

English Translation of Financial Statements and an Auditors' Report Originally Issued in Chinese

**PIXART IMAGING INC.**

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

The reader is advised that these 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 PixArt Imaging Inc.

### **Opinion**

We have audited the accompanying parent company only balance sheets of PixArt Imaging Inc. (the “Company”) as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, parent company only statements of 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, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of PixArt Imaging Inc. 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 PixArt Imaging Inc. 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. 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.

### Inventory Valuation

The Company had net inventory of NT\$905,830 thousand as of December 31, 2021. The amount was significant to the parent company only financial statements. Due to the uncertainty arising from rapid change of technology and the market environment where the business of the Company is in, the valuation of the allowance for excess and obsolete inventories requires significant management judgement. As a result, we determined the matter as a key audit matter.

Our audit procedures include (but are not limited to): assessing the appropriateness of the accounting policies regarding excess and obsolete inventories; evaluating and testing the design and operating effectiveness of internal controls over inventories valuation; testing the appropriateness of management's determination of inventory losses, including evaluating the reasonableness of inventory reserve percentages and testing the accuracy of inventory aging; observing the year-end inventory count to evaluate the excess and obsolete status of physical inventory; and evaluating and testing the net realizable value of inventories estimated by management.

We also considered the appropriateness of the disclosures of inventories. Please refer to Notes 4, 5 and 6(5) to the parent company only financial statements.

### Revenue Recognition

The Company recognized NT\$7,874,337 thousand as operating revenues for the year ended December 31, 2021, which mainly stemmed from the sale of CMOS image sensors. Since the various trade terms, it is more complicated to judge and determine the timing when the performance obligations are satisfied. As a result, we determined the matter as a key audit matter.

Our audit procedures include (but are not limited to): assessing the appropriateness of the accounting policies regarding revenue recognition; evaluating and testing the design and operating effectiveness of internal control over revenue recognition; performing test of details on a sampling basis by reviewing the key conditions and trade terms of sales contracts or client purchase orders and tracing to the shipping documents and delivery notes signed by clients to verify the appropriateness of transaction prices and timing of revenue recognition; performing cut-off testing by selecting transactions before and after a certain period of the balance sheet date to verify the appropriateness of timing of revenue recognition by vouching to transaction documentation.

We also considered the appropriateness of disclosures of revenue. Please refer to Notes 4 and 6(16) to the parent company only financial statements.

## **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 PixArt Imaging Inc., disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PixArt Imaging Inc. 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 PixArt Imaging Inc.

## **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 PixArt Imaging Inc.
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 PixArt Imaging Inc. 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 PixArt Imaging Inc. 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 PixArt Imaging Inc. and its subsidiaries to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 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.

Kuo, Shao-Pin

Chiu, Wan-Ju

Ernst & Young

CERTIFIED PUBLIC ACCOUNTANTS

February 25, 2022

Taipei, Taiwan

Republic of China

#### Notice to Readers

The accompanying parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only 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

PixArt Imaging Inc.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2021	December 31, 2020
<b>Current assets</b>			
Cash and cash equivalents	4, 6(1)	\$ 3,351,936	\$ 2,814,719
Financial assets at fair value through profit or loss, current	4, 6(2)	15,612	15,581
Financial assets at fair value through other comprehensive income, current	4, 6(3)	1,040,000	754,400
Trade receivables, net	4, 6(4), 6(17)	918,957	1,373,505
Trade receivables from related parties, net	6(4), 7	4,712	4,561
Other receivables		32,348	25,058
Other receivables from related parties	7	1,820	637
Inventories	4, 6(5)	905,830	618,919
Prepayments		29,817	51,945
<b>Total current assets</b>		<b>6,301,032</b>	<b>5,659,325</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income, non-current	4, 6(3), 7	1,343,791	862,131
Investments accounted for using the equity method	4, 6(6)	2,910,448	2,591,880
Property, plant and equipment	4, 6(7)	580,853	556,942
Right-of-use assets	4, 6(18)	144,683	154,008
Investment property, net	4, 6(8)	304,283	239,590
Intangible assets	4, 6(9)	252,702	269,254
Deferred tax assets	4, 6(22)	145,447	140,003
Other non-current assets	6(10)	118,746	129,914
Refundable deposits		6,009	6,020
Prepayment for investments		167,088	-
Other financial assets, non-current	6(11), 8	986,350	995,199
<b>Total non-current assets</b>		<b>6,960,400</b>	<b>5,944,941</b>
<b>Total assets</b>		<b>\$ 13,261,432</b>	<b>\$ 11,604,266</b>

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

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging Inc.

**PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	December 31, 2021	December 31, 2020
<b>Current liabilities</b>			
Short-term borrowings	6(12)	\$ 359,840	\$ 365,300
Contract liabilities, current	6(16)	14,038	6,362
Trade payables		599,123	504,781
Trade payables to related parties	7	98,012	10,338
Other payables	6(19)	1,278,435	987,767
Current tax liabilities	6(22)	225,832	256,256
Lease liabilities, current	4, 6(18)	9,121	8,936
Other current liabilities	7	10,297	9,753
Total current liabilities		2,594,698	2,149,493
<b>Non-current liabilities</b>			
Deferred tax liabilities	6(22)	334,128	365,831
Lease liabilities, non-current	4, 6(18)	139,099	147,508
Net defined benefit liabilities, non-current	4, 6(13)	18,003	21,135
Deposits received	7	1,620	3,924
Total non-current liabilities		492,850	538,398
<b>Total liabilities</b>		3,087,548	2,687,891
<b>Equity</b>			
Share capital	6(14)		
Common stock		1,427,970	1,415,545
Capital collected in advance		1,589	235
Capital surplus	6(14), 6(15)	2,473,205	2,399,862
Retained earnings	6(14)		
Legal reserve		1,339,324	1,187,926
Special reserve		-	256,064
Undistributed earnings		3,707,702	3,198,978
Other equity	4	1,224,094	457,765
Total equity		10,173,884	8,916,375
<b>Total liabilities and equity</b>		\$ 13,261,432	\$ 11,604,266

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



PixArt Imaging 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	2021	2020
<b>Operating revenues</b>	4, 6(16), 7	\$ 7,874,337	\$ 6,720,838
<b>Operating costs</b>	6(5), 6(19)	(3,409,796)	(2,724,949)
<b>Gross profit</b>		4,464,541	3,995,889
<b>Operating expenses</b>	6(17), 6(19), 7		
Selling expenses		(294,749)	(242,386)
Administrative expenses		(501,044)	(471,020)
Research and development expenses		(1,724,169)	(1,374,468)
Expected credit gains (losses)		7,218	(10,077)
Total operating expenses		(2,512,744)	(2,097,951)
<b>Operating income</b>		1,951,797	1,897,938
<b>Non-operating income and expenses</b>			
Interest income	6(20)	20,515	17,789
Other income	6(20), 7	95,900	30,533
Other gains and losses	6(20)	(31,464)	(124,481)
Financial costs	6(20)	(5,160)	(3,354)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	4, 6(6)	(127,490)	(80,051)
Total non-operating income and expenses		(47,699)	(159,564)
<b>Income before income tax</b>		1,904,098	1,738,374
<b>Income tax expense</b>	4, 6(22)	(328,163)	(281,768)
<b>Net income</b>		1,575,935	1,456,606
<b>Other comprehensive income</b>	6(21), 6(22)		
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of the defined benefit plan		2,601	(566)
Unrealized gains or losses on investments in equity instruments at fair value through other comprehensive income		655,049	916,588
Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using the equity method		(31,512)	87,496
Income tax relating to those items not to be reclassified to profit or loss		6,333	113
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations		(43,474)	(71,377)
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method		(1,266)	(5,920)
Income tax relating to those items to be reclassified to profit or loss		8,948	15,459
<b>Other comprehensive income (loss), net of income tax</b>		596,679	941,793
<b>Total comprehensive income</b>		\$ 2,172,614	\$ 2,398,399
<b>Earnings per share (NT\$)</b>			
Basic earnings per share	4, 6(23)	\$ 11.32	\$ 10.60
Diluted earnings per share	4, 6(23)	\$ 10.91	\$ 10.25

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

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging 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	Share capital		Capital surplus	Retained earnings			Other equity			Total equity
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Employee unearned reward	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	
Balance as of January 1, 2020	\$ 1,373,837	\$ 4,303	\$ 1,926,401	\$ 1,104,139	\$ 375,769	\$ 2,364,369	\$ (256,064)	\$ (77,639)	\$ 151,765	\$ 6,966,880
Appropriation and distribution of 2019 earnings:										
Legal reserve	-	-	-	83,787	-	(83,787)	-	-	-	-
Reversal of special reserve	-	-	-	-	(119,705)	119,705	-	-	-	-
Cash dividends	-	-	-	-	-	(715,298)	-	-	-	(715,298)
Net income for the year ended December 31, 2020	-	-	-	-	-	1,456,606	-	-	-	1,456,606
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(453)	(61,838)	-	1,004,084	941,793
Total comprehensive income (loss)	-	-	-	-	-	1,456,153	(61,838)	-	1,004,084	2,398,399
Share-based payment transactions	18,264	(4,068)	114,718	-	-	-	-	-	-	128,914
Restricted shares for employees	23,444	-	358,743	-	-	-	-	(244,303)	-	137,884
Acquisition of interests in subsidiaries	-	-	-	-	-	(404)	-	-	-	(404)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	58,240	-	-	(58,240)	-
Balance as of December 31, 2020	\$ 1,415,545	\$ 235	\$ 2,399,862	\$ 1,187,926	\$ 256,064	\$ 3,198,978	\$ (317,902)	\$ (321,942)	\$ 1,097,609	\$ 8,916,375
Balance as of January 1, 2021	\$ 1,415,545	\$ 235	\$ 2,399,862	\$ 1,187,926	\$ 256,064	\$ 3,198,978	\$ (317,902)	\$ (321,942)	\$ 1,097,609	\$ 8,916,375
Appropriation and distribution of 2020 earnings:										
Legal reserve	-	-	-	151,398	-	(151,398)	-	-	-	-
Reversal of special reserve	-	-	-	-	(256,064)	256,064	-	-	-	-
Cash dividends	-	-	-	-	-	(1,206,310)	-	-	-	(1,206,310)
Net income for the year ended December 31, 2021	-	-	-	-	-	1,575,935	-	-	-	1,575,935
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	2,081	(35,792)	-	630,390	596,679
Total comprehensive income (loss)	-	-	-	-	-	1,578,016	(35,792)	-	630,390	2,172,614
Share-based payment transactions	13,210	1,354	69,287	-	-	-	-	-	-	83,851
Restricted shares for employees	(785)	-	4,056	-	-	-	-	204,083	-	207,354
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	32,352	-	-	(32,352)	-
Balance as of December 31, 2021	\$ 1,427,970	\$ 1,589	\$ 2,473,205	\$ 1,339,324	\$ -	\$ 3,707,702	\$ (353,694)	\$ (117,859)	\$ 1,695,647	\$ 10,173,884

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

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging 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	2021	2020	Description	2021	2020
Cash flows from operating activities:			Cash flows from investing activities :		
Income before tax	\$ 1,904,098	\$ 1,738,374	Acquisition of financial assets at fair value through other comprehensive income	\$ (112,211)	\$ -
Adjustments for :			Proceeds from return of capital of financial assets at fair value through other comprehensive income	-	1,700
The profit or loss items which did not affect cash flows:			Acquisition of investments accounted for using the equity method	(516,960)	-
Depreciation	61,786	53,078	Proceeds from disposal of investments accounted for using the equity method	24,000	-
Amortization	221,340	210,159	Increase in prepayment for investments	(167,088)	-
Expected credit (gains) losses	(7,218)	10,077	Acquisition of subsidiaries (net of cash obtained)	-	(90,961)
Gains on financial assets and liabilities at fair value through profit or loss, net	(31)	(59)	Acquisition of property, plant and equipment	(70,927)	(42,209)
Interest expenses	5,160	3,354	Decrease (increase) in refundable deposits	11	(3,284)
Interest income	(20,515)	(17,789)	Acquisition of intangible assets	(104,868)	(277,552)
Dividend income	(79,864)	(12,863)	Acquisition of investment property	(40,951)	(137,860)
Share-based payment expenses	174,799	110,588	Increase in other financial assets	(22)	(983,141)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	127,490	80,051	Increase in other non-current assets	(84,203)	(95,323)
Gains on disposal of investments accounted for using the equity method	(1,163)	-	Increase in prepayment for equipment	(18,947)	(27,800)
Realized profit from subsidiaries	-	(2,091)	Net cash used in investing activities	(1,092,166)	(1,656,430)
Unrealized losses (gains) on foreign exchange	8,496	(1,965)			
Changes in operating assets and liabilities:					
Trade receivables	461,766	(654,310)			
Trade receivables from related parties	(151)	3,823			
Other receivables	(7,284)	(2,386)			
Other receivables from related parties	(1,183)	39,708			
Inventories	(286,911)	(151,243)			
Prepayments	8,817	(11,108)			
Other current assets	-	864			
Contract liabilities	7,676	2,549			
Trade payables	94,342	116,615	Cash flows from financing activities:		
Trade payables to related parties	87,674	4,244	Cash dividends	(1,206,310)	(715,298)
Other payables	290,238	227,946	(Decrease) increase in short-term borrowings	(5,085)	307,265
Other current liabilities	544	(33,607)	(Decrease) increase in deposits received	(2,304)	844
Net defined benefit liabilities, non-current	(531)	(431)	Repayment of the principal portion of lease liabilities	(9,242)	(9,270)
Cash generated from operating activities	3,049,375	1,713,578	Proceeds from exercise of employee share options	77,778	101,339
Interest received	20,509	17,490	Share-based payment expenses received from a subsidiary	17,366	31,698
Dividend received	79,864	1,204,663	Net cash used in financing activities	(1,127,797)	(283,422)
Interest paid	(5,190)	(3,216)	Net increase in cash and cash equivalents	537,217	792,480
Income tax paid	(387,378)	(200,183)	Cash and cash equivalents at the beginning of the year	2,814,719	2,022,239
Net cash provided by operating activities	2,757,180	2,732,332	Cash and cash equivalents at the end of the year	\$ 3,351,936	\$ 2,814,719

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

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS**

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

**1. Histories and Organization**

PixArt Imaging Inc. (the “Company”) was incorporated under the Company Law of the Republic of China on July 13, 1998. The Company specializes in CMOS image sensors and related IC design, research, production, and sales.

