Stock Code: 3707

Episil Hold Inc.

2020Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Annual report inquiry website http://mops.twse.com.tw http://www.episil.com

Printed on April 20, 2021

I. Spokesperson and Acting Spokesperson Contact Information

Vice President Spokesperson：FAN,GUI-RONG / Vice President

Acting Spokesperson：LIN,TING-YUAN / Vice Director

Tel: (03)5779245 Email:episil_mail@episil.com

II. Episil Address and Telephone Number

1. Headquarters：Episil Hold Inc.

   Address：9F-3, No.18, Puding Road, Hsinchu City

   Tel：(03)5779245 Website：www.episil.com

2. Branch office：None

3. Factory：None

4. Subsidiary

   Episil-Precision Inc. Tel：(03)5632255

   Address：No.10, Dusing Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM1 Address：No.3, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM2 Address：No.12-1, Creative Road IV, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM3 Address：No.10, Dusing Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   EM4 Address：5F, No.8, Lixing Road, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   Episil Technologies Inc. Tel：(03)5779245

   Address：No.18, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   DF1 Address：No.3, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   DF6A Address：No.5, Creation Road II, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

   DF6B Address：No.18, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.

III. Common Share Transfer Agent and Registrar

Company：The Transfer Agency Department of KGI

Address：5F, No.2, Section 1, Chongqing South Road, Taipei, Taiwan R.O.C.

Tel：(02)23892999 Website：www.kgieworld.com.tw

IV. Independent Auditors

Accounting Firm：PWC

Auditors：Hsieh, Chih Cheng、Lin, Yu Kuan

Address：27F, No.333, Section 1, Keelung Road, Taipei, Taiwan R.O.C.

Tel：(02)27296666 Website：www.pwcglobal.com.tw

V. Corporate Website：www.episil.com

Contents

One、Letter to Shareholders

Dear Shareholders:

Episil is an industrial holding company, with main business including development, design, manufacturing and sales of related products such as epitaxy wafer and wafer foundry service of power IC and analog IC.

At the beginning of 2020, the spread of the COVID-19 pandemic around the world led to unprecedented disconnection in the semiconductor supply chain, while the continued tension between the U.S. and China led to severe global economic challenges. The Company is still dedicated to niche product production capacity deployment and product portfolio optimization. In 2020, consolidated sales came in at NT$5.741 billion, which grew by 6% compared to that in 2019, with a net loss after tax of NT$485 million, translating to a loss of NT$1.64 per share. The Company's performance in its two major businesses are described as follows:

Epitaxy production

The subsidiary Episil-Precision Inc. (stock code: 3016) posted consolidated revenue of NT$4.039 billion in 2020, which grew by 4.8% compared to that in 2019. Net profit after tax was NT$13,491 thousand, with EPS of NT$0.09. In addition, semiconductors have become more and more important thanks to growth in applications related to electric vehicles, energy, and 5G products. In the face of the COVID-19 pandemic and changes in the global political and economic factors, Episil-Precision Inc. will constantly invest in research for better performance on silicon epitaxial power semiconductors in 2021, maintain its leading position in the industry, and is well praised by customers. We expect growth momentum with the advent of the booming semiconductor industry. According to Yole's statistical data on compound semiconductor epitaxy in 2019-2025, gallium nitride (GaN) components achieved 95% CAGR thanks to fast charging applications for smartphones, while silicon carbide components are used in high power systems such as electric vehicles and solar energy, which achieved 30% CAGR. Episil-Precision Inc. is currently the only domestic supplier specialized in the mass production of gallium nitride (GaN) epitaxy and silicon carbide epitaxy, and is obtaining more market opportunities via these new technologies. We dedicate efforts to comprehensively improve production efficiency, stabilize production quality and reduce costs.

Component and foundry

Operating revenue of the subsidiary Episil Technologies Inc. came in at NT$1.951 billion in 2020, which grew by 6.95% compared to that in 2019. The net loss after tax was NT$483 million, which was NT$104 million less than the loss in 2019. Episil Technologies Inc. actively promotes maximization of production efficiency, focusing on product optimization and introducing high-margin products. As all employees are committed to implementing the Company's development policy, dedicating efforts to strengthen process technology and manufacturing capabilities, we expect steady improvement in the Company's product structure and gross profit margin. In 2021, we aim to fully expand the sales scale of gallium nitride (GaN) and silicon carbide (SiC) related products, accelerating the growth of OEM foundries for components related to energy-saving and automotive electronics in order to seize energy-saving and automotive business opportunities in the semiconductor industry, and expand our market share in professional IC manufacturing services. The management team still adheres to the aforementioned business policy and is committed to the continuous improvement of the quality system and cost control. We anticipate that Episil Technologies Inc.'s operating profit margin will continue to increase as the Company gradually turns profitable.

