

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

**ITE TECH. INC.**

**PARENT COMPANY ONLY  
FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

Notice to Readers

The reader is advised that parent company only 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 Translated from Chinese

To ITE Tech. Inc.

### Opinion

We have audited the accompanying parent company only balance sheets of ITE Tech. Inc. (the "Company") as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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 Audit of a Component Auditor* section of our audit 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, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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 2021 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\$7,185,089 thousand as operating revenues for the year ended December 31, 2021, which includes sale of goods, and other operating revenues for the year ended December 31, 2021. It is necessary for the Company to judge and determine the performance obligation of a contract, the timing of its satisfaction, and the estimate of the variable considerations. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) testing the effectiveness of internal control; assessing the appropriateness of the accounting policy for revenue recognition; conducting analytical procedures for gross profit margins by product; performing test of details on samples selected from the top ten sales customers and reviewing the significant terms of sales agreements and trade terms; testing the accuracy of the sales discount calculation and the payments of refund liabilities in the subsequent period; and performing cut-off procedures on selected samples for a period before and after the reporting date.

We also considered the appropriateness of the disclosures of sales revenue. Please refer to Note 4(17), Note 5 and Note 6(16) in notes to the parent company only financial statements.

### **Other Matter – Making Reference to the Audit of a Component Auditor**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method. 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 reports of other auditors. These associates and joint ventures under equity method amounted to NT\$13,294 thousand and NT\$8,488 thousand, representing 0.15% and 0.13% of parent company only total assets as of December 31, 2021 and 2020, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$4,806 thousand and NT\$1,204 thousand, representing 0.22% and 0.11% of the parent company only income before tax for the years ended December 31, 2021 and 2020.

## **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 and for such internal control as management determines is necessary to enable the preparation of 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 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 2021 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.

Chiu, Wan-Ju

Hsu, Hsin-Min

Ernst & Young, Taiwan

February 24, 2022

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

ITE TECH. INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	As of December 31,				LIABILITIES AND EQUITY	Notes	As of December 31,			
		2021		2020				2021		2020	
<b>Current assets</b>						<b>Current liabilities</b>					
Cash and cash equivalents	4, 6(1)	\$1,975,759	22.89	\$2,022,230	31.19	Contract liabilities-current	4, 6(16)	\$4,996	0.06	\$7,012	0.11
Financial assets at fair value through profit or loss-current	4, 6(2), 6(20)	1,533,832	17.77	932,895	14.39	Trade payables		620,558	7.19	418,696	6.46
Notes receivables, net	4, 6(5), 6(17)	9,248	0.11	4,071	0.06	Trade payables to related parties	7	298,187	3.46	203,733	3.14
Trade receivables, net	4, 6(6), 6(17)	1,034,939	11.99	813,939	12.55	Other payables		699,135	8.10	449,765	6.94
Trade receivables from related parties, net	4,6(6),6(17),7	3,011	0.04	-	-	Other payables to related parties	7	3,105	0.04	6,193	0.10
Other receivables		6,117	0.07	841	0.01	Current tax liabilities	4, 6(22)	356,677	4.13	196,728	3.03
Inventories, net	4, 6(7)	1,076,888	12.48	495,831	7.65	Lease liabilities- current	4, 6(18)	3,592	0.04	3,290	0.05
Prepayments		73,482	0.85	63,477	0.98	Other current liabilities	4, 6(12)	182,380	2.11	197,261	3.04
Other current assets		120	-	91	-	Total current liabilities		2,168,630	25.13	1,482,678	22.87
Total current assets		5,713,396	66.20	4,333,375	66.83	<b>Non-current liabilities</b>					
						Deferred tax liabilities	4, 6(22)	3,043	0.03	102	-
						Lease liabilities- noncurrent	4, 6(18)	80,723	0.94	83,811	1.29
						Net defined benefit liabilities- noncurrent	4, 6(13)	87,858	1.02	84,279	1.30
						Deposits received		28,483	0.33	24,291	0.37
						Total non-current liabilities		200,107	2.32	192,483	2.96
						Total liabilities		2,368,737	27.45	1,675,161	25.83
<b>Non-current assets</b>						<b>Equity</b>					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2), 6(20)	31,397	0.37	27,404	0.42	Share capital	6(14)				
Financial assets measured at fair value through other comprehensive income, noncurrent	4, 6(3)	1,838,958	21.31	1,105,254	17.05	Common stock		1,610,801	18.66	1,610,801	24.84
Financial assets measured at amortized cost-noncurrent	4, 6(4), 8	4,230	0.05	4,230	0.07	Capital surplus	6(14)	1,458,153	16.90	1,538,693	23.73
Investments accounted for using the equity method	4, 6(8)	15,713	0.18	17,078	0.26	Retained earnings	6(14)				
Property, plant and equipment	4, 6(9)	635,405	7.36	616,786	9.51	Legal reserve		414,947	4.81	297,664	4.59
Right-of-use assets	4, 6(18)	82,370	0.96	85,755	1.32	Special reserve		-	-	211,900	3.27
Intangible assets	4, 6(10), 6(11)	220,823	2.56	228,362	3.52	Undistributed earnings		1,965,937	22.78	1,024,982	15.81
Deferred tax assets	4, 6(22)	72,676	0.84	62,508	0.96	Other equity		811,313	9.40	125,151	1.93
Other noncurrent assets-others		14,920	0.17	3,600	0.06	Total equity		6,261,151	72.55	4,809,191	74.17
Total non-current assets		2,916,492	33.80	2,150,977	33.17						
						<b>Total liabilities and equity</b>		<b>\$8,629,888</b>	<b>100.00</b>	<b>\$6,484,352</b>	<b>100.00</b>
<b>Total assets</b>		<b>\$8,629,888</b>	<b>100.00</b>	<b>\$6,484,352</b>	<b>100.00</b>						

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

## ITE TECH. INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For The Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Description	Notes	For the years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
<b>Operating revenues</b>	4, 6(16), 7	\$7,185,089	100.00	\$4,816,964	100.00
<b>Operating costs</b>	6(7), 6(18), 6(19), 7	(3,400,271)	(47.32)	(2,358,252)	(48.96)
<b>Gross profit</b>		3,784,818	52.68	2,458,712	51.04
<b>Operating expenses</b>	6(18), 6(19), 7				
Selling expenses		(421,918)	(5.87)	(330,117)	(6.85)
Administrative expenses		(320,290)	(4.46)	(260,008)	(5.40)
Research and development expenses		(946,059)	(13.17)	(755,123)	(15.68)
Total operating expenses		(1,688,267)	(23.50)	(1,345,248)	(27.93)
<b>Operating income</b>		2,096,551	29.18	1,113,464	23.11
<b>Non-operating income and expenses</b>					
Interest income		5,110	0.07	10,245	0.21
Other income	6(20),7	97,322	1.35	7,974	0.17
Other gains and losses	6(20)	5,516	0.08	(7,884)	(0.16)
Finance costs	6(20)	(1,453)	(0.02)	(1,497)	(0.03)
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	6(8)	4,005	0.06	791	0.01
Total non-operating income and expenses		110,500	1.54	9,629	0.20
<b>Net income before income tax</b>		2,207,051	30.72	1,123,093	23.31
<b>Income tax expense</b>	4, 6(22)	(401,165)	(5.58)	(187,595)	(3.89)
<b>Net income</b>		1,805,886	25.14	935,498	19.42
<b>Other comprehensive income (loss)</b>	6(21)				
<b>Items that may not be reclassified subsequently to profit or loss</b>					
Remeasurements of defined benefit plans	6(13)	(4,999)	(0.07)	2,366	0.05
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		619,358	8.62	363,785	7.55
Income tax relating to those items not to be reclassified to profit or loss		(1,812)	(0.03)	(3,418)	(0.07)
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences resulting from translating the financial statements of foreign operations		8	-	28	-
<b>Other comprehensive income, net of tax</b>		612,555	8.52	362,761	7.53
<b>Total comprehensive income</b>		\$2,418,441	33.66	\$1,298,259	26.95
<b>Earnings per share (in New Taiwan Dollars)</b>	6(23)				
Basic earnings per share (in New Taiwan Dollars)		\$11.21		\$5.83	
Diluted earnings per share (in New Taiwan Dollars)		\$10.94		\$5.71	

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



## ITE TECH. INC.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For The Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others	
Balance as of January 1, 2020	\$1,610,801	\$1,586,139	\$238,288	\$258,594	\$559,696	\$(281)	\$(211,619)	\$(5,212)	\$4,036,406
Appropriation and distribution of 2019 earnings:									
Legal reserve	-	-	59,376	-	(59,376)	-	-	-	-
Cash dividends	-	-	-	-	(483,240)	-	-	-	(483,240)
Reversal of special reserve	-	-	-	(46,694)	46,694	-	-	-	-
Changes in other capital surplus									
Cash dividends distributed from capital surplus	-	(48,324)	-	-	-	-	-	-	(48,324)
Profit for the year ended December 31, 2020	-	-	-	-	935,498	-	-	-	935,498
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	1,892	28	360,841	-	362,761
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	937,390	28	360,841	-	1,298,259
Share-based payment transactions	-	878	-	-	-	-	-	5,212	6,090
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	23,818	-	(23,818)	-	-
Balance as of December 31, 2020	\$1,610,801	\$1,538,693	\$297,664	\$211,900	\$1,024,982	\$(253)	\$125,404	\$-	\$4,809,191
Balance as of January 1, 2021	\$1,610,801	\$1,538,693	\$297,664	\$211,900	\$1,024,982	\$(253)	\$125,404	\$-	\$4,809,191
Appropriation and distribution of 2020 earnings:									
Legal reserve	-	-	117,283	-	(117,283)	-	-	-	-
Cash dividends	-	-	-	-	(885,941)	-	-	-	(885,941)
Reversal of special reserve	-	-	-	(211,900)	211,900	-	-	-	-
Changes in other capital surplus									
Cash dividends distributed from capital surplus	-	(80,540)	-	-	-	-	-	-	(80,540)
Profit for the year ended December 31, 2021	-	-	-	-	1,805,886	-	-	-	1,805,886
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(3,999)	8	616,546	-	612,555
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	1,801,887	8	616,546	-	2,418,441
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(69,608)	-	69,608	-	-
Balance as of December 31, 2021	\$1,610,801	\$1,458,153	\$414,947	\$-	\$1,965,937	\$(245)	\$811,558	\$-	\$6,261,151