The Company’s common shares were listed on Taipei Exchange (formerly named Taiwan GreTai Securities Market) in May 2006. The Company’s registered office and the main business location is at No. 5, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan, R.O.C.

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

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors in their meeting on February 25, 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 endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The adoption of these new standards and amendments and interpretations of initial application has no material impact on the Company.

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

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

**PIXART IMAGING INC.**

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

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 recognize 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.

**PIXART IMAGING INC.**

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

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 aforementioned 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, and not yet adopted by the Company as at the end of the reporting period are listed below:

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

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

**PIXART IMAGING INC.**

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

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.

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

**PIXART IMAGING INC.**

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

(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 include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

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

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

The abovementioned standards and interpretations issued by IASB have not yet been 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 aforementioned standards and interpretations have no material impact on the Company.

**4. Summary of Significant Accounting Policies**

(1) Statement of Compliance

The parent company only financial statements for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").



**PIXART IMAGING INC.**

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

**(2) Basis of Preparation**

The Company prepared its parent company only financial statements in accordance with the Regulation. According to Article 21 of the Regulations, the profit or loss and other comprehensive income for the period presented in parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statement will be the same as the equity attributable to owners of the parent presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using the equity method and, accordingly, made necessary adjustments.

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 NT\$, which is also the Company’s functional currency.

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

**PIXART IMAGING INC.**

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

- 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

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 a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The partial disposals are accounted for as disposals when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and 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 accounted for as equity transactions, no gains or losses are recognized. In partial disposal of an associate or joint arrangement 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 from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

**PIXART IMAGING INC.**

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

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

(7) Financial instruments

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

**PIXART IMAGING INC.**

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

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

**A. Financial instruments: Recognition and Measurement**

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

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

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

Financial assets measured at amortized cost

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

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

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

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

**PIXART IMAGING INC.**

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- (a) 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.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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- 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 asset measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

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 fair value through other comprehensive income and financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

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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:

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

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance 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.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

**PIXART IMAGING INC.**

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities measured at amortized cost upon initial recognition.



**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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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.

**E. Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount 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) Derivative instrument**

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as effective hedging instruments which are classified as financial assets or liabilities for hedging.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(9) Fair value measurement

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

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

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

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

**PIXART IMAGING INC.**

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

(10) Inventories

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

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

- A. Raw materials - actual purchase cost measured using weighted-average method.
- B. Finished goods and work in progress - cost of direct materials, direct labor and manufacturing overheads on weighted-average cost basis.

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.

(11) Investments accounted for using the equity method

A. Investment in subsidiaries

A subsidiary is an entity over which the Company has control.

Under the equity method, the investment in the subsidiary is carried on the balance sheet at cost plus post acquisition changes in the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company's share of changes in subsidiaries' profit or loss and other comprehensive income is recognized directly in the Company's profit or loss and other comprehensive income. Distributions received from a subsidiary reduce the carrying amount of the investment.

Unrealized profits and losses due to sales from the Company to subsidiaries are eliminated in the Company's parent company only financial statements. The profits and losses due to the sales from subsidiaries to the Company or the sales between subsidiaries are recognized in the parent company only financial statements to the extent of the shares of interests which are not owned by the Company.

Financial statements of subsidiaries 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.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

When changes in the net assets of the subsidiary were not resulted from their profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentages, the Company recognizes its proportionate share of all related changes in equity. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment in the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method upon loss of control and significant influence over the subsidiary. Any difference between the carrying amount of the investment in a subsidiary upon loss of control and the fair value of the retained investment plus proceeds from disposal will be recognized in profit or loss. If an investment in a subsidiary becomes an investment in an associate or a joint venture or an investment in an associate or a joint venture becomes an investment in a subsidiary, the Company continues to apply the equity method and remeasures the retained interest.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. An impairment loss, being the difference between the recoverable amount of the subsidiary and its carrying amount, is recognized in profit or loss in the statement of comprehensive income and forms part of the carrying amount of the investments.

**B. Investment in associates**

The Group's investment in its associate is accounted for using the equity method. An associate is an entity over which the Group 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 Group'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 Group 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 Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

**PIXART IMAGING INC.**

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

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 Group's percentage of ownership interests in the associate or joint venture, the Group 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 Group's interest in an associate or a joint venture is reduced or increased as the Group 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 investment 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 Group disposes the associate or joint venture.

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

The Group 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 Group 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 Group 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.

**PIXART IMAGING INC.**

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

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

Upon loss of significant influence over the associate or joint venture, the Group 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.

**(12) 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 and facilities	45-51 years
Transportation equipment	6 years
Testing equipment	3-10 years
Other equipment	3-15 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.

**PIXART IMAGING INC.**

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

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

**(13) Investment property**

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	36-40 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

**PIXART IMAGING INC.**

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

(14) Leases

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



**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

**(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 amortized 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.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

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 each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

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

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

**(15) 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.

**PIXART IMAGING INC.**

**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 and development costs

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

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

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

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

	Patent	Computer software	IPs	Trademark
Useful lives	Finite (3-10 years)	Finite (3-5 years)	Finite (3-6 years)	Finite (3-9 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 period of the IPs	Amortized on a straight-line basis over the period of the trademark
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

**PIXART IMAGING INC.**

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

**(16) Impairment of non-financial assets**

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

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.

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

**(17) 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.

**PIXART IMAGING INC.**

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

(18) Treasury stocks

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

When treasury stocks are sold, if the selling price is above the book value, the difference should be credited to the capital surplus - treasury stock transactions. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, is debited to retained earnings. The carrying value of treasury stock is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - premium on stock account and share capital account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, is debited to retained earnings. The sum of the par value and premium on stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

(19) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is Complementary Metal-Oxide-Semiconductor (CMOS) and revenue is recognized based on the price specified in the contract, net of the estimated volume 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.

**PIXART IMAGING INC.**

**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.

Rendering of services

Revenue from the rendering of services primarily comes from non-recurring engineering, which is recognized based on the stage of completion of the contracts.

Most of the contractual considerations of the Company are collected evenly throughout the contract periods. When the Company has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized 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.

**(20) 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 financial statements.

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

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

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

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

**(21) 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 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 of 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.

**PIXART IMAGING INC.**

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

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 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.

**(22) 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.



**PIXART IMAGING 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 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.
- 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.

**PIXART IMAGING INC.**

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

**5. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the 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.

**A. Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques, mainly the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12(7) for more details.

**B. Valuation of inventory**

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimates to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid changes in technologies, the Company estimates expected depletion from production, inventory obsolescence and future selling prices in market at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time period, therefore it may cause material adjustments. Please refer to Note 6(5) for more details.

**6. Contents of Significant Accounts**

**(1) Cash and cash equivalents**

	As of	
	December 31, 2021	December 31, 2020
Cash on hand	\$170	\$170
Checking and savings accounts	552,434	352,722
Time deposits	2,439,085	2,000,559
Cash equivalents- CP-Repo	360,247	461,268
Total	<u>\$3,351,936</u>	<u>\$2,814,719</u>

**PIXART IMAGING 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	December 31, 2020
<u>Current</u>		
Mandatorily measured at fair value through profit or loss:		
Funds	\$15,612	\$15,581

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

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

	As of	
	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income		
Listed companies stocks	\$1,136,972	\$754,400
Unlisted companies stocks	1,246,819	862,131
Total	\$2,383,791	\$1,616,531
Current	\$1,040,000	\$754,400
Non-current	1,343,791	862,131
Total	\$2,383,791	\$1,616,531

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

For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividends in the amount of NT\$79,864 thousand and NT\$12,863 thousand for the years ended December 31, 2021 and 2020, respectively, which are all related to investments held at the end of the reporting period.

**PIXART IMAGING INC.**

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

(4) Trade receivables and trade receivables from related parties

	As of	
	December 31, 2021	December 31, 2020
Trade receivables	\$933,121	\$1,394,887
Less: loss allowance	(14,164)	(21,382)
Subtotal	\$918,957	\$1,373,505
Trade receivables from related parties	4,712	4,561
Total	<u>\$923,669</u>	<u>\$1,378,066</u>

Trade receivables were not pledged.

The credit period of the Company's sale of goods is from 30 to 90 days. Please refer to Note 6(17) for more details on loss allowance and Note 12 for details on credit risk.

(5) Inventories

	As of	
	December 31, 2021	December 31, 2020
Raw materials	\$27,994	\$14,293
Supplies	97,168	76,525
Work in progress	502,360	375,353
Finished goods	278,308	152,748
Total	<u>\$905,830</u>	<u>\$618,919</u>

For the years ended December 31, 2021 and 2020, the cost of inventories recognized in expenses amounted to NT\$3,409,796 thousand and NT\$2,724,949 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of NT\$10,691 thousand and inventory write-downs of NT\$2,934 thousand for the years ended December 31, 2021 and 2020, respectively. The reversals of write-downs for the year ended December 31, 2021 resulted from the subsequent scrape or sale of the write-down inventories.

No inventories were pledged.

**PIXART IMAGING INC.**

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

(6) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

Investees	As of			
	December 31, 2021		December 31, 2020	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
<u>Investments in subsidiaries</u>				
PixArt International				
(SAMOA) Ltd.	\$917,684	100%	\$1,074,439	100%
Yuan-Xiang Investment Inc.	1,579,679	100%	1,268,012	100%
Yuan-Feng Investment Inc.	115,728	100%	125,798	100%
Audiowise Technology Inc.	128,726	83.67%	123,631	83.67%
PixArt Imaging Finland Oy	11,535	100%	-	100%
Subtotal	<u>2,753,352</u>		<u>2,591,880</u>	
<u>Investments in associates</u>				
Terasilic Co., Ltd.	157,096	31.01%	-	-
Total	<u>\$2,910,448</u>		<u>\$2,591,880</u>	

The Company acquired 35.24% ownership of Terasilic Co., Ltd. by cash of NT\$200,000 thousand in May 2021 and thereby being able to exercise significant influence over Terasilic Co., Ltd. In September 2021, the Company disposed a portion of Terasilic Co., Ltd.'s shares and its ownership was reduced to 31.01% accordingly.

The Company increased the cash capital of Yuan-Xiang Investment Inc. by NT\$300,000 thousand in August 2021.

PixArt Imaging Finland Oy was incorporated in October 2020, and the capital injection has been completed on February 19, 2021.

In 2020, the Company received dividends of US\$40,000 thousand from PixArt International (SAMOA) Ltd.

**PIXART IMAGING INC.**

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

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

The investment in Terasilic Co., Ltd. is not individually material to the Company. Summarized financial information of Terasilic Co., Ltd. is as follows:

	December 31, 2021	December 31, 2020
Loss from continuing operations	\$(20,139)	\$-
Other comprehensive income, net of tax	-	-
Total comprehensive income (loss)	\$(20,139)	\$-

As of December 31, 2021, the aforementioned investment in associate does not have contingent liabilities, capital commitments, or were pledged.

(7) Property, plant and equipment

	As of	
	December 31, 2021	December 31, 2020
Owner occupied property, plant and equipment	\$535,339	\$511,304
Property, plant and equipment leased out under operating leases	45,514	45,638
Total	\$580,853	\$556,942

(1) Owner occupied property, plant and equipment

PIXART IMAGING INC.

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

	Land	Buildings and facilities	Transportation equipment	Testing equipment	Miscellaneous equipment	Construction in progress	Total
Cost:							
As of January 1, 2021	\$62,611	\$399,827	\$2,477	\$146,009	\$261,255	\$-	\$872,179
Additions	-	-	-	18,022	53,274	-	71,296
Disposals	-	-	-	(2,222)	(1,018)	-	(3,240)
As of December 31, 2021	<u>\$62,611</u>	<u>\$399,827</u>	<u>\$2,477</u>	<u>\$161,809</u>	<u>\$313,511</u>	<u>\$-</u>	<u>\$940,235</u>
As of January 1, 2020	\$62,611	\$275,829	\$2,477	\$128,010	\$194,801	\$800	\$664,528
Additions	-	-	-	17,536	45,877	745	64,158
Merger of subsidiary	-	-	-	824	19,756	-	20,580
Transfers from investment property	-	123,998	-	-	-	-	123,998
Disposals	-	-	-	(361)	(724)	-	(1,085)
Reclassification	-	-	-	-	1,545	(1,545)	-
As of December 31, 2020	<u>\$62,611</u>	<u>\$399,827</u>	<u>\$2,477</u>	<u>\$146,009</u>	<u>\$261,255</u>	<u>\$-</u>	<u>\$872,179</u>
Depreciation and impairment:							
As of January 1, 2021	\$-	\$91,604	\$2,477	\$105,598	\$161,196	\$-	\$360,875
Depreciation	-	9,230	-	10,948	27,083	-	47,261
Disposals	-	-	-	(2,222)	(1,018)	-	(3,240)
As of December 31, 2021	<u>\$-</u>	<u>\$100,834</u>	<u>\$2,477</u>	<u>\$114,324</u>	<u>\$187,261</u>	<u>\$-</u>	<u>\$404,896</u>
As of January 1, 2020	\$-	\$72,210	\$2,477	\$96,516	\$123,099	\$-	\$294,302
Depreciation	-	8,940	-	8,970	21,146	-	39,056
Merger of subsidiary	-	-	-	473	17,675	-	18,148
Transfers from investment property	-	10,454	-	-	-	-	10,454
Disposals	-	-	-	(361)	(724)	-	(1,085)
As of December 31, 2020	<u>\$-</u>	<u>\$91,604</u>	<u>\$2,477</u>	<u>\$105,598</u>	<u>\$161,196</u>	<u>\$-</u>	<u>\$360,875</u>
Net carrying amount as of:							
December 31, 2021	<u>\$62,611</u>	<u>\$298,993</u>	<u>\$-</u>	<u>\$47,485</u>	<u>\$126,250</u>	<u>\$-</u>	<u>\$535,339</u>
December 31, 2020	<u>\$62,611</u>	<u>\$308,223</u>	<u>\$-</u>	<u>\$40,411</u>	<u>\$100,059</u>	<u>\$-</u>	<u>\$511,304</u>

PIXART IMAGING INC.

