	81,798	85,807	6,445	16,268	
Retained earnings	Before distribution	2,847,806	3,214,463	3,957,463	5,209,558	5,470,220
	After distribution	(Note 3)	1,987,862	3,957,463	5,209,558	5,470,220
Other equity interest	4,931,448	13,125,503	7,145,252	(2,878,280)	(4,576,364)	
Treasury stock	-	-	-	(182,840)	(220,660)	
Total equity	Before distribution	15,360,451	23,236,213	17,498,197	7,695,508	6,290,089
	After distribution	(Note 3)	22,691,057	17,498,197	7,695,508	6,290,089

Note 1. The above financial information has been audited by the CPAs.

Note 2. The Company does not have the most recent financial statements as of the date of publication of the Annual Report.

Note 3. Subject to the approval at the 2023 annual shareholders' meeting

(II) IFRS Condensed Consolidated Balance Sheet

Currency Unit: NT\$'000

Item/Year	Financial Information for the Most Recent 5 Years					
	2022	2021	2020	2019	2018	
Current assets	1,685,268	878,580	957,445	1,093,145	1,289,063	
Property, plant and equipment	742,521	747,713	749,534	756,976	761,919	
Intangible assets	4,958	6,507	7,054	7,045	6,842	
Other Assets	13,071,647	21,742,223	15,880,076	5,921,489	4,326,633	
Total Assets	15,504,394	23,375,023	17,594,109	7,778,655	6,384,457	
Current liabilities	Before distribution	100,123	105,676	73,859	76,116	88,501
	After distribution	(Note 3)	89,906	73,859	76,116	88,501
Non-current liabilities	9,687	6,509	12,675	7,031	5,867	
Total Liabilities	Before distribution	109,810	112,185	86,534	83,147	94,368
	After distribution	(Note 3)	96,415	86,534	83,147	94,368
Equity attributable to owners of the parent company	15,360,451	23,236,213	17,498,197	7,695,508	6,290,089	
Share capital	7,495,894	6,814,449	6,309,675	5,540,625	5,600,625	
Capital surplus	85,303	81,798	85,807	6,445	16,268	
Retained earnings	Before distribution	2,847,806	3,214,463	3,957,463	5,209,558	5,470,220
	After distribution	(Note 3)	1,987,862	3,957,463	5,209,558	5,470,220
Other equity interest	4,931,448	13,125,503	7,145,252	(2,787,280)	(4,576,364)	
Treasury stock	-	-	-	(182,840)	(220,660)	
Non-controlling interest	34,133	26,625	9,378	-	-	
Total equity	Before distribution	15,394,584	23,262,838	17,507,575	7,695,508	6,290,089
	After distribution	(Note 3)	22,717,682	17,507,575	7,695,508	6,290,089

Note 1. The above financial information has been audited by the CPAs.

Note 2. The Company does not have the most recent financial statements as of the date of publication of the Annual Report.

Note 3. Subject to the approval at the 2023 annual shareholders' meeting

II. Condensed Income Statement of the Most Recent Year

(I) IFRS Condensed Parent Company Only Income Statement

Currency Unit: NT\$'000

Item/Year	Financial Information for the Most Recent 5 Years				
	2022	2021	2020	2019	2018
Revenue	143,354	237,235	136,621	208,639	210,251
Gross profit	(9,558)	78,255	37,230	74,653	28,417
Operating income	(404,595)	(285,299)	(414,064)	(335,281)	(378,509)
Non-operating income and expenses	943,029	494,825	158,061	117,982	219,115
Profit (Loss) before income tax	538,434	209,526	(256,003)	(217,299)	(159,394)
Net Income from continuing operations	483,657	198,311	(299,468)	(224,691)	(175,218)
Net income	483,657	198,311	(299,468)	(224,691)	(175,218)
Other income (net amount after tax) for the period	(7,817,768)	6,048,488	10,032,217	1,662,113	(975,911)
Total comprehensive income for the period	(7,334,111)	6,246,799	9,732,749	1,437,422	(1,151,129)
Earnings per share	0.65	0.26	(0.45)	(0.37)	(0.32)

Note 1. The above financial information has been audited by the CPAs.

Note 2. The Company does not have the most recent financial statements as of the date of publication of the Annual Report.

(II) IFRS Condensed Consolidated Income Statement

Currency Unit: NT\$'000

Item/Year	Financial Information for the Most Recent 5 Years				
	2022	2021	2020	2019	2018
Revenue	182,202	252,153	160,171	222,952	223,085
Gross profit	4,640	84,487	45,135	86,889	44,341
Operating income	(463,840)	(355,457)	(447,574)	(355,576)	(389,264)
Non-operating income and expenses	982,524	551,378	190,804	138,391	229,893
Profit (Loss) before income tax	518,684	195,921	(256,570)	(217,185)	(159,371)
Net Income from continuing operations	463,903	184,678	(300,090)	(224,691)	(175,218)
Net income	(7,817,768)	184,678	(300,090)	(224,691)	(175,218)
Other income (net amount after tax) for the period	(7,353,865)	6,048,488	10,032,217	1,662,113	(975,911)
Total comprehensive income for the period	(7,353,865)	6,233,166	9,732,127	1,437,422	(1,151,129)
Net income attributable to owners of the parent company	483,657	198,311	(299,468)	(224,691)	(175,218)
Net income attributable to non-controlling interests	(19,754)	(13,633)	(622)	-	-
Comprehensive income attributable to owners of the parent company	(7,334,111)	6,246,799	9,732,749	1,437,422	(1,151,129)
Comprehensive income attributable to non-controlling interests	(19,754)	(13,633)	(622)	-	-
Earnings per share	0.65	0.26	(0.45)	(0.37)	(0.32)

Note 1. The above financial information has been audited by the CPAs.

Note 2. The Company does not have the most recent financial statements as of the date of publication of the Annual Report.

Names and auditing opinions of the CPAs

Year	Name of CPA Firm	Name of CPA	Audit Opinion
2022	Ernst & Young Global Limited	Shao-Pin Kuo, Hsin-Min Hsu	Unqualified opinion
2021	Ernst & Young Global Limited	Shao-Pin Kuo, Hsin-Min Hsu	Unqualified opinion
2020	Ernst & Young Global Limited	Shao-Pin Kuo, Hsin-Min Hsu	Unqualified opinion
2019	Ernst & Young Global Limited	Shao-Pin Kuo, Chia-Ling Tu	Unqualified opinion
2018	Ernst & Young Global Limited	Shao-Pin Kuo, Chia-Ling Tu	Unqualified opinion

III. Financial Analyses of the Most Recent Year

(I) IFRS Parent Company Only Financial Statement

Analysis Item/Year		Financial analysis for the most recent 5 years				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt to asset ratio	0.59	0.40	0.37	0.95	1.41
	Ratio of long-term capital to property, plant, and equipment	2,094.84	3,163.55	2,355.51	1,017.84	825.93
Solvency (%)	Current ratio	1,874.15	917.98	1,493.04	1,549.63	1,487.21
	Quick ratio	1,749.47	782.60	1,384.07	1,453.16	1,383.45
	Interest coverage ratio	11,966.20	6,759.90	-	-	-
Operating ability	Accounts receivable turnover rate (times)	4.36	6.00	5.16	5.95	5.21
	Average days for cash receipts	83.72	60.83	70.74	61.34	70.06
	Inventory turnover rate (times)	0.78	0.97	0.72	0.87	1.28
	Accounts payable turnover rate (times)	11.71	7.85	6.70	8.54	9.37
	Average days for sale of goods	467.95	376.29	506.94	419.54	285.16
	Property, plant, and equipment turnover rate (times)	0.20	0.32	0.18	0.27	0.28
	Total assets turnover rate	0.01	0.01	0.01	0.03	0.03
Profitability	Return on assets (%)	2.49	0.97	(2.36)	(3.17)	(2.56)
	Equity return ratio (%)	2.51	0.97	(2.38)	(3.21)	(2.59)
	Ratio of net profit before tax to paid-in capital (%)	7.18	3.07	(4.06)	(3.92)	(2.85)
	Net profit margin (%)	337.39	83.59	(219.20)	(107.69)	(83.34)
	Earnings per share (NT\$)	0.65	0.26	(0.45)	(0.37)	(0.32)
Cash Flows	Cash flow ratio (%)	(429.56)	(369.54)	(577.81)	(388.33)	(417.19)
	Cash flow adequacy ratio (%)	(118.92)	(179.68)	(468.20)	(1,268.95)	(750.47)
	Cash reinvestment ratio (%)	(5.45)	(3.39)	(2.76)	(2.91)	(4.66)
Leverage	Operating leverage	-	-	-	-	-
	Financial leverage	-	-	-	-	-

Reasons for the changes in financial ratios for the last two years are as follows

1. Financial structure: The increase in liabilities to asset ratio was due to the decrease in financial asset valuation during the period.
2. Solvency: The increase in the current ratio and quick ratio was due to the increase in cash.
3. Operating Capacity: The decrease in inventory and in cost of goods sold resulted in the decrease in inventory turnover rate and the increase in average days for sale of goods
4. Profitability: Mainly due to the increase in dividend income.
5. Cash Flow: Mainly due to the increase in cash dividend for the period

Note: The above financial information has been audited by the CPAs.

Note: The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding during the year.

Note: The formula for calculating financial ratios is shown on the following page:

1. Financial structure

- (1) Debt ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
- (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
- (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold/Average inventories.
- (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
- (5) Average days for sale of goods = 365/Inventory turnover rate.
- (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
- (7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
- (2) Return on equity = Income after tax/Average total equity.
- (3) Net profit margin = Income after tax/Net sales.
- (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued.

5. Cash Flows

- (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
- (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).

6. Leverage:

- (1) Operating leverage = (Net Sales-Variable Cost and expense) / Income from Operations
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

(II) IFRS Consolidated Financial Statement

Analysis Item/Year		Financial analysis for the most recent 5 years				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt to asset ratio	0.71	0.48	0.49	1.07	1.48
	Ratio of long-term capital to property, plant, and equipment	2,073.29	3,111.20	2,335.79	1,016.61	825.56
Solvency (%)	Current ratio	1,683.20	831.39	1,296.31	1,436.16	1,456.55
	Quick ratio	1,563.87	694.06	1,184.65	1,328.41	1,338.59
	Interest coverage ratio	2,326.94	436.38	-	-	-
Operating ability	Accounts receivable turnover rate (times)	9.40	9.46	5.13	6.83	6.28
	Average days for cash receipts	38.83	38.58	71.15	53.44	58.12
	Inventory turnover rate (times)	0.77	0.85	0.69	0.76	1.10
	Accounts payable turnover rate (times)	13.59	8.28	7.50	8.39	9.15
	Average days for sale of goods	474.03	429.41	528.99	480.26	331.82
	Property, plant, and equipment turnover rate (times)	0.24	0.34	0.21	0.29	0.29
	Total assets turnover rate	0.01	0.01	0.01	0.03	0.03
Profitability	Return on assets (%)	2.39	0.90	(2.36)	(3.17)	(2.56)
	Equity return ratio (%)	2.40	0.91	(2.38)	(3.21)	(2.59)
	Ratio of net profit before tax to paid-in capital (%)	6.92	2.88	(4.07)	(3.92)	(2.85)
	Net profit margin (%)	254.61	73.24	(187.36)	(100.78)	(78.54)
	Earnings per share (NT\$)	0.65	0.26	(0.45)	(0.37)	(0.32)
Cash Flows	Cash flow ratio (%)	(431.91)	(337.43)	(469.58)	(386.78)	(397.04)
	Cash flow adequacy ratio (%)	(127.63)	(185.61)	(480.31)	(1,241.96)	(738.17)
	Cash reinvestment ratio (%)	(5.85)	(3.51)	(2.87)	(3.29)	(4.66)
Leverage	Operating leverage	-	-	-	-	-
	Financial leverage	-	-	-	-	-

Reasons for the changes in financial ratios for the last two years are as follows

1. Financial structure: The increase in liabilities to asset ratio was due to the decrease in financial asset valuation during the period.
2. Solvency: The increase in the current ratio and quick ratio was due to the increase in cash.
3. Operating Capacity: The decrease in inventory and in cost of goods sold resulted in the decrease in inventory turnover rate and the increase in average days for sale of goods
4. Profitability: Mainly due to the increase in dividend income.
5. Cash Flow: Mainly due to the increase in cash dividend for the period

Note: The above financial information has been audited by the CPAs.

Note: The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding during the year.

Note: The formula for calculating financial ratios is shown on the following page:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
 - (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
 - (3) Inventory turnover rate = Cost of goods sold/Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average days for sale of goods = 365/Inventory turnover rate.
 - (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
 - (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
 - (2) Return on equity = Income after tax/Average total equity.
 - (3) Net profit margin = Income after tax/Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued.
5. Cash Flows
 - (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).
6. Leverage:
 - (1) Operating leverage = (Net Sales-Variable Cost and expense) / Income from Operations
 - (2) Financial leverage = Operating income/(Operating income - Interest expenses).

IV. In the past year and up to the date of publication of the Annual Report, the Company and its affiliates have no financial difficulties.

V. Audit Committee's Review Report

Silicon Integrated Systems Corp.

Audit Committee's Review Report

The 2022 financial statements (including consolidated financial statements) of the Company prepared and delivered by the Board of Directors had been jointly audited by CPA Shao-Pin Kuo, Hsin-Min Hsu from Ernst & Young Global Limited, who hold sufficient opinion that the above documents fairly present the financial status, operating result and cash flow of the Company. The Business Report and the earnings distribution have been reviewed by the Audit Committee, who has not found any inconsistencies with applicable laws in the review of the aforementioned documents. Therefore, the Audit Committee hereby issues this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

Silicon Integrated Systems Corp. 2023 Annual Shareholders' Meeting

Convenor of the Audit Committee: Ya-Ching Li

March 2, 2023

VI. Parent Company Only Financial Statements

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Silicon Integrated Systems Corp.

Parent Company Only Financial Statements and Independent Auditors'

Report

2022 and 2021

English Translation of a Report and Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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

Notice to Readers

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

Independent Auditors' Report

To Silicon Integrated Systems Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Silicon Integrated Systems Corporation (“the Company”) as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company recognized NT\$ 143,354 thousand as net sales for the year ended December 31, 2022. Sales of products is the main operating activity of the Company. Its sale regions include not only Taiwan but also Asia and other regions. Trade terms of sales of products under each sale order may be different. It is necessary for the Company to judge and determine the performance obligations and the timing of its satisfaction under each sale order. As a result, we determined the matter to be a key audit matter.