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

## ITE TECH. INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2021	2020		2021	2020
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Profit before tax from continuing operations	\$ 2,207,051	\$ 1,123,093	Acquisition of financial assets at fair value through other comprehensive income	(114,354)	(100,000)
Adjustments for:			Proceeds from disposal of financial assets at fair value through other comprehensive income	8	48,056
The profit or loss items which did not affect cash flows:			Proceeds from capital return of financial assets at fair value through other comprehensive income	-	10,600
Depreciation	45,583	37,367	Acquisition of financial assets measured at amortized cost	-	(3)
Amortization	13,914	29,658	Acquisition of financial assets at fair value through profit or loss	(649)	(22,522)
Gains on financial assets and liabilities at fair value through profit or loss	(4,201)	(8,288)	Acquisition of property, plant and equipment	(60,134)	(19,983)
Interest expenses	1,453	1,497	Acquisition of intangible assets	(6,375)	(7,393)
Interest income	(5,110)	(10,245)	Increase in other non-current assets-others	(24)	(51)
Dividend income	(93,472)	(5,026)	Increase in prepayment for equipment	(11,296)	(3,075)
Share-based payment expenses	-	5,854	Dividends received	93,472	5,026
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	(4,005)	(791)	Net cash used in investing activities	(99,352)	(89,345)
Gains on disposal of investments	(1,996)	-			
Changes in operating assets and liabilities:					
Financial assets mandatorily measured at fair value through profit or loss	(598,084)	(780,000)			
Notes receivables	(5,177)	2,432	<b>Cash flows from financing activities:</b>		
Trade receivables	(221,000)	(230,625)	Increase in deposits received	4,192	8,603
Trade receivables from related parties	(3,011)	-	Cash payment for the principal portion of the lease liabilities	(3,469)	(3,116)
Inventories	(581,057)	(150,587)	Cash dividends	(966,481)	(531,564)
Prepayments	(10,005)	(14,401)	Net cash used in financing activities	(965,758)	(526,077)
Other current assets	(29)	(1)			
Contract liabilities	(2,016)	(9,542)			
Trade payables	201,862	153,224			
Trade payables to related parties	94,454	81,912			
Other payables	249,370	122,521			
Other payables to related parties	(3,088)	(12,158)			
Other current liabilities	(14,881)	70,620			
Net defined benefit liabilities	(1,420)	(5,064)			
Cash generated from operating activities:	1,265,135	401,450			
Interest received	5,212	12,578			
Interest paid	(1,453)	(1,497)	Net decrease in cash and cash equivalents	(46,471)	(446,229)
Income tax paid	(250,255)	(243,338)	Cash and cash equivalents at the beginning of the year	2,022,230	2,468,459
Net cash provided by operating activities	1,018,639	169,193	Cash and cash equivalents at the end of the year	\$ 1,975,759	\$ 2,022,230

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

ITE TECH. INC.

Notes to Parent Company Only Financial Statements

For The Years Ended December 31, 2021 and 2020

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

**1. Organization and Operation**

ITE Tech. Inc. (“the Company”) was incorporated in Hsinchu Science Park on May 29, 1996. The Company’s main products are Super I/O control (SIO) ICs for desktop computers, embedded control (EC) ICs for notebook computers, high-speed audio-video interface related ICs, system on a chip (SoC), and other customized application chips. The Company’s shares are traded in Taiwan Stock Exchange. The Company’s registered office and the main business location is at 3F, No.13, Innovation Road I, Hsinchu Science Park, Hsinchu City.

**2. Date and Procedures of Authorization of Financial Statements for Issue**

The parent company only financial statements of the Company were authorized for issue by the Board of Directors on February 24, 2022.

**3. Newly Issued or Revised Standards and Interpretations**

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

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

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) and 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 Dates
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

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

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

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

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

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

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

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

D. Annual Improvements to IFRS Standards 2018 – 2020

*Amendment to IFRS 1*

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

*Amendment to IFRS 9 Financial Instruments*

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

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

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

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

*Amendment to IAS 41*

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not 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
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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

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

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

IFRS 10 was also amended so that the gain or loss 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 June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

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

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

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

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

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses that there will be no significant impact on the Company's financial statements.

#### **4. Summary of Significant Accounting Policies**

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Report 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 parent company only financial statements 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 statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial statements 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 Company's parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NTD).

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 transaction.

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.

#### (4) Translation of financial statements in foreign currency

Each foreign entity of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of foreign operations are translated into NT\$ 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 the 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. The following partial disposals are accounted for as disposals:



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Notes to Parent Company Only Financial Statements (Continued)

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

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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 re-attributed to the non-controlling interests in that foreign operation. 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 equivalent 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.

(6) Cash and cash equivalents

Cash and cash equivalents comprises 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 times deposits with contract periods within six months).

(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 classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- I. the Company's business model for managing the financial assets and
- II. 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, other receivables and other non-current assets etc., on balance sheet as at the reporting date:

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

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) 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:

- 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.

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:

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

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

- I. a gain or loss on a financial asset measured at fair value through other comprehensive income 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.
- II. 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.

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III. 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, for certain equity investments 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, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be 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 these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were 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.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at financial asset measured at amortized cost.

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

- I. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- II. the time value of money; and
- III. 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 measures as follow:

- I. 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 at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- II. 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.
- III. 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.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has 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.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- I. the rights to receive cash flows from the asset have expired.
- II. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- III. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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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

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 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.

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.

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(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 that 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.

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

Raw materials – Actual purchase cost measured using weighted-average method

Finished goods and work in progress – Cost of direct materials and manufacturing overheads.

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 and not within the scope of inventories.

(10) Investments accounted for using the equity method

According to article 21 of the Regulations, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” and change in value will be adjusted to comply. The profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and 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 consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under “investments accounted for using the equity method,” “share of profit of subsidiaries and associates accounted for using the equity method” and “share of other comprehensive income of subsidiaries and associates accounted for using the equity method.”

The Company's investment in its associates is 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 parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a 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.



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When changes in the net assets of an associate or a 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 stock, and the Company's interest in an associate or a 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:

- (a) 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 and the proceeds on the ultimate disposal of the investment; or
- (b) 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 impairment testing of goodwill in IAS 36 *Impairment of Assets*.

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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. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, 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, respectively. 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	3~41 years
Machinery and equipment	6 years
Research and development equipment	4 years
Office equipment	4 years
Other equipment	4 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) Lease

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:

- (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, maximising the use of observable information.

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:

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

- (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.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces 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 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 those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

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.

#### Company as a lessor

At inception of a contract, the Company classifies its lease not transfer substantially all the risks and rewards incidental to ownership of an underlying asset as an operating lease.

The Company recognizes lease payments from operating leases as rental income on straight-line 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 lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial 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 are treated as changes in accounting estimates.

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Notes to Parent Company Only Financial Statements (Continued)

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite 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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

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
- (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.

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Patents</u>	<u>Computer software</u>	<u>Other intangible assets</u>
Useful lives	Finite(10 years)	Finite(3 years)	Finite(3~15 years)
Amortization method used	Amortized on a straight-line basis over the period of the patent	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired externally	Acquired externally	Acquired externally

(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 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 Companies 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 cash-generating unit'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 cash generating unit, or Companies of cash-generating units, 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 cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company 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) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Sales returns and allowances

Sales returns and allowances are accounted in accordance with IFRS 15.

(16) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(17) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policy is explained as follows:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customers and the goods are delivered to the customers. The main products of the Company are manufacturing and marketing of integrated circuit design products and revenue is recognized based on the consideration stated in the contract, net of the estimated discounts. The Company estimates the discounts using the expected value method based on historical experiences. 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 and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected discounts (recognized as other current liabilities).



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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 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 Company usually collects the payments shortly after transfer of goods to customers; therefore there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the goods subsequently; these contracts should be presented as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

(18) 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. Re-measurements, 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 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.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(20) Income taxes

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 income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' 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 arrangements, 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.

ITE TECH. INC.

Notes to Parent Company Only 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 arrangements, 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.

(21) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or Company of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## **5. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's parent company only financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability 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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(1) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit 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 cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6(11).

(2) Revenue recognition – sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6(12) and 6(16) for more details.

**6. Contents of significant accounts**

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand	\$242	\$226
Checking and saving accounts	1,035,517	211,254
Time deposits	940,000	1,810,750
Total	<u>\$1,975,759</u>	<u>\$2,022,230</u>

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

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

	As of December 31,	
	2021	2020
Mandatorily measured at fair value through profit or loss:		
Funds	\$1,565,229	\$960,299
Current	\$1,533,832	\$932,895
Non-current	31,397	27,404
Total	\$1,565,229	\$960,299

Financial assets at fair value through profit or loss were not pledged.

The Company converted Embestor Technology Inc.'s preferred stock to common stock in July 2020 upon maturity of the preferred stock, and the Company reclassified this investment from mandatorily measured at fair value through profit or loss to financial assets at fair value through other comprehensive income based on the fair value of NT\$10,796 thousand.

(3) Financial assets at fair value through other comprehensive income, non-current

	As of December 31,	
	2021	2020
Equity instrument investments measured at fair value through other comprehensive income-Non-current:		
Listed company stocks	\$43,351	\$13,740
Unlisted company stocks	1,795,607	1,091,514
Total	\$1,838,958	\$1,105,254

Financial assets at fair value through other comprehensive income were not pledged.