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

(2) Property, plant and equipment leased out under operating leases

	Miscellaneous equipment
Cost:	
As of January 1, 2021 and December 31, 2021	\$46,144
As of January 1, 2020 and December 31, 2020	\$46,144
Depreciation and impairment:	
As of January 1, 2021	\$506
Depreciation	124
As of December 31, 2021	\$630
As of January 1, 2020	\$382
Depreciation	124
As of December 31, 2020	\$506
Net carrying amounts as of:	
December 31, 2021	\$45,514
December 31, 2020	\$45,638

(8) Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2021	\$119,930	\$132,243	\$252,173
Additions	50,170	18,581	68,751
As of December 31, 2021	\$170,100	\$150,824	\$320,924
As of January 1, 2020	\$-	\$238,311	\$238,311
Additions	119,930	17,930	137,860
Transfers to property, plant and equipment	-	(123,998)	(123,998)
As of December 31, 2020	\$119,930	\$132,243	\$252,173



**PIXART IMAGING INC.**

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

	Land	Buildings	Total
Depreciation and impairment:			
As of January 1, 2021	\$-	\$12,583	\$12,583
Depreciation	-	4,058	4,058
As of December 31, 2021	<u>\$-</u>	<u>\$16,641</u>	<u>\$16,641</u>
As of January 1, 2020	\$-	\$19,534	\$19,534
Depreciation	-	3,503	3,503
Transfers to property, plant and equipment	-	(10,454)	(10,454)
As of December 31, 2020	<u>\$-</u>	<u>\$12,583</u>	<u>\$12,583</u>
Net carrying amount as of:			
December 31, 2021	<u>\$170,100</u>	<u>\$134,183</u>	<u>\$304,283</u>
December 31, 2020	<u>\$119,930</u>	<u>\$119,660</u>	<u>\$239,590</u>

	For the years ended December 31,	
	2021	2020
Rental income from investment property	\$9,358	\$8,657
Less:		
Direct operating expenses from investment property generating rental income	(3,661)	(3,503)
Without Direct operating expenses from investment property generating rental income	(397)	-
Total	<u>\$5,300</u>	<u>\$5,154</u>

No investment property was pledged.

In 2020, the investment property of NT\$113,544 thousand was reclassified to property, plant and equipment for the Company's own use purpose.

**PIXART IMAGING INC.**

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

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. Except for the increase of NT\$137,860 thousand in 2020 for which the fair value was determined based on the property sale and purchase agreement, the fair value has been determined based on valuations performed by an independent valuer. The valuation methods used are the cost approach, the comparative approach and the income approach. The total fair value of investment properties was NT\$335,155 thousand and NT\$243,935 thousand as of December 31, 2021 and 2020, respectively. The inputs used are disclosed as follows:

Based on the cost approach:

	As of	
	December 31, 2021	December 31, 2020
Replacement cost (per Taiwanese ping / in thousands NT\$)	\$93	\$83
Salvage value	5%	5%
High clearance premium	107%	107%

Based on the comparative approach and the income approach:

	As of
	December 31, 2021
Income capitalization rate	1.25%

PIXART IMAGING INC.

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

(9) Intangible assets

	Patents	Computer software	IPs	Trademark	Total
Cost:					
As of January 1, 2021	\$924,549	\$371,455	\$95,860	\$884	\$1,392,748
Additions-acquired separately	15,404	68,026	21,256	273	104,959
Disposals	-	(191,149)	-	-	(191,149)
As of December 31, 2021	<u>\$939,953</u>	<u>\$248,332</u>	<u>\$117,116</u>	<u>\$1,157</u>	<u>\$1,306,558</u>
As of January 1, 2020	\$756,296	\$296,959	\$48,842	\$-	\$1,102,097
Additions-acquired separately	168,253	70,175	38,240	884	277,552
Merger of subsidiary	-	4,321	8,778	-	13,099
As of December 31, 2020	<u>\$924,549</u>	<u>\$371,455</u>	<u>\$95,860</u>	<u>\$884</u>	<u>\$1,392,748</u>
Amortization:					
As of January 1, 2021	\$737,761	\$324,733	\$60,956	\$44	\$1,123,494
Amortization	41,881	69,587	9,836	207	121,511
Disposals	-	(191,149)	-	-	(191,149)
As of December 31, 2021	<u>\$779,642</u>	<u>\$203,171</u>	<u>\$70,792</u>	<u>\$251</u>	<u>\$1,053,856</u>
As of January 1, 2020	\$703,680	\$250,058	\$42,730	\$-	\$996,468
Amortization	34,081	71,226	9,469	44	114,820
Merger of subsidiary	-	3,449	8,757	-	12,206
As of December 31, 2020	<u>\$737,761</u>	<u>\$324,733</u>	<u>\$60,956</u>	<u>\$44</u>	<u>\$1,123,494</u>
Net carrying amount as of:					
December 31, 2021	<u>\$160,311</u>	<u>\$45,161</u>	<u>\$46,324</u>	<u>\$906</u>	<u>\$252,702</u>
December 31, 2020	<u>\$186,788</u>	<u>\$46,722</u>	<u>\$34,904</u>	<u>\$840</u>	<u>\$269,254</u>

Amortization expenses of intangible assets in the statements of comprehensive income are as follows:

**PIXART IMAGING INC.**

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

	For the years ended December 31,	
	2021	2020
Operating costs	\$17	\$503
Selling expenses	22,188	26,433
Administrative expenses	21,165	9,847
Research and development expenses	78,141	78,037
Total	<u>\$121,511</u>	<u>\$114,820</u>

(10) Other non-current assets

	As of	
	December 31, 2021	December 31, 2020
Other non-current assets – mask and tooling	\$78,999	\$78,225
Advance payments in equipment	29,571	38,424
Advance payments in royalties	10,176	13,265
Total	<u>\$118,746</u>	<u>\$129,914</u>

(11) Other financial assets, non-current

	As of	
	December 31, 2021	December 31, 2020
Restricted deposits	\$978,244	\$987,115
Pledged time deposits	8,106	8,084
Total	<u>\$986,350</u>	<u>\$995,199</u>

Please refer to Note 8 for more details on other financial assets, non-current pledged as collateral.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(12) Short-term borrowings

	As of	
	December 31, 2021	December 31, 2020
Unsecured bank loans	\$359,840	\$365,300
Interest rate (%)	0.64%	0.70%

The Company's unused short-term lines of credits amounted to NT\$478,560 thousand and NT\$275,200 thousand as of December 31, 2021 and 2020, respectively.

(13) Post-employment benefits

Defined contribution plans

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.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$37,746 thousand and NT\$33,930 thousand, respectively.

Defined benefit plans

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 15<sup>th</sup> 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 the following year.

## PIXART IMAGING INC.

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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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 mandates, 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\$1,084 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The average duration of the defined benefits obligation are 11 years and 13 years as of December 31, 2021 and 2020, respectively.

Pension costs of defined benefit plan recognized in profit or loss for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
Current service costs	\$468	\$474
Net interest expense on the net defined benefit liabilities	85	159
Total	<u>\$553</u>	<u>\$633</u>

Present value of defined benefit obligation and fair value of plan assets are reconciled as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Present value of defined benefit obligation	\$44,758	\$46,358	\$44,214
Fair value of plan assets	(26,755)	(25,223)	(23,214)
Net defined benefit liabilities, non-current	<u>\$18,003</u>	<u>\$21,135</u>	<u>\$21,000</u>

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of January 1, 2020	\$44,214	\$(23,214)	\$21,000
Current service costs	474	-	474
Interest expense (income)	336	(177)	159
Subtotal	810	(177)	633
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	2,012	-	2,012
Experience adjustments	(678)	-	(678)
Remeasurements of the defined benefit assets	-	(768)	(768)
Subtotal	1,334	(768)	566
Payments from the plan	-	-	-
Contributions by employer	-	(1,064)	(1,064)
As of December 31, 2020	\$46,358	\$(25,223)	\$21,135
Current service costs	468	-	468
Interest expense (income)	186	(101)	85
Subtotal	654	(101)	553
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(1,106)	-	(1,106)
Actuarial gains and losses arising from changes in financial assumptions	3,301	-	3,301
Experience adjustments	(4,449)	-	(4,449)
Remeasurements of the defined benefit assets	-	(347)	(347)
Subtotal	(2,254)	(347)	(2,601)
Payments from the plan	-	-	-
Contributions by employer	-	(1,084)	(1,084)
As of December 31, 2021	\$44,758	\$(26,755)	\$18,003

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2021	December 31, 2020
Discount rate	0.70%	0.40%
Expected rate of salary increases	4.00%	3.00%

A sensitivity analysis for each significant assumption is shown below:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$2,430	\$-	\$2,757
Discount rate decrease by 0.5%	2,680	-	3,041	-
Future salary increase by 0.5%	2,577	-	2,945	-
Future salary decrease by 0.5%	-	2,367	-	2,703

The sensitivity analyses above are based on a change in a single 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.

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

**(14) Equity**

**A. Share capital**

The Company's authorized capital was NT\$2,000,000 thousand (including 15,000 thousand shares reserved for exercising of employee share options) as of December 31, 2021 and 2020, with a par value of NT\$10 each share. The Company's issued capital was NT\$1,427,970 thousand and NT\$1,415,545 thousand, divided into 142,797 thousand shares and 141,555 thousand shares as of December 31, 2021 and 2020, respectively. Each share has one voting right and a right to receive dividends.



**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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For the year ended December 31, 2021, employees exercised 1,343 thousand shares of employee share options with a weighted average exercise price of NT\$57.93 per share, which in total amounted to NT\$77,778 thousand, of which 26 thousand shares of employee share options in the amount of NT\$1,589 thousand have not been completed the registration procedures and accounted for under the capital collected in advance as of December 31, 2021. Except for abovementioned shares, as of the report date, the government approval has been successfully obtained and the registration has been completed.

For the year ended December 31, 2020, employees exercised 1,758 thousand shares of employee share options with a weighted average exercise price of NT\$57.66 per share, which in total amounted to NT\$101,339 thousand, of which 4 thousand shares of employee share options in the amount of NT\$235 thousand have not been completed the registration procedures and accounted for under the capital collected in advance as of December 31, 2020. Except for abovementioned shares, as of the report date, the government approval has been successfully obtained and the registration has been completed.

The Company issued 49 thousand restricted shares to employees for the year ended December 31, 2021, with a par value of NT\$10 each share. Due to the resignation of employees who had been granted restricted shares, the Company recalled and cancelled 128 thousand shares in accordance with the restricted shares plan for the year ended December 31, 2021. As of the report date, the government approval has been successfully obtained and the registration has been completed.

The Company issued 2,428 thousand restricted shares to employees for the year ended December 31, 2020, with a par value of NT\$10 each share. Due to the resignation of employees who had been granted restricted shares, the Company recalled and cancelled 83 thousand shares in accordance with the restricted shares plan for the year ended December 31, 2020. As of the report date, the government approval has been successfully obtained and the registration has been completed.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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B. Capital surplus

	As of	
	December 31, 2021	December 31, 2020
Additional paid-in capital - common stock	\$1,920,924	\$1,765,307
Treasury stock transactions	86,005	86,005
Donated by shareholders	3,816	3,816
Employee share options	93,450	89,194
Share options	4,271	3,955
Restricted shares for employees	356,568	443,414
Changes in ownership interests in subsidiaries	8,171	8,171
Total	<u>\$2,473,205</u>	<u>\$2,399,862</u>

According to the Company Act, the capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income 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 policy

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

- (a) payment of all taxes and dues;
- (b) offsetting accumulated deficits, if any;
- (c) legal reserve at 10% of net income after tax;
- (d) set aside or reverse of special reserves as required by law;
- (e) the remaining net profits and the retained earnings from previous years, after all the above appropriations and distributions, will be allocated as shareholder's bonus.

The distribution will be proposed by the Board of Directors and resolved in the shareholders' meeting. Articles of Incorporation stipulate that the Board of Directors is authorized to adopt by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors to distribute dividends and bonuses in cash and a report of such distribution shall be submitted to the shareholders' meeting.

**PIXART IMAGING INC.**

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

The policy for dividend distribution should reflect factors such as the current and future fund requirements and long-term financial planning. The Board of Directors shall make the distribution proposal annually and submit it to the shareholders' meeting for approval. The Company shall allocate all of the annual distributable earnings in accordance with the consideration of finance, business and operation management. Shareholders' dividends may be distributed in the form of shares, cash, or a combination of both. Cash dividends may not be less than 10% of total dividends to be distributed.