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

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain investee companies, which were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. The investment in these investee companies under equity method amounted to NT\$119,839 thousand and NT\$134,901 thousand, accounting for 1% and 1% of total assets as of December 31, 2022 and 2021, respectively. The related shares of losses recognized from these subsidiaries, associates and joint ventures under the equity method amounted to NT\$43,633 thousand and NT\$52,720 thousand, accounting for (8)% and (25)% of the net income before tax for the years ended December 31, 2022 and 2021, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 2, 2023

Notice to Readers

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

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

English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese

SILICON INTEGRATED SYSTEMS CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 1,391,733	9	\$ 578,548	2
Financial assets measured at amortized cost-current	4, 6(3), 12	9,641	-	9,624	-
Trade receivables, net	4, 6(4), 6(12), 12	12,528	-	15,165	-
Trade receivables-related parties, net	4, 6(4), 6(12), 7, 12	2,460	-	35,015	-
Other receivables	12	63,916	-	50,669	-
Other receivables-related parties	12	-	-	5	-
Inventories, net	4, 5, 6(5)	89,238	1	97,798	1
Prepayments		3,278	-	5,172	-
Other current assets		12,981	-	16,217	-
Total current assets		<u>1,585,775</u>	<u>10</u>	<u>808,213</u>	<u>3</u>
Non-current assets					
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(2), 12	12,904,748	84	21,568,706	93
Investments accounted for using the equity method	4, 6(6)	149,115	1	152,154	1
Property, plant and equipment	4, 5, 6(7)	733,251	5	734,499	3
Right-of-use assets	4, 6(13)	533	-	99	-
Intangible assets	4, 6(8)	3,837	-	4,628	-
Deferred tax assets	4, 5, 6(17)	125	-	-	-
Prepayment for equipment		175	-	2,883	-
Refundable deposits	12	247	-	162	-
Net defined benefit assets-noncurrent	4, 6(9)	74,078	-	59,171	-
Total non-current assets		<u>13,866,109</u>	<u>90</u>	<u>22,522,302</u>	<u>97</u>
Total assets		<u>\$ 15,451,884</u>	<u>100</u>	<u>\$ 23,330,515</u>	<u>100</u>

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

English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese

SILICON INTEGRATED SYSTEMS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities					
Contract liabilities-current	6(11)	1,192	-	304	-
Accounts payable	12	1,850	-	15,437	-
Accounts payable-related parties	7, 12	158	-	8,669	-
Other payables	12	71,746	1	52,329	-
Other payables-related parties	7, 12	897	-	2,639	-
Payables on equipment		2,058	-	1,943	-
Lease liabilities-current	4, 6(13), 12	160	-	102	-
Other current liabilities		2,931	-	3,128	-
Refund liabilities		3,621	-	3,492	-
Total current liabilities		84,613	1	88,043	-
Non-current liabilities					
Deferred tax liabilities	4, 5, 6(17)	2,612	-	2,487	-
Lease liabilities-noncurrent	4, 6(13), 12	378	-	-	-
Guarantee deposits	12	3,830	-	3,772	-
Total non-current liabilities		6,820	-	6,259	-
Total liabilities		91,433	1	94,302	-
Equity					
Share capital	6(10)				
Common stock		7,495,894	48	6,814,449	29
Capital surplus	4, 6(10)	85,303	1	81,798	1
Retained earnings	6(10)				
Legal reserve		429,146	3	402,492	2
Unappropriated earnings		2,418,660	15	2,811,971	12
Other equity		4,931,448	32	13,125,503	56
Total equity		15,360,451	99	23,236,213	100
Total liabilities and equity		\$ 15,451,884	100	\$ 23,330,515	100

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

English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	For the years ended December 31		
		2022	%	2021
Net sales	4, 6(11), 7	\$ 143,354	100	\$ 237,235
Operating costs	6(5), 6(13), 6(14), 7	(152,912)	(107)	(158,980)
Gross profit		(9,558)	(7)	78,255
Operating expenses	6(12), 6(13), 6(14), 7			
Selling expenses		(52,008)	(36)	(47,096)
General and administrative expenses		(107,946)	(75)	(96,655)
Research and development expenses		(235,053)	(164)	(219,813)
Expected credit losses		(30)	-	10
Total operating expenses		(395,037)	(275)	(363,554)
Operating loss		(404,595)	(282)	(285,299)
Non-operating income and expenses	4, 6(6), 6(15)			
Interest income		4,463	3	2,378
Other income		994,905	694	565,171
Other gains and losses		4,195	3	5,570
Finance costs		(13)	-	(6)
Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method		(60,521)	(42)	(78,288)
Total non-operating income and expenses		943,029	658	494,825
Income before income tax		538,434	376	209,526
Income tax expense	4, 5, 6(17)	(54,777)	(38)	(11,215)
Net income		483,657	338	198,311
Other comprehensive income	6(16)			
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	6(9)	14,866	10	1,773
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income		(7,832,837)	(5,464)	6,047,183
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations		203	-	(468)
Other comprehensive income, net of tax		(7,817,768)	(5,454)	6,048,488
Total comprehensive income		(7,334,111)	(5,116)	6,246,799
Earnings per share (NTD)				
Basic Earnings Per Share (in New Taiwan Dollars)	6(18)	\$ 0.65		\$ 0.26
Diluted Earnings Per Share (in New Taiwan Dollars)		\$ 0.64		\$ 0.26

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

English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese

SILICON INTEGRATED SYSTEMS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock		Capital surplus	Retained earnings		Undistributed earnings	Other equity		Total equity
				Legal reserve	Special reserve		Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	
Balance as of January 1, 2021	\$ 6,309,675	\$ 85,807	\$ 143,742	\$ 2,878,280	\$ 935,441	\$ (4,591)	\$ 7,149,843	\$ 17,498,197	
Appropriation and distribution of 2021 retained earnings	-	-	258,750	-	(258,750)	-	-	-	
Legal reserve	-	-	-	-	(504,774)	-	-	(504,774)	
Cash dividends	504,774	-	-	-	(504,774)	-	-	-	
Share dividends	-	-	-	(2,878,280)	2,878,280	-	-	-	
Special reserve reversed	-	-	-	-	-	-	-	-	
Other changes in capital surplus	-	(10,889)	-	-	-	-	-	(10,889)	
Share of changes in associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	
Net income for the year ended December 31, 2021	-	85,311	-	-	198,311	-	-	198,311	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,773	(468)	6,047,183	6,048,488	
Total comprehensive income (loss)	-	-	-	-	200,084	(468)	6,047,183	6,246,799	
Changes in subsidiaries' ownership	-	6,620	-	-	-	-	(66,464)	6,620	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	66,464	-	-	-	
Others	-	260	-	-	-	-	-	260	
Balance as of December 31, 2021	\$ 6,814,449	\$ 81,798	\$ 402,492	\$ -	\$ 2,811,971	\$ (5,059)	\$ 13,130,562	\$ 23,236,213	
Balance as of January 1, 2022	\$ 6,814,449	\$ 81,798	\$ 402,492	\$ -	\$ 2,811,971	\$ (5,059)	\$ 13,130,562	\$ 23,236,213	
Appropriation and distribution of 2022 retained earnings	-	-	26,654	-	(26,654)	-	-	-	
Legal reserve	-	-	-	-	(545,156)	-	-	(545,156)	
Cash dividends	681,445	-	-	-	(681,445)	-	-	-	
Share dividends	-	-	-	-	-	-	-	-	
Special reserve reversed	-	-	-	-	-	-	-	-	
Net income for the year ended December 31, 2022	-	-	-	-	483,657	-	-	483,657	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	14,866	203	(7,832,837)	(7,817,768)	
Total comprehensive income (loss)	-	-	-	-	498,523	203	(7,832,837)	(7,334,111)	
Changes in subsidiaries' ownership	-	3,238	-	-	-	-	-	3,238	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	361,421	-	(361,421)	-	
Others	-	267	-	-	-	-	-	267	
Balance as of December 31, 2022	\$ 7,495,894	\$ 85,303	\$ 429,146	\$ -	\$ 2,418,660	\$ (4,856)	\$ 4,936,304	\$ 15,360,451	

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

English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31	
	2022	2021
Cash flows from operating activities :		
Net income before tax	\$ 538,434	\$ 209,526
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	14,654	14,683
Amortization	1,486	1,677
Expected credit gains	30	(10)
Interest expenses	13	6
Interest income	(4,463)	(2,378)
Dividend income	(955,802)	(532,886)
Share of loss of subsidiaries and joint ventures accounted for using the equity method	60,521	78,288
Losses on disposal of property, plant and equipment	14	-
(Gains) losses on disposal of investments	-	(6,922)
Changes in operating assets and liabilities:		
Trade receivables	2,607	1,568
Trade receivables-related parties	32,555	(23,427)
Other receivables	(1,874)	907
Other receivables-related parties	5	(5)
Inventories	8,560	(39,992)
Prepayments	1,894	(2,806)
Other current assets	3,236	(12,590)
Other operating assets	(41)	(34)
Contract liabilities	888	25
Accounts payable	(13,587)	5,167
Accounts payable-related parties	(8,511)	2,539
Other payables	19,417	16,359
Other payables-related parties	(1,742)	2,639
Other current liabilities	(68)	940
Cash generated from operating activities	<u>(301,774)</u>	<u>(286,726)</u>
Interest received	3,972	2,390
Income tax paid	(65,659)	(41,020)
Net cash used in operating activities	<u>(363,461)</u>	<u>(325,356)</u>
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	831,121	183,122
Acquisition of financial assets measured at amortized cost	(17)	(19)
Acquisition of investments accounted for using the equity method	(54,041)	(52,803)
Acquisition of property, plant and equipment	(13,058)	(4,127)
Proceeds from disposal of property, plant and equipment	10	-
Increase in refundable deposits	(85)	-
Acquisition of intangible assets	(695)	(541)
Decrease (increase) in prepayment for equipment	2,708	(2,883)
Dividends received	955,802	534,902
Net cash provided by investing activities	<u>1,721,745</u>	<u>657,651</u>
Cash flows from financing activities :		
Increase in guarantee deposits	58	367
Cash payment for the principle portion of lease liabilities	(268)	(262)
Cash dividends	(545,156)	(504,774)
Others	267	260
Net cash used in financing activities	<u>(545,099)</u>	<u>(504,409)</u>
Net increase (decrease) in cash and cash equivalents	813,185	(172,114)
Cash and cash equivalents at the beginning of the year	578,548	750,662
Cash and cash equivalents at the end of the year	<u>\$ 1,391,733</u>	<u>\$ 578,548</u>

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

SILICON INTEGRATED SYSTEMS CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

1. HISTORY AND ORGANIZATION

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

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

The parent company only financial statements were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on March 2, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The application of these new standards and amendments had no material effect on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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

(a) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

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

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

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

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

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2023 have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non – current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

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

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

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

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

- (b) IFRS 17 “Insurance Contracts”

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

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

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of

SILICON INTEGRATED SYSTEMS CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

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

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

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

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

(2) Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a

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

consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

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

(3) Foreign Currency Transactions

The parent company only financial statements are presented in NT\$.

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

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

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

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

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

(4) Translation of Financial Statements in Foreign Currency

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

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

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

(5) Current and Non-Current Distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle.

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

All other liabilities are classified as non-current.

(6) Cash and Cash Equivalents

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

(7) Financial Instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

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- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial assets measured at fair value through profit or loss

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

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

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B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

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

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

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C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair Value Measurement

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

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

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

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

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

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

(9) Inventories

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

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

Raw materials — Purchase cost on first in first out.

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

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

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

(10) Investments Accounted for Using the Equity Method

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

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

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

When the associate or joint venture issues new shares, and the Company's interest in an associate or joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership

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interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

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

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

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

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

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

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(11) Property, Plant and Equipment

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

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

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

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

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

(12) Leases

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

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

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

The Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

The Company as a lessor

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

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

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

(13) Intangible Assets

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

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

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

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

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

Research and development costs

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

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

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

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

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

(14) Impairment of Non-Financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an

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asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

(15) Revenue Recognition

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

Sale of goods

The Company manufactures and sells merchandise. Sales are recognized when goods have been shipped and customers have obtained the control (the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits from the goods). The main products of the Company are touch ICs and server and industrial computer ICs. Sales transactions are usually accompanied by discounts. Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Based on previous experience, the Company uses the expected value method to

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estimate volume discounts. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Refund liability is also recognized during the period specified in the contract.

The credit period of the Company's sale of goods is from 30 to 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and has no significant financing component to the contract.

(16) Post-Employment Benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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

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

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
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(17) Income Tax

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

SILICON INTEGRATED SYSTEMS CORPORATION
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A. Impairment of non-financial assets

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

B. Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets of the Company as of December 31, 2022.

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C. Inventories

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2022	2021
Cash on hand and savings accounts	\$145,023	\$51,548
Time deposits	1,246,710	527,000
Total	\$1,391,733	\$578,548

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

	December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income-noncurrent		
Listed companies' stocks	\$10,849,823	\$18,549,728
Unlisted companies' stocks	2,054,925	3,018,978
Total	\$12,904,748	\$21,568,706

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

In consideration of the Company's investment strategy, during 2022, the Company disposed of certain listed shares (classified as financial assets measured at fair value through other comprehensive income) with fair value of NT\$831,121 thousand at the time of disposal. Related unrealized gain of NT\$361,421 thousand was transferred from other equity to retained earnings.

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Related to investments held at the end of the reporting period	\$955,802	\$532,886
Related to investments derecognized during the period	-	-
Dividends recognized during the period	\$955,802	\$532,886

(3) Financial Assets Measured at Amortized Cost

	December 31,	
	2022	2021
Time deposits	\$9,641	\$9,642

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

(4) Trade Receivables and Trade Receivables from Related Parties

	December 31,	
	2022	2021
Trade receivable	\$12,840	\$15,447
Less: allowances for goods returns and discounts	-	-
Less: allowance for doubtful debts	(312)	(282)
Subtotal	12,528	15,165
Trade receivables from related parties	2,460	35,015
Less: allowance for doubtful debts	-	-
Subtotal	2,460	35,015
Total	\$14,988	\$50,180

Trade receivables were not pledged.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Trade receivables are generally on 30-60 day terms. The total carrying amounts were NT\$15,300 thousand and NT\$50,462 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(12) for more details on impairment of trade receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	December 31,	
	2022	2021
Raw materials	\$2,121	\$-
Work in process	42,125	25,639
Finished goods	44,992	72,159
Total	\$89,238	\$97,798

The cost of inventories recognized in expenses amounted to NT\$152,912 thousand, including the write-down of inventories of NT\$48,842 thousand and reversal of write-down of inventories of NT\$26,075 thousand for the year ended December 31, 2022.

The cost of inventories recognized in expenses amounted to NT\$158,980 thousand, including the write-down of inventories of NT\$8,718 thousand and reversal of write-down of inventories of NT\$42 thousand for the year ended December 31, 2021.

No inventories were pledged.

(6) Investments Accounted for Using the Equity Method

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

Investee companies	December 31,			
	2022		2021	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investments in subsidiaries</u>				
Mars Investments				
(SAMOA) Ltd. (NOTE A)	\$21,544	100.00	\$14,234	100.00
HuiTong Intelligence Company				
Limited (NOTE D)	37,201	52.15	33,626	55.81
Subtotal	58,745		47,860	

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Investee companies	December 31,			
	2022		2021	
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investments in associates</u>				
Vxis Technology Corporation	38,470	34.03	39,285	34.03
Goaltop Technology Corporation (NOTE B)	24,805	29.05	39,866	29.05
Waltop International Corporation (NOTE C)	-	4.00	-	4.00
Haining Jingqi Technology Corporation	19,363	38.57	22,124	38.57
Subtotal	82,638		101,275	
Add: deferred credit	7,732		3,019	
Total	\$149,115		\$152,154	

- A. The Company increased its investment in Mars Investments (SAMOA) Ltd. by NT\$29,041 thousand and NT\$2,803 thousand for the years ended December 31, 2022 and 2021, respectively.
- B. The Company subscribed to the new shares issued by Goaltop Technology Corporation in the amount of NT\$30,000 thousand for the year ended December 31, 2021. Related registration processes were completed on August 17, 2021.
- C. During the fourth quarter of 2021, the Company did not subscribe to the new shares proportionate to its original ownership interest of Waltop International Corporation and lost the significant influence since the percentage of ownership decreased from 27.7% to 4%. Accordingly, the Company transferred the investment from investments accounted for using the equity method to equity instrument investments measured at fair value through other comprehensive income based on the fair value at the date the Company lost the significant influence. The difference between the fair value and book value of the investment (NT\$6,922 thousand in the amount) was recognized as gains on disposal of investments.