The Company received NT\$7,200 thousand and NT\$3,400 thousand in 2020 for the return of capital from Darjun Venture Corporation and TriKnight Capital Corporation, respectively, which were reported under equity instrument investments measured at fair value through other comprehensive income.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020 are as follow:

	Years Ended December 31,	
	2021	2020
Related to investments held at the end of the reporting period	\$91,789	\$3,562
Related to investments derecognized during the period	-	-
Dividends recognized during the period	<u>\$91,789</u>	<u>\$3,562</u>

In consideration of the Company's investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2021 and 2020 are as follow:

	Years Ended December 31,	
	2021	2020
The fair value of the investments at the date of derecognition	\$8	\$48,056
The cumulative gain or (loss) on disposal reclassified from other equity to retained earnings	\$(69,608)	\$23,818

(4) Financial assets measured at amortized cost, non-current

	As of December 31,	
	2021	2020
Time deposits	<u>\$4,230</u>	<u>\$4,230</u>

The Company classified certain financial assets as financial assets measured at amortized cost. Since credit risk is low, expected credit losses during the duration are not significant. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge, and refer to Note 12 for more details on credit risk.



ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(5) Notes receivables

	As of December 31,	
	2021	2020
Notes receivables arising from operating activities	\$9,248	\$4,071
Less: loss allowance	-	-
Total	\$9,248	\$4,071

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(17) for more details on loss allowance and Note 12 for details on credit risk.

(6) Trade receivables and trade receivables from related parties

	As of December 31,	
	2021	2020
Trade receivables	\$1,034,939	\$813,939
Less: loss allowance	-	-
Subtotal	1,034,939	813,939
Trade receivables from related parties	3,011	-
Less: loss allowance	-	-
Subtotal	3,011	-
Total	\$1,037,950	\$813,939

Trade receivables and trade receivables from related parties were not pledged.

Trade receivables are generally on 30-90 day terms. The total carrying amounts were NT\$1,037,950 thousand and NT\$813,939 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(17) for more details on impairment of trade receivables, and Note 12 for more details on credit risk.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(7) Inventories

	As of December 31,	
	2021	2020
Raw materials	\$13,410	\$20,803
Work in progress	569,511	376,249
Finished goods	493,967	98,779
Total	\$1,076,888	\$495,831

The cost of inventories recognized in expenses amounted to NT\$ 3,400,271 thousand and NT\$ 2,358,252 thousand for the years ended December 31, 2021 and 2020, respectively, including the inventory valuation loss of NT\$85,499 thousand and NT\$4,253 thousand for the years ended December 31, 2021 and 2020, respectively.

The reversals of allowance for inventory valuation and obsolescence loss resulting from inventories scrapped amounted to NT\$22,458 thousand and NT\$13,706 thousand for the years ended December 31, 2021 and 2020, respectively.

Inventories were not pledged.

(8) Investments accounted for using equity method

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

Investees	As of December 31,			
	2021		2020	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in subsidiaries				
ITE Tech. (Shenzhen) Inc.	\$2,419	100%	\$3,937	100%
Ubiquity Smart Technology Inc. (Note)	-	-	4,653	95.74%
Subtotal	2,419		8,590	
Investments in associates:				
Emright Technology Co., Ltd.	13,294	36.32%	8,488	36.32%
Total	\$15,713		\$17,078	

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Note: Ubiquity Smart Technology Inc. was resolved for dissolution and liquidation by the provisional meeting of shareholders on September 30, 2021.

(a) Investments in subsidiaries

Investments in subsidiaries are expressed in the parent company only financial statements as "Investments accounted for using equity method" and necessary valuation adjustments are made.

(b) Investment in an associate

Although the Company is the largest shareholder of an associate; after comprehensive assessment, the Company does not own the major voting rights as the remaining voting rights holders are able to align and prevent the Company from ruling the relevant operation. Therefore, the Company does not control but owns significant influence over the aforementioned associate.

The aggregate amount of the Company's share of all its individually immaterial associate that is accounted for using the equity method is as follows:

	Years Ended December 31,	
	2021	2020
Income from continuing operations	\$4,806	\$1,204
Other comprehensive income (net of tax)	-	-
Total comprehensive income	<u>\$4,806</u>	<u>\$1,204</u>

The Company did not have contingent liabilities or capital commitments to the aforementioned associate and the investment was not pledged as of December 31, 2021 and 2020.

## ITE TECH. INC.

## Notes to Parent Company Only Financial Statements (Continued)

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

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Research and development equipment	Office equipment	Other equipment	Total
<b>Cost:</b>							
As of January 1, 2021	\$311,450	\$398,842	\$902	\$35,872	\$1,481	\$22,766	\$771,313
Additions	-	201	28,682	26,052	-	5,199	60,134
Disposals	-	(1,074)	-	(3,086)	(331)	(3,735)	(8,226)
As of December 31, 2021	\$311,450	\$397,969	\$29,584	\$58,838	\$1,150	\$24,230	\$823,221
As of January 1, 2020	\$311,450	\$396,526	\$546	\$29,552	\$1,650	\$18,170	\$757,894
Additions	-	2,316	902	9,595	-	7,170	19,983
Disposals	-	-	(546)	(3,275)	(169)	(2,574)	(6,564)
As of December 31, 2020	\$311,450	\$398,842	\$902	\$35,872	\$1,481	\$22,766	\$771,313
<b>Depreciation and impairment:</b>							
As of January 1, 2021	\$-	\$123,240	\$53	\$18,862	\$1,030	\$11,342	\$154,527
Depreciation	-	19,242	3,736	12,389	294	5,854	41,515
Disposals	-	(1,074)	-	(3,086)	(331)	(3,735)	(8,226)
As of December 31, 2021	\$-	\$141,408	\$3,789	\$28,165	\$993	\$13,461	\$187,816
As of January 1, 2020	\$-	\$103,609	\$508	\$14,081	\$829	\$8,466	\$127,493
Depreciation	-	19,631	91	8,056	370	5,450	33,598
Disposals	-	-	(546)	(3,275)	(169)	(2,574)	(6,564)
As of December 31, 2020	\$-	\$123,240	\$53	\$18,862	\$1,030	\$11,342	\$154,527
<b>Net carrying amount as of:</b>							
December 31, 2021	\$311,450	\$256,561	\$25,795	\$30,673	\$157	\$10,769	\$635,405
December 31, 2020	\$311,450	\$275,602	\$849	\$17,010	\$451	\$11,424	\$616,786

## ITE TECH. INC.

## Notes to Parent Company Only Financial Statements (Continued)

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

(a) Components of buildings with different useful lives are main building structure and air conditioning units, which are depreciated over 41 years and 3 years, respectively.

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

(10) Intangible assets

	Patents	Software	Goodwill	Others	Total
<b>Cost:</b>					
As of January 1, 2021	\$201,740	\$15,695	\$2,674,827	\$11,902	\$2,904,164
Addition—acquired separately	-	1,365	-	5,010	6,375
Decreases	(201,740)	(5,512)	-	(4,801)	(212,053)
As of December 31, 2021	\$-	\$11,548	\$2,674,827	\$12,111	\$2,698,486
As of January 1, 2020	\$201,740	\$11,222	\$2,674,827	\$25,934	\$2,913,723
Addition—acquired separately	-	5,217	-	2,176	7,393
Decreases	-	(744)	-	(16,208)	(16,952)
As of December 31, 2020	\$201,740	\$15,695	\$2,674,827	\$11,902	\$2,904,164
<b>Amortization and impairment:</b>					
As of January 1, 2021	\$193,334	\$8,128	\$2,468,504	\$5,836	\$2,675,802
Amortization	8,406	4,628	-	880	13,914
Decreases	(201,740)	(5,512)	-	(4,801)	(212,053)
As of December 31, 2021	\$-	\$7,244	\$2,468,504	\$1,915	\$2,477,663
As of January 1, 2020	\$173,160	\$4,276	\$2,468,504	\$17,156	\$2,663,096
Amortization	20,174	4,596	-	4,888	29,658
Decreases	-	(744)	-	(16,208)	(16,952)
As of December 31, 2020	\$193,334	\$8,128	\$2,468,504	\$5,836	\$2,675,802
<b>Net carrying amount as of:</b>					
December 31, 2021	\$-	\$4,304	\$206,323	\$10,196	\$220,823
December 31, 2020	\$8,406	\$7,567	\$206,323	\$6,066	\$228,362

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Amortization expense of intangible assets under the statement of comprehensive income:

	Years Ended December 31,	
	2021	2020
Operating expenses	\$8,890	\$20,659
Research and development expenses	\$5,024	\$8,999

(11) Impairment testing of goodwill

The Company has two cash-generating units but the goodwill arising from the business combination is being to the second cash-generating unit, based on which, the Company assesses whether the goodwill is impaired annually. The assessments are as follows:

The recoverable amounts of the second cash-generating unit have been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rates applied to cash flow projections are both 16.05% in 2021 and 2020. Cash flows beyond the five-year period are extrapolated using the growth rate of 2.62% in 2021 and 0.06% in 2020. As of December 31, 2021 and 2020, the Company did not identify any impairment for goodwill of NT\$206,323 thousand.

The calculation of value-in-use for cash-generating units is most sensitive to the following assumptions:

- (a) Gross margin
- (b) Discount rates
- (c) Growth rates of sales

Gross margins – gross margins are based on average values achieved in the three years preceding the start of the budget period.