Where a company incurs no loss, it may, pursuant to a resolution to be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and a report of such resolution shall be submitted to the shareholders' meeting, distribute its legal reserve and the following capital reserve by cash to its original shareholders in proportion to the number of shares being held by each of them:

- (a) the income derived from the issuance of new shares at a premium;
- (b) the income from endowments received by the company.

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

When distributing earnings, the Company shall set aside a special reserve in the amount equal to the net deductions of other equity. For any subsequent reversal of net deductions of other equity, the special reserve in the amount equal to the reversal may be released for earnings distribution.

Detail of the 2020 and 2019 earnings distribution and dividends per share as approved by the shareholders' meeting on July 29, 2021 and June 12, 2020, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$151,398	\$83,787		
Special reserve	(256,064)	(119,705)		
Cash dividend	1,206,310	715,298	\$8.48	\$5.13

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Please refer to Note 6(19) for further details on employees' compensation and remuneration 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.

**A. Employee share options plan**

The employee share options were conferred on the employees who meet the specific qualifications of the Company and all subsidiaries. The option holders of the employee share options may exercise the options based on designated schedule and percentage after issuance of 2 years or 2 years and 3 months. The contractual periods range from 4 to 6 years, and after that, the un-exercised options are considered forfeited and the option holders no longer have rights to exercise these options.

Information of the abovementioned employees share options plan is as follows:

Date of grant	Total number of share options granted (Units)	Total number of shares available for an individual option holder (shares)	Exercise price of share options (NT\$) (Note)
January 11, 2016	4,419,290	1	\$57.3
March 27, 2016	8,000	1	\$30.2
May 10, 2016	16,000	1	\$27.3
May 10, 2016	580,710	1	\$54.7
August 2, 2016	45,000	1	\$30.3
August 3, 2018	329,570	1	\$51.1
November 6, 2018	11,500	1	\$39.0
March 25, 2019	8,930	1	\$38.5

Note: The exercise prices are adjusted in accordance with the plan in the event that changes to the Company's total common shares occur or when the Company pays cash dividends.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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The contracted periods of the share options range from 4 to 6 years and the options cannot be settled by cash. The Company has never granted cash-settled options to its employees.

The aforementioned share options granted were priced using the Black-Scholes Option Pricing model, and the inputs to the model are as follows:

<u>Employee share option plan</u>	<u>Expected dividend yield</u>	<u>Expected volatility</u>	<u>Risk free interest rate</u>	<u>Expected life</u>
2016 first plan	0.00%	41.90%	0.80%	4.50 years
2016 second plan	0.00%	38.60%	0.61%	4.56 years
2016 third plan	0.00%	35.20%	0.50%	4.56 years
2016 fourth plan	0.00%	35.20%	0.50%	4.50 years
2016 fifth plan	0.00%	35.40%	0.50%	4.56 years
2018 first plan	0.00%	35.50%	0.61%	3.25 years
2018 second plan	0.00%	38.10%	0.69%	3.25 years
2019 first plan	0.00%	36.80%	0.59%	3.25 years

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Compensation costs recognized for employee share options were nil and NT\$150 thousand for the years ended December 31, 2021 and 2020, respectively.

The following table contains further details on the aforementioned employee share options plan:

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

	For the years ended December 31,			
	2021		2020	
	Number of share options (in thousand units)	Weighted average exercise price of share options (NT\$)	Number of share options (in thousand units)	Weighted average exercise price of share options (NT\$)
Employee share options				
Outstanding at beginning of period	1,944	\$58.61	3,768	\$59.29
Exercised (Note)	(1,343)	57.93	(1,758)	57.66
Forfeited	-	51.10	(66)	62.24
Outstanding at end of period	601	54.56	1,944	58.61
Exercisable at end of period	597		1,788	

Note: The weighted average share price at the date of exercise of those options was NT\$171.28 and NT\$173.46 for the years ended December 31, 2021 and 2020, respectively.

The information on the outstanding employee share options plan as of December 31, 2021 and 2020 is as follows:

	Range of exercise price (NT\$)	Weighted average remaining life (years)
Outstanding share options as of December 31, 2021	\$38.50~57.30	0.25
Outstanding share options as of December 31, 2020	\$31.40~70.80	1.09

The Company did not cancel or modify the aforementioned employee share options plan in 2021 and 2020.

**B. Treasury stock to employees**

For the years ended December 31, 2021 and 2020, compensation costs recognized were NT\$315 thousand and NT\$14,703 thousand, respectively. The options granted were priced using the Black-Scholes Option Pricing model, and the assumptions to the model are as follows:

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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	Employee stock purchase plan		
	Seventh Plan	Eighth Plan	Ninth Plan
Expected dividend yield	0.00%	0.00%	0.00%
Expected volatility	37.30%	35.80%	32.60%
Risk-free interest rate	0.40%	0.30%	0.40%
Expected life	2.29 years	0.13 years	0.59 years
Estimated fair value per share (NT\$)	\$16.69	\$15.73	\$42.38

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

**C. Restricted shares plan for employees**

The restricted rights on the restricted shares before reaching the vesting conditions are as follows:

- (a) Prior to vesting conditions are reached, the employees shall not sell, mortgage, transfer, donate, pledge or dispose the restricted shares in any other ways except inheritance.
- (b) The attendance, motion, making speeches and voting rights in shareholders' meeting shall be executed by the custodian organization according to the trust contract.
- (c) Prior to vesting conditions are reached, the restricted shares are entitled to dividends without limitation.

In cases of any voluntary leave, retirement and severance happens before vested, it is treated as failing to meet vesting conditions from the effective date. The Company would recall and cancel those employee restricted shares.

The Company recalled and cancelled 128 thousand shares and 83 thousand shares due to employees' resignation, with a par value of NT\$10 each share, during the years ended December 31, 2021 and 2020, respectively. Please refer to Note 6(14)A for further disclosure.

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Information of the restricted shares for employee as of December 31, 2021 is disclosed as follows:

Grant date	Shares issued (shares)	Exercise price (NT\$)	Fair value per share (NT\$)	Shares restricted as of December 31, 2021 (shares)
April 16, 2019	64,970	\$-	\$91.2	24,308
February 3, 2020	558,050	\$-	\$145.5	404,663
August 21, 2020	37,000	\$-	\$207.5	21,750
October 8, 2020	1,800,000	\$-	\$171.0	1,287,284
November 20, 2020	32,290	\$-	\$173.5	24,218
April 27, 2021	39,090	\$-	\$200.5	36,480
May 18, 2021	10,000	\$-	\$172.0	10,000

The restricted shares granted to employees were measured at fair value, which resulted in a compensation expense amounting to NT\$174,484 thousand and NT\$95,735 thousand for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, balance of Capital Surplus-Restricted Shares for Employees was NT\$356,568 thousand and NT\$443,414 thousand, respectively, and Employee Unearned Reward was NT\$117,859 thousand and NT\$321,942 thousand, respectively.

- D. The expense recognized for share-based payment plans during the years ended December 31, 2021 and 2020, is shown in the following table:

	For the years ended December 31,	
	2021	2020
Total expense arising from equity-settled share-based payment transactions	<u>\$174,799 (Note 1)</u>	<u>\$110,588 (Note 2)</u>

Note 1: The amount does not include expense related to share-based compensation granted to employees of subsidiaries and non-controlling interests in the amount of NT\$38,628 thousand and NT\$658 thousand, respectively.

Note 2: The amount does not include expense related to share-based compensation granted to employees of subsidiaries and non-controlling interests in the amount of NT\$54,871 thousand and NT\$28 thousand, respectively.



**PIXART IMAGING INC.**

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(16) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$7,763,951	\$6,590,641
Other operating revenues	110,386	130,197
Total	<u>\$7,874,337</u>	<u>\$6,720,838</u>

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

A. Disaggregation of revenue

(a) By geography

	For the years ended December 31,	
	2021	2020
Taiwan	\$5,399,424	\$5,034,575
Hong Kong	1,075,128	532,495
China	893,363	729,544
Japan	336,693	338,244
Others	169,729	85,980
Total	<u>\$7,874,337</u>	<u>\$6,720,838</u>

Revenues are presented by customers' country.

(b) By product

	For the years ended December 31,	
	2021	2020
COMS image sensor	\$7,763,951	\$6,590,641
Others	110,386	130,197
Total	<u>\$7,874,337</u>	<u>\$6,720,838</u>

Timing of revenue recognition:

At a point in time	\$7,840,688	\$6,659,099
Over time	33,649	61,739
Total	<u>\$7,874,337</u>	<u>\$6,720,838</u>

**PIXART IMAGING INC.**

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B. Contract balance

Contract liabilities – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sale of goods	\$14,038	\$6,362	\$4,399

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

	For the years ended December 31,	
	2021	2020
The opening balance transferred to revenue	\$(6,349)	\$(4,471)
The increase of receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	14,025	6,358
Merger of subsidiary	-	76

C. Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations amounted to US\$156 thousand and NT\$106,755 thousand as of December 31, 2021. Management expects US\$156 thousand and NT\$32,469 thousand will be recognized during 2022 financial year, and the rest will be recognized from 2023 to 2024.

The Company's transaction price allocated to unsatisfied performance obligations amounted to US\$596 thousand and NT\$9,050 thousand as of December 31, 2020. Management expects all those amounts will be recognized during 2021 financial year.

D. Assets recognized from costs to fulfil a contract: None.

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(17) Expected credit gains (losses)

	For the years ended December 31,	
	2021	2020
Operating expenses – Expected credit gains (losses)		
Trade receivables	\$7,218	\$(10,077)

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

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

The Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector. Its loss allowance is measured by using a provision matrix. Details are as follows:

As of December 31, 2021

	Not yet due	Overdue		Total
		<=30 days	31-60 days	
Gross carrying amount	\$931,257	\$1,864	\$-	\$933,121
Loss ratio	1.5%	8%	30%	
Lifetime expected credit losses	(14,015)	(149)	-	(14,164)
Carrying amount of trade receivables	\$917,242	\$1,715	\$-	\$918,957

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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As of December 31, 2020

	Not yet due	Overdue		Total
		<=30 days	31-60 days	
Gross carrying amount	\$1,394,887	\$-	\$-	\$1,394,887
Loss ratio	1.5%	8%	30%	
Lifetime expected credit losses	(21,382)	-	-	(21,382)
Carrying amount of trade receivables	<u>\$1,373,505</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,373,505</u>

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

	For the years ended December 31,	
	2021	2020
Beginning balance	\$21,382	\$10,305
(Reversal) addition for the current period	(7,218)	10,077
Merger of subsidiary	-	1,000
Ending balance	<u>\$14,164</u>	<u>\$21,382</u>

**(18) Operating leases**

**A. Company as a lessee**

The Company leases various properties, including real estate such as land and buildings, and transportation equipment for the use of plants, office and operation with lease terms of 2 to 34 years. The Company is not allowed to sublease all or any portion of the underlying assets without obtaining the consent from the lessors. The Company did not have bargain purchase options to acquire the underlying assets at the end of the lease terms.

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

**(a) Amounts recognized in the balance sheet**

**i. Right-of-use assets**

The carrying amount of right-of-use assets

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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	As of	
	December 31, 2021	December 31, 2020
Land	\$139,401	\$144,019
Building	4,873	9,989
Transportation equipment	409	-
Total	<u>\$144,683</u>	<u>\$154,008</u>

During the years ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounted to NT\$1,235 thousand and NT\$4,016 thousand, respectively.

ii. Lease liabilities

The carrying amount of lease liabilities

	As of	
	December 31, 2021	December 31, 2020
Current	\$9,121	\$8,936
Non-current	139,099	147,508
Total	<u>\$148,220</u>	<u>\$156,444</u>

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

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

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Land	\$4,799	\$4,773
Building	5,135	4,782
Transportation equipment	409	840
Total	<u>\$10,343</u>	<u>\$10,395</u>

**PIXART IMAGING INC.**

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

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to short-term leases	\$81	\$140
The expenses relating to leases of low-value assets (excluding the expenses relating to short-term leases of low-value assets)	294	207

(d) Cash outflow relating to leasing activities

For the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$12,339 thousand and NT\$12,443 thousand, respectively.

(e) Other information relating to leasing activities

Extension and termination options

Some of the Company's lease agreements contain extension and termination options. In determining the lease terms, the Company includes 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 and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are 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, or not to exercise an option previously included in its determination of the lease term.

**B. Company as a lessor**

Please refer to Note 6(8) for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

Please refer to Note 6(7) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16.

## PIXART IMAGING INC.

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

	For the years ended December 31,	
	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments	\$11,318	\$11,154

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2021 and 2020 are as follows:

	As of	
	December 31, 2021	December 31, 2020
Not later than one year	\$7,803	\$7,460
Later than one year but not later than five years	5,062	1,154
Total	\$12,865	\$8,614

(19) Summary of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2021 and 2020:

by nature by function	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries (Note 3)	\$79,109	\$1,562,217	\$1,641,326	\$71,573	\$1,367,452	\$1,439,025
Labor and health insurance	-	65,932	65,932	-	54,102	54,102
Pension	2,293	36,006	38,299	2,101	32,462	34,563
Board compensation	-	27,232	27,232	-	24,689	24,689
Others employee benefit expense	1,293	18,854	20,147	1,185	17,523	18,708
Depreciation (Note 1)	4,761	52,967	57,728	3,914	45,661	49,575
Amortization (Note 2)	11,667	209,673	221,340	9,940	200,219	210,159

Note 1: Depreciation of investment property of NT\$4,058 thousand and NT\$3,503 thousand for the years ended December 31, 2021 and 2020, respectively, were not included.