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D. The Company subscribed to 2,500 thousand new shares issued by HuiTong Intelligence Company Limited during the year 2022. The subscription was not proportionate to the Company's original ownership interest of HuiTong Intelligence Company Limited. The percentage of ownership was therefore decreased from 55.81% to 52.15%. Related registration processes were completed on October 24, 2022. The Company subscribed to 2,000 thousand new shares issued by HuiTong Intelligence Company Limited during the year 2021. The subscription was not proportionate to the Company's original ownership interest of HuiTong Intelligence Company Limited. The percentage of ownership was therefore decreased from 80% to 55.81%. Related registration processes were completed on December 29, 2021.

(a) Investments in subsidiaries

Investments in subsidiaries are classified as "investments accounted for using the equity method" in the parent company only financial statements with necessary valuation adjustments.

(b) Investments in associates

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

	For the years ended December 31,	
	2022	2021
Loss from continuing operations	\$(18,970)	\$(22,214)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	\$(18,970)	\$(22,214)

As of December 31, 2022 and 2021, the aforementioned associates did not have contingent liabilities or capital commitments and the investments in associates were not pledged.

(7) Property, Plant and Equipment

	As of	
	December 31, 2022	December 31, 2021
Owner-occupied property, plant and equipment	\$733,251	\$734,499

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

	Land	Buildings and facilities	Machinery equipment	Transportation equipment	Office equipment	Total
Cost:						
As of January 1, 2022	\$476,328	\$983,240	\$419,875	\$2,071	\$135,666	\$2,017,180
Additions	-	11,589	-	-	1,584	13,173
Disposals	-	-	(96)	-	(110)	(206)
As of December 31, 2022	<u>\$476,328</u>	<u>\$994,829</u>	<u>\$419,779</u>	<u>\$2,071</u>	<u>\$137,140</u>	<u>\$2,030,147</u>
As of January 1, 2021	\$476,328	\$979,676	\$419,875	\$2,071	\$133,310	\$2,011,260
Additions	-	3,564	-	-	2,506	6,070
Disposals	-	-	-	-	(150)	(150)
As of December 31, 2021	<u>\$476,328</u>	<u>\$983,240</u>	<u>\$419,875</u>	<u>\$2,071</u>	<u>\$135,666</u>	<u>\$2,017,180</u>
Depreciation and Impairment:						
As of January 1, 2022	\$-	\$732,820	\$415,619	\$1,452	\$132,790	\$1,282,681
Depreciation	-	9,698	3,523	206	970	14,397
Disposals	-	-	(72)	-	(110)	(182)
As of December 31, 2022	<u>\$-</u>	<u>\$742,518</u>	<u>\$419,070</u>	<u>\$1,658</u>	<u>\$133,650</u>	<u>\$1,296,896</u>
As of January 1, 2021	\$-	\$723,684	\$411,229	\$1,246	\$132,239	\$1,268,398
Depreciation	-	9,136	4,390	206	701	14,433
Disposals	-	-	-	-	(150)	(150)
As of December 31, 2021	<u>\$-</u>	<u>\$732,820</u>	<u>\$415,619</u>	<u>\$1,452</u>	<u>\$132,790</u>	<u>\$1,282,681</u>
Net carrying amounts as of:						
December 31, 2022	<u>\$476,328</u>	<u>\$252,311</u>	<u>\$709</u>	<u>\$413</u>	<u>\$3,490</u>	<u>\$733,251</u>
December 31, 2021	<u>\$476,328</u>	<u>\$250,420</u>	<u>\$4,256</u>	<u>\$619</u>	<u>\$2,876</u>	<u>\$734,499</u>

(b) There was no interest capitalization during the year of 2022 and 2021.

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

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

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

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$13,173	\$6,070
Increase in payables to equipment	(115)	(1,943)
Total	\$13,058	\$4,127

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

(8) Intangible Assets

	Software	Patents	Total
Cost:			
As of January 1, 2022	\$10,374	\$309,335	\$319,709
Additions	695	-	695
As of December 31, 2022	\$11,069	\$309,335	\$320,404
As of January 1, 2021	\$9,833	\$309,335	\$319,168
Additions	541	-	541
As of December 31, 2021	\$10,374	\$309,335	\$319,709
Amortization and Impairment:			
As of January 1, 2022	\$5,746	\$309,335	\$315,081
Amortization	1,486	-	1,486
As of December 31, 2022	\$7,232	\$309,335	\$316,567
As of January 1, 2021	\$4,069	\$309,335	\$313,404
Amortization	1,677	-	1,677
As of December 31, 2021	\$5,746	\$309,335	\$315,081
Net carrying amount as of:			
December 31, 2022	\$3,837	\$-	\$3,837
December 31, 2021	\$4,628	\$-	\$4,628

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Amortization expense of intangible assets:

	For the years ended December 31,	
	2022	2021
Selling expenses	\$433	\$335
General and administrative expenses	421	483
Research and development expenses	632	859
Total	\$1,486	\$1,677

(9) Post-Employment Benefits

Defined contribution plan

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

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$9,195 thousand and NT\$9,047 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry

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of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$0 to its defined benefit plan during the 12 months beginning after December 31, 2022.

The weighted average duration of the defined benefit obligations were 11 years as of December 31, 2022 and 2021.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	\$255	\$252
Net interest on the net defined benefit liabilities	(296)	(286)
Total	<u>\$ (41)</u>	<u>\$ (34)</u>

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

	December 31,		January 1,
	2022	2021	2021
Defined benefit obligation	\$49,338	\$61,529	\$61,096
Plan assets at fair value	(123,416)	(120,700)	(118,460)
Other non-current liabilities — accrued pension liabilities (assets) recognized on the balance sheets	<u>\$ (74,078)</u>	<u>\$ (59,171)</u>	<u>\$ (57,364)</u>

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2021	\$61,096	\$(118,460)	\$(57,364)
Current service cost	252	-	252
Interest expense (income)	306	(592)	(286)
Subtotal	<u>61,654</u>	<u>(119,052)</u>	<u>(57,398)</u>
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,655	-	1,655
Actuarial gains and losses arising from changes in financial assumptions	(1,550)	-	(1,550)
Experience adjustments	(230)	-	(230)
Remeasurements of the defined benefit assets	-	(1,648)	(1,648)
Subtotal	<u>(125)</u>	<u>(1,648)</u>	<u>(1,773)</u>
As of December 31, 2021	61,529	(120,700)	(59,171)
Current service cost	255	-	255
Interest expense (income)	308	(604)	(296)
Subtotal	<u>62,092</u>	<u>(121,304)</u>	<u>(59,212)</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	39	-	39
Actuarial gains and losses arising from changes in financial assumptions	(5,314)	-	(5,314)
Experience adjustments	(18)	-	(18)
Remeasurements of the defined benefit assets	-	(9,573)	(9,573)
Remeasurements of the defined benefit liabilities	(7,461)	7,461	-
Subtotal	<u>(12,754)</u>	<u>(2,112)</u>	<u>(14,866)</u>
As of December 31, 2022	<u>\$49,338</u>	<u>\$(123,416)</u>	<u>\$(74,078)</u>

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
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The principal assumptions used in determining the Company's defined benefit plan are as follows:

	December 31,	
	2022	2021
Discount rate	1.500%	0.500%
Expected rate of salary increases	3.500%	3.500%

Sensitivity analysis of significant assumptions is as follows:

	For the years ended December 31,			
	2022		2021	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$-	\$1,211	\$-	\$1,585
Discount rate decrease by 0.25%	1,256	-	1,648	-
Rate of future salary increase by 0.25%	1,211	-	1,577	-
Rate of future salary decrease by 0.25%	-	1,174	-	1,525

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

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

(10) Equities

A. Common stock

The Company's authorized capital as of December 31, 2022 and 2021 was NT\$18,000,000 thousand, divided into 1,800,000 thousand shares, each at a par value of NT\$10. The Company's issued capital was NT\$7,495,894 thousand and NT\$6,814,449 thousand, divided into 749,590 thousand shares and 681,445 thousand shares, as of December 31, 2022 and 2021, respectively, each at a par value of NT\$10.

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B. Capital surplus

	December 31,	
	2022	2021
From share of changes in associates and joint ventures	\$7,184	\$7,184
Changes in ownership interests in subsidiaries	3,238	-
Others	74,881	74,614
Total	\$85,303	\$81,798

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

C. Retained earnings and dividend policy:

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

- (a) reserve for tax payments;
- (b) offset accumulated losses in previous years, if any;
- (c) legal reserve, which is 10% of leftover profits;
- (d) allocation or reverse of special reserve as required by law or government authorities;
- (e) the board of directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

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

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

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

As of December 31, 2022 and 2021, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$0.

The appropriation of earnings for 2021 was approved by the shareholders' meeting held on June 21, 2022, while the appropriation of earnings for 2022 was proposed by the Board of Directors' meeting on March 2, 2023. The details of distribution were as follows:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$85,994	\$26,654		
Common stock - cash dividend	749,589	545,156	1.00	0.80
Common stock - stock dividend	-	681,445	-	1.00

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

(11) Operating Income

A. Disaggregation of revenue

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Sales of goods	<u>\$143,354</u>	<u>\$237,235</u>

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Revenue from contracts with customers are all recognized at a point in time for the years ended December 31, 2022 and 2021.

B. Contract balances

Contract liabilities – current

	For the years ended December 31,	
	2022	2021
Sales of goods	\$1,192	\$304

The significant changes in the Company’s balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Revenue recognized during the period that was included in the beginning balance	\$-	\$279
Increase in receipts in advance during the period	888	25

(12) Expected Credit Losses

	For the years ended December 31,	
	2022	2021
Operating expenses – expected credit loss (gain)		
Trade receivables	\$30	\$(10)

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

The Company measures the allowance of its receivables (including trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company’s loss allowance as of December 31, 2022 and 2021 is as follows:

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As of December 31, 2022

	Past due						Total
	Neither past due (Note)	Within 90 days	91-180 days	181-270 days	271-365 days	After 366 days	
Gross carrying amount	\$7,431	\$7,557	\$-	\$-	\$-	\$312	\$15,300
Loss ratio	-	-	25%	50%	75%	100%	
Lifetime expected credit losses	-	-	-	-	-	(312)	(312)
Carrying amount of trade receivables	\$7,431	\$7,557	\$-	\$-	\$-	\$-	\$14,988

As of December 31, 2021

	Past due						Total
	Neither past due (Note)	Within 90 days	91-180 days	181-270 days	271-365 days	After 366 days	
Gross carrying amount	\$20,123	\$30,057	\$-	\$-	\$-	\$282	\$50,462
Loss ratio	-	-	25%	50%	75%	100%	
Lifetime expected credit losses	-	-	-	-	-	(282)	(282)
Carrying amount of trade receivables	\$20,123	\$30,057	\$-	\$-	\$-	\$-	\$50,180

The movements in the provision for impairment of trade receivables for the years ended December 31, 2022 and 2021 are as follows:

	<u>Trade receivables</u>
As of January 1, 2022	\$282
Decrease for the current period	30
As of December 31, 2022	<u>\$312</u>

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	<u>Trade receivables</u>
As of January 1, 2021	\$292
Decrease for the current period	<u>(10)</u>
As of December 31, 2021	<u><u>\$282</u></u>

(13) Leases

A. The Company as lessee

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

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

(a) Amounts recognized in the balance sheet

i. Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2022	2021
Buildings and facilities	\$52	\$50
Machinery equipment	5	5
Office equipment	<u>476</u>	<u>44</u>
Total	<u><u>\$533</u></u>	<u><u>\$99</u></u>

During the years ended December 31, 2022 and 2021, the Company's additions to right-of-use assets amounted to NT\$691 thousand and NT\$88 thousand, respectively.

ii. Lease liability

	December 31,	
	2022	2021
Lease liability	<u>\$538</u>	<u>\$102</u>
Lease liability-current	\$160	\$102
Lease liability-noncurrent	<u>378</u>	<u>-</u>
Total	<u><u>\$538</u></u>	<u><u>\$102</u></u>

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Please refer to Note 6(15)4. for the interest on lease liability recognized during the years ended December 31, 2022 and 2021, and refer to Note 12(5). for the maturity analysis of lease liabilities as of December 31, 2022 and 2021.

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

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Buildings and facilities	\$88	\$87
Machinery equipment	63	61
Office equipment	106	102
Total	\$257	\$250

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expense relating to leases of low-value assets	\$21	\$21

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounted to NT\$289 thousand and NT\$283 thousand, respectively.

B. The Company as a lessor

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

	For the years ended December 31,	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$30,975	\$25,029

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The undiscounted lease payments to be received for the remaining years as of December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Not later than one year	\$28,165	\$30,242
Later than one years and not later than two years	16,177	27,794
Later than two years and not later than three years	-	16,177
Total	\$44,942	\$74,213

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

	For the years ended December 31,					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll	\$8,193	\$227,645	\$235,838	\$7,096	\$202,895	\$209,991
Labor and health	604	15,488	16,092	550	14,783	15,333
Pension	309	8,845	9,154	288	8,725	9,013
Directors' remuneration	-	14,768	14,768	-	7,631	7,631
Others	-	1,563	1,563	-	1,066	1,066
Total	\$9,106	\$268,309	\$277,415	\$7,934	\$235,100	\$243,034
Depreciation	\$493	\$14,161	\$14,654	\$487	\$14,196	\$14,683
Amortization	\$-	\$1,486	1,486	\$-	\$1,677	1,677

The numbers of the Company's directors and employees were 164 and 163, including 7 and 7 non-employee directors as of December 31, 2022 and 2021, respectively.

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The Company's average employee benefit expenses for the years ended December 31, 2022 and 2021 were NT\$1,673 thousand and NT\$1,509 thousand, respectively. The Company's average payroll expenses for the years ended December 31, 2022 and 2021 were NT\$1,502 thousand and NT\$1,346 thousand, respectively. The Company's average payroll adjustment for the year ended December 31, 2022 was 11.59%.

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

Based on profit of current year, the Company estimated 5% and 2% of the employees' compensation and remuneration to directors for the year ended December 31, 2022, respectively. The Company recognized the amounts of NT\$28,948 thousand and NT\$11,579 thousand of employees' compensation and remuneration to directors for the year ended December 31, 2022, respectively. The employees' compensation and remuneration to directors were recognized as salary expense. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2021 amount to NT\$12,278 thousand and NT\$4,400 thousand, respectively, whereas the estimated amount accrued in the financial statements for the year ended December 31, 2021 were NT\$11,265 thousand and NT\$4,506 thousand, respectively.

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Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021 are recognized in profit or loss of the subsequent year in 2022.