Discount rates — the discount rates reflect the current market assessment of the risks specific to cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Company has obligation to settle.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Growth rates estimates — the growth rates are based on historical experiences. For the reasons explained above, the long-term average growth rate used to extrapolate the budget has been adjusted base on the speed of product innovation and the overall economic environment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the second cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(12) Other current liabilities

	As of December 31,	
	2021	2020
Refund liabilities	\$173,450	\$190,198
Others	8,930	7,063
Total	<u>\$182,380</u>	<u>\$197,261</u>

(13) Post-employment benefits plans

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

For the years ended December 31, 2021 and 2020, the pension expenses recognized under the defined contribution plan are NT\$29,459 thousand and NT\$28,705 thousand, respectively.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Defined benefit 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 inadequate 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 in 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 mandating, 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 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\$2,135 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The average duration of the defined benefit plan obligation as of December 31, 2021 and 2020 are 2.5 years and 2.6 years, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	Years Ended December 31,	
	2021	2020
Current period service costs	\$1,616	\$1,609
Interest income or expense	422	505
Total	<u>\$2,038</u>	<u>\$2,114</u>



ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	\$187,675	\$178,974	\$175,856
Plan assets at fair value	(99,817)	(94,695)	(84,147)
Net defined benefit liabilities, non-current recognized on the parent company only balance sheets	\$87,858	\$84,279	\$91,709

Reconciliation of liabilities (assets) under the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2020	\$175,856	\$(84,147)	\$91,709
Current period service costs	1,609	-	1,609
Net interest expense (income)	967	(462)	505
Subtotal	178,432	(84,609)	93,823
Remeasurements of the net defined benefit liabilities (assets):			
Actuarial gains and losses arising from changes in financial assumptions	400	-	400
Experience adjustments	142	-	142
Remeasurements on plan assets	-	(2,908)	(2,908)
Subtotal	542	(2,908)	(2,366)
Payments from the plan	-	-	-
Contributions by employer	-	(7,178)	(7,178)
As of December 31, 2020	178,974	(94,695)	84,279
Current period service costs	1,616	-	1,616
Net interest expense (income)	895	(473)	422
Subtotal	181,485	(95,168)	86,317

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Remeasurements of the net defined benefit liabilities (assets):			
Demographic assumptions	34	-	34
Experience adjustments	6,156	-	6,156
Remeasurements on plan assets	-	(1,191)	(1,191)
Subtotal	6,190	(1,191)	4,999
Payments from the plan	-	-	-
Contributions by employer	-	(3,458)	(3,458)
As of December 31, 2021	\$187,675	\$(99,817)	\$87,858

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2021	2020
Discount rate	0.50%	0.50%
Expected rate of salary increases	2.5%	2.5%

The sensitivity analyses for significant assumption are shown as below:

	Years Ended December 31,			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	\$-	\$3,821	\$-	\$3,915
Discount rate decreases by 0.5%	3,988	-	4,096	-
Future salary increases by 0.5%	3,404	-	3,519	-
Future salary decreases by 0.5%	-	3,297	-	3,400

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses 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.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

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

(14) Equity

(a) Common stock

The Company's authorized capital as of December 31, 2021 and 2020 was NT\$2,500,000 thousand divided into 250,000,000 shares (including 30,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT\$10. The Company's issued capital was NT\$1,610,801 thousand divided into 161,080,124 shares as of December 31, 2021 and 2020. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of December 31,	
	2021	2020
Premium from merger	\$979,037	\$1,059,577
Restricted stocks for employees	191,764	191,764
Employee stock option	112,008	112,008
Treasury share transactions	19,238	19,238
Premium from issuance of common stock	16,424	16,424
Change in subsidiaries' ownership	1,977	1,977
Share of changes in net assets of associates and joint ventures accounted for using equity method	1,008	1,008
Others	136,697	136,697
Total	<u>\$1,458,153</u>	<u>\$1,538,693</u>

According to the Company Act, the capital surplus shall not be used except for offset a deficit of the company. When a company incurs no loss, it may distribute the capital surplus derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

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

- I. Income tax obligation;
- II. Offsetting accumulated deficits, if any;
- III. Legal reserve at 10% of net income after tax;
- IV. Allocation or reverse of special reserves as required by law;
- V. After deducting the respective amount specified from item I to IV, at least 80% of the remaining earnings will be distributed, together with the undistributed earnings at the beginning of the period, and the capital surplus. However, if the total distribution divided by all the issued shares is less than NTD 0.1 per share, all the remaining and surplus shall not be distributed.

The distribution of dividends to shareholders of the company can be paid in cash or shares. The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets. And the dividends in cash shouldn't less than 30% of the distributable, as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

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 serve, 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.

When the Company distributing distributable earnings, it shall set aside to special reserve, 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 for the adoption of IFRS, 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 from the special reserve.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

On March 31, 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance: On a public company's first-time adoption of the IFRS, 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 special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

The amount of special reserve provided by the Company for the first time in adopting IFRS is NT\$0.

The appropriation of earnings for 2020 was approved by the shareholders' meeting held on August 10, 2021, while the appropriation of earnings for 2021 was proposed by the Board of Directors' meeting on February 24, 2022. The details of distribution are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	Years Ended December 31,			
	2021	2020	2021	2020
Legal reserve	\$173,228	\$117,283		
Reversal of special reserve	-	(211,900)		
Common stock - cash dividends	1,288,641	885,941	\$8.0	\$5.5

In addition, the Board of Directors' meeting on February 24, 2022 and the shareholders' meeting on August 10, 2021 proposed and resolved to distribute the capital surplus by cash in the amount of NT\$161,080 thousand and NT\$80,540 thousand, or NT\$1 per share and NT\$0.5 per share, respectively.

Please refer to Note 6(19) for more details on employees' compensations and the remunerations to directors.

(15) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(a) Restricted stocks plans for employees

On June 20, 2016, the shareholders' meeting approved a compensation plan to issue 5,000,000 restricted stocks to qualified employees of the Company. The regulator approved for the Company to issue restricted stocks in installments. There were 3,500,000 shares issued, and the remaining 1,500,000 shares were not issued and expired.

The fair value of the restricted stocks issued was NT\$27.15 per share. The estimated compensation expenses amounted to NT\$87,037 thousand and will be recognized during the vesting period based on the vesting conditions. The Company had recognized NT\$0 and NT\$5,854 thousand as compensation expense for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Company had recognized NT\$0 as unearned employee compensation

Restrictions on the rights and vesting conditions of restricted stocks for employees are as follows:

The restricted stocks are common shares; however, certain rights of the shareholders of these shares are restricted in accordance with the securities issuance regulations and this plan. During the unvested period, these shareholders can receive various dividend distributions without restrictions. However, any right to dispose of these shares are restricted, including but not limited to sale and transfer, pledge, mortgage, gift, etc.

Those employees who remained employed by the Company during the vesting period, maintained the performance conditions at "Good" or above and complied with the confidentiality requirements of the service code are gradually eligible to the vested restricted stocks at certain percentage and time frame, the certain percentage are as follow:

One year since the date of grant:30%

Two years since the date of grant:30%

Three years since the date of grant:40%

For those employees who fail to fulfill the vesting conditions, the Company can reacquire their stocks at par. Non-employment includes, but is not limited to, resignation, severance, dismissal, self-appointed early retirement, and stay without pay.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

There are 1,020,300 shares, 942,300 shares and 1,243,200 shares vested on June 21, 2018 for first year, 2019 for the second year and 2020 for the third year, respectively.

In addition, on August 10, 2021, the stockholders approved a compensation plan in their meeting to issue 3,000,000 restricted stocks to qualified employees. The Company is authorized to issue restricted stocks in installments. There were no shares issued as of December 31, 2021.

(b) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of share-based payment plan has occurred in the years ended December 31, 2021 and 2020.

The expense recognized for employee services received for the years ended December 31, 2021 and 2020 are shown in the following table:

	Years Ended December 31,	
	2021	2020
Restricted stocks for employees	\$-	\$5,854

(16) Operating revenues

	Years Ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$7,181,632	\$4,812,264
Other operating revenues	3,457	4,700
Total	\$7,185,089	\$4,816,964

Analysis of revenue from contracts with customers for the years ended December 31, 2021 and 2020 is as follows:

(a) Contract balances

Contract liabilities – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sale of goods	\$4,996	\$7,012	\$16,554

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

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

	Years Ended December 31,	
	2021	2020
The opening balance transferred to revenue	\$(7,012)	\$(16,552)
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	4,996	7,010
Total	\$(2,016)	\$(9,542)

(b) Assets recognized from costs to fulfil a contract

None.

(17) Expected credit gains

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

The trade receivables loss allowance is measured by using a provision matrix, details are as follows:

2021.12.31

	Not past due (Note)	Past due					Total
		Within 30 days	31-120 days	121-150 days	151-180 days	After 181 days	
Gross carrying amount	\$1,031,332	\$15,105	\$761	\$-	\$-	\$-	\$1,047,198
Loss ratio	-	-	-	1%-20%	20%-30%	30%-100%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Carrying amount of trade receivables	\$1,031,332	\$15,105	\$761	\$-	\$-	\$-	\$1,047,198



ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

2020.12.31

	Not past due (Note)	Past due					Total
		Within 30 days	31-120 days	121-150 days	151-180 days	After 181 days	
Gross carrying amount	\$809,903	\$7,139	\$968	\$-	\$-	\$-	\$818,010
Loss ratio	-	-	-	1%-20%	20%-30%	30%-100%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Carrying amount of trade receivables	\$809,903	\$7,139	\$968	\$-	\$-	\$-	\$818,010

Note: All of the Company's note receivables are not yet due.

(18) Leases

Company as a lessee

The Company leases various properties, including real estate such as land and buildings, and furniture and fixtures. The lease terms range from 3 to 33 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Land	\$81,109	\$84,443
Buildings	617	927
Furniture and fixtures	644	385
Total	\$82,370	\$85,755

During the years ended December 31, 2021 and 2020, the additions to right-of-use assets of the Company amounted to NT\$683 thousand and NT\$1,226 thousand, respectively.