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Note 2: The amortization expenses include the amortization of prepaid expenses and other noncurrent assets in the amount of NT\$99,829 thousand and NT\$95,339 thousand for the years ended December 31, 2021 and 2020, respectively.

Note 3: The salary expenses include the accrued employees' compensation for 2021, which have not been paid.

For the years of 2021 and 2020, the Company had 485 and 445 employees in average, respectively, which included 6 non-employee directors for both years. Average employee benefits expenses for the years ended December 31, 2021 and 2020 were NT\$3,686 thousand and NT\$3,523 thousand, respectively. Average salaries for the years ended December 31, 2021 and 2020 were NT\$3,427 thousand and NT\$3,278 thousand, respectively, and the average salaries increased by 4.53% year over year. The Company's audit committee has been established since 2011 to fulfill the supervisors' function.

Remuneration policy of the Company is formulated with reference to the industry and the talent competition market. The overall remuneration includes a fixed salary, holiday bonuses, employee compensation and other bonuses. Salary is adjusted annually based on operating profit status. At the same time, the board of directors approves employee compensation, and connects annual employee performance evaluation results for individual salary verification. In addition to constructing the principle of fairness, it also encourages employees to strive for high performance and make important contributions to the Company, in order to ensure reasonable and competitive remuneration, achieve the purpose of talent motivation and retention, and make shareholders and employees a win-win situation.

The remuneration paid by the Company to its directors includes the director's compensation, attendance allowance and directors' remuneration. Director's compensation includes functional committee remuneration. That is determined by referring to the level of the Company's peer group, the level of contribution to the Company and director's participation in the Company's operation. The Director's compensation is paid monthly after being reviewed by the Salary Remuneration Committee and adopted by the Board of Directors. The attendance allowance is paid by referring to the peer group's level and according to the status of director's attendance of board meetings. In terms of directors' remuneration, it is paid according to the Company's overall annual operating performance and the Company's Articles of Incorporation, of which, if the Company has any profit left (i.e. the net profit before income tax, employees' compensation and directors' remuneration), it shall allocate no more than 1% of the profit as director remuneration. However, if the Company has any accumulated loss, it shall offset the loss in the first place. Director remuneration is reviewed by the Company's Salary Remuneration Committee and adopted by the Board of Directors before being reported to the shareholders meeting and distributed in accordance with the



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number of the days that the director serves in the Company. The Company's Board of Directors has already adopted the establishment of "Regulations of Performance Evaluation of the Board of Directors", which takes the performance of directors as a reference index for the remuneration of directors. The Company may also review the remuneration system timely pursuant to the practical management status and relevant statutes from time to time to achieve the balance of sustainable development and risk management.

The compensation for a director concurrently serving as an employee, including salary, bonuses, employee's compensation and the accrued expense for share-based compensation, was determined according to the factors covering the director's post and responsibility in the Company and the Company's profit status and by referring to peer group's level for a same category of post, and executed after being reviewed by the Salary Remuneration Committee and adopted by the Board of Directors.

According to the Articles of Incorporation of the Company, if the Company is profitable for the year, no lower than 1% 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 first. Affiliates' employees may also be qualified to receive this compensation. 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 Taiwan Security Exchange.

Based on the profit for the year, the Company's estimates of the amounts of the employees' compensation and remuneration to directors, which were recognized as operating costs or operating expenses, for the years ended December 31, 2021 and 2020, are as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	\$310,721	\$283,677
Remuneration to directors	22,372	20,425

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Differences between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors are recognized in profit or loss of the subsequent 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.

A resolution was made by the Board of Directors meeting held on February 25, 2022 to distribute NT\$310,721 thousand and NT\$22,372 thousand in cash as employees' compensation and remuneration to directors, respectively. There was no difference between the aforementioned approved amounts and the amounts charged against earnings in 2021.

No differences exist between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended December 31, 2020.

(20) Non-operating income and expenses

(1) Interest income

	For the years ended December 31,	
	2021	2020
Financial assets measured at amortized cost	\$20,515	\$17,789

(2) Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$79,864	\$12,863
Rental income	11,318	11,154
Others	4,718	6,516
Total	\$95,900	\$30,533

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(3) Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange losses, net	\$(29,770)	\$(121,054)
Gains on disposal of investments accounted for using the equity method	1,163	-
Gains on financial assets at fair value through profit or loss (Note)	1,201	59
Others	(4,058)	(3,486)
Total	<u>\$(31,464)</u>	<u>\$(124,481)</u>

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss.

(4) Finance costs

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$2,722	\$2,826
Interest expenses on borrowings from bank	2,425	513
Others	13	15
Total	<u>\$5,160</u>	<u>\$3,354</u>

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)  
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(21) Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,601	\$-	\$2,601	\$(520)	\$2,081
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	655,049	-	655,049	-	655,049
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(31,512)	-	(31,512)	6,853	(24,659)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(43,474)	-	(43,474)	8,695	(34,779)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(1,266)	-	(1,266)	253	(1,013)
Total	\$581,398	\$-	\$581,398	\$15,281	\$596,679

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For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(566)	\$-	\$(566)	\$113	\$(453)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	916,588	-	916,588	-	916,588
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	87,496	-	87,496	-	87,496
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(71,377)	-	(71,377)	14,275	(57,102)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(5,920)	-	(5,920)	1,184	(4,736)
Total	\$926,221	\$-	\$926,221	\$15,572	\$941,793

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)  
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(22) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expenses:		
Current income tax charge	\$350,029	\$347,361
Adjustments in respect of current income tax of prior periods	-	(1,595)
Deferred tax expense (income):		
Deferred tax relating to origination and reversal of temporary differences	(21,866)	(121,078)
Deferred tax relating to origination and reversal of tax loss and tax credit	-	57,080
Income tax expense	<u>\$328,163</u>	<u>\$281,768</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax expense (income):		
Exchange differences resulting from translating the financial statements of foreign operations	\$(8,948)	\$(15,459)
Investments in equity instruments at fair value through other comprehensive income	(6,853)	-
Remeasurement of the defined benefit plan	520	(113)
Income tax relating to components of other comprehensive income	<u>\$(15,281)</u>	<u>\$(15,572)</u>

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

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	For the years ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	\$1,904,098	\$1,738,374
Tax at the domestic rates applicable to profits in the country concerned	\$380,819	\$347,675
Tax effect of revenues exempt from taxation	(15,979)	(2,584)
Tax effect of deferred tax assets/liabilities	(38,908)	(72,040)
Corporate income surtax on undistributed retained earnings	-	7,924
Adjustments in respect of current income tax of prior periods	-	(1,595)
Tax effect of other adjustments in accordance with the Income Tax Act	2,231	2,388
Total income tax expense recognized in profit or loss	\$328,163	\$281,768

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balances	Recognized in profit and loss	Recognized in other comprehensive income	Ending balances
Temporary differences				
Unrealized inventory loss	\$24,489	\$(2,138)	\$-	\$22,351
Unrealized accrued expenses	10,279	2,624	-	12,903
Net defined benefit liabilities, non-current	4,227	(106)	(520)	3,601
Accrued employee benefits	1,963	(270)	-	1,693
Investments accounted for using the equity method	(364,046)	24,057	6,853	(333,136)
Exchange differences resulting from translating the financial statements of foreign operations	79,475	-	8,948	88,423
Other liabilities	(1,785)	793	-	(992)
Others	19,570	(3,094)	-	16,476
Deferred tax income / (expense)		\$21,866	\$15,281	
Net deferred tax assets (liabilities)	\$(225,828)			\$(188,681)
Reflected in balance sheet as follows:				
Deferred tax assets	\$140,003			\$145,447
Deferred tax liabilities	\$(365,831)			\$(334,128)

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For the year ended December 31, 2020

	Beginning	Recognized in	Recognized in other comprehensive	Ending balances
	balances	profit and loss	income	
Temporary differences				
Unrealized inventory loss	\$8,922	\$15,567	\$-	\$24,489
Unrealized accrued expenses	10,427	(148)	-	10,279
Net defined benefit liabilities, non-current	4,200	(86)	113	4,227
Accrued employee benefits	1,223	740	-	1,963
Investments accounted for using the equity method	(454,280)	90,234	-	(364,046)
Exchange differences resulting from translating the financial statements of foreign operations	64,016	-	15,459	79,475
Other liabilities	(740)	(1,045)	-	(1,785)
Others	3,754	15,816	-	19,570
Unused tax credits	57,080	(57,080)	-	-
Deferred tax income / (expense)		\$63,998	\$15,572	
Net deferred tax assets (liabilities)	<u>\$(305,398)</u>			<u>\$(225,828)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$149,622</u>			<u>\$140,003</u>
Deferred tax liabilities	<u>\$(455,020)</u>			<u>\$(365,831)</u>

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that have not been recognized were nil.

The assessment of income tax returns

As of the report date, the Company's income tax returns for all the fiscal years up to 2019 have been assessed and approved by the R.O.C. Tax Authority.



**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(23) Earnings per share

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

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

	For the years ended December 31,	
	2021	2020
<b>A. Basic earnings per share</b>		
Net income (in thousand NT\$)	\$1,575,935	\$1,456,606
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	139,205,525	137,359,424
Basic earnings per share (NT\$)	\$11.32	\$10.60
<b>B. Diluted earnings per share</b>		
Net income (in thousand NT\$)	\$1,575,935	\$1,456,606
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	139,205,525	137,359,424
Effect of dilution:		
Employee bonuses-stock (share)	2,373,030	1,760,681
Employee share options (share)	980,990	1,595,712
Restricted shares for employees (share)	1,921,154	1,437,312
Weighted average number of ordinary shares outstanding after dilution (share)	144,480,699	142,153,129
Diluted earnings per share (NT\$)	\$10.91	\$10.25

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

**PIXART IMAGING INC.**

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

(24) Changes in ownership interests in subsidiaries

The merger of subsidiary, PrimeSensor Technology Inc.

The Company's merger with PrimeSensor Technology Inc. was approved by the Board of Directors on August 4, 2020 and by the shareholders of PrimeSensor Technology Inc. in their special meeting of shareholders on August 27, 2020, respectively. The record date of the merger was on October 1, 2020 with the purchase consideration of NT\$10 per share. After the merger, the Company was the surviving company and PrimeSensor Technology Inc. was the dissolved company.

PrimeSensor Technology Inc. was originally a subsidiary of the Company's 100% shareholding subsidiaries Yuan-Xiang Investment Inc. and Yuan-Feng Investment Inc. with the original total shareholding of 98.2%. In this transaction, the Company paid Yuan-Xiang Investment Inc. and Yuan-Feng Investment Inc. the cash consideration of NT\$74,893 thousand and NT\$46,568 thousand respectively, and the Company acquired the remaining 1.8% shareholding from the non-controlling interest shareholders of PrimeSensor Technology Inc. with a cash consideration of NT\$2,216 thousand. The difference between the cash consideration paid to non-controlling shareholders and the respective carrying amount of net assets of PrimeSensor Technology Inc. was NT\$358 thousand, which was recognized in equity.

The assets acquired and liabilities assumed at the date of acquisition are as follows:

	<u>Amount</u>
Assets	
Cash and cash equivalents	\$32,716
Trade receivables	64,708
Inventories	87,247
Other current assets	31,655
Property, plant and equipment	2,432
Right-of-use assets	295
Intangible assets	893
Other non-current assets	9,599
Total	<u><u>229,545</u></u>

**PIXART IMAGING INC.**

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

	<u>Amount</u>
Liabilities	
Short-term borrowings	\$(60,000)
Contract liabilities	(76)
Trade payables	(49,100)
Other current liabilities	(16,979)
Other non-current liabilities	(142)
Total	<u>(126,297)</u>

Acquisition consideration:

	<u>Amount</u>
Cash transaction cost of acquisition	\$123,677
Net cash obtained from subsidiaries	(32,716)
Net cash outflow from acquisitions	<u>\$90,961</u>

**7. Related Party Transactions**

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
PrimeSensor Technology Inc.	Subsidiary (the Company merged with PrimeSensor Technology Inc. on October 1, 2020)
Audiowise Technology Inc.	Subsidiary
PixArt Germany GmbH	Subsidiary
PixArt Japan K.K.	Subsidiary
Yuan-Xiang Investment Inc.	Subsidiary
Yuan-Feng Investment Inc.	Subsidiary
PixArt Imaging (Penang) SDN.BHD	Subsidiary
PixArt Imaging Finland Oy	Subsidiary

PIXART IMAGING INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)  
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Significant transactions with the related parties

(1) Operating revenues

	For the years ended December 31,	
	2021	2020
<u>Service revenue</u>		
Subsidiaries	\$10,153	\$18,982
<u>Royalty revenue</u>		
Subsidiaries	-	3,903
Total	<u>\$10,153</u>	<u>\$22,885</u>

The transaction prices were determined in accordance with mutual agreements by reference to market conditions. Payment terms with related parties were not significantly different from those with third-party customers which were 30 to 60 days. The Company's royalty revenues from subsidiaries are charged based on a predetermined percentage of subsidiaries' net sales.

(2) Rental revenues

	For the years ended December 31,	
	2021	2020
Audiowise Technology Inc.	\$4,945	\$4,993
PrimeSensor Technology Inc.	-	819
Total	<u>\$4,945</u>	<u>\$5,812</u>

The Company leased parts of its buildings to subsidiaries, and the prices to related parties were not significantly different from those to third parties. Rentals are prepaid. As of December 31, 2021 and 2020, prepaid rentals received were NT\$823 thousand and NT\$412 thousand, respectively. In addition, the Company received the amounts of NT\$823 thousand from the subsidiaries and recorded them as deposits received due to the lease as of December 31, 2021 and 2020.