(15) Non-Operating Income and Expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Financial assets measured at amortized cost	\$4,463	\$2,378

B. Other income

	For the years ended December 31,	
	2022	2021
Rental income	\$30,975	\$25,029
Dividend income	955,802	532,886
Others	8,128	7,256
Total	\$994,905	\$565,171

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Losses on disposal of property, plant and equipment	\$(14)	\$-
Gains on disposal of investment	-	6,922
Foreign exchange gains (losses), net	4,209	(1,352)
Total	\$4,195	\$5,570

D. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	\$(13)	\$(6)

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(16) Components of Other Comprehensive Income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$14,866	\$-	\$14,866	\$-	\$14,866
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	(7,832,837)	-	(7,832,837)	-	(7,832,837)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	203	-	203	-	203
Total other comprehensive Income	\$(7,817,768)	\$-	\$(7,817,768)	\$-	\$(7,817,768)

For the year ended December 31, 2021

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

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(17) Income Tax

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

Income tax expense (benefit) recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Current income tax payable	\$54,777	\$11,215
Deferred tax expense (income):		
Deferred income tax related to origination and reversal of temporary differences	(8,358)	(8,569)
Deferred income tax related to recognition and derecognition of tax losses and unused tax credits	8,358	8,569
Income tax expense recognized in profit or loss	<u>\$54,777</u>	<u>\$11,215</u>

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

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	<u>\$538,434</u>	<u>\$209,526</u>
At statutory income tax rate	\$107,686	\$41,905
Tax effect of expenses not deductible for tax purposes	(183,052)	(96,699)
Adjustments of deferred tax assets/liabilities for write-downs/reversals and different jurisdictional tax rates	75,366	54,794
Tax effect of other adjustments in accordance with the Income Tax Act	54,777	11,215
Income tax expense recognized in profit or loss	<u>\$54,777</u>	<u>\$11,215</u>

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

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Depreciation difference for tax purpose	\$(2,483)	\$-	\$-	\$-	\$-	\$(2,483)
Unrealized exchange gains	11	(140)	-	-	-	(129)
Impairment loss	6,506	-	-	-	-	6,506
Investments accounted for using the equity method	32,904	3,997	-	-	-	36,901
Loss allowance	94	(71)	-	-	-	23
Unrealized allowance for inventory obsolescence	18,169	4,553	-	-	-	22,722
Others	698	26	-	-	-	724
Unused tax losses	(58,386)	(8,365)	-	-	-	(66,751)
Deferred tax expense		\$-	\$-	\$-	\$-	
Net deferred tax assets / (liabilities)	<u>\$(2,487)</u>					<u>\$(2,487)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		\$-				\$125
Deferred tax liabilities		\$(2,487)				\$(2,612)

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Depreciation difference for tax purpose	\$(2,483)	\$-	\$-	\$-	\$-	\$(2,483)
Unrealized exchange gains	(4)	15	-	-	-	11
Impairment loss	6,506	-	-	-	-	6,506
Investments accounted for using the equity method	26,178	6,726	-	-	-	32,904
Loss allowance	50	44	-	-	-	94
Unrealized allowance for inventory obsolescence	16,433	1,736	-	-	-	18,169
Others	643	55	-	-	-	698
Unused tax losses	(49,810)	(8,576)	-	-	-	(58,386)
Deferred tax expense		\$-	\$-	\$-	\$-	
Net deferred tax assets / (liabilities)	<u>\$(2,487)</u>					<u>\$(2,487)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		\$-				\$-
Deferred tax liabilities		\$(2,487)				\$(2,487)

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

Year	Tax losses for the period	Unused tax losses as at		
		December 31, 2022	December 31, 2021	Expiration year
2012	1,343,045	1,343,045	1,343,045	2022
2013	594,767	594,767	594,767	2023
2014	856,518	856,518	856,518	2024
2015	44,752	44,752	44,752	2025
2016	40,639	40,639	40,639	2026
2017	86,061	86,061	86,061	2027
2018	138,422	138,422	138,422	2028
2019	308,713	308,713	308,713	2029
2020	180,566	180,566	180,566	2030
2022	335,216	335,216	-	2032
		<u>\$3,928,699</u>	<u>\$3,593,483</u>	

(d) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized amounted to NT\$804,073 thousand and NT\$859,381 thousand, respectively.

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

(e) The assessment of income tax returns

As of December 31, 2022, income tax returns of the Company have been assessed and approved up to 2020.

(18) Earnings Per Share

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

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

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	For the years ended December 31,	
	2022	2021
A. Basic earnings per share		
Net income (in thousand NT\$)	\$483,657	\$198,311
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	749,588	749,588
Basic earnings per share (NT\$)	\$0.65	\$0.26
B. Diluted earnings per share		
Net income (in thousand NT\$)	\$483,657	\$198,311
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	749,588	749,588
Effect of dilution:		
Employee compensation — stock (in thousands)	1,877	418
Weighted average number of ordinary shares outstanding after dilution (in thousand)	751,465	750,006
Diluted earnings per share (NT\$)	\$0.64	\$0.26

The employee stock options have anti-dilutive effect and therefore are not included in the calculation of 2021 diluted earnings per share.

There is no impact of employee stock options in 2022.

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

7. Related Party Transactions

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
HuiTong Intelligence Company Limited	Subsidiary
Shenzhen SiS Technology Co., Ltd.	Subsidiary
Suzhou Mlight Electronics Co., Ltd.	Subsidiary
United Microelectronics Corp.	The Company's director
Wsltop International Corporation (NOTE A)	Other related parties
Goaltop Technology Corporation	Associate
Haining Jingqi Technology Co., Ltd.	Associate

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

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31,	
	2022	2021
Associates	\$40,565	\$79,594

The sales price to related parties was determined through mutual agreement based on the market demands. The trade credit terms with related parties were 60 days, while the terms with non-related parties were 30 to 60 days. The outstanding balance due from related parties as of December 31, 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	For the years ended December 31,	
	2022	2021
Associates	\$2,905	\$7,549
Other related parties	36,120	35,482
Total	\$39,025	\$43,031

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

C. Rental income from related parties

	For the years ended December 31,	
	2022	2021
Associates	\$738	\$738
Other related parties	412	-
Total	\$1,150	\$738

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D. Trade receivables from related parties

	December 31,	
	2022	2021
Associates	\$2,460	\$35,015

E. Accounts payable to related parties

	December 31,	
	2022	2021
Other related parties	\$158	\$8,669

F. Other payables to related parties

	December 31,	
	2022	2021
Other related parties	\$897	\$2,639

G. Others

Technical services fee paid by the Company to subsidiaries amounted to NT\$12,298 thousand and NT\$14,649 thousand for the years ended December 31, 2022 and 2021, respectively.

H. Asset transactions

During the third quarter of 2022, the Company acquired office equipment from Waltop International Corporation in the amount of NT\$129 thousand which was recorded as property, plant and equipment.

I. Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$21,152	\$11,385
Post-employment benefits	617	216
Total	\$21,769	\$11,601

8. Assets Pledged As Collateral

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

Items	Carrying amount		Purpose of pledge
	December 31, 2022	December 31, 2021	
Financial assets measured at amortized cost-current	\$2,141	\$2,124	Customs clearance
Total	\$2,141	\$2,124	

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9. Contingencies and Off Balance Sheet Commitments
None.

10. Losses due to Major Disasters
None.

11. Significant Subsequent Events
None.

12. Others
(1) Categories of Financial Instruments

	December 31,	
	2022	2021
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$12,904,748	\$21,568,706
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,391,353	578,248
Financial assets measured at amortized cost-current	9,641	9,624
Trade receivables (including related parties)	14,988	50,180
Other receivables (including related parties)	63,916	50,674
Refundable deposits	247	162
Subtotal	1,480,145	688,888
Total	\$14,384,893	\$22,257,594

	December 31,	
	2022	2021
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Accounts payable (including related parties)	\$2,008	\$24,106
Other payables (including related parties)	72,643	54,968
Guarantee deposits	3,830	3,772
Lease liabilities	538	102
Total	\$79,019	\$82,948

(2) Financial Risk Management Objectives and Policies

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

(3) Market Risk

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

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

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreases / increases by NT\$727 thousand and NT\$309 thousand, respectively.

Interest rate risk

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

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

Equity price risk

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

At the reporting date ended December 31, 2022 and 2021, a change of 1% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT\$108,498 thousand and NT\$185,497 thousand, respectively, on the equity attributable to the Company.

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

(4) Credit Risk Management

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

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

As of December 31, 2022 and 2021, receivables from top ten customers represented 84% and 99% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivable was insignificant.

SILICON INTEGRATED SYSTEMS CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2022	December 31, 2021
Simplified method				
(Note)	Note	Lifetime expected credit losses	\$15,300	\$50,462

Note: Includes trade receivables.

(5) Liquidity Risk Management

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

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	Total
As of December 31, 2022				
Accounts payable				
(including related parties)	\$2,008	\$-	\$-	\$2,008
Other payables				
(including related parties)	72,643	-	-	72,643
Guarantee deposits	-	3,830	-	3,830
Lease liabilities	175	235	167	577
As of December 31, 2021				
Accounts payable				
(including related parties)	\$24,106	\$-	\$-	\$24,106
Other payables	54,968	-	-	54,968
Guarantee deposits	-	3,772	-	3,772
Lease liabilities	102	-	-	102

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

(6) Fair Value of Financial Instruments

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value recognized on the balance sheet

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

(7) Fair Value Measurement Hierarchy

A. Fair value measurement hierarchy

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

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

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

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

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

Level 3 – Unobservable inputs for the assets or liabilities.

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

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

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

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$10,849,823	\$-	\$2,054,925	\$12,904,748

As of December 31, 2021

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

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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

The detail movement of recurring fair value measurements in Level 3

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

	Assets
	Financial assets at fair value through other comprehensive income
	Stocks
As of January 1, 2022	\$3,018,978
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	(964,053)
Acquisitions/issues for the year ended December 31, 2022	-
Disposals/settlements for the year ended December 31, 2022	-
Transfer in (out) Level 3	-
As of December 31, 2022	\$2,054,925
As of January 1, 2021:	\$2,193,360
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	828,384
Acquisitions/issues for the year ended December 31, 2021	6,922
Disposals/settlements for the year ended December 31, 2021	(9,688)
Transfer in (out) Level 3	-
As of December 31, 2021	\$3,018,978

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

Total gains related to assets recognized for the years ended December 31, 2022 and 2021 amounted to NT\$964,053 thousand and NT\$828,384 thousand, respectively.

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

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

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	Lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$27,737 thousand.
Stocks	Market approach	Lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$1,619 thousand.

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

As of December 31, 2021

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

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

(8) Significant Assets and Liabilities Denominated in Foreign Currencies

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

December 31, 2022			
	Foreign currencies (thousand)	Exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$2,416	30.71	\$74,185
 <u>Financial liabilities</u>			
Monetary items:			
USD	48	30.71	1,460
December 31, 2021			
	Foreign currencies (thousand)	Exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$1,659	27.68	\$45,911
 <u>Financial liabilities</u>			
Monetary items:			
USD	544	27.68	15,059

The Company has various functional currencies, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain (loss) was NT\$4,209 thousand and NT\$(1,352) thousand for the years ended December 31, 2022 and 2021, respectively.

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

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

(9) Capital Management

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

13. Additional Disclosures

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

- A. Financing provided to others for the year ended December 31, 2022: None.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2022: None.
- C. Securities held as of December 31, 2022: Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 6.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022: None.
- I. Financial instruments and derivative transactions: None.
- J. Intercompany relationships and significant intercompany transactions: Please refer to Attachment 2.

(2) Information on Investees

- A. Information regarding investee companies over which the Company can exercise significant influence or control: Please refer to Attachment 3.
- B. The following are additional disclosures for investee companies the Company has significant influence or control over:
 - (a) Financing provided to others for the year ended December 31, 2022: None.
 - (b) Endorsement/Guarantee provided to others for the year ended December 31, 2022: None.

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

- (c) Securities held as of December 31, 2022: None.
 - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
 - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022: None.
 - (i) Financial instruments and derivative transactions: None.
- (3) Investment in Mainland China
Please refer to Attachment 4.
- (4) Main Shareholder Information
Please refer to Attachment 5.

ATTACHMENT 1 (Securities held as of December 31, 2022)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held company name	Securities Type	Marketable securities type and name	Relationship with the company	Financial statement account	Balances as of December 31, 2022				Note
					Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value	
SILICON INTEGRATED SYSTEMS CORPORATION	Stocks	UNITED MICROELECTRONICS CORPORATION	The Company's director	Non-current financial assets at fair value through other comprehensive income	266,580	10,849,823	2.13%	10,849,823	None
	Stocks	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	367,499	1,941,572	16.67%	1,941,572	None
	Stocks	GLOBAL MOBILE CORP.	-	Non-current financial assets at fair value through other comprehensive income	5,400	-	1.96%	-	None
	Stocks	VADEM CORPORATION - Special shares	-	Non-current financial assets at fair value through other comprehensive income	269	-	-	-	None
	Stocks	TAIWAN IMPLANT TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,328	4,795	7.96%	4,795	None
	Stocks	TC-1 Culture Fund	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	3.61%	-	None
	Stocks	ASIA PACIFIC MICROSYSTEMS, INC.	-	Non-current financial assets at fair value through other comprehensive income	7,218	108,558	15.37%	108,558	None
	Stocks	Wallop International Corporation	-	Non-current financial assets at fair value through other comprehensive income	118	-	4.00%	-	None
	Stocks	Maxima Ventures Services V, Inc.	-	Non-current financial assets at fair value through other comprehensive income	16	-	4.84%	-	None

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

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenue or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Silicon Integrated Systems Corporation	Shenzhen SIS Technology Co., Ltd.	1	Operating expenses	\$12,298	-	6.75%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Revenue	13,609	-	7.47%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Other revenue	143	-	0.08%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Account receivable	1,540	-	0.01%
1	Suzhou Mlight Electronics Co., Ltd.	Silicon Integrated Systems Corporation	2	Costs of goods sold	2,905	-	1.59%
0	Silicon Integrated Systems Corporation	HuiTong Intelligence Company Limited	1	Other revenue	359	-	0.20%

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

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

Note 2: Transactions are categorized as follows:

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

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

ATTACHMENT 3 : (Names, locations and related information of investee companies as of December 31, 2022) (Not including investments in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor company	Investee company	Address	Main businesses and products	Original Investment Amount		Balance as of December 31, 2022			Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount		
Silicon Integrated Systems Corporation	Mars Investments (SAMOA) Ltd.	SAMOA	General investing	\$204,343	\$175,502	6,687	100.00%	\$21,544	\$(21,601)	Subsidiary
	HuiTong Intelligence Company Limited	Taipei City, Taiwan	Develop various AIOT products and provide integrated solutions	85,000	60,000	8,500	52.15%	37,201	(24,663)	Subsidiary
	Vxis Technology Corporation	Hsinchu City, Taiwan	Manufacturing of electronic parts	144,760	144,760	4,033	34.03%	38,470	(815)	The investee accounted for using the equity method
	Goalop Technology Corporation	Taoyuan City, Taiwan	Manufacturing and sales of electronic parts	144,000	144,000	10,200	29.05%	24,805	(15,061)	The investee accounted for using the equity method

ATTACHMENT 4 (Investments in Mainland China as of December 31, 2022)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee Company	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Shenzhen SIS Technology Co., Ltd.	Electronics product technologies development, technical consultation and sales, and import and export business	\$9,320	Indirectly investment in Mainland China through companies registered in a third region	\$8,296	\$-	\$-	\$8,296	\$77	100.00%	\$77	\$11,233	\$-
Suzhou Mlight Electronics Co., Ltd.	Design, production and sales of various integrated circuits	\$148,975	Indirectly investment in Mainland China through companies registered in a third region	\$119,934	\$29,041	\$-	\$148,975	\$(20,548)	100.00%	\$(20,548)	\$9,669	\$-
Haining Jingqi Technology Co., Ltd.	Electronics components manufacturing and software development	\$30,112	Investment in China	\$30,112	\$-	\$-	\$30,112	\$(8,022)	38.57%	\$(3,094)	\$19,363	\$-

Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$187,356	\$187,356	\$9,216,271

ATTACHMENT 5 (The information of Major shareholder as of December 31, 2022)

Name	Shares	Number of shares (Units/shares)	Percentage of ownership (%)
UNITED MICROELECTRONICS CORPORATION		129,577,431	19.02%

ATTACHMENT 6 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance			
					Units (thousand)/bonds/shares (thousand)	Amount	Units (thousand)/bonds/shares (thousand)	Amount	Units (thousand)/bonds/shares (thousand)	Amount	Cost	Gain (Loss) from disposal	Valuation adjustment	Units (thousand)/bonds/shares (thousand)	Amount	
SILICON INTEGRATED SYSTEMS CORPORATION	UNITED MICROELECTRONIC S CORPORATION	Non-current financial assets at fair value through other comprehensive income	-	-	285,380	\$18,549,728	-	\$-	18,800	\$831,121	\$831,121	\$-	Gain (Loss) from disposal	Valuation adjustment	266,580	\$10,849,823

SILICON INTEGRATED SYSTEMS CORPORATION
1. STATEMENT OF CASH AND CASH EQUIVALENTS
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Description	Amount	Note
Petty Cash		\$ 380	
Bank Deposits			
Time deposits	NTD 1,246,710 thousand	1,246,710	
Foreign currency	USD 945 thousand, exchange rate 1:30.71	29,022	
	JPY 35 thousand, exchange rate 1:0.2324	9	
	EUR 0.046 thousand, exchange rate 1:32.72	1	
Savings		115,466	
Checkings		145	
Total		<u>\$ 1,391,733</u>	

SILICON INTEGRATED SYSTEMS CORPORATION
2. STATEMENT OF TRADE RECEIVABLES
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Trade receivables			
Client A		\$ 7,392	
Client B		2,021	
Client C		903	
Client D		814	
Others	The amount of individual client in others does not exceed 5% of the account balance.	1,710	
Subtotal		12,840	
Less : allowance for doubtful debts		(312)	
Net amount		12,528	
Trade receivables-relate parties			
Suzhou Mlight Electronics Co., Ltd.		1,540	
Haining Jingqi Technology Corporation		920	
Subtotal		2,460	
Total		\$ 14,988	

SILICON INTEGRATED SYSTEMS CORPORATION

3. STATEMENT OF INVENTORIES

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Fair Value	
Raw materials		\$ 2,221	\$ 3,425	Fair value is based on net realizable value
Work in process		71,640	61,437	
Finished goods		<u>128,987</u>	<u>61,025</u>	
Total		202,848	<u>\$ 125,887</u>	
Less : allowance for inventory valuation losses		<u>(113,610)</u>		
Net Amount		<u>\$ 89,238</u>		

SILICON INTEGRATED SYSTEMS CORPORATION
4. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2022

Investee Company	Beginning Balance		Acquisition		Disposal		Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Others	Ending Balance		Fair Value / Net Assets Value		Collateral	Note	
	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount				Shares (Thousands)	%	Amount	Unit Price (dollars)			Total Amount
Vxix Technology Corporation	4,033	\$ 39,285	-	\$ -	-	\$ -	-\$ (815)	\$ -	-	4,033	34.03%	\$ 38,470	9.54	\$ 38,470		
Mars Investments (SAMOA) Ltd.	5,687	14,234	1,000	29,041	-	-	(21,601)	(130)	-	6,687	100.00%	21,544	3.22	21,544		
Goaltop Technology Corporation	10,200	39,866	-	-	-	-	(15,061)	-	-	10,200	29.05%	24,805	2.43	24,805		
Haining Jingqi Technology Corporation	7,000	22,124	-	-	-	-	(3,094)	333	-	7,000	38.57%	19,363	2.77	19,363		
HuiTong Intelligence Company Limited	6,000	33,626	2,500	25,000	-	-	(24,663)	-	3,238	8,500	52.15%	37,201	4.38	37,201		
Subtotal		<u>149,135</u>		<u>54,041</u>			<u>(65,234)</u>	<u>203</u>				<u>141,383</u>				
Add : deferred credit		<u>3,019</u>					<u>4,713</u>					<u>7,732</u>				
Total		<u>\$ 152,154</u>		<u>\$ 54,041</u>		<u>\$ -</u>	<u>\$ (60,521)</u>	<u>\$ 203</u>				<u>\$ 149,115</u>				

SILICON INTEGRATED SYSTEMS CORPORATION
5. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Adjustments	Ending Balance		Collateral	Note
	Shares (Thousands)	Fair Value	Shares (Thousands)	Amount	Shares (Thousands)	Amount		Shares (Thousands)	Fair Value		
United Microelectronics Corporation	285,380	\$ 18,549,728	-	\$ -	(18,800)	\$ (831,121)	\$ (6,868,784)	266,580	\$10,849,823		
Shieh Yong Investment Co., Ltd.	268,049	2,856,757	99,450	-	-	-	(915,185)	367,499	1,941,572		
Global Mobile Corp.	5,400	-	-	-	-	-	-	5,400	-		
Vadem Corporation – Special shares	269	-	-	-	-	-	-	269	-		
Taiwan Implant Technology Co., Ltd.	1,328	8,487	-	-	-	-	(3,692)	1,328	4,795		
TC-1 Culture Fund	1,000	-	-	-	-	-	-	1,000	-		
Maxima Ventures Services V, Inc.	16	-	-	-	-	-	-	16	-		
Asia Pacific Microsystems, Inc.	7,218	146,812	-	-	-	-	(38,254)	7,218	108,558		
Waltop International Corporation	332	6,922	-	-	(214)	-	(6,922)	118	-		
Total		<u>\$ 21,568,706</u>		<u>\$ -</u>		<u>\$ (831,121)</u>			<u>\$ 12,904,748</u>		

SILICON INTEGRATED SYSTEMS CORPORATION
6. STATEMENT OF COST OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Property, Plant and Equipment		\$ <u>733,251</u>	Please refer to Note 6(7) of the financial statements.
Intangible Assets		\$ <u>3,837</u>	Please refer to Note 6(8) of the financial statements.

SILICON INTEGRATED SYSTEMS CORPORATION

7. RIGHT-OF-USE ASSETS

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance
Cost				
Buildings and facilities	\$ 309	\$ 88	\$ -	\$ 397
Machinery equipment	186	64	-	250
Office equipment	350	539	(349)	540
Total	<u>\$ 845</u>	<u>\$ 691</u>	<u>\$ (349)</u>	<u>\$ 1,187</u>
Depreciation				
Buildings and facilities	259	88	-	347
Machinery equipment	181	63	-	244
Office equipment	306	106	(349)	63
Total	<u>\$ 746</u>	<u>\$ 257</u>	<u>\$ (349)</u>	<u>\$ 654</u>
Book value	<u>\$ 99</u>	<u>\$ 434</u>	<u>\$ -</u>	<u>\$ 533</u>

SILICON INTEGRATED SYSTEMS CORPORATION
8. STATEMENT OF ACCOUNTS PAYABLES
As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Vendor			
Vendor A		\$ 1,204	
Vendor B		543	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	103	
Subtotal		<u>\$ 1,850</u>	
Accounts payables - related parties			
United Microelectronics Corpration		<u>\$ 158</u>	
Total		<u><u>\$ 2,008</u></u>	

SILICON INTEGRATED SYSTEMS CORPORATION

9. STATEMENT OF OTHER PAYABLES

As of December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Personnel		\$ 59,137	
Accrued expenses		7,118	
Others	The amount of individual item in others does not exceed 5% of the account balance.	5,491	
Subtotal		<u>\$ 71,746</u>	
c8			
United Microelectronics Corporation		<u>\$ 897</u>	
Total		<u><u>\$ 72,643</u></u>	

SILICON INTEGRATED SYSTEMS CORPORATION
10. STATEMENT OF LEASE LIABILITIES

As of December 31, 2022

Item	Lease Term	Discount rate	Ending Balance	Note
Buildings and facilities	2022/08/01~2023/07/31	3.86%	\$ 52	
Machinery equipment	2022/02/01~2023/01/31	3.86%	5	
Office equipment	2022/06/01~2027/05/31	3.86%	481	
Total			\$ <u>538</u>	Note 1

NOTE 1 : Includes current portion of lease liabilities of NT\$160 thousand.

SILICON INTEGRATED SYSTEMS CORPORATION

11. STATEMENT OF NET SALES

For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Units	Amount	Note
Sale revenue			
IC	6,325 thousand units	\$ 143,679	
Less: sales returns and discounts		<u>(325)</u>	
Net operating revenue		<u>\$ 143,354</u>	

SILICON INTEGRATED SYSTEMS CORPORATION

12. STATEMENT OF OPERATING COSTS

For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Direct material			
Beginning of year		\$ 138	
Add: raw material purchased		57,599	
Transfer to expenses		107	
Less: Raw material, end of year		<u>(2,221)</u>	
Direct material used		55,623	
Manufacturing Expenses		14,235	
Processing cost		<u>27,887</u>	
Manufacturing Costs		97,745	
Add: Work in process, beginning of year		46,318	
Work in process purchased		5,968	
Less: Work in process, end of year		(71,640)	
Transfer to expenses		<u>(83)</u>	
Cost of Finished Goods		78,308	
Add: Finished goods, beginning of year		142,185	
Finished goods purchased		39,062	
Less: Finished goods, end of year		(128,988)	
Other		(26,497)	
Loss as a result of the net realized value of inventory being lower than its cost		<u>48,842</u>	
Total Operating Costs		<u>\$ 152,912</u>	

SILICON INTEGRATED SYSTEMS CORPORATION

13. STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 39,869	
Insurance expense		3,124	
Others	The amount of individual item in others does not exceed 5% of the account balance.	9,015	
Total		<u>\$ 52,008</u>	

SILICON INTEGRATED SYSTEMS CORPORATION
14. STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 68,132	
Professional service expense		8,288	
Repairs and maintenance		5,473	
Others	The amount of individual item in others does not exceed 5% of the account	26,053	
Total	balance.	<u>\$ 107,946</u>	

SILICON INTEGRATED SYSTEMS CORPORATION
15. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Item	Summary	Amount	Note
Payroll expense		\$ 144,820	
Repairs and maintenance		18,512	
Professional service expense		16,173	
Research expense		12,313	
Others	The amount of individual item in others does not exceed 5% of the account balance.	43,235	
Total		<u>\$ 235,053</u>	

SILICON INTEGRATED SYSTEMS CORPORATION
16. STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, AND AMORIZATION EXPENSES

For the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Nature	Feature	For the year ended December 31, 2022			For the year ended December 31, 2021		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense		Please refer to 6(14)					
Payroll							
Labor and health insurance							
Pension							
Board compensation							
Others							
Depreciation							
Amortization							

The Company's compensation policies are as follows:

1. Wages level should consider the peer norm in the R.O.C.. to ensure competitiveness.
2. Wages level should be motivative and link to employees' performance, quality and teamwork.

The compensation program includes the basic salaries, bonuses, benefits and profit sharing bonuses.

The standard of remuneration and basic salaries are based on job responsibility and experience; the bonuses and profit sharing bonuses are related to the Company's performance as well as the employee's performance.

VII. Consolidated Financial Statements

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Silicon Integrated Systems Corp.

Consolidated Financial Statements and Independent Auditors' Report

2022 and 2021

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

**SILICON INTEGRATED SYSTEMS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

Address: No.180, Sec. 2, Gongdao 5th Rd., Hsinchu City, Taiwan R.O.C.

Telephone: 886-3-516-6000

Notice to Readers

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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2022 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

Silicon Integrated Systems Corporation

Chairman: Louis Chien

March 2, 2023

Independent Auditors' Report

To Silicon Integrated Systems Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Silicon Integrated Systems Corporation and its subsidiaries (“the Company”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial position of the Company as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company recognized NT\$182,202 thousand as net sales for the year ended December 31, 2022. Sales of products is the main operating activity of the Company. Its sale regions include not only Taiwan but also Asia and other regions. Trade terms of sales of products under each sale order may be different. It is necessary for the Company to judge and determine the performance obligations and the timing of its satisfaction under each sale order. As a result, we determined the matter to be a key audit matter.

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

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, whose statements reflected total assets in the amount of NT\$86,792 thousand, constituting 1% of the consolidated total assets as of December 31, 2022; and total operating revenue in the amount of NT\$17,589 thousand, constituting 10% of the consolidated operating revenue for the year ended December 31, 2022. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. The investment in these associates and joint ventures under equity method amounted to NT\$82,638 thousand and NT\$101,275 thousand, representing 1% and 1% of the consolidated total assets as of December 31, 2022 and 2021, respectively. The related shares of losses from the associates and joint ventures under the equity method amounted to NT\$18,970 thousand and NT\$22,214 thousand, representing (4)% and (11)% of the consolidated net income before tax for the years ended December 31, 2022 and 2021, respectively.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of Silicon Integrated Systems Corporation as of and for the years ended December 31, 2022 and 2021.

Kuo, Shao-Pin

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 2, 2023

Notice to Readers

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

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 1,475,986	10	\$ 654,921	3
Financial assets measured at amortized cost-current	4, 6(3), 12	9,641	-	9,624	-
Trade receivables, net	4, 6(4), 6(12), 12	15,315	-	17,530	-
Trade receivables-related parties, net	4, 6(4), 6(12), 7, 12	919	-	705	-
Other receivables	12	63,934	-	50,680	-
Inventories, net	4, 5, 6(5)	100,525	1	118,978	1
Prepayments		3,463	-	5,860	-
Other current assets		15,485	-	20,282	-
Total current assets		1,685,268	11	878,580	4
Non-current assets					
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(2), 12	12,904,748	83	21,568,706	92
Investments accounted for using the equity method	4, 6(6)	82,638	1	101,275	1
Property, plant and equipment	4, 5, 6(7)	742,521	5	747,713	3
Right-of-use assets	4, 6(13)	7,954	-	7,721	-
Intangible assets	4, 6(8)	4,958	-	6,507	-
Deferred tax assets	4, 5, 6(17)	125	-	-	-
Prepayment for equipment		175	-	2,902	-
Refundable deposits	12	1,929	-	2,448	-
Net defined benefit assets-noncurrent	4, 6(9)	74,078	-	59,171	-
Total non-current assets		13,819,126	89	22,496,443	96
Total assets		\$ 15,504,394	100	\$ 23,375,023	100

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities		\$	-	\$	-
Contract liabilities-current	6(11)	2,992	-	543	-
Accounts payable	12	1,863	-	15,443	-
Accounts payable-related parties	7, 12	158	-	8,669	-
Other payables	12	80,759	1	60,044	-
Other payables-related parties	7, 12	897	-	2,639	-
Payables on equipment		2,058	-	1,943	-
Lease liabilities-current	4, 6(13), 12	4,676	-	7,626	-
Other current liabilities		3,099	-	5,277	-
Refund liabilities		3,621	-	3,492	-
Total current liabilities		100,123	1	105,676	-
Non-current liabilities			-		-
Deferred tax liabilities	4, 5, 6(17)	2,612	-	2,487	-
Lease liabilities-noncurrent	4, 6(13), 12	3,303	-	250	-
Guarantee deposits	12	3,772	-	3,772	-
Total non-current liabilities		9,687	-	6,509	-
Total liabilities		109,810	1	112,185	-
Equity					
Share capital	6(10)				
Common stock		7,495,894	48	6,814,449	29
Capital surplus	4,6(10)	85,303	1	81,798	1
Retained earnings	6(10)				
Legal reserve		429,146	3	402,492	2
Unappropriated earnings		2,418,660	15	2,811,971	12
Other equity		4,931,448	32	13,125,503	56
Equity attributable to owners of the parent		15,360,451	99	23,236,213	100
Non-controlling interests	4	34,133	-	26,625	-
Total equity		15,394,584	99	23,262,838	100
Total liabilities and equity		\$ 15,504,394	100	\$ 23,375,023	100