## ITE TECH. INC.

## Notes to Parent Company Only Financial Statements (Continued)

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

## II. Lease liabilities

	As of December 31,	
	2021	2020
Current	\$3,592	\$3,290
Non-current	80,723	83,811
Total	<u>\$84,315</u>	<u>\$87,101</u>

Please refer to Note 6(20) for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

## (b) Amounts recognized in the statement of comprehensive income

## Depreciation charge for right-of-use assets

	Years Ended December 31,	
	2021	2020
Land	\$3,334	\$3,334
Buildings	616	369
Furniture and fixtures	118	66
Total	<u>\$4,068</u>	<u>\$3,769</u>

## (c) Income and costs relating to leasing activities

	Years Ended December 31,	
	2021	2020
The expenses relating to short-term leases	\$450	\$376
The expenses relating to leases of low-value assets (Not including the short-term leases)	88	86
The expenses relating to variable lease payments not included in the measurement of lease liabilities	1,251	1,171
Total	<u>\$1,789</u>	<u>\$1,633</u>
Income from subleasing right-of-use assets	<u>\$631</u>	<u>\$374</u>

## (d) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$6,593 thousand and NT\$6,111 thousand, respectively.

## ITE TECH. INC.

## Notes to Parent Company Only Financial Statements (Continued)

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

## (e) Extension and termination options

Some of the Company's property rental agreements contain extension option. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. The option is used to maximize operational flexibility in terms of managing contracts. The majority of extension option held is exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term.

(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

	Years Ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$54,342	\$1,205,361	\$1,259,703	\$41,014	\$914,222	\$955,236
Labor and health insurance	3,368	50,928	54,296	2,827	43,547	46,374
Pension	1,833	29,664	31,497	1,731	29,088	30,819
Remuneration to directors	-	17,728	17,728	-	14,955	14,955
Other employee benefits	699	9,552	10,251	674	9,556	10,230
Total	\$60,242	\$1,313,233	\$1,373,475	\$46,246	\$1,011,368	\$1,057,614
Depreciation	\$5,026	\$40,557	\$45,583	\$1,431	\$35,936	\$37,367
Amortization	\$-	\$13,914	\$13,914	\$-	\$29,658	\$29,658

The average number of employees of the Company was 431 and 430 for the years ended December 31, 2021 and 2020, respectively, including both 5 non-employee directors for years ended December 31, 2021 and 2020, respectively. The average employee benefits expense for the current year was NT\$3,183 thousand, and the average employee benefits expense for the previous year was NT\$2,453 thousand. The average employee salaries for the current year was NT\$2,957 thousand, and the average employee salaries for the previous year was NT\$2,248 thousand. The Company's average salary expense adjustment increased by 31.56%.

The Company's salary and remuneration policy is as follows:

- (a) The Company's employee salary includes fixed monthly salary, festival bonus, performance reward, employee benefits and share-based payment plans. The employee compensation policy is based on the salary market, the Company's operating performance and organizational structure. According to the flexible adjustment of employee performance and market salary. In addition, uphold the spirit of profit sharing, pay performance reward based on the Company's operating performance, departmental performance and individual performance of employees, and recognize employee compensation in accordance with the Company's Articles of Incorporation. In order to retain outstanding talents, the Company will implement employees in a timely reward. There is a complete employee welfare system to achieve the goal of employee work-life balance and create the Company's sustainable development momentum.
- (b) The Company's remuneration of the directors includes remuneration, business execution costs and directors' remuneration which is determined by the remuneration committee and the Board of Directors in consideration of the Company's operating results and reference to its contribution to the Company's performance. Directors' remuneration recognize in accordance with Article 26-1 of the Company's Articles of Incorporation. The procedures for determining remuneration are based on the Company's "Director Performance Evaluation Method". In addition to referring to the Company's overall operating performance, future business risks and development trends of the industry, it also refers to the individual director's performance achievement rate and the Company's performance.
- (c) The Company's manager remuneration includes salary, employee remuneration and share-based compensation. The remuneration policy for managers is based on the Company's "Salary Management Measures" and the salary level of the position in the industry market, the scope of authority and contribution to the Company's operating goals.

According to the Articles of Incorporation, between 8% to 20% of profit of the current year is distributable as employees' compensation and no higher than 1% 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.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Based on profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 and December 31, 2020 to be NT\$392,322 thousand, NT\$16,108 thousand, NT\$200,552 thousand and NT\$13,370 thousand, respectively. The employees' compensation and remuneration to directors 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.

The distributions of employees and directors' compensation for 2021 and 2020 were approved through the Board of Directors' meeting on February 24, 2022 and February 19, 2021, respectively. There is no differences between the estimated amount and the actual distribution for the aforementioned employees and directors' compensation.

(20) Non-operating income and expenses

(a) Other income

	Years Ended December 31,	
	2021	2020
Rental income	\$3,086	\$2,830
Dividend income	93,472	5,026
Others	764	118
Total	<u>\$97,322</u>	<u>\$7,974</u>

(b) Other gains and losses

	Years Ended December 31,	
	2021	2020
Gains on disposal of investments	\$1,996	\$-
Foreign exchange losses	(658)	(16,172)
Gains on financial assets at fair value through profit or loss (Note)	4,201	8,288
Others	(23)	-
Total	<u>\$5,516</u>	<u>\$(7,884)</u>

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss, including valuation adjustment and exchange difference, etc.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(c) Finance costs

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest expenses on lease liabilities	\$1,451	\$1,495
Interest expenses on guarantee deposits	2	2
Total	<u>\$1,453</u>	<u>\$1,497</u>

(21) Components of other comprehensive income

For the year ended December 31, 2021

	<u>Arising during the period</u>	<u>Other comprehensive income, before tax</u>	<u>Income tax relating to components of other comprehensive income</u>	<u>Other comprehensive income, net of tax</u>
Items that may not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	\$(4,999)	\$(4,999)	\$1,000	\$(3,999)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	619,358	619,358	(2,812)	616,546
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	8	8	-	8
Total	<u>\$614,367</u>	<u>\$614,367</u>	<u>\$(1,812)</u>	<u>\$612,555</u>

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

For the year ended December 31, 2020

	Arising during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that may not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	\$2,366	\$2,366	\$(474)	\$1,892
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	363,785	363,785	(2,944)	360,841
Items that may be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of foreign operations	28	28	-	28
<b>Total</b>	<b>\$366,179</b>	<b>\$366,179</b>	<b>\$(3,418)</b>	<b>\$362,761</b>

(22) Income tax

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

Income tax expense (income) recognized in profit or loss

	Years Ended December 31,	
	2021	2020
Current income tax expense (income):		
Current income tax charge	\$440,245	\$234,184
Adjustments in respect of current income tax of prior periods	(30,041)	(37,024)
Deferred tax expense (income):		
Deferred tax income relating to origination and reversal of temporary differences	(9,039)	(9,565)
<b>Total income tax expense</b>	<b>\$401,165</b>	<b>\$187,595</b>

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Income tax relating to components of other comprehensive income

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax expense (income):		
Unrealized gains (losses) from equity		
instrument investments measured at fair	\$2,812	\$2,944
value through other comprehensive income		
Remeasurements of defined benefit plans	(1,000)	474
Total	<u>\$1,812</u>	<u>\$3,418</u>

A reconciliation of tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Accounting profit before tax from continuing operations	\$2,207,051	\$1,123,093
Tax at the Company's domestic rate	\$441,410	\$224,619
Tax effect of revenues exempt from taxation	(17,927)	(862)
Tax effect of expenses not deductible for tax purposes	(371)	(1,475)
Surtax on undistributed retained earnings	8,494	2,547
Adjustments in respect of current income tax of prior periods	(30,041)	(37,024)
Others	(400)	(210)
Total income tax expense recognized in profit or loss	<u>\$401,165</u>	<u>\$187,595</u>



## ITE TECH. INC.

## Notes to Parent Company Only Financial Statements (Continued)

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

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Difference between the investment cost and the fair value measured at fair value through other comprehensive gains and losses	\$(28)	\$-	\$(2,812)	\$(2,840)
Unrealized foreign exchange losses (gains)	(74)	(129)	-	(203)
Unrealized inventory valuation loss reversal	7,594	12,608	-	20,202
Refund liabilities	38,040	(3,350)	-	34,690
Net defined benefit liabilities	16,856	(284)	1,000	17,572
Others	18	194	-	212
Deferred tax income (expense)		<u>\$9,039</u>	<u>\$(1,812)</u>	
Net deferred tax assets/(liabilities)	<u>\$62,406</u>			<u>\$69,633</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$62,508</u>			<u>\$72,676</u>
Deferred tax liabilities	<u>\$(102)</u>			<u>\$(3,043)</u>

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2020
Temporary differences				
Difference between the investment cost and the fair value measured at fair value through other comprehensive gains and losses	\$2,916	\$-	\$(2,944)	\$(28)
Unrealized foreign exchange losses (gains)	1,221	(1,295)	-	(74)
Unrealized inventory valuation loss reversal	9,485	(1,891)	-	7,594
Refund liabilities	24,271	13,769	-	38,040
Net defined benefit liabilities	18,342	(1,012)	(474)	16,856
Others	24	(6)	-	18
Deferred tax income (expense)		<u>\$9,565</u>	<u>\$(3,418)</u>	
Net deferred tax assets/(liabilities)	<u>\$56,259</u>			<u>\$62,406</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$56,259</u>			<u>\$62,508</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$(102)</u>

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(b) Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized both amount to NT\$0.

(c) The assessment of income tax returns

As of December 31, 2021, the assessment and approval of the income tax returns of the Company is up to 2019.

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity 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.

	Years Ended December 31,	
	2021	2020
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	\$1,805,886	\$935,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	161,080,124	160,492,491
Basic earnings per share (NT\$)	\$11.21	\$5.83

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

	Years Ended December 31,	
	2021	2020
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT\$)	\$1,805,886	\$935,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	161,080,124	160,492,491
Effect of dilution:		
Employees' compensation-stock (share)	3,954,533	3,345,822
Weighted average number of ordinary shares outstanding after dilution (share)	165,034,657	163,838,313
Diluted earnings per share (NT\$)	\$10.94	\$5.71

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the issuance date of the financial statements.