(3) Trade receivables from related parties

	As of	
	December 31, 2021	December 31, 2020
Audiowise Technology Inc.	<u>\$4,712</u>	<u>\$4,561</u>

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(4) Other receivables from related parties

	As of	
	December 31, 2021	December 31, 2020
Audiowise Technology Inc.	\$1,820	\$637

(5) Trade payables from related parties

	As of	
	December 31, 2021	December 31, 2020
PixArt Imaging (Penang) SDN.BHD	\$85,769	\$-
PixArt Imaging Finland Oy	6,398	-
PixArt Japan K.K.	3,910	7,975
PixArt Germany GmbH	1,935	2,363
Total	\$98,012	\$10,338

(6) Other transactions with related parties

A. The Company recognized the operating expenses in the amount of NT\$161,770 thousand and NT\$51,515 thousand for the years ended December 31, 2021 and 2020, respectively, for the customer support service provided by the subsidiaries.

B. As of December 31, 2021 and 2020, the Company collected and made payments on behalf of subsidiaries in the amount of NT\$86 thousand and NT\$43 thousand, respectively.

(7) The Company recognized the fee income in the amount of NT\$1,594 thousand and NT\$2,002 thousand for the years ended December 31, 2021 and 2020, respectively, for the guarantee/endorsement provided for subsidiaries, please refer to Note 13 for more details.

(8) The Company acquired the shareholding of PrimeSensor Technology Inc. from Yuan-Xiang Investment Inc. and Yuan-Feng Investment Inc., please refer to Note 6(24) for more details.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(9) In 2021, the Company purchased 480 thousand shares of LI TV (TAIWAN) INC. held by Yuan-Feng Investment Inc. with a purchase price of NT\$15,255 thousand. Such investment was accounted for as financial assets at fair value through other comprehensive income, non-current.

(10) Compensation of key management personnel

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$95,868	\$99,957
Post-employment benefits	590	585
Share-based payment (Note)	33,263	23,898
Total	<u>\$129,721</u>	<u>\$124,440</u>

Note : Estimated compensation expenses.

**8. Assets Pledged as Security**

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

	Carrying amount		Purpose of pledge
	December 31, 2021	December 31, 2020	
Assets pledged for security			
Other financial assets, non-current	\$3,106	\$3,084	Customs duty guarantee
Other financial assets, non-current	5,000	5,000	Land lease guarantee
	<u>\$8,106</u>	<u>\$8,084</u>	

**9. Contingencies and Unrecognized Commitments**

The Company entered into several royalty agreements under which royalties are paid based on certain percentages of related product sales.

The Company's limit of the guarantee / endorsement and actual amount provided for subsidiaries are NT\$212,029 thousand and NT\$64,607 thousand, respectively, as of December 31, 2021.

**10. Losses due to Major Disasters**

None

**PIXART IMAGING INC.**

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

**11. Significant Subsequent Events**

None

**12. Financial instruments**

(1)Categories of financial instruments

	As of	
	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$15,612	\$15,581
Financial assets at fair value through other comprehensive income	2,383,791	1,616,531
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	3,351,766	2,814,549
Trade receivables (include related parties)	923,669	1,378,066
Other receivables (include related parties)	34,168	25,695
Refundable deposits	6,009	6,020
Other financial assets, non-current	986,350	995,199
Subtotal	5,301,962	5,219,529
Total	<u>\$7,701,365</u>	<u>\$6,851,641</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Short-term borrowings	\$359,840	\$365,300
Trade and other payables (include related parties)	1,975,570	1,502,886
Deposits received	1,620	3,924
Lease liabilities	148,220	156,444
Total	<u>\$2,485,250</u>	<u>\$2,028,554</u>

**PIXART IMAGING INC.**

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

**(2) Financial risk management objectives and policies**

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. 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 or 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.

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

**Foreign currency risk**

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

Certain foreign currency receivables and payables are denominated in the same foreign currencies, therefore natural hedge applies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. 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, MYR and EUR. The information of the sensitivity analysis is as follows:



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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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When NTD strengthens/weakens against USD by 5%, the profit for the years ended December 31, 2021 and 2020 would decrease/increase by NT\$60,414 thousand and NT\$82,726 thousand, respectively, the equity would decrease/increase by NT\$18,566 thousand and NT\$26,668 thousand, respectively.

When NTD strengthens/weakens against MYR by 5%, the equity for the years ended December 31, 2021 and 2020 would decrease/increase by NT\$31,124 thousand and NT\$31,004 thousand, respectively.

When NTD strengthens/weakens against EUR by 5%, the equity for the years ended December 31, 2021 and 2020 would decrease/increase by NT\$1,010 thousand and NT\$446 thousand, respectively.

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's exposure to the risk of changes in market interest rates relates primarily to the Company's loans at floating interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to decrease/increase by NT\$3,598 thousand and NT\$3,653 thousand, respectively.

Equity price risk

The fair values of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified as equity instrument investments measured at fair value through other comprehensive income. The Company manages the equity price risk through 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 review and approve all significant equity investment decisions.

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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For the years ended December 31, 2021 and 2020, a change of 20% in the price of the listed companies stocks classified as equity instrument investments measured at fair value through other comprehensive income could have an impact of NT\$227,394 thousand and NT\$150,880 thousand, respectively, on the equity attributable to the Company.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

**(4)Credit risk management**

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

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, receivables from top ten customers represent 87% and 94% of the total trade receivables of the Company, respectively. The credit concentration risk of other receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's financial department in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks 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. The loss allowance of trade receivables is measured at lifetime expected credit losses. For the impairment assessment method and related indicators of trade receivables, please refer to Note 6(17).

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

**(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, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Short-term borrowings	\$362,160	\$-	\$-	\$-	\$362,160
Trade and other payables	1,975,570	-	-	-	1,975,570
Lease liabilities (Note)	11,996	17,967	12,091	160,992	203,046
Deposits received	-	1,620	-	-	1,620

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Short-term borrowings	\$367,857	\$-	\$-	\$-	\$367,857
Trade and other payables	1,502,886	-	-	-	1,502,886
Lease liabilities (Note)	11,535	17,304	12,091	160,992	201,922
Deposits received	-	3,924	-	-	3,924

Note: Information about the maturities of lease liabilities is provided in the table below:

	Maturities					Total
	Less than 1 year	1 to 5 years	6 to 10 years	11 to 15 years	>15 years	
As of December 31, 2021						
Lease liabilities	<u>\$11,996</u>	<u>\$30,058</u>	<u>\$30,228</u>	<u>\$30,228</u>	<u>\$100,536</u>	<u>\$203,046</u>
As of December 31, 2020						
Lease liabilities	<u>\$11,535</u>	<u>\$29,395</u>	<u>\$30,228</u>	<u>\$30,228</u>	<u>\$100,536</u>	<u>\$201,922</u>

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(6) Reconciliation of liabilities arising from financing activities

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

	Short-term borrowings	Lease liabilities
As of January 1, 2021	\$365,300	\$156,444
Cash flows	(5,085)	(9,242)
Non-cash changes	-	1,018
Foreign exchange movement	(375)	-
As of December 31, 2021	<u>\$359,840</u>	<u>\$148,220</u>

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

	Short-term borrowings	Lease liabilities
As of January 1, 2020	\$-	\$161,383
Cash flows	307,265	(9,270)
Non-cash changes	60,000	4,331
Foreign exchange movement	(1,965)	-
As of December 31, 2020	<u>\$365,300</u>	<u>\$156,444</u>

(7) Fair value of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, receivables and payables approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds).

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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(c)The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

(d)Fair value of equity instruments without active market (including unlisted equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information.

(e)Fair value of debt instruments, bank loans and other non-current liabilities without active market quotation is determined using counterparties' quotation or pricing models. The pricing models are based on discounted cash flow analysis and the interest rate and discounted rates are selected with reference to those of similar financial instruments.

**B. Fair value of financial instruments measured at amortized cost**

The carrying amount 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(9) for fair value measurement hierarchy for financial instruments of the Company.

**(8) Derivative financial instruments**

The derivative financial instruments operated by the Company during the current period were forward exchange contracts, and all these contracts have been settled as of December 31, 2021. The net disposal gain generated by engaging in forward exchange contracts was NT\$1,170 thousand for the year ended December 31, 2021.

The Company entered into forward exchange contracts to hedge foreign currency risk of net assets or net liabilities. As there will be corresponding cash inflows or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

**(9)Fair value measurement hierarchy**

**A. Fair value measurement hierarchy**

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**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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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 asset or liability

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:				
Financial assets at fair value through profit or loss				
Funds	\$15,612	\$-	\$-	\$15,612
Equity instrument investments measured at fair value through other comprehensive income				
Stocks	1,136,972	-	1,246,819	2,383,791
Total	\$1,152,584	\$-	\$1,246,819	\$2,399,403

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As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$15,581	\$-	\$-	\$15,581
Equity instrument investments measured at fair value through other comprehensive income				
Stocks	754,400	-	862,131	1,616,531
Total	\$769,981	\$-	\$862,131	\$1,632,112

Transfers between Level 1 and Level 2 during the period

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

Reconciliation of Level 3 fair value measurements of financial instruments

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 other comprehensive income
	Stocks
Beginning balances as of January 1, 2021	\$862,131
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in other comprehensive income (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	369,433
Acquisition/issues for the year ended December 31, 2021	15,255
Ending balances as of December 31, 2021	\$1,246,819

PIXART IMAGING INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)  
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	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of January 1, 2020	\$438,443
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in other comprehensive income (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	425,388
Acquisition/issues for the year ended December 31, 2020	-
Disposal/settlements for the year ended December 31, 2020	(1,700)
Ending balances as of December 31, 2020	\$862,131

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:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Price-Book ratio of similar entities	1.05~37.35	The higher the Price-Book ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the Price-Book ratio of similar entities would result in an increase (decrease) in the Company's equity by NT\$1,323 thousand
		Discount for lack of marketability and control	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and control would result in a (decrease) increase in the Company's equity by NT\$123,359 thousand



**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability and control	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and control would result in a (decrease) increase in the Company's equity by NT\$86,213 thousand

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

The Company's financial department is responsible for validating the fair value measurements and ensuring 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 department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(8))	\$-	\$-	\$335,155	\$335,155

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(8))	\$-	\$-	\$243,935	\$243,935

(10) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2021		
	Foreign currency (thousand)	Exchange rate	NTD (thousand)
<b>Financial assets</b>			
Monetary item:			
USD	\$74,287	27.68	\$2,056,262
HKD	27,360	3.549	97,101
RMB	8,279	4.339	35,923
<b>Financial liabilities</b>			
Monetary item:			
USD	30,635	27.68	847,986
HKD	280	3.549	994
	December 31, 2020		
	Foreign currency (thousand)	Exchange rate	NTD (thousand)
<b>Financial assets</b>			
Monetary item:			
USD	\$86,048	28.100	\$2,417,948
RMB	8,149	4.297	35,012
<b>Financial liabilities</b>			
Monetary item:			
USD	27,168	28.100	763,430

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The main foreign currency used in the Company's operating activities is US\$. The foreign exchange loss was NT\$29,770 thousand and NT\$121,054 thousand for the years ended December 31, 2021 and 2020, respectively.

**(11) 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.

PIXART IMAGING INC.

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**  
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**13. Other disclosure**

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

A. Financing provided to others for the year ended December 31, 2021: None.

B. Endorsement/guarantee provided to others for the year ended December 31, 2021:

No.	Endorsement /Guarantee Provider	Guaranteed Party		Limits on Endoresment/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance (Note 3)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement / Guarantee to Net Equity per Latest Financial Statement	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Name	Nature of Relationship										
0	PixArt Imaging Inc.	PixArt Imaging (Penang) SDN. BHD.	Subsidiary	\$1,017,388	\$34,527 (US\$1,210,000)	\$33,493 (US\$1,210,000)	\$927	\$-	0.33%	\$3,052,165	Y	N	N
0	PixArt Imaging Inc.	Audiowise Technology Inc.	Subsidiary	\$1,017,388	\$184,051 (US\$6,450,000)	\$178,536 (US\$6,450,000)	\$63,680	\$-	1.75%	\$3,052,165	Y	N	N

Note 1: The total amount of the guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company's net equity.

Note 2: The total amount of guarantee shall not exceed thirty percent (30%) of the Company's net equity.

Note 3: Ending Balance in foreign currencies are translated into New Taiwan Dollars using the exchange rate of balance sheet date.