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	For the years ended December 31		
		2022	%	2021
Net sales	4, 6(11), 7, 14	\$ 182,202	100	\$ 252,153
Operating costs	6(5), 6(13), 6(14), 7	(177,562)	(98)	(167,666)
Gross profit		4,640	2	84,487
Operating expenses	6(12), 6(13), 6(14), 7			
Selling expenses		(74,211)	(41)	(71,921)
General and administrative expenses		(128,061)	(70)	(121,408)
Research and development expenses		(266,178)	(146)	(249,734)
Expected credit (loss) gain		(30)	-	3,119
Total operating expenses		(468,480)	(257)	(439,944)
Operating losses		(463,840)	(255)	(355,457)
Non-operating income and expenses	4, 6(6), 6(15)			
Interest income		4,645	3	2,506
Other income		994,464	546	565,202
Other gains and losses		2,576	1	6,309
Finance costs		(191)	-	(425)
Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method		(18,970)	(10)	(22,214)
Total non-operating income and expenses		982,524	540	551,378
Income before income tax		518,684	285	195,921
Income tax expense	4, 5, 6(17)	(54,781)	(30)	(11,243)
Net income	6(16)	463,903	255	184,678
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	6(9)	14,866	8	1,773
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income		(7,832,837)	(4,299)	6,047,183
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations		203	-	(468)
Other comprehensive income, net of tax		(7,817,768)	(4,291)	6,048,488
Total comprehensive income		(7,353,865)	(4,036)	6,233,166
Net income for the periods attributable to :				
Owners of the parent		\$483,657	266	\$198,311
Non-controlling interests		(19,754)	(11)	(13,633)
Total comprehensive income for the periods attributable to :		\$463,903	255	\$184,678
Owners of the parent				
Non-controlling interests				
Earnings per share (NTD)				
Basic Earnings Per Share (in New Taiwan Dollars)		\$(7,334,111)	(4,025)	\$6,246,799
Non-controlling interests		(19,754)	(11)	(13,633)
Diluted Earnings Per Share (in New Taiwan Dollars)	6(18)	\$(7,353,865)	(4,036)	\$6,233,166
		\$ 0.65		\$ 0.26
		\$ 0.64		\$ 0.26

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity				Equity attributable to owners of the parent		
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains or losses from financial assets measured at fair value through other comprehensive income					
Balance as of January 1, 2021	\$ 6,309,675	\$ 85,807	\$ 143,742	\$ 2,878,280	\$ 935,441	\$ (4,591)	\$ 7,149,843	\$ 17,498,197	\$ 9,378	\$ 17,507,575		
Appropriation and distribution of 2021 retained earnings	-	-	258,750	-	(258,750)	-	-	-	-	-	-	
Legal reserve	-	-	-	-	(504,774)	-	-	(504,774)	-	-	(504,774)	
Cash dividends	-	-	-	-	(504,774)	-	-	-	-	-	-	
Share dividends	504,774	-	-	-	2,878,280	-	-	-	-	-	-	
Special reserve reversed	-	-	-	(2,878,280)	-	-	-	-	-	-	-	
Other changes in capital surplus	-	(10,889)	-	-	-	-	-	(10,889)	-	-	(10,889)	
Share of changes in associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	
Net income for the year ended December 31, 2021	-	-	-	-	198,311	-	-	198,311	-	-	184,678	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,773	(468)	6,047,183	6,048,488	(13,633)	-	6,048,488	
Total comprehensive income (loss)	-	-	-	-	200,084	(468)	6,047,183	6,246,799	(13,633)	-	6,233,166	
Changes in subsidiaries' ownership	-	6,620	-	-	-	-	-	6,620	(6,620)	-	-	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	66,464	-	(66,464)	-	-	-	-	
Others	-	260	-	-	-	-	-	260	-	-	260	
Non-controlling Interests	-	-	-	-	-	-	-	-	-	-	-	
Balance as of December 31, 2021	\$ 6,814,449	\$ 81,798	\$ 402,492	\$ 402,492	\$ 2,811,971	\$ (5,059)	\$ 13,130,562	\$ 23,236,213	\$ 37,500	\$ 23,262,838		
Balance as of January 1, 2022	\$ 6,814,449	\$ 81,798	\$ 402,492	\$ 402,492	\$ 2,811,971	\$ (5,059)	\$ 13,130,562	\$ 23,236,213	\$ 26,625	\$ 23,262,838		
Appropriation and distribution of 2022 retained earnings	-	-	26,654	-	(26,654)	-	-	-	-	-	-	
Legal reserve	-	-	-	-	(545,156)	-	-	(545,156)	-	-	(545,156)	
Cash dividends	-	-	-	-	(681,445)	-	-	-	-	-	-	
Share dividends	681,445	-	-	-	483,657	-	-	483,657	(19,754)	-	463,903	
Net income for the year ended December 31, 2022	-	-	-	-	14,866	203	(7,832,837)	(7,817,768)	-	-	(7,817,768)	
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	498,523	203	(7,832,837)	(7,334,111)	(19,754)	-	(7,353,865)	
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	
Changes in subsidiaries' ownership	-	3,238	-	-	-	-	-	3,238	(3,238)	-	-	
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	361,421	-	(361,421)	-	-	-	-	
Others	-	267	-	-	-	-	-	267	-	-	267	
Non-controlling Interests	-	-	-	-	-	-	-	-	-	-	-	
Balance as of December 31, 2022	\$ 7,495,894	\$ 85,303	\$ 429,146	\$ 429,146	\$ 2,418,660	\$ (4,856)	\$ 4,936,304	\$ 15,360,451	\$ 30,500	\$ 15,394,584		

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

English Translation of the Consolidated Financial Statements Originally Issued in Chinese
SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31	
	2022	2021
Cash flows from operating activities :		
Net income before tax	\$ 518,684	\$ 195,921
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	26,245	26,566
Amortization	2,248	2,631
Expected credit losses (gains)	30	(3,119)
Interest expenses	191	425
Interest income	(4,645)	(2,506)
Dividend income	(955,802)	(532,886)
Share of loss of subsidiaries and joint ventures accounted for using the equity method	18,970	22,214
Losses (gains) on disposal of property, plant and equipment	238	(5)
Gains on disposal of investments	-	(6,922)
Others	(18)	-
Changes in operating assets and liabilities:		
Trade receivables	2,130	6,951
Trade receivables-related parties	(214)	1,926
Other receivables	(1,881)	1,178
Inventories	18,453	(45,851)
Prepayments	2,397	(1,277)
Other current assets	4,797	(15,515)
Other operating assets	(41)	(34)
Contract liabilities	2,449	115
Accounts payable	(13,580)	5,173
Accounts payable-related parties	(8,511)	2,539
Other payables	20,715	18,786
Other payables-related parties	(1,742)	2,639
Other current liabilities	(2,049)	2,995
Cash generated from operating activities	<u>(370,936)</u>	<u>(318,056)</u>
Interest received	4,155	2,518
Income tax paid	(65,664)	(41,047)
Net cash used in operating activities	<u>(432,445)</u>	<u>(356,585)</u>
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	831,121	183,122
Acquisition of financial assets measured at amortized cost	(17)	(19)
Acquisition of investments accounted for using the equity method	-	(30,000)
Acquisition of property, plant and equipment	(13,446)	(15,778)
Proceeds from disposal of property, plant and equipment	355	64
Decrease in refundable deposits	519	211
Acquisition of intangible assets	(695)	(2,091)
Decrease (increase) in prepayment for equipment	2,727	(2,197)
Dividends received	955,802	534,902
Net cash provided by investing activities	<u>1,776,366</u>	<u>668,214</u>
Cash flows from financing activities :		
Increase in guarantee deposits	-	367
Cash payment for the principle portion of lease liabilities	(8,365)	(9,119)
Cash dividends	(545,156)	(504,774)
Change in non-controlling interests	30,500	37,500
Others	267	260
Net cash used in financing activities	<u>(522,754)</u>	<u>(475,766)</u>
Effect of changes in exchange rate on cash and cash equivalents	(102)	(302)
Net increase (decrease) in cash and cash equivalents	821,065	(164,439)
Cash and cash equivalents at the beginning of the year	654,921	819,360
Cash and cash equivalents at the end of the year	<u>\$ 1,475,986</u>	<u>\$ 654,921</u>

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

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

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

1. HISTORY AND ORGANIZATION

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

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

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on March 2, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The application of these new standards and amendments had no material effect on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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

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

(a) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

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

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

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

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

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2023 have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non – current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

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

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

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

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

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

- (b) IFRS 17 “Insurance Contracts”

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

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

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of

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

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

applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

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

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

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

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

(2) Basis of Preparation

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

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

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

(3) Basis of Consolidation

Preparation principle of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership	
			December 31, 2022	December 31, 2021
SIS	Mars Investments (SAMOA) Ltd.	General investing	100.00%	100.00%
SIS	HuiTong Intelligence Co., Ltd.	Develop various AIOT products and provide integrated solutions	52.15% (Note)	55.81%
Mars Investments (SAMOA) Ltd.	Shenzhen SiS Technology Co., Ltd.	Marketing and technical service business	100.00%	100.00%
Mars Investments (SAMOA) Ltd.	Suzhou Mlight Electronics Co., Ltd.	Design, production, and sales integrated circuits	100.00%	100.00%

Note:

HuiTong Intelligence Company Limited issued new shares in October 2021 that decreased the Company's percentage of ownership to 52.15%.

(4) Foreign Currency Transactions

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

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

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

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

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

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

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

(5) Translation of Financial Statements in Foreign Currency

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

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

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

that results in a loss of control, loss of significant influence or joint control but retaining partial equity is considered a disposal.

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

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

(6) Current and Non-Current Distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

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

(7) Cash and Cash Equivalents

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

(8) Financial Instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

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

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

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

Financial assets measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

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

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

The loss allowance is measured as follows:

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

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

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

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

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

E. Offsetting of financial instruments

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

(9) Fair Value Measurement

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

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

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

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

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

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

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

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

(10) Inventories

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

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

Raw materials — Purchase cost on first in first out.

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

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

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

(11) Investments accounted for using the equity method

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

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

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

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

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

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

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

(12) Property, Plant and Equipment

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

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

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

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

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

(13) Leases

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

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

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

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

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

The Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company as a lessor

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

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

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

(14) Intangible Assets

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

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

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

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

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

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

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

Research and development costs

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

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

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

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

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

(15) Impairment of Non-Financial Assets

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

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

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

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

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

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

(16) Revenue Recognition

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

Sale of goods

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

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

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

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

(17) Post-Employment Benefits

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

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

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

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

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

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(18) Income Tax

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

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

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

A. Impairment of non-financial assets

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

B. Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets of the Company as of December 31, 2022.

C. Inventories

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

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2022	2021
Cash on hand and savings accounts	\$194,697	\$122,496
Time deposits	1,281,289	532,425
Total	\$1,475,986	\$654,921

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

	December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income-noncurrent		
Listed companies' stocks	\$10,849,823	\$18,549,728
Unlisted companies' stocks	2,054,925	3,018,978
Total	\$12,904,748	\$21,568,706

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

In consideration of the Company's investment strategy, during 2022, the Company disposed of certain listed shares (classified as financial assets measured at fair value through other comprehensive income) with fair value of NT\$831,121 thousand at the time of disposal. Related unrealized gain of NT\$361,421 thousand was transferred from other equity to retained earnings.

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

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

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

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

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Related to investments held at the end of the reporting period	\$955,802	\$532,886
Related to investments derecognized during the period	-	-
Dividends recognized during the period	\$955,802	\$532,886

(3) Financial Assets Measured at Amortized Cost

	December 31,	
	2022	2021
Time deposits	\$9,641	\$9,624

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

(4) Trade Receivables and Trade Receivables from Related Parties

	December 31,	
	2022	2021
Trade receivable	\$15,627	\$21,509
Less: allowances for goods returns and discounts	-	-
Less: allowance for doubtful debts	(312)	(3,979)
Subtotal	15,315	17,530
Trade receivables from related parties	919	705
Less: allowance for doubtful debts	-	-
Subtotal	919	705
Total	\$16,234	\$18,235

Trade receivables were not pledged.

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

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

Trade receivables are generally on 30-60 day terms. The total carrying amounts were NT\$16,546 thousand and NT\$22,214 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(12) for more details on impairment of trade receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	December 31,	
	2022	2021
Raw materials	\$3,320	\$231
Work in process	45,524	25,640
Finished goods	54,681	93,107
Total	<u>\$100,525</u>	<u>\$118,978</u>

The cost of inventories recognized in expenses amounted to NT\$177,562 thousand, including the write-down of inventories of NT\$54,471 thousand and reversal of write-down of inventories of NT\$26,075 thousand for the year ended December 31, 2022.

The cost of inventories recognized in expenses amounted to NT\$167,666 thousand, including the write-down of inventories of NT\$10,776 thousand and reversal of write-down of inventories of NT\$42 thousand for the year ended December 31, 2021.

No inventories were pledged.

(6) Investments Accounted for Using the Equity Method

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

Investee companies	December 31,			
	2022	2021	2022	2021
	Amount	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)
<u>Investments in associates</u>				
Vxis Technology Corporation	\$38,470	34.03	\$39,285	34.03
Goaltop Technology Corporation (NOTE A)	24,805	29.05	39,866	29.05
Waltop International Corporation (NOTE B)	-	4.00	-	4.00
Haining Jingqi Technology Corporation	19,363	38.57	22,124	38.57
Total	<u>\$82,638</u>		<u>\$101,275</u>	

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

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

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

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

	For the years ended December 31,	
	2022	2021
Loss from continuing operations	\$(18,970)	\$(22,214)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$(18,970)</u>	<u>\$(22,214)</u>

As of December 31, 2022 and 2021, the aforementioned associates did not have contingent liabilities or capital commitments and the investments in associates were not pledged.