## 7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

### Name and nature of relationship of the related parties

<u>Names of related parties</u>	<u>Nature of relationship of the related parties</u>
United Microelectronics Corp.	Director of the Company
HeJian Technology (Suzhou) Co., Ltd.	Other related party
Wavetek Microelectronics Corporation	Other related party
United DS Semiconductor (Shandong) Co., Ltd.	Other related party
Fortune Venture Capital Corp.	Other related party
United Semiconductor (Xiamen) Co., Ltd.	Other related party
Emright Technology Co., Ltd.	Associates

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Significant transactions with the related parties

(1) Sales

	Years Ended December 31,	
	2021	2020
Associates	\$21,119	\$6,609

The sales prices to the above related parties were determined through mutual agreement in reference to market conditions. The payment term for the related parties was 30 days after month-end.

(2) Purchases

	Years Ended December 31,	
	2021	2020
United Microelectronics Corp.	\$916,181	\$726,647
HeJian Technology (Suzhou) Co., Ltd.	549,238	350,151
Others	1,596	889
Total	\$1,467,015	\$1,077,687

The purchase price to the above related party is not comparable to the market due to differentiation of manufacturing process and product specification. Payment terms to related parties were 45 days after month-end.

(3) Trade receivables from related parties

	As of December 31,	
	2021	2020
Associates	\$3,011	\$-

(4) Trade payables to related parties

	As of December 31,	
	2021	2020
United Microelectronics Corp.	\$193,646	\$134,257
HeJian Technology (Suzhou) Co., Ltd.	104,002	69,306
Others	539	170
Total	\$298,187	\$203,733

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(5) Other payables to related parties

	As of December 31,	
	2021	2020
Director of the Company	\$2,828	\$5,504
Others	277	689
Total	\$3,105	\$6,193

(6) The Company disposed the stock of M3 Technology Inc. to other related parties for NT\$38,688 thousand during the year ended December 31, 2020, which were reported under equity instrument investments measured at fair value through other comprehensive income. The accumulated unrealized valuation gain of NT\$26,241 thousand were reclassified from other components of equity to retained earnings.

(7) The consultant service transaction NT\$38,336 thousand and NT\$33,507 thousand to subsidiary were recorded as operating expenses in the year 2021 and 2020. Payment terms for subsidiary was on demand.

(8) The Company purchased masks and other from the director of the Company and recognized NT\$31,759 thousand and NT\$29,946 thousand as manufacturing expenses and operating expenses for the years ended December 31, 2021 and 2020, respectively. Payment terms for related parties were 45 days after month-end.

(9) The Company had transactions with other related parties and recognized NT\$6,740 thousand and NT\$2,173 thousand of manufacturing expenses and operating expenses for the years ended December 31, 2021 and 2020, respectively. Payment terms for related parties were 45 days after month-end and on demand.

(10) The Company recognized NT\$19 thousand of non-operating income in the year of 2021 for its transactions with associates. The payment term for associates was 30 days after month-end.

(11) Key management personnel compensation

	Years Ended December 31,	
	2021	2020
Short-term employee benefits	\$111,179	\$86,479
Post-employment benefits	1,784	1,752
Share-based payment	-	1,032
Total	\$112,963	\$89,263

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

**8. Assets Pledged As Security**

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

<u>Assets pledged for security</u>	<u>As of December 31,</u>		<u>Secured liabilities</u>
	<u>2021</u>	<u>2020</u>	
Financial assets measured at amortized cost – non current	<u>\$4,230</u>	<u>\$4,230</u>	Guarantee for land

**9. Significant Contingencies And Unrecognized Contractual Commitments**

The Company uses patents of other companies for certain products, and has paid royalty fees based on sales amounts or quantities of these products in accordance with the agreements.

**10. Losses Due To Major Disasters**

None.

**11. Significant Subsequent Events**

None.

**12. Others**

(1) Categories of financial instruments

Financial assets

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$1,565,229	\$960,299
Financial assets at fair value through other comprehensive income	1,838,958	1,105,254
Financial assets measured at amortized cost (Note)	3,033,171	2,845,170
Total	<u>\$6,437,358</u>	<u>\$4,910,723</u>

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Financial liabilities

	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Trade and other payables (including related parties)	\$1,620,985	\$1,078,387
Lease liabilities	84,315	87,101
Deposits received	28,483	24,291
Total	<u>\$1,733,783</u>	<u>\$1,189,779</u>

Note: Including cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivables, trade receivables (including related parties), other receivables and other non-current assets (refundable deposits).

(2) Financial risk management objectives

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 appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

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

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

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

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 expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 5%, the profit for the year ended December 31, 2021 increase/decrease by NT\$6,937 thousand, and the profit for the year ended December 31, 2020 would decrease/increase by NT\$10,156 thousand.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company doesn't have any liabilities risk of changes in market interest rates. Therefore, the Company expects no fair value and cash flow risks due to significant interest rate fluctuations.

All of the Company's financial assets and financial liabilities that are exposed to cash flow risk due to fluctuating interest rate are under short term contracts, thus the cash flow risk of fluctuate interest is considerably low.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments with variable interest rate. At the reporting date, an increase/decrease of 10 basis points (0.1%) of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to increase/decrease both by NT\$2 thousand.



Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Company's listed equity securities are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. 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 equity investments according to level of authority.

For the years ended December 31, 2021 and 2020, a change of 10% in the price of the equity instrument investments could increase/decrease by NT\$4,335 thousand and NT\$1,374 thousand, respectively.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments that are linked to such equity instruments whose fair value measurement is categorized under Level 3 of the fair value hierarchy.

(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 note receivables) and from its financing activities, including bank deposits and other financial instruments.

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

As of December 31, 2021 and 2020, trade receivables from top ten customers represented 94.08% and 96.02% of the total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Credit risk from balances with bank and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions and companies with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, for debt instrument investments which are not measured at fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Company are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Total carrying amount as of December 31,	
			2021	2020
Simplified approach (Note)	(Note)	Lifetime expected credit losses	\$1,047,198	\$818,010

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including note receivables, trade receivables and trade receivables from related parties.

Financial assets are written off when there is no realistic prospect of future recovery.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and financial assets and liabilities at fair value through profit or loss. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Non-derivative financial liabilities

	Less than						Total
	1 year	2 to 3 years	4 to 5 years	5 to 15 years	15 to 20 years	> 20 years	
December 31, 2021							
Payables (including related parties)	\$1,620,985	\$-	\$-	\$-	\$-	\$-	\$1,620,985
Lease liabilities	\$4,989	\$8,699	\$8,445	\$41,672	\$17,666	\$22,371	\$103,842
Deposits received	\$-	\$28,483	\$-	\$-	\$-	\$-	\$28,483
December 31, 2020							
Payables (including related parties)	\$1,078,387	\$-	\$-	\$-	\$-	\$-	\$1,078,387
Lease liabilities	\$4,737	\$8,998	\$8,442	\$41,671	\$19,668	\$24,536	\$108,052
Deposits received	\$-	\$24,291	\$-	\$-	\$-	\$-	\$24,291

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2021 and 2020:

	Deposits received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$15,688	\$88,991	\$104,679
Cash flows	8,603	(3,116)	5,487
Non-cash changes	-	1,226	1,226
As of December 31, 2020	24,291	87,101	111,392
Cash flows	4,192	(3,469)	723
Non-cash changes	-	683	683
As of December 31, 2021	\$28,483	\$84,315	\$112,798

(7) Fair values 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:

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

- I. The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, other non-current assets, payables (including related parties) and deposits received approximate their fair value due to their short maturities.
- II. 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 (including listed equity securities) at the reporting date.
- III. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market approach 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 amounts of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair values 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. 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 asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the assets or liabilities.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

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. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$1,565,229	\$-	\$-	\$1,565,229
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	43,351	-	1,795,607	1,838,958
Total	<u>\$1,608,580</u>	<u>\$-</u>	<u>\$1,795,607</u>	<u>\$3,404,187</u>

As of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Funds	\$960,299	\$-	\$-	\$960,299
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	13,740	-	1,091,514	1,105,254
Total	<u>\$974,039</u>	<u>\$-</u>	<u>\$1,091,514</u>	<u>\$2,065,553</u>

ITE TECH. INC.

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, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in level 3 on recurring basis

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

	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Stocks	Stocks	
As of January 1, 2021	\$-	\$1,091,514	\$1,091,514
Total gains and losses recognized:			
Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-	604,101	604,101
Additions	-	100,000	100,000
Disposal	-	(8)	(8)
As of December 31, 2021	\$-	\$1,795,607	\$1,795,607

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Stocks	Stocks	
As of January 1, 2020	\$10,140	\$680,689	\$690,829
Total gains and losses recognized:			
Amount recognized in profit or loss (“other profit or loss”)	656	-	656
Amount recognized in other comprehensive income (“Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-	355,309	355,309
Additions	-	100,000	100,000
Disposal	-	(44,680)	(44,680)
Capital return	-	(10,600)	(10,600)
Transfer between Level 3	(10,796)	10,796	-
As of December 31, 2020	\$-	\$1,091,514	\$1,091,514

Recognized as profit (loss) above, the gain from financial assets still held by the Company as of December 31, 2021 and 2020 was NT\$604,450 thousand and NT\$321,217 thousand, respectively.

Information on significant unobservable inputs to valuation

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

ITE TECH. INC.

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 technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT\$55,594 thousand
Stocks	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT\$123,967 thousand

As of December 31, 2020:

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT\$21,984 thousand
Stocks	Asset approach	Discount for lack of marketability	0%~10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT\$87,167 thousand



ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company validates the fair value measurements and ensure that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company also analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed based on the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

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

	As of December 31,					
	2021			2020		
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)
<u>Financial assets</u>						
Monetary items:						
USD	\$11,438	27.655	\$316,325	\$15,937	28.10	\$447,843
<u>Financial liabilities</u>						
Monetary items:						
USD	\$16,455	27.655	\$455,070	\$8,709	28.10	\$244,724

The Company does not disclose all of information regarding the assets and liabilities denominated in foreign currencies due to the varieties of foreign currency transactions. During the years ended December 31, 2021 and 2020, the foreign exchange losses were NT\$658 thousand and NT\$16,172 thousand, respectively.

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

(10) 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.