PIXART IMAGING INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

C. Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures):

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2021				
					Shares/Units	Carrying Value (NT\$'000)	Percentage of Ownership	Fair Value (NT\$'000)	Note
The Company	Stocks	Shieh Yong Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	73,104,258	\$1,001,720	4.55%	\$1,001,720	-
	Stocks	TriKnight Capital Corporation.	-	Financial assets at fair value through other comprehensive income, noncurrent	14,642,500	\$231,867	2.50%	\$231,867	-
	Stocks	United Microelectronics Corp.	-	Financial assets at fair value through other comprehensive income, current	16,000,000	\$1,040,000	0.13%	\$1,040,000	-
	Stocks	Ta Ya Electric Wire & Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,886,635	\$96,972	0.58%	\$96,972	-
	Stocks	LI TV (TAIWAN) INC.	-	Financial assets at fair value through other comprehensive income, noncurrent	480,000	\$13,232	0.96%	\$13,232	-
	Fund	Cathay Taiwan Money Market	-	Financial assets at fair value through profit or loss, current	1,243,080	\$15,612	-	\$15,612	-

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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2021				
					Shares/Units	Carrying Value (NT\$'000)	Percentage of Ownership	Fair Value (NT\$'000)	Note
Yuan-Xiang Investment Inc.	Stocks	Raynergy Tek Incorporation	The Company acts one of its directors	Financial assets at fair value through other comprehensive income, noncurrent	4,150,000	\$53,576	11.02%	\$53,576	-
	Stocks	LI TV (TAIWAN) INC.	The Company acts one of its directors	Financial assets at fair value through other comprehensive income, noncurrent	2,930,000	\$80,770	5.85%	\$80,770	-
	Stocks	ACT Genomics Holdings	-	Financial assets at fair value through other comprehensive income, noncurrent	1,000,000	\$24,317	0.69%	\$24,317	-
	Stocks	Kingshine Entertainment, Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	612,360	\$14,501	3.59%	\$14,501	-
	Stocks	Theia medical technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,353,608	\$33,010	4.36%	\$33,010	-
	Stocks	Fittech Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	1,442,049	\$315,808	2.00%	\$315,808	-

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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2021				
					Shares/Units	Carrying Value (NT\$'000)	Percentage of Ownership	Fair Value (NT\$'000)	Note
Yuan-Xiang Investment Inc.	Stocks	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	556,400	\$18,500	0.39%	\$18,500	-
	Stocks	GEM Services, Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	10,000	\$930	0.01%	\$930	-
	Stocks	Jason's Entertainment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	623,491	\$32,029	3.91%	\$32,029	-
	Stocks	Samebest Co., LTD.	-	Financial assets at fair value through other comprehensive income, noncurrent	279,092	\$10,801	0.74%	\$10,801	-
	Stocks	Long Time Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	726,629	\$43,358	0.60%	\$43,358	-
	Stocks	Jing-Jan Retail Business Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	675,000	\$28,303	1.13%	\$28,303	-

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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2021				
					Shares/Units	Carrying Value (NT\$'000)	Percentage of Ownership	Fair Value (NT\$'000)	Note
Yuan-Xiang Investment Inc.	Stocks	Wiwynn Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	4,000	\$4,460	0.00%	\$4,460	-
	Stocks	Ultracker Technology Co. Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,500,000	\$14,926	18.28%	\$14,926	-
	Stocks	Vertex Growth (SG) LP	-	Financial assets at fair value through other comprehensive income, noncurrent	-	\$105,393	1.95%	\$105,393	-
	Stocks	Yuen Foong Yu Consumer Products Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	790,000	\$39,658	0.30%	\$39,658	-
	Stocks	Ace Edulink Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	330,000	\$33,581	1.07%	\$33,581	-
	Stocks	Taiwan Lung Meng Advanced Composite Materials CO., LTD.	-	Financial assets at fair value through other comprehensive income, noncurrent	4,800,000	\$79,338	3.43%	\$79,338	-



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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

Holding Company Name	Marketable Securities Type	Marketable Securities Name	Relationship with the Company	Financial Statement Account	December 31, 2021				
					Shares/Units	Carrying Value (NT\$'000)	Percentage of Ownership	Fair Value (NT\$'000)	Note
Yuan-Xiang Investment Inc.	Stocks	DoQubiz Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	150,000	\$35,972	17.06%	\$35,972	-
	Convertible Note	Gemini Data, Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	7,868,861	\$20,243	1.80%	\$20,243	-
	Stocks	Yang Ming Marine Transport Corp.	-	Financial assets at fair value through other comprehensive income, noncurrent	170,000	\$20,570	0.00%	\$20,570	-
	Stocks	Chenfull Precision Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	250,000	\$25,270	0.46%	\$25,270	-
	Stocks	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	1,000,000	\$63,000	0.28%	\$63,000	-
Yuan-Feng Investment Inc.	Stocks	LI TV (TAIWAN) INC.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,490,000	\$68,640	4.97%	\$68,640	-
PixArt Investment (SAMOA) Ltd.	Stocks	ACT Genomics Holdings	-	Financial assets at fair value through other comprehensive income, noncurrent	1,731,090	\$42,095	1.19%	\$42,095	-

PIXART IMAGING 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% of the capital stock for the year ended December 31, 2021:

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount (NT\$'000)	Number of Shares	Amount (NT\$'000)	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (NT\$'000) (Note 2)
PixArt Imaging Inc.	Yuan-Xiang Investment Corp.	Investments accounted using the equity method	Note 1	Subsidiary	112,954,577	\$1,268,012	30,000,000	\$300,000	-	\$-	\$-	\$-	142,954,577	\$1,579,679

Note 1: The acquisition is resulted from the subscription to investee's new shares issuance.

Note 2: The ending balance includes share of profits or losses of associates, exchange differences resulting from translating the financial statements of foreign operations and unrealized gains or losses from financial assets at fair value through other comprehensive income.

E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.

G. Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None.

H. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instrument transaction: Please refer to Note 12(8).

**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

**J. Others: Intercompany relationships and significant intercompany transactions for the year ended December 31, 2021:**

NO	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Revenue or Total Assets
0	PixArt Imaging Inc.	Audiowise Technology Inc.	1	Trade receivables from related parties	\$4,712	30-60 days	0.03%
			1	Operating revenue	\$10,153		0.12%
			1	Other receivables from related parties	\$1,820	-	0.01%
			1	Temporary credits	\$86	-	0.00%
			1	Advance rent receipts	\$823	-	0.01%
			1	Deposits received	\$823	-	0.01%
			1	Rental revenue	\$4,945	-	0.06%
			1	Other revenue	\$1,594	-	0.02%
0	PixArt Imaging Inc.	PixArt Germany GmbH	1	Trade payables to related party	\$1,935	In accordance with agreements	0.01%
			1	Operating expenses	\$6,453		0.07%
0	PixArt Imaging Inc.	PixArt Imaging (Penang) SDN. BHD.	1	Trade payables to related party	\$85,769	In accordance with agreements	0.63%
			1	Operating expenses	\$85,769		0.97%
0	PixArt Imaging Inc.	PixArt Japan K.K.	1	Trade payables to related party	\$3,910	In accordance with agreements	0.03%
			1	Operating expenses	\$47,250		0.54%
0	PixArt Imaging Inc.	PixArt Imaging Finland Oy	1	Trade payables to related party	\$6,398	In accordance with agreements	0.05%
			1	Operating expenses	\$22,298		0.25%

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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

NO	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Revenue or Total Assets
1	Audiowise Technology Inc.	PixArt Imaging (USA), INC.	3	Trade payables to related party	\$2,685	In accordance with agreements	0.02%
			3	Operating expenses	\$32,958		0.37%
2	PixArt International (SAMOA) Ltd.	PixArt Technology (Shenzhen) Co., Ltd.	3	Prepaid expense - related party	\$672	In accordance with agreements	0.00%
			3	Operating expenses	\$59,006		0.67%
2	PixArt International (SAMOA) Ltd.	PixArt Imaging (USA), INC.	3	Trade payables to related party	\$6,536	In accordance with agreements	0.05%
			3	Operating expenses	\$40,275		0.46%

Note 1: Inter-company relationships' and significant inter-company transactions codes were listed as follows:

- A. The Company: 0.
- B. Subsidiaries were assigned numbers which started from 1.

Note 2: Relation codes were listed as follows:

- A. The Company to subsidiaries.
- B. Subsidiaries to the Company.
- C. Subsidiaries to subsidiaries.

Note 3: Calculation of the percentage was listed as follows:

- A. Ratio of assets or liabilities to consolidated assets.    Ratio of revenues or expenses to consolidated gross sales.

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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

(2) Names, locations, and related information of investees over which the Company exercises significant influence as of December 31, 2021:

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (NT\$'000)		Balance as of December 31, 2021			Net Income (Losses) of the Investee (NT\$'000)	Investment Income (Loss) Recognized (NT\$'000)
				December 31,		Shares	Percentage of Ownership (%)	Carrying Value (NT\$'000)		
				2021	2020					
The Company	PixArt International (SAMOA) Ltd.	SAMOA	Investment activities	US\$4,356,000	US\$4,356,000	4,356,000	100.00	\$917,684	\$(116,365)	\$(116,365)
	Yuan-Xiang Investment Inc.	Taiwan	Investment activities	\$1,900,000	\$1,600,000	142,954,577	100.00	\$1,579,679	\$13,263	\$13,263
	Yuan-Feng Investment Inc.	Taiwan	Investment activities	\$420,000	\$420,000	12,682,294	100.00	\$115,728	\$89	\$89
	Audiowise Technology Inc.	Taiwan	IC design	\$251,000	\$251,000	25,100,000	83.67	\$128,726	\$1,168	\$1,253
	PixArt Imaging Finland Oy	Finland	Technical Support activities	EUR 500,000	Note 2	500,000	100.00	\$11,535	\$(5,591)	\$(5,591)
	Terasilic Co., Ltd.	Taiwan	IC design	\$176,000	Note 3	8,800,000	31.01	\$157,096	\$(64,343)	\$(20,139)
Yuan-Xiang Investment Inc.	YuanXiang Investment (SAMOA) Ltd.	SAMOA	Investment activities	US\$2,710,220	US\$2,710,220	2,710,220	100.00	\$84,788	\$(1,876)	Note 1

PIXART IMAGING INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (NT\$'000)		Balance as of December 31, 2021			Net Income (Losses) of the Investee (NT\$'000)	Investment Income (Loss) Recognized (NT\$'000)
				December 31,		Shares	Percentage of Ownership (%)	Carrying Value (NT\$'000)		
				2021	2020					
Yuan-Feng Investment Inc.	Audiowise Technology Inc.	Taiwan	IC design	\$6,052	\$6,052	605,000	2.02	\$3,090	\$1,168	Note 1
PixArt International (SAMOA) Ltd.	PixArt Imaging (USA), Inc.	USA	Technical Support activities	US\$1,000,000	US\$1,000,000	10,000	100.00	\$81,410	\$8,934	Note 1
	PixArt Imaging (Penang) SDN. BHD.	MALAYSIA	IC design	MYR20,000,000	MYR20,000,000	20,000,000	100.00	\$622,486	\$27,365	Note 1
	YuanXiang Technology (SAMOA) Ltd.	SAMOA	Investment activities	US\$7,113,990	US\$7,093,990	7,113,990	100.00	\$16,364	\$(2,507)	Note 1
	PixArt Technology (SAMOA) Ltd.	SAMOA	Investment activities	US\$500,000	US\$500,000	500,000	100.00	\$9,889	\$1,723	Note 1
	PixArt Investment (SAMOA) Ltd.	SAMOA	Investment activities	US\$4,110,100	US\$3,500,100	4,110,100	100.00	\$28,793	\$(35,771)	Note 1
	PixArt Germany GmbH	Germany	Technical Support activities	EUR 300,000	EUR 300,000	300,000	100.00	\$8,673	\$318	Note 1

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**PIXART IMAGING INC.**

**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (NT\$'000)		Balance as of December 31, 2021			Net Income (Losses) of the Investee (NT\$'000)	Investment Income (Loss) Recognized (NT\$'000)
				December 31,		Shares	Percentage of Ownership (%)	Carrying Value (NT\$'000)		
				2021	2020					
YuanXiang Technology (SAMOA) Ltd.	PixArt Japan K.K.	Japan	Technical Support activities	US\$518,039	US\$518,039	1,000	100.00	\$16,057	\$(1,890)	Note 1
YuanXiang Investment (SAMOA) Ltd.	CMC Capital Investments, L.P.	CAYMAN	Investment activities	US\$1,466,856	US\$2,247,696	-	20.00	\$16,040	\$(2,023)	Note 1

Note 1: Equity pick-up has been included in investment gain/loss from subsidiaries.

Note2: PixArt Imaging Finland Oy was incorporated in October 2020, and the capital injection has been completed on February 19, 2021.

Note3: The Company acquired 35.24% ownership of Terasilic Co., Ltd. by cash of NT\$200,000 thousand in May 2021. In September 2021, the Company disposed of a portion of Terasilic Co., Ltd. shares and its ownership was reduced to 31.01%.

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**PIXART IMAGING INC.**

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

(3) Information of investment in mainland China for the year ended December 31, 2021.

Investee Company	Main Businesses and Products	Paid-in Capital (NT\$'000)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (NT\$'000)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (NT\$'000)	Net Income (Loss) of the Investee (NT\$'000)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2) (NT\$'000)	Carrying Amount as of December 31, 2021 (NT\$'000)	Accumulated Repatriation of Investment Income as of December 31, 2021 (NT\$'000)
					Outward	Inward						
PixArt Technology (Shenzhen) Co., Ltd.	Technical support activities	\$15,520 (US\$500,000)	(ii) PixArt Technology (SAMOA) Ltd.	\$15,520 (US\$500,000)	\$-	\$-	\$15,520 (US\$500,000)	\$1,723	100%	\$1,723	\$9,755	\$-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021 (NT\$'000)	Investment Amount Authorized by the Investment Commission, MOEA (NT\$'000)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (NT\$'000)
\$15,520 (US\$500,000)	\$15,520 (US\$500,000)	\$6,104,330

Note 1: The methods for engaging in investment in Mainland China include the following:

- (i) Direct investment in Mainland China.
- (ii) Indirectly investment in Mainland China through companies registered in a third region.
- (iii) Other methods.

Note 2: The investment income (loss) recognized in current period was audited by the auditors of the parent company.