(7) Property, Plant and Equipment

	As of	
	December 31, 2022	December 31, 2021
Owner-occupied property, plant and equipment	<u>\$742,521</u>	<u>\$747,713</u>

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

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

	Land	Buildings and facilities	Machinery equipment	Transportation equipment	Office equipment	Total
Cost:						
As of January 1, 2022	\$476,328	\$985,441	\$429,378	\$2,071	\$146,016	\$2,039,234
Additions	-	11,589	360	-	1,612	13,561
Disposals	-	-	(316)	-	(2,162)	(2,478)
Exchange differences	-	-	-	-	119	119
As of December 31, 2022	<u>\$476,328</u>	<u>\$997,030</u>	<u>\$429,422</u>	<u>\$2,071</u>	<u>\$145,585</u>	<u>\$2,050,436</u>
As of January 1, 2021	\$476,328	\$981,877	\$421,738	\$2,071	\$141,503	\$2,023,517
Additions	-	3,564	7,640	-	4,811	16,015
Disposals	-	-	-	-	(248)	(248)
Exchange differences	-	-	-	-	(50)	(50)
As of December 31, 2021	<u>\$476,328</u>	<u>\$985,441</u>	<u>\$429,378</u>	<u>\$2,071</u>	<u>\$146,016</u>	<u>\$2,039,234</u>
Depreciation and Impairment:						
As of January 1, 2022	\$-	\$733,334	\$417,163	\$1,452	\$139,572	\$1,291,521
Depreciation	-	10,138	5,470	206	2,372	18,186
Disposals	-	-	(116)	-	(1,769)	(1,885)
Exchange differences	-	-	-	-	93	93
As of December 31, 2022	<u>\$-</u>	<u>\$743,472</u>	<u>\$422,517</u>	<u>\$1,658</u>	<u>\$140,268</u>	<u>\$1,307,915</u>
As of January 1, 2021	\$-	\$723,758	\$411,243	\$1,265	\$137,717	\$1,273,983
Depreciation	-	9,576	5,920	206	2,065	17,767
Disposals	-	-	-	-	(189)	(189)
Transfers and Reclassifications	-	-	-	(19)	19	-
Exchange differences	-	-	-	-	(40)	(40)
As of December 31, 2021	<u>\$-</u>	<u>\$733,334</u>	<u>\$417,163</u>	<u>\$1,452</u>	<u>\$139,572</u>	<u>\$1,291,521</u>
Net carrying amounts as of:						
December 31, 2022	<u>\$476,328</u>	<u>\$253,558</u>	<u>\$6,905</u>	<u>\$413</u>	<u>\$5,317</u>	<u>\$742,521</u>
December 31, 2021	<u>\$476,328</u>	<u>\$252,107</u>	<u>\$12,215</u>	<u>\$619</u>	<u>\$6,444</u>	<u>\$747,713</u>

(b) There was no interest capitalization during the year of 2022 and 2021.

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

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

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

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

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

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$13,561	\$16,015
Increase in payables to equipment	(115)	(237)
Total	<u>\$13,446</u>	<u>\$15,778</u>

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

(8) Intangible Assets

	Software	Patents	Total
Cost:			
As of January 1, 2022	\$14,036	\$265,866	\$279,902
Additions	695	-	695
Exchange differences	15	-	15
As of December 31, 2022	<u>\$14,746</u>	<u>\$265,866</u>	<u>\$280,612</u>
As of January 1, 2021	\$11,953	\$265,866	\$277,819
Additions	2,091	-	2,091
Exchange differences	(8)	-	(8)
As of December 31, 2021	<u>\$14,036</u>	<u>\$265,866</u>	<u>\$279,902</u>
Amortization and Impairment:			
As of January 1, 2022	\$7,529	\$265,866	\$273,395
Amortization	2,248	-	2,248
Exchange differences	11	-	11
As of December 31, 2022	<u>\$9,788</u>	<u>\$265,866</u>	<u>\$275,654</u>
As of January 1, 2021	\$4,899	\$265,866	\$270,765
Amortization	2,631	-	2,631
Exchange differences	(1)	-	(1)
As of December 31, 2021	<u>\$7,529</u>	<u>\$265,866</u>	<u>\$273,395</u>
Net carrying amount as of:			
December 31, 2022	<u>\$4,958</u>	<u>\$-</u>	<u>\$4,958</u>
December 31, 2021	<u>\$6,507</u>	<u>\$-</u>	<u>\$6,507</u>

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

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

Amortization expense of intangible assets:

	For the years ended December 31,	
	2022	2021
Selling expenses	\$433	\$335
General and administrative expenses	536	597
Research and development expenses	1,279	1,637
Operating costs	-	62
Total	\$2,248	\$2,631

(9) Post-Employment Benefits

Defined contribution plan

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

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

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

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$10,276 thousand and NT\$10,754 thousand, respectively.

Defined benefits plan

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

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

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regards to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$0 to its defined benefit plan during the 12 months beginning after December 31, 2022.

The weighted average duration of the defined benefit obligations were 11 years as of December 31, 2022 and 2021.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31,	
	2022	2021
Current service costs	255	\$252
Net interest on the net defined benefit liabilities	(296)	(286)
Total	<u>\$ (41)</u>	<u>\$ (34)</u>

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

	December 31,		January 1,
	2022	2021	2021
Defined benefit obligation	\$49,338	\$61,529	\$61,906
Plan assets at fair value	(123,416)	(120,700)	(118,460)
Other non-current liabilities — accrued pension liabilities (assets) recognized on the balance sheets	<u>\$ (74,078)</u>	<u>\$ (59,171)</u>	<u>\$ (57,364)</u>

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

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

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2021	\$61,096	\$(118,460)	\$(57,364)
Current service cost	252	-	252
Interest expense (income)	306	(592)	(286)
Subtotal	<u>61,654</u>	<u>(119,052)</u>	<u>(57,398)</u>
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,655	-	1,655
Actuarial gains and losses arising from changes in financial assumptions	(1,550)	-	(1,550)
Experience adjustments	(230)	-	(230)
Remeasurements of the defined benefit assets	-	(1,648)	(1,648)
Subtotal	<u>(125)</u>	<u>(1,648)</u>	<u>(1,773)</u>
As of December 31, 2021	\$61,529	\$(120,700)	\$(59,171)
Current service cost	255	-	255
Interest expense (income)	308	(604)	(296)
Subtotal	<u>62,092</u>	<u>(121,304)</u>	<u>(59,212)</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	39	-	39
Actuarial gains and losses arising from changes in financial assumptions	(5,314)	-	(5,314)
Experience adjustments	(18)	-	(18)
Remeasurements of the defined benefit assets	-	(9,573)	(9,573)
Remeasurements of the defined benefit liabilities	(7,461)	7,461	-
Subtotal	<u>(12,754)</u>	<u>(2,112)</u>	<u>(14,866)</u>
As of December 31, 2022	<u>\$49,338</u>	<u>\$(123,416)</u>	<u>\$(74,078)</u>

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

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

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

	December 31,	
	2022	2021
Discount rate	1.500%	0.500%
Expected rate of salary increases	3.500%	3.750%

Sensitivity analysis of significant assumptions is as follows:

	For the years ended December 31,			
	2022		2021	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$-	\$1,211	\$-	\$1,585
Discount rate decrease by 0.25%	1,256	-	1,648	-
Rate of future salary increase by 0.25%	1,211	-	1,577	-
Rate of future salary decrease by 0.25%	-	1,174	-	1,525

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

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

(10) Equities

A. Common stock

The Company's authorized capital as of December 31, 2022 and 2021 was NT\$18,000,000 thousand, divided into 1,800,000 thousand shares, each at a par value of NT\$10. The Company's issued capital was NT\$7,495,894 thousand and NT\$6,814,449 thousand, divided into 749,590 thousand shares and 681,445 thousand shares, as of December 31, 2022 and 2021, respectively, each at a par value of NT\$10.

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

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

B. Capital surplus

	December 31,	
	2022	2021
From share of changes in associates and joint ventures	\$7,184	\$7,184
Changes in ownership interests in subsidiaries	3,238	-
Others	74,881	74,614
Total	<u>\$85,303</u>	<u>\$81,798</u>

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

C. Retained earnings and dividend policy:

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

- (a) reserve for tax payments;
- (b) offset accumulated losses in previous years, if any;
- (c) legal reserve, which is 10% of leftover profits.
- (d) allocation or reverse of special reserve as required by law or government authorities;
- (e) the board of directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

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

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may

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

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

distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

As of December 31, 2022 and 2021, special reserve set aside for the first-time adoption of TIFRS amounted to NT\$0.

The appropriation of earnings for 2021 was approved by the shareholders' meeting held on June 21, 2022, while the appropriation of earnings for 2022 was proposed by the Board of Directors' meeting on March 2, 2023. The details of distribution were as follows:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$85,994	\$26,654		
Common stock - cash dividend	749,589	545,156	1.00	0.80
Common stock - stock dividend	-	681,445	-	1.00

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

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

(11) Operating Income

A. Disaggregation of revenue

	For the years ended December 31,	
	2022	2021
Revenue from contracts with customers		
Sales of goods	\$182,202	\$252,153

Revenue from contracts with customers are all recognized at a point in time for the years ended December 31, 2022 and 2021.

B. Contract balances

Contract liabilities – current

	For the years ended December 31,	
	2022	2021
Sales of goods	\$2,992	\$543

The significant changes in the Company’s balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Revenue recognized during the period that was included in the beginning balance	\$240	\$428
Increase in receipts in advance during the period	2,689	115

(12) Expected Credit Losses

	For the years ended December 31,	
	2022	2021
Operating expenses – expected credit loss (gain)		
Trade receivables	\$30	\$(3,119)

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

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

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

The Company measures the allowance of its receivables (including trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2022 and 2021 is as follows:

As of December 31, 2022

	Neither past due (Note)	Past due					Total
		Within 90 days	91-180 days	181-270 days	271-365 days	After 366 days	
Gross carrying amount	\$7,563	\$8,671	\$-	\$-	\$-	\$312	\$16,546
Loss ratio	-	-	25%	50%	75%	100%	
Lifetime expected credit losses	-	-	-	-	-	(312)	(312)
Carrying amount of trade receivables	\$7,563	\$8,671	\$-	\$-	\$-	\$-	\$16,234

As of December 31, 2021

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

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

The movements in the provision for impairment of trade receivables for the years ended December 31, 2022 and 2021 are as follows:

	<u>Trade receivables</u>
As of January 1, 2022	\$3,979
Increase for the current period	30
Reversal for the current period	(3,752)
Effect of changes in exchange rate	55
As of December 31, 2022	<u>\$312</u>
As of January 1, 2021	\$7,154
Increase for the current period	-
Reversal for the current period	(3,119)
Effect of changes in exchange rate	(56)
As of December 31, 2021	<u>\$3,979</u>

(13) Leases

A. The Company as lessee

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

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

(a) Amounts recognized in the balance sheet

i. Right-of-use asset

The carrying amount of right-of-use assets

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Buildings and facilities	\$7,473	\$7,672
Machinery equipment	5	5
Office equipment	476	44
Total	<u>\$7,954</u>	<u>\$7,721</u>

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

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

During the years ended December 31, 2022 and 2021, the Company's additions to right-of-use assets amounted to NT\$9,064 thousand and NT\$1,561 thousand, respectively.

ii. Lease liability

	For the years ended December 31,	
	2022	2021
Lease liability	\$7,979	\$7,876
Lease liability-current	\$4,676	\$7,626
Lease liability-noncurrent	3,303	250
Total	\$7,979	\$7,876

Please refer to Note 6(15)4. for the interest on lease liability recognized during the years ended December 31, 2022 and 2021, and refer to Note 12(5). for the maturity analysis of lease liabilities as of December 31, 2022 and 2021.

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

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Buildings and facilities	\$7,890	\$8,636
Machinery equipment	63	61
Office equipment	106	102
Total	\$8,059	\$8,799

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expense relating to leases of low-value assets	\$70	\$72

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounted to NT\$8,435 thousand and NT\$9,191 thousand, respectively.

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

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

B. The Company as a lessor

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$30,616</u>	<u>\$24,670</u>

The undiscounted lease payments to be received for the remaining years as of December 31, 2022 and 2021 are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Not later than one year	\$27,978	\$29,884
Later than one years and not later than two years	16,777	27,794
Later than two years and not later than three years	-	16,177
Total	<u>\$44,755</u>	<u>\$73,855</u>

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

	<u>For the years ended December 31,</u>					
	<u>2022</u>			<u>2021</u>		
	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
Employee benefits expense						
Payroll	\$9,245	\$275,287	\$284,532	\$13,980	\$259,178	\$273,158
Labor and health	894	21,088	21,982	1,234	21,000	22,234
Pension	309	9,926	10,235	562	10,158	10,720
Directors' remuneration	-	14,768	14,768	-	7,631	7,631
Others	-	1,563	1,563	-	1,066	1,066
Total	<u>\$10,448</u>	<u>\$322,632</u>	<u>\$333,080</u>	<u>\$15,776</u>	<u>\$299,033</u>	<u>\$314,809</u>
Depreciation	<u>\$493</u>	<u>\$25,752</u>	<u>\$26,245</u>	<u>\$1,689</u>	<u>\$24,877</u>	<u>\$26,566</u>
Amortization	<u>\$-</u>	<u>\$2,248</u>	<u>\$2,248</u>	<u>\$62</u>	<u>\$2,569</u>	<u>\$2,631</u>

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

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

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

Based on profit of current year, the Company estimated 5% and 2 % of the employees' compensation and remuneration to directors for the year ended December 31, 2022, respectively. The Company recognized the amounts of NT\$28,948 thousand and NT\$11,579 thousand of employees' compensation and remuneration to directors for the year ended December 31, 2022, respectively. The employees' compensation and remuneration to directors were recognized as salary expense. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2021 amount to NT\$12,278 thousand and NT\$4,400 thousand, respectively, whereas the estimated amount accrued in the financial statements for the year ended December 31, 2021 were NT\$11,265 thousand and NT\$4,506 thousand, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021 are recognized in profit or loss of the subsequent year in 2022.

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

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

(15) Non-Operating Income and Expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Financial assets measured at amortized cost	\$4,645	\$2,506

B. Other income

	For the years ended December 31,	
	2022	2021
Rental income	\$30,616	\$24,670
Dividend income	955,802	532,886
Others	8,046	7,646
Total	\$994,464	\$565,202

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains (losses), net	\$2,814	\$(618)
(Losses) gains on disposal of property, plant and equipment	(238)	5
Gains on disposal of investment	-	6,922
Total	\$2,576	\$6,309

D. Finance cost

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	\$(191)	\$(425)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(16) Components of Other Comprehensive Income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$14,866	\$-	\$14,866	\$-	\$14,866
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	(7,832,837)	-	(7,832,837)	-	(7,832,837)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	203	-	203	-	203
Total other comprehensive income	<u>\$ (7,817,768)</u>	<u>\$-</u>	<u>\$ (7,817,768)</u>	<u>\$-</u>	<u>\$ (7,817,768)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2021

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

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

(17) Income Tax

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

Income tax expense (benefit) recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Current income tax payable	\$54,781	\$11,243
Deferred tax expense (income):		
Deferred income tax related to origination and reversal of temporary differences	(8,358)	(8,569)
Deferred income tax related to recognition and derecognition of tax losses and unused tax credits	8,358	8,569
Income tax expense recognized in profit or loss	\$54,781	\$11,243

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

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$518,684	\$195,921
At statutory income tax rate	\$103,736	\$39,184
Tax effect of expenses not deductible for tax purposes	(183,052)	(96,699)
Adjustments of deferred tax assets/liabilities for write-downs/reversals and different jurisdictional tax rates	75,366	54,794
Tax effect of other adjustments in accordance with the Income Tax Act	58,731	13,964
Income tax expense recognized in profit or loss	\$54,781	\$11,243

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

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

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

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Depreciation difference for tax purpose	\$(2,483)	\$-	\$-	\$-	\$-	\$(2,483)
Unrealized exchange gains	11	(140)	-	-	-	(129)
Impairment loss	6,506	-	-	-	-	6,506
Investments accounted for using the equity method	32,904	3,997	-	-	-	36,901
Loss allowance	94	(71)	-	-	-	23
Unrealized allowance for inventory obsolescence	18,169	4,553	-	-	-	22,722
Others	698	26	-	-	-	724
Unused tax losses	(58,386)	(8,365)	-	-	-	(66,751)
Deferred tax expense		\$-	\$-	\$-	\$-	
Net deferred tax assets / (liabilities)	<u>\$(2,487)</u>					<u>\$(2,487)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$-</u>					<u>\$125</u>
Deferred tax liabilities	<u>\$(2,487)</u>					<u>\$(2,612)</u>

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

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Depreciation difference for tax purpose	\$(2,483)	\$-	\$-	\$-	\$-	\$(2,483)
Unrealized exchange gains	(4)	15	-	-	-	11
Impairment loss	6,506	-	-	-	-	6,506
Investments accounted for using the equity method	26,178	6,726	-	-	-	32,904
Loss allowance	50	44	-	-	-	94
Unrealized allowance for inventory obsolescence	16,433	1,736	-	-	-	18,169
Others	643	55	-	-	-	698
Unused tax losses	(49,810)	(8,576)	-	-	-	(58,386)
Deferred tax expense		\$-	\$-	\$-	\$-	
Net deferred tax assets / (liabilities)	<u>\$(2,487)</u>					<u>\$(2,487)</u>
Reflected in balance sheet as follows:						
Deferred tax assets		<u>\$-</u>				<u>\$-</u>
Deferred tax liabilities		<u>\$(2,487)</u>				<u>\$(2,487)</u>

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

Year	Tax losses for the period	Unused tax losses as at		
		December 31, 2022	December 31, 2021	Expiration year
2012	1,343,045	1,343,045	1,343,045	2022
2013	594,767	594,767	594,767	2023
2014	856,518	856,518	856,518	2024
2015	44,752	44,752	44,752	2025
2016	40,639	40,639	40,639	2026
2017	86,061	86,061	86,061	2027
2018	138,422	138,422	138,422	2028
2019	308,713	308,713	308,713	2029
2020	180,566	180,566	180,566	2030
2022	335,216	335,216	-	2032
		<u>\$3,928,699</u>	<u>\$3,593,483</u>	

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

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

(d) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized amounted to NT\$804,073 thousand and NT\$868,831 thousand, respectively.