English Translation of Financial Statements and Footnotes Originally Issued in Chinese  
ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

**13. Additional Disclosure**

(1) Information at significant transactions

Additional disclosures for information of the Company for the year ended December 31, 2021:

(a) Financing provided to others for the year ended December 31, 2021: None.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2021: None.

(c) Marketable securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures):

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	December 31, 2021				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value (dollar)/ Shares/Units	
ITE Tech. Inc.	Common Stock	Unitech Capital, Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	2,000,000	83,800	4.00%	41.90	
	Common Stock	Shieh Yong Investment Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income, non-current	24,368,086	333,843	1.52%	13.70	
	Common Stock	Darjun Venture Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	9,280,000	84,541	19.61%	9.11	
	Common Stock	TriKnight Capital Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	29,285,000	463,582	5.00%	15.83	
	Common Stock	Darhe II Venture Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	10,000,000	94,300	14.29%	9.43	
	Common Stock	Darchan Venture Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	20,000,000	179,600	18.18%	8.98	
	Common Stock	Generiton Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income, non-current	508,047	24,584	12.70%	48.39	
	Common Stock	Embester Technology Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	4,400,000	49,236	16.92%	11.19	
	Common Stock	M3 Technology Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	2,003,000	461,371	5.45%	230.34	
	Common Stock	Isentek Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	1,000,000	20,750	4.04%	20.75	

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	December 31, 2021				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value (dollar)/ Shares/Units	
ITE Tech. Inc.	Common Stock	A-Tec Subsystem Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	500,000	-	12.50%	-	
	Common Stock	Gigastone Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	1,734,841	21,356	3.42%	12.31	
	Common Stock	Orient Semiconductor Electronics Limited	-	Financial assets measured at fair value through other comprehensive income, non-current	830,000	21,995	0.10%	26.50	
	Fund	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss, current	49,087,372.63	671,447	-	13.68	
	Fund	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss, current	17,440,929.40	250,284	-	14.35	
	Fund	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss, current	30,115,964.21	451,351	-	14.99	
	Fund	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss, current	9,756,813.62	160,750	-	16.48	
	Fund	Yuanta/P-shares Taiwan Dividend Plus ETF	-	Financial assets at fair value through profit or loss, non-current	935,000	31,397	-	33.58	

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021:

Amount: Thousands of NTD

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning balance		Acquisition		Disposal				Ending balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gains (Losses) on Disposal	Units	Amount
ITE Tech. Inc.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss, current	-	-	45,567,847.86	\$621,814	32,921,265.23	\$450,000	29,401,740.46	\$401,916	\$399,920	\$1,996	49,087,372.63	\$671,447
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss, current	-	-	10,076,285.64	\$150,641	20,039,678.57	\$300,000	-	\$-	\$-	\$-	30,115,964.21	\$451,351

(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021:

Amount: Thousands of NTD

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Payable or Receivable		Note
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ITE Tech. Inc.	United Microelectronics Corp.	Directors of the Company	Purchase	\$916,181	49.14%	45 days after month-end	Not comparable to the market due to differentiation of manufacturing process and product specification.	Same as general trading conditions	\$(193,646)	(21.08)%	
	HeJian Technology (Suzhou) Co., Ltd.	Other related party	Purchase	\$549,238	29.46%	45 days after month-end	Not comparable to the market due to differentiation of manufacturing process and product specification.	Same as general trading conditions	\$(104,002)	(11.32)%	

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021: None.

(i) Financial instruments and derivative transactions: None.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(j) Intercompany relationship and significant intercompany transactions for the year ended December 31, 2021:

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	ITE Tech. Inc.	ITE Tech. (Shenzhen) Inc.	1	Administrative expenses	\$38,336	On demand	0.53%

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transactions.

1. 0 for parent company.
2. Subsidiaries are given a number in sequence starting with No. 1.

Note 2: There are three types of transactions. Please remark the type of transaction by giving a number to it.

1. Parent to Subsidiary.
2. Subsidiary to Parent.
3. Subsidiaries to Subsidiaries.

Note 3: Asset/liability items are calculated by using the ending balances of the item divided by ending balance of total consolidated assets; Profit/loss items are calculated by using the amount of the transaction divided by total consolidated revenue.

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(2) Information on investees

(a) Names, locations and related information of investees as of December 31, 2021 (excluding investment in Mainland China):

Amount: Thousands of NTD

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2021			Net Income (losses) of the Investee	Profits/losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
ITE Tech. Inc.	Ubiquity Smart Technology Inc.	Taiwan	Wholesale of electronic materials	\$-	\$87,000	-	-	\$-	\$753	\$725	Note
	Emright Technology Co., Ltd.	Taiwan	Communication machinery equipment, electronic components manufacturing	\$41,768	\$41,768	4,176,800	36.32%	\$13,294	\$13,232	\$4,806	

Note: Ubiquity Smart Technology Inc. was dissolved and liquidated on September 30, 2021.

(b) The Company has control over the investee company, supplementary disclosure of relevant information about the investee company: None.



ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(3) Investment in China

(a) Investment situation:

Amount: US Dollars/Thousands of NTD

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 4)	Method of Investment	Accumulated outflow of Investment from Taiwan as of January 1, 2021 (Note 4)	Investment Flows		Accumulated outflow of Investment from Taiwan as of December 31, 2021 (Note 4)	Percentage of Ownership	Net Income (Losses) of the Investee Company	Share of Profits /Losses (Note 3)	Carrying Amount as of December 31, 2021 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
ITE Tech. (Shenzhen) Inc.	Technological consultation services for ICs products	\$16,593 USD 600,000	Direct investment in Mainland China (Note 1)	\$16,593 USD 600,000	\$-	\$-	\$16,593 USD 600,000	100%	\$(1,526)	\$(1,526)	\$2,419	\$-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$16,593 (Note 4) (USD600,000)	\$16,593 (Note 4) (USD600,000)	\$3,756,690 (Note 2)

Note 1: The Company has been approved the investment which that changed the investment structure and directly invested in ITE Tech. (Shenzhen) Inc. by the Investment Commission, MOEA.

Note 2: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 3: According to regulations, it may be evaluated based on the financial statements of the investee company audited by the accountant during the same period.

Note 4: Converted to NTD at the exchange rate on the financial reporting date (1 USD=27.655NTD).

ITE TECH. INC.

Notes to Parent Company Only Financial Statements (Continued)

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

(b) Significant direct or indirect transactions with the investees in Mainland China:

- I. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- II. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- III. The amount of property transactions and the amount of the resultant gains or losses: None.
- IV. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- V. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- VI. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Note 13(1) (j).

(4) Information of major shareholders

Name of major shareholders	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corp.	13,959,978	8.66%

ITE TECH. INC.  
1.STATEMENT OF CASH AND CASH EQUIVALENTS  
As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand		\$ 242	1.Exchange rate:
Checking and saving accounts		1,035,517	US\$1=NT\$27.655
Time deposits	Interest rate 0.07% ~ 0.53%	<u>940,000</u>	2.Saving amount in foreign currency
Total		<u>\$ 1,975,759</u>	USD4,245,204.90

ITE TECH. INC.

2.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Financial Instruments	Description	Units	Amount	Interest Rate	Acquisition Cost	Fair Value		The change in fair value attributable to change in credit risk	Note
						Unit Price (NTD)	Total		
Taishin 1699 Money Market Fund	Fund	49,087,372.63	\$670,081	-	\$670,081	\$13.68	\$671,447	None	
Taishin Ta Chong Money Market Fund	Fund	17,440,929.40	250,000	-	250,000	14.35	250,284	None	
Jih Sun Money Market Fund	Fund	30,115,964.21	450,000	-	450,000	14.99	451,351	None	
Nomura Taiwan Money Market Fund	Fund	9,756,813.62	160,000	-	160,000	16.48	160,750	None	
Total			<u>\$1,530,081</u>		<u>\$1,530,081</u>		<u>\$1,533,832</u>		

ITE TECH. INC.

3.STATEMENT OF NOTES RECEIVABLE, NET

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Sunjet Components Corp.		\$ 9,248	
Less: loss allowance		<u>-</u>	
Net amount		<u>\$ 9,248</u>	

ITE TECH. INC.

4.STATEMENT OF TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED PARTIES

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Trade receivables			
Synnex Technology International Corporation		\$ 431,158	Trade receivables are due to sales.
Promate Electronic Co., Ltd.		325,523	
SAS Electronics Company Ltd.		86,433	
Others	The amount of individual client in others does not exceed 5% of the amount balance.	191,825	
Subtotal		1,034,939	
Less:loss allowance		-	
Net amount		1,034,939	
Trade receivables from related parties			
Emright Technology Co., Ltd.		3,011	
Less:loss allowance		-	
Net amount		3,011	
Total		<u>\$ 1,037,950</u>	

ITE TECH. INC.

5.STATEMENT OF OTHER RECEIVABLES

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other receivables- Ubiquity Smart Technology Inc.		\$ 5,378	
Interest Receivable		<u>739</u>	
Total		<u>\$ 6,117</u>	

ITE TECH. INC.

6.STATEMENT OF INVENTORIES

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw material		\$ 13,410	\$ 13,424	1.Inventories were not pledged.
Work in process		569,511	1,065,927	2.Inventories are valued at lower of cost or net realizable value
Finished goods		<u>493,967</u>	<u>878,459</u>	
Net amount		<u>\$ 1,076,888</u>	<u>\$ 1,957,810</u>	



ITE TECH.INC.

7.STATEMENT OF PREPAYMENTS

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid maintenance expense		\$ 35,217	
Prepaid technology royalty expense		19,417	
Others		<u>18,848</u>	
Total		<u>\$ 73,482</u>	

ITE TECH. INC.