PIXART IMAGING INC.  
1. STATEMENT OF CASH AND CASH EQUIVALENTS  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand		\$ 170	USD1=NTD27.68
Checking and savings accounts	Including	552,434	CNY1=NTD4.339
	USD 9,270,336.12		HKD1=NTD3.549
	CNY 8,279,071.70		JPY1=NTD0.240
	HKD 60,047.88		EUR1=NTD31.33
	JPY 2,109		
	EUR 172.25		
Time deposits		2,439,085	
Cash equivalents	Cash equivalents-CP-Repo	360,247	Expiration date 2022.1.7~2022.1.13, Interest rate at 0.25%
Total		<u>\$ 3,351,936</u>	

## PIXART IMAGING INC.

## 2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT

As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollar)

Financial Instruments	Description	Shares/Units	Acquisition Cost	Accumulated impairment	Fair Value		Note
					Unit Price (NTD)	Total Amount	
Common stock UNITED MICROELECTRONICS CORPORATION	-	16,000,000	<u>\$ 249,923</u>	Not applicable	\$ 65.00	<u>\$ 1,040,000</u>	

## PIXART IMAGING INC.

## 3. STATEMENT OF TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED PARTIES

As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Trade receivables			Trade receivables are due to business.
Client A		\$ 359,957	
Client B		186,664	
Client C		124,462	
Client D		96,888	
Client E		47,818	
Client F		46,628	
Others	The amount of individual client in others does not exceed 5% of the account balance.	70,704	
Total		933,121	
Less: Loss allowance		(14,164)	
Net amount		<u>\$ 918,957</u>	
Trade receivables from related parties			
Audiowise Technology Inc.		<u>\$ 4,712</u>	

## PIXART IMAGING INC.

## 4. STATEMENT OF OTHER RECEIVABLES AND OTHER RECEIVABLES FROM RELATED PARTIES

As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Tax refund receivable	VAT income tax	\$ 23,842	
Interest receivable		570	
Rent receivable		157	
Others		<u>7,779</u>	
Total		<u>\$ 32,348</u>	
Other receivables from related parties			
Audiowise Technology Inc.		<u>\$ 1,820</u>	

PIXART IMAGING INC.  
5. STATEMENT OF INVENTORIES  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 36,926	\$ 25,276	Inventories were not pledged.
Supplies		105,093	93,569	
Work in process		548,108	1,657,251	
Finished goods		327,456	500,979	
Total		1,017,583	\$ 2,277,075	
Less: Allowance for inventory valuation and obsolescence losses		(111,753)		
Net Amount		<u>\$ 905,830</u>		

PIXART IMAGING INC.  
6. STATEMENT OF PREPAYMENTS  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayment for purchases		\$ 4,056	
Prepaid salaries		3,675	
VAT deductible		2,548	
Prepaid insurance expenses		1,455	
Other prepaid expenses		18,083	
Total		<u>\$ 29,817</u>	

## PIXART IMAGING INC.

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

For the year ended December 31, 2021

(In Thousands of shares / Amounts in Thousands of New Taiwan Dollars)

Name of Securities	As of January 1, 2021		Acquisition		Disposal		Evaluation gains on financial assets at fair value through other comprehensive income	As of December 31, 2021		Accumulated impairment	Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value			
Stock												
Shieh Yong Investment Co., Ltd.	34,686	\$ 722,172	38,418	\$ -	-	\$ -	\$ 279,548	73,104	\$1,001,720	Not applicable	None	
TriKnight Capital Corporation.	14,643	139,959	-	-	-	-	91,908	14,643	231,867	Not applicable	None	
Ta Ya Electric Wire & Cable Co., Ltd.	-	-	3,887	96,956	-	-	16	3,887	96,972	Not applicable	None	
LI TV (TAIWAN) INC.	-	-	480	15,255	-	-	(2,023)	480	13,232	Not applicable	None	
Total	<u>49,329</u>	<u>\$ 862,131</u>	<u>42,785</u>	<u>\$ 112,211</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 369,449</u>	<u>92,114</u>	<u>\$1,343,791</u>			

PIXART IMAGING INC.  
8. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
For the year ended December 31, 2021

(In Thousands of shares / Amounts in Thousands of New Taiwan Dollars)

Investee Company	As of January 1, 2021		Acquisition		Disposal		Share of profit or loss	Capital surplus (Note 1)	Share of other comprehensive income (loss) of subsidiaries	Exchange differences resulting from translating the financial statements of foreign operations	As of December 31, 2021			Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	%	Amount	Unit price(NTD)	Total Amount		
Pixart International (SAMOA) Ltd.	4,356	\$ 1,074,439	-	\$ -	-	\$ -	\$ (116,365)	\$ 16,158	\$ (14,078)	\$ (42,470)	4,356	100%	\$ 917,684	\$ 210.67	\$ 917,684	None	Note 2
Yuan-Xiang Investment Inc.	112,955	1,268,012	30,000	300,000	-	-	13,263	-	(330)	(1,266)	142,955	100%	1,579,679	11.05	1,579,679	None	
Yuan-Feng Investment Inc.	12,682	125,798	-	-	-	-	89	92	(10,251)	-	12,682	100%	115,728	9.13	115,728	None	
Audiowise Technology Inc.	25,100	123,631	-	-	-	-	1,253	3,842	-	-	25,100	83.67%	128,726	5.11	128,194	None	
PixArt Imaging Finland Oy	-	-	500	16,960	-	-	(5,591)	1,170	-	1,004	500	100%	11,535	23.07	11,535	None	Note 3
Terasilic Co., Ltd.	-	-	10,000	200,000	(1,200)	(22,765)	(20,139)	-	-	-	8,800	31.01%	157,096	9.66	84,994	None	Note 4
Total		<u>\$ 2,591,880</u>		<u>\$ 516,960</u>		<u>\$ (22,765)</u>	<u>\$ (127,490)</u>	<u>\$ 21,262</u>	<u>\$ (24,659)</u>	<u>\$ (44,740)</u>			<u>\$ 2,910,448</u>				

Note 1: The amount was related to share-based payment transactions of subsidiaries.

Note 2: The Company increased the cash capital of Yuan-Xiang Investment Inc. by NT\$300,000 thousand in August 2021, totaling 30,000,000 shares.

Note 3: PixArt Imaging Finland Oy was incorporated in October 2020, and the capital injection has been completed on February 19, 2021.

Note 4: The Company acquired 35.24% ownership of Terasilic Co., Ltd. by cash of NT\$200,000 thousand in May 2021. In September 2021, the Company disposed of a portion of Terasilic Co., Ltd. shares and its ownership was reduced to 31.01%.



PIXART IMAGING INC.

9. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	As of January 1, 2021	Additions	Disposals	Reclassification	As of December 31, 2021	Note
Refer to Note 6(7)						1. Allocation of depreciation expenses for the current period: Operating costs \$ 4,761 Operating expenses — selling expenses 266 Operating expenses — administrative expenses 17,818 Operating expenses — research and development expenses <u>24,540</u> Total <u>\$ 47,385</u>

## PIXART IMAGING INC.

## 10. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	As of January 1, 2021	Additions	Disposals	As of December 31, 2021	Note
Cost					
Land	\$ 153,565	\$ 181	\$ (303)	\$ 153,443	
Building	18,605	236	(603)	18,238	
Transportation equipment	1,680	818	(1,680)	818	
Total	<u>\$ 173,850</u>	<u>\$ 1,235</u>	<u>\$ (2,586)</u>	<u>\$ 172,499</u>	
Amortization and impairment					
Land	\$ 9,546	\$ 4,799	\$ (303)	\$ 14,042	
Building	8,616	5,135	(386)	13,365	
Transportation equipment	1,680	409	(1,680)	409	
Total	<u>\$ 19,842</u>	<u>\$ 10,343</u>	<u>\$ (2,369)</u>	<u>\$ 27,816</u>	
Net carrying amount	<u>\$ 154,008</u>			<u>\$ 144,683</u>	

PIXART IMAGING INC.

11.STATEMENT OF CHANGES IN INVESTMENT PROPERTY

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	As of January 1, 2021	Additions	Amortization	As of December 31, 2021	Note
Refer to Note 6(8)					

PIXART IMAGING INC.

12.STATEMENT OF CHANGES IN INTANGIBLE ASSETS

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	As of January 1, 2021	Additions	Amortization	As of December 31, 2021	Note
Refer to Note 6(9)					

PIXART IMAGING INC.

13. STATEMENT OF OTHER NONCURRENT ASSETS

As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Mask and Tooling		\$ 78,999	
Advance payments in equipment		29,571	
Advance payments in royalties		10,176	
		<u>\$ 118,746</u>	

PIXART IMAGING INC.  
14. STATEMENT OF OTHER ASSETS  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Refundable deposits	Project duty guarantee, Dormitory lease guarantee etc.	<u>\$ 6,009</u>	
Other financial assets, non-current			
Restricted deposits	Repatriated offshore funds	\$ 978,244	
Pledged time deposits	Customs duty guarantee etc.	<u>8,106</u>	
Total		<u>\$ 986,350</u>	

PIXART IMAGING INC.  
15. STATEMENT OF SHORT-TERM BORROWINGS  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Type	Description	Amount	Contract Period	Interest Rate	Loan Commitments	Collateral	Note
Unsecured loans	E.SUN Bank	<u>\$ 359,840</u>	2021/12/15~2022/01/14	0.64%	\$ 500,000	None	

PIXART IMAGING INC.  
16.STATEMENT OF ACCOUNTS PAYABLE  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Trade payables			Trade payables are due to business.
Vendor A		\$ 199,537	
Vendor B		57,867	
Vendor C		55,060	
Vendor D		51,569	
Vendor E		48,422	
Vendor F		38,748	
Vendor G		34,894	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	113,026	
Total		<u>\$ 599,123</u>	
Trade payables to related parties			
PixArt Imaging (Penang) SDN.BHD		\$ 85,769	
PixArt Imaging Finland Oy		6,398	
PixArt Japan K.K.		3,910	
PixArt Germany GmbH		1,935	
		<u>\$ 98,012</u>	



PIXART IMAGING INC.  
17. STATEMENT OF OTHER PAYABLES  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other Payables			
Accrued bonuses		\$ 577,947	
Accrued employees' compensation		464,579	
Others	The amount of individual item in others does not exceed 5% of the account balance.	235,909	
Total		<u>\$ 1,278,435</u>	

## PIXART IMAGING INC.

## 18. STATEMENT OF OTHER CURRENT LIABILITIES

As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts under custody		\$ 8,240	
Unearned rents		1,218	
Others		839	
Total		<u>\$ 10,297</u>	

PIXART IMAGING INC.  
19. STATEMENT OF LEASE LIABILITIES  
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Lease term	Discount rates (annual)	Ending Balance	Note
Land	93/04/23~126/01/05	1.45%~1.80%	\$ 142,837	
Building	107/01/01~111/12/31	1.50%~2.86%	4,971	
Transportation equipment	109/12/15~111/12/14	1.55%	412	
Total			<u>\$ 148,220</u>	

Note: Include current portion of lease liabilities of NT\$9,121 thousand.

PIXART IMAGING INC.  
20. STATEMENT OF OPERATING SALES  
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Units (Die)	Amount	Note
Operating revenues			
Sales of goods	393,569 thousands	\$ 7,773,148	
Other operating revenues		110,386	
Total		7,883,534	
Less : Sales return & Sales discounts and allowances		(9,197)	
Net operating revenues		<u>\$ 7,874,337</u>	

PIXART IMAGING INC.  
21.STATEMENT OF OPERATING COSTS  
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

ItemItem	Amount		Note
	Subtotal	Total	
Cost of Goods Sold of Self-made Product			
Direct material			
Raw material, beginning of year	\$ 21,033		
Add: Raw material purchased	1,596,722		
Transferred from research and development expenses and others	3,562		
Less: Raw material, end of year	(36,926)		
Transferred to research and development expenses and others	(4,369)		
Direct material used		\$ 1,580,022	
Manufacturing Expenses		2,017,694	
Manufacturing Costs		3,597,716	
Add: Work in process, beginning of year	441,266		
Work in process purchased	16,480		
Transferred from finished goods	507,220		
Transferred from research and development expenses and others	8,277		
Less: Work in process, end of year	(548,108)		
Transferred to research and development expenses and others	(13,154)		
Inventory scrapped	(418)	411,563	
Cost of Finished Goods		4,009,279	
Add: Finished goods, beginning of year	196,799		
Transferred from research and development expenses and others	38,464		
Less: Finished goods, end of year	(327,456)		
Transferred to work in process	(507,220)		
Transferred to research and development expenses and others	(21,859)		
Inventory scrapped	(14,048)	(635,320)	
Costs of goods sold		3,373,959	
Other Operating Costs		35,837	
Total Operating Costs		\$ 3,409,796	

PIXART IMAGING INC.  
22.STATEMENT OF SALES AND SELLING EXPENSES  
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		\$ 174,068	
Professional service fees		55,042	
Amortization		22,417	
Shipping expenses		16,325	
Others	The amount of individual item in others does not exceed 5% of the account balance.	26,897	
Total		<u>\$ 294,749</u>	

PIXART IMAGING INC.  
23.STATEMENT OF ADMINISTRATIVE EXPENSES  
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		\$ 175,411	
Insurance expense		70,714	
Processing fees		44,638	
Professional service fees		37,362	
Depreciation		28,161	
Board compensation		27,232	
Amortization		26,630	
Others	The amount of individual item in others does not exceed 5% of the account balance.	90,896	
Total		<u>\$ 501,044</u>	

## PIXART IMAGING INC.

## 24.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		\$ 1,212,738	
Research experiment expenses		225,752	
Professional service fees		113,986	
Amortization		88,847	
Others	The amount of individual item in others does not exceed 5% of the account balance.	82,846	
Total		<u>\$ 1,724,169</u>	



PIXART IMAGING INC.

25. STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Function Nature	For the year ended December 31, 2021		
	Operating Costs	Operating Expenses	Total
Employee benefits expenses	Refer to Note 6(19)		
Payroll			
Labor and health			
Pension			
Board compensation			
Others			
Depreciation			
Amortization			