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

(e) The assessment of income tax returns

As of December 31, 2022, the assessment of income tax returns of the Company and its material subsidiaries are as follows:

	<u>The assessment of income tax returns</u>
Silicon Integrated Systems Corp.	Assessed and approved up to 2020
Subsidiary- HuiTong Intelligence Company Limited	Assessed and approved up to 2020
Subsidiary- Suzhou Mlight Electronics Co., Ltd.	Assessed up to 2021
Subsidiary- Shenzhen SiS Technology Co., Ltd	Assessed up to 2021

(18) Earnings Per Share

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

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
A. Basic earnings per share		
Net income (in thousand NT\$)	<u>\$483,657</u>	<u>\$198,311</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>749,588</u>	<u>749,588</u>
Basic earnings per share (NT\$)	<u>\$0.65</u>	<u>\$0.26</u>

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

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

	For the years ended December 31,	
	2022	2021
B. Diluted earnings per share		
Net income (in thousand NT\$)	\$483,657	\$198,311
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	749,588	749,588
Effect of dilution:		
Employees' compensation — stocks (in thousands)	1,877	418
Weighted average number of ordinary shares outstanding after dilution (in thousand)	751,465	750,006
Diluted earnings per share (NT\$)	\$0.64	\$0.26

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

7. Related Party Transactions

Name and nature of relationship of the related parties

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

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

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31,	
	2022	2021
Associates	\$28,197	\$7,820
Other related parties	1,731	6,505
	\$29,928	\$14,325

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The sales price to related parties was determined through mutual agreement based on the market demands. The trade credit terms with related parties were 60 days, while the terms with non-related parties were 30 to 60 days. The outstanding balance due from related parties as of December 31, 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	For the years ended December 31,	
	2022	2021
Other related parties	\$36,120	\$35,482

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

C. Rental income from related parties

	For the years ended December 31,	
	2022	2021
Associates	\$379	\$379
Other related parties	412	-
	\$791	\$379

D. Trade receivables from related parties

	December 31,	
	2022	2021
Associates	\$919	\$705

E. Accounts payable to related parties

	December 31,	
	2022	2021
Other relate parties	\$158	\$8,669

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

F. Other payables to related parties

	December 31,	
	2022	2021
Other relate parties	\$897	\$2,639

G. Asset transactions

During the third quarter of 2022, the Company acquired office equipment from Waltop International Corporation in the amount of NT\$129 thousand which was recorded as property, plant and equipment.

H. Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$21,152	\$13,823
Post-employment benefits	617	512
Total	\$21,769	\$14,335

8. Assets Pledged As Collateral

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

Items	Carrying amount		Purpose of pledge
	December 31, 2022	December 31, 2021	
Financial assets measured at amortized cost-current	\$2,141	\$2,124	Customs clearance
Total	\$2,141	\$2,124	

9. Contingencies and Off Balance Sheet Commitments

None.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

SILICON INTEGRATED SYSTEMS CORPORATION AND SUBSIDIARIES
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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Categories of Financial Instruments

	December 31,	
	2022	2021
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$12,904,748	\$21,568,706
Financial assets measured at amortized cost		
Cash and cash equivalents (exclude cash on hand)	1,475,460	654,492
Financial assets measured at amortized cost-current	9,641	9,624
Trade receivables (including related parties)	16,234	18,235
Other receivables (including related parties)	63,934	50,680
Refundable deposits	1,929	2,448
Subtotal	1,567,198	735,479
Total	\$14,471,946	\$22,304,185
 <u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Accounts payable (including related parties)	\$2,021	\$24,112
Other payables (including related parties)	81,656	62,683
Guarantee deposits	3,772	3,772
Lease liabilities	7,979	7,876
Total	\$95,428	\$98,443

(2) Financial Risk Management Objectives and Policies

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

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

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

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

(3) Market Risk

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

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

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreases / increases by NT\$737 thousand and NT\$375 thousand, respectively.

When NTD appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2022 and 2021 decreases / increases by NT\$192 thousand and NT\$169 thousand, respectively.

Interest rate risk

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

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

Equity price risk

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

At the reporting date ended December 31, 2022 and 2021, a change of 1% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT\$108,498 thousand and NT\$185,497 thousand, respectively, on the equity attributable to the Company.

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

(4) Credit Risk Management

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

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

As of December 31, 2022 and 2021, receivables from top ten customers represented 75% and 87% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivable was insignificant.

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

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

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2022	December 31, 2021
Simplified method				
(Note)	Note	Lifetime expected credit losses	\$16,546	\$22,214

Note: Includes trade receivables.

(5) Liquidity Risk Management

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

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	Total
As of December 31, 2022				
Accounts payable (including related parties)	\$2,021	\$-	\$-	\$2,021
Other payables (including related parties)	81,656	-	-	81,656
Guarantee deposits	-	3,772	-	3,772
Lease liabilities	6,974	3,206	167	10,347
As of December 31, 2021				
Accounts payable (including related parties)	\$24,112	\$-	\$-	\$24,112
Other payables	62,683	-	-	62,683
Guarantee deposits	-	3,772	-	3,772
Lease liabilities	7,707	250	-	7,957

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

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

(6) Fair Value of Financial Instruments

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value recognized on the balance sheet

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

(7) Fair Value Measurement Hierarchy

A. Fair value measurement hierarchy

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

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

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

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

Level 3 – Unobservable inputs for the assets or liabilities.

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

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

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

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$10,849,823	\$-	\$2,054,925	\$12,904,748

As of December 31, 2021

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

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Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

The detail movement of recurring fair value measurements in Level 3

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

	<u>Assets</u>
	<u>Financial assets at fair value through other comprehensive income</u>
	<u>Stocks</u>
As of January 1, 2022	\$3,018,978
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	(964,053)
Acquisitions/issues for the year ended December 31, 2022	-
Disposals/settlements for the year ended December 31, 2022	-
Transfer in (out) Level 3	-
As of December 31, 2022	<u><u>\$2,054,925</u></u>
As of January 1, 2021	\$2,193,360
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income”)	828,384
Acquisitions/issues for the year ended December 31, 2021	6,922
Disposals/settlements for the year ended December 31, 2021	(9,688)
Transfer in (out) Level 3	-
As of December 31, 2021	<u><u>\$3,018,978</u></u>

Total gains related to assets recognized for the years ended December 31, 2022 and 2021 amounted to NT\$964,053 thousand and NT\$828,384 thousand, respectively.

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

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

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	Lack of marketability	30%	The higher the discount for lack of marketability , the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$27,737 thousand.
Stocks	Market approach	Lack of marketability	30%	The higher the discount for lack of marketability , the lower the fair value of the stocks.	1% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT\$1,619 thousand.

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As of December 31, 2021

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

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

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

(8) Significant Assets and Liabilities Denominated in Foreign Currencies

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

	December 31, 2022		
	Foreign currencies (thousand)	Exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$2,446	30.71	\$75,116
CNY	5,028	4.408	22,165
<u>Financial liabilities</u>			
Monetary items:			
USD	\$48	30.71	\$1,460
CNY	675	4.408	2,977
	December 31, 2021		
	Foreign currencies (thousand)	Exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$1,900	27.68	\$52,581
CNY	5,717	4.344	24,835
<u>Financial liabilities</u>			
Monetary items:			
USD	\$544	27.68	\$15,059
CNY	1,836	4.344	7,975

The Company has various functional currencies, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain (loss) was NT\$2,814 thousand and NT\$(618) thousand for the years ended December 31, 2022 and 2021, respectively.

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

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

(9) Capital Management

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

13. Additional Disclosures

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

- A. Financing provided to others for the year ended December 31, 2022: None.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2022: None.
- C. Securities held as of December 31, 2022: Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 6.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022: None.
- I. Financial instruments and derivative transactions: None.
- J. Intercompany relationships and significant intercompany transactions: Please refer to Attachment 2.

(2) Information on Investees

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

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

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

(3) Investment in Mainland China

Please refer to Attachment 4.

(4) Main Shareholder Information

Please refer to Attachment 5.

14. Segment Information

(1) General information

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

(2) Geographical information

A. Net sales from external customers

	For the years ended December 31	
	2022	2021
Taiwan	\$87,100	\$110,229
Asia	93,849	141,440
Others	1,253	484
Total	<u>\$182,202</u>	<u>\$252,153</u>

B. Non-current assets

	For the years ended December 31	
	2022	2021
Taiwan	\$753,916	\$755,245
Others	1,517	6,696
Total	<u>\$755,433</u>	<u>\$761,941</u>

(3) Major customers

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

	For the years ended December 31	
	2022	2021
Customer A	\$54,113	\$78,468
Customer B	28,197	7,289
Total	<u>\$82,310</u>	<u>\$85,757</u>

ATTACHMENT 1 (Securities held as of December 31, 2022)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held company name	Securities Type	Marketable securities type and name	Relationship with the company	Financial statement account	Balances as of December 31, 2022				Note
					Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value	
SILICON INTEGRATED SYSTEMS CORPORATION	Stocks	UNITED MICROELECTRONICS CORPORATION	The Company's director	Non-current financial assets at fair value through other comprehensive income	266,580	10,849,823	2.13%	10,849,823	None
	Stocks	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	367,499	1,941,572	16.67%	1,941,572	None
	Stocks	GLOBAL MOBILE CORP.	-	Non-current financial assets at fair value through other comprehensive income	5,400	-	1.96%	-	None
	Stocks	VADEM CORPORATION - Special shares	-	Non-current financial assets at fair value through other comprehensive income	269	-	-	-	None
	Stocks	TAIWAN IMPLANT TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,328	4,795	7.96%	4,795	None
	Stocks	TC-1 Culture Fund	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	3.61%	-	None
	Stocks	ASIA PACIFIC MICROSYSTEMS, INC.	-	Non-current financial assets at fair value through other comprehensive income	7,218	108,558	15.37%	108,558	None
	Stocks	Wallop International Corporation	-	Non-current financial assets at fair value through other comprehensive income	118	-	4.00%	-	None
	Stocks	Maxima Ventures Services V, Inc.	-	Non-current financial assets at fair value through other comprehensive income	16	-	4.84%	-	None

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

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenue or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Silicon Integrated Systems Corporation	Shenzhen SIS Technology Co., Ltd.	1	Operating expenses	\$12,298	-	6.75%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Revenue	13,609	-	7.47%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Other revenue	143	-	0.08%
0	Silicon Integrated Systems Corporation	Suzhou Mlight Electronics Co., Ltd.	1	Account receivable	1,540	-	0.01%
1	Suzhou Mlight Electronics Co., Ltd.	Silicon Integrated Systems Corporation	2	Costs of goods sold	2,905	-	1.59%
0	Silicon Integrated Systems Corporation	HuiTong Intelligence Company Limited	1	Other revenue	359	-	0.20%

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

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

Note 2: Transactions are categorized as follows:

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

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

ATTACHMENT 3 : (Names, locations and related information of investee companies as of December 31, 2022) (Not including investments in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor company	Investee company	Address	Main businesses and products	Original Investment Amount		Balance as of December 31, 2022			Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount		
Silicon Integrated Systems Corporation	Mars Investments (SAMOA) Ltd.	SAMOA	General investing	\$204,343	\$175,502	6,687	100.00%	\$21,544	\$(21,601)	Subsidiary
	HuiTong Intelligence Company Limited	Taipei City, Taiwan	Develop various AIOT products and provide integrated solutions	85,000	60,000	8,500	52.15%	37,201	(24,663)	Subsidiary
	Vxis Technology Corporation	Hsinchu City, Taiwan	Manufacturing of electronic parts	144,760	144,760	4,033	34.03%	38,470	(815)	The investee accounted for using the equity method
	Goallop Technology Corporation	Taoyuan City, Taiwan	Manufacturing and sales of electronic parts	144,000	144,000	10,200	29.05%	24,805	(15,061)	The investee accounted for using the equity method

ATTACHMENT 4 (Investments in Mainland China as of December 31, 2022)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee Company	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Shenzhen SiS Technology Co., Ltd.	Electronics product technologies development, technical consultation and sales, and import and export business	\$9,320	Indirectly investment in Mainland China through companies registered in a third region	\$8,296	\$-	\$-	\$8,296	\$77	100.00%	\$77	\$11,233	\$-
Suzhou Mlight Electronics Co., Ltd.	Design, production and sales of various integrated circuits	\$148,975	Indirectly investment in Mainland China through companies registered in a third region	\$119,934	\$29,041	\$-	\$148,975	\$(20,548)	100.00%	\$(20,548)	\$9,669	\$-
Haining Jingqi Technology Co., Ltd.	Electronics components manufacturing and software development	\$30,112	Investment in China	\$30,112	\$-	\$-	\$30,112	\$(8,022)	38.57%	\$(3,094)	\$19,363	\$-

Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$187,356	\$187,356	\$9,216,271

ATTACHMENT 5 (The information of Major shareholder as of December 31, 2022)

Name	Shares	Number of shares (Units/shares)	Percentage of ownership (%)
UNITED MICROELECTRONICS CORPORATION		129,577,431	19.02%

ATTACHMENT 6 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Units (thousand)/bonds/shares (thousand)	Amount	Units (thousand)/bonds/shares (thousand)	Amount	Units (thousand)/bonds/shares (thousand)	Amount	Gain (Loss) from disposal	Valuation adjustment	Units (thousand)/bonds/shares (thousand)	Amount	
SILICON INTEGRATED SYSTEMS CORPORATION	UNITED MICROELECTRONICS CORPORATION	Non-current financial assets at fair value through other comprehensive income	-	-	285,380	\$18,549,728	-	\$-	18,800	\$831,121	\$831,121	\$-	\$(6,868,784)	266,580	\$10,849,823



Silicon Integrated Systems Corp.

www.sis.com

No. 180, Sec. 2, Gongdao 5th Rd., East Dist., Hsinchu City 30070 Tel: 886-3-516-6000 Fax: 886-3-571-1479