8.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT

For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars/in Shares)

Item	Beginning Balance		Acquisition		Disposal		Adjustments	Ending Balance		collateral	Note
	Units	Fair Value	Units	Amount	Units	Amount		Units	Fair Value		
Yuanta/P-shares Taiwan Dividend Plus ETF	915,000	\$ 27,404	20,000	\$ 649	-	\$ -	\$ 3,344	935,000	\$ 31,397	None	
Total		<u>\$ 27,404</u>		<u>\$ 649</u>		<u>\$ -</u>	<u>\$ 3,344</u>		<u>\$ 31,397</u>		

## ITE TECH. INC.

## 9.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars/in Shares)

Item	Beginning Balance		Acquisition		Disposal		Adjustments	Ending Balance		collateral	Note
	Units	Fair Value	Units	Amount	Units	Amount		Units	Fair Value		
Common stocks											
Unitech Capital, Inc.	2,000,000	\$ 69,740	-	\$ -	-	\$ -	\$ 14,060	2,000,000	\$ 83,800	None	
Shieh Yong Investment Co., Ltd.	11,562,000	240,721	12,806,086	-	-	-	93,122	24,368,086	333,843	None	
Darjun Venture Corporation	9,280,000	88,438	-	-	-	-	(3,897)	9,280,000	84,541	None	
TriKnight Capital Corporation	29,285,000	279,672	-	-	-	-	183,910	29,285,000	463,582	None	
Darhe II Venture Corporation	10,000,000	93,100	-	-	-	-	1,200	10,000,000	94,300	None	
Darchan Venture Corporation	10,000,000	100,000	10,000,000	100,000	-	-	(20,400)	20,000,000	179,600	None	
Genertion Co., Ltd.	508,047	19,646	-	-	-	-	4,938	508,047	24,584	None	
Waltop International Corporation	53,354	357	-	-	(53,354)	(5)	(352)	-	-	None	
Embestor Technology Inc.	4,400,000	34,760	-	-	-	-	14,476	4,400,000	49,236	None	
M3 Technology Inc.	2,003,000	153,310	-	-	-	-	308,061	2,003,000	461,371	None	
Isentek Inc.	1,000,000	11,770	-	-	-	-	8,980	1,000,000	20,750	None	
Honeywld Technology Corp.	2,700,000	-	-	-	(2,700,000)	(3)	3	-	-	None	
A-Tec Subsystem Inc.	2,000,000	-	-	-	(1,500,000)	-	-	500,000	-	None	
Gigastone Corporation	1,734,841	13,740	-	-	-	-	7,616	1,734,841	21,356	None	
Orient Semiconductor Electronics Limited	-	-	830,000	14,354	-	-	7,641	830,000	21,995	None	
Total		<u>\$ 1,105,254</u>		<u>\$ 114,354</u>		<u>\$ (8)</u>	<u>\$ 619,358</u>		<u>\$ 1,838,958</u>		

ITE TECH. INC.  
10.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars/in Shares)

Company Name	Beginning Balance		Acquisition		Disposal		Investment Income (Loss)	cumulative translation adjustment	Ending Balance			Net Assets Value/ Fair Value		collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	Unit Price(Dollars)	Total Amount		
Subsidiaries :															
Ubiquity Smart Technology Inc.	8,700,000	\$ 4,653	-	\$ -	(8,700,000)	\$ (5,378)	\$ 725	\$ -	-	-	\$ -	\$ -	\$ -	None	Note
ITE Tech. (Shenzhen) Inc.	-	3,937	-	-	-	-	(1,526)	8	-	100.00%	2,419	-	2,419	None	
Ralated parties :															
Emright Technology Co., Ltd.	4,176,800	<u>8,488</u>	-	<u>-</u>	-	<u>-</u>	<u>4,806</u>	<u>-</u>	4,176,800	36.32%	<u>13,294</u>	3.18	36,602	None	
Total		<u>\$ 17,078</u>		<u>\$ -</u>		<u>\$ (5,378)</u>	<u>\$ 4,005</u>	<u>\$ 8</u>			<u>\$ 15,713</u>				

Note:Ubiquity Smart Technology Inc. was resolved for dissolution and liquidation by the provisional meeting of shareholders on September 30, 2021.

11.THE STATEMENTS OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT:

Please refer to Note 6(9) of the notes to the financial statements

12.THE STATEMENTS OF CHANGES IN ACCUMULATED DEPRECIATION, PROPERTY, PLANT AND EQUIPMENT:

Please refer to Note 6(9) of the notes to the financial statements

13.THE STATEMENTS OF CHANGES IN INTANGIBLE ASSETS:

Please refer to Note 6(10) of the notes to the financial statements

ITE TECH. INC.  
14. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Land	\$ 91,111	\$ -	\$ -	\$ 91,111	Details on depreciation expense :
Buildings	1,470	306	-	1,776	
Furniture and fixtures	451	377	-	828	
Total	<u>\$ 93,032</u>	<u>\$ 683</u>	<u>\$ -</u>	<u>\$ 93,715</u>	
Accumulated depreciation					
Land	\$ 6,668	\$ 3,334	\$ -	\$ 10,002	Manufacturing expenses
Buildings	543	616	-	1,159	Selling expenses
Furniture and fixtures	66	118	-	184	Administrative expenses
Total	<u>\$ 7,277</u>	<u>\$ 4,068</u>	<u>\$ -</u>	<u>\$ 11,345</u>	Research and development expenses
					<u>\$ 4,068</u>
Book value					
Land				<u>\$ 81,109</u>	
Buildings				<u>\$ 617</u>	
Furniture and fixtures				<u>\$ 644</u>	

ITE TECH. INC.

15.STATEMENT OF TRADE PAYABLES AND TRADE PAYABLES TO RELATED PARTIES

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Trade payables			
Advanced Semiconductor Engineering Inc. Chung-Li Branch		\$ 144,893	
Orient Semiconductor Electronics, Ltd.		131,073	
Panther Technology Co., Ltd.		52,189	
Etron Technology, Inc.		46,089	
Siliconware Technology (Suzhou) Co., Ltd.		45,469	
Youngtek Electronics Corp.		42,868	
Others	The amount of individual item in others does not exceed 5% of the account	157,977	
Subtotal		<u>620,558</u>	
Trade payables to related parties			
United Microelectronics Corp.		193,646	
HeJian Technology (Suzhou) Co., Ltd.		104,002	
Others	The amount of individual item in others does not exceed 5% of the account	539	
Subtotal		<u>298,187</u>	
Total		<u>\$ 918,745</u>	

ITE TECH. INC.

16. STATEMENT OF OTHER PAYABLES AND OTHER PAYABLES TO RELATED PARTIES

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other payables			
Accrued employees' and directors' compensation		\$ 408,430	
Accrued Payroll		222,289	
Others	The amount of individual item in others does not exceed 5% of the account balance.	68,416	
Subtotal		<u>699,135</u>	
Other payables to related parties			
United Microelectronics Corp.		2,828	
Others	The amount of individual item in others does not exceed 5% of the account balance.	277	
Subtotal		<u>3,105</u>	
Total		<u>\$ 702,240</u>	

ITE TECH. INC.

17.STATEMENT OF OTHER CURRENT LIABILITIES

As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Refund liabilities		\$ 173,450	
Others		<u>8,930</u>	
Total		<u>\$ 182,380</u>	



ITE TECH.INC.  
18.STATEMENT OF LEASE LIABILITIES  
As of December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rates	Ending Balance	Note
Land		21~33 years	1.70%	\$ 83,040	
Buildings		4 years	1.50%	627	
Furniture and fixtures		3~5 years	1.50%	<u>648</u>	
Subtotal				84,315	
Less: current portion				<u>(3,592)</u>	
Noncurrent portion				<u>\$ 80,723</u>	

ITE TECH. INC.

19.STATEMENT OF OPERATING REVENUES

For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Units	Amount	Note
Sale revenues			
Sales of goods		\$ 7,396,385	
Other operating revenues		<u>3,492</u>	
Subtotal		7,399,877	
Less: Sales return		(3,559)	
Sales allowances		<u>(211,229)</u>	
Net amount		<u>\$ 7,185,089</u>	

ITE TECH. INC.  
20. STATEMENT OF OPERATING COSTS  
For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Direct material		
Beginning of year	\$ 24,034	
Add: Raw material purchased	1,303,169	
Less: Raw material, end of year	(17,344)	
Transferred to experiment expenses	(69)	
Scrapped raw material	(2,531)	
Others	(58)	
Direct material used	1,307,201	
Supplies		
Beginning of year	-	
Add: Supplies purchased	11,835	
Less: Supplies, end of year	(11,835)	
Supplies used	-	
Manufacturing Expenses	2,103,749	
Manufacturing Costs		3,410,950
Add: Work in process, beginning of year	397,050	
Work in process purchased	549,329	
Less: Work in process, end of year	(612,550)	
Transferred to experiment expenses	(3,935)	
Scrapped work in process	(9,250)	
Others	(667)	
Cost of finished goods		3,730,927
Add: Finished goods, beginning of year	120,362	
Less: Finished goods, end of year	(543,814)	
Transferred to sample fee	(1,464)	
Transferred to experiment expenses	(864)	
Scrapped finished goods	(10,677)	
Others	(19)	
Cost of goods sold		3,294,451
Other operating cost	20,321	
Loss on market value decline and obsolete and slow-moving inventory	85,499	
Total		\$ 3,400,271

ITE TECH. INC.

21. STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		\$ 341,825	
Others	The amount of individual item in others does not exceed 5% of the account balance.	80,093	
Total		<u>\$ 421,918</u>	

ITE TECH. INC.

22.STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		\$ 219,422	
Others	The amount of individual item in others does not exceed 5% of the account balance.	100,868	
Total		<u>\$ 320,290</u>	

ITE TECH. INC.

23. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		\$ 691,505	
Others	The amount of individual item in others does not exceed 5% of the account balance.	254,554	
Total		<u>\$ 946,059</u>	

24. Summary STATEMENTS OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION:

Please refer to Note 6(19) of the notes to the financial statements

25. STATEMENTS OF THE NET AMOUNT OF OTHER REVENUES AND GAINS AND EXPENSES AND LOSSES, STATEMENT OF FINANCIAL COSTS:

Please refer to Note 6(20) of the notes to the financial statements