Looking to the future, given the severe impact of COVID-19, people's lifestyles have undergone morphological changes. For example, the growing trend in remote offices and online courses has suddenly brought about great business opportunities including PCs and equipment related to data centers. Demand for automotive, green energy and energy-saving products continue to grow. In particular, the shortage of global automotive electronic components has driven the Company's demand for WBG components since 2021, while the Company deploys on WBG components for growth opportunities in the existing global market. The Company's 4-inch SiC production line has been ahead of schedule in mass production. In order to meet customer needs and increase SiC production capacity, the 6-inch SiC production line has also been set up as the first foundry in Taiwan. Given the successful development of related automotive electronic components and certification of the VDA6.3 quality system, we continue to dedicate efforts to provide innovative services for customers, shareholders and all employees and work towards corporate sustainability.

We wish you all the best.

Chairman: Jian-Hua Syu

Two、Company Profile

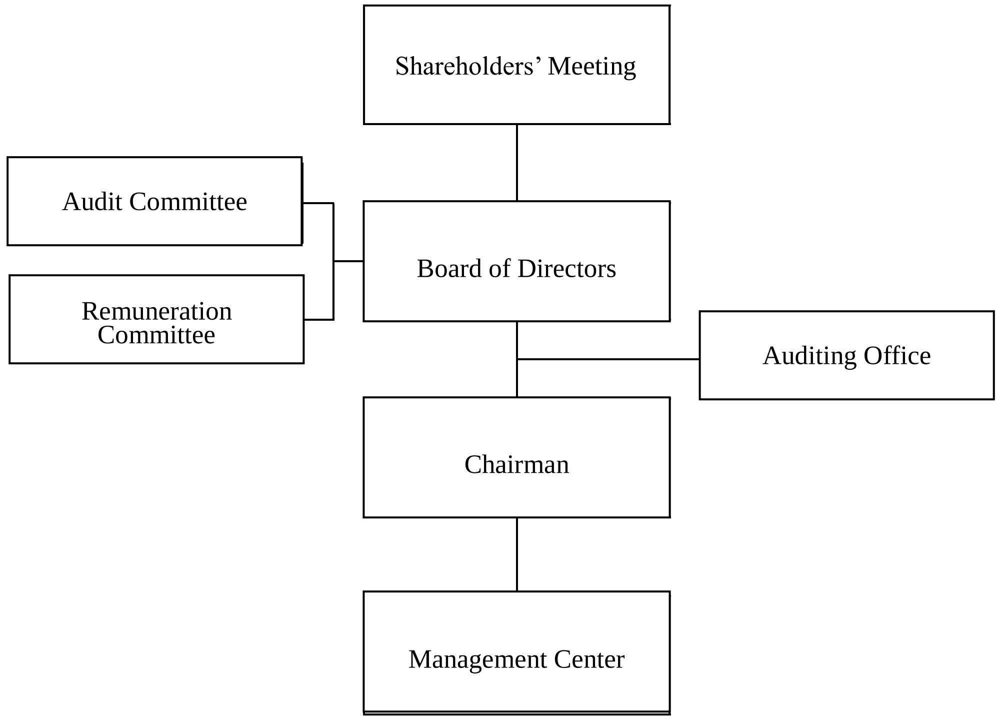
1. Date of incorporation: October 1, 2014
2. A brief history of the company:

2021	The Board of Directors approved the merger of subsidiary, Episil Technology Inc., and the name of the company after the merger will be changed to Episil Technology Inc. (stock symbol maintained at 3707). The base date for the merger is set for 1 July 2021.
2020	The subsidiary (Episil Technology Inc.) obtain VDA6.3 certification.
2020	The subsidiary (Episil Technology Inc.) obtain ISO 45001 change version certification.
2020	Election of the 3rd term board of directors (including independent directors) in the shareholders' meeting, with Chien-Hua Hsu re-elected as Chairman.
2019	The subsidiary (Episil Technology Inc.) continued to obtain ISO 14001:2015 and OHSAS 18001:2007 certification.
2018	The subsidiary (Episil Technology Inc.) established a 6-inch SiC production line, deploying niche products, and expanding investment in SiC processing.
2018	Issued the 2nd domestic secured convertible corporate bond with a total nominal amount of NT$750 million.
2017	Cash capital increase by issuing 50,000,000 new shares at a premium of NT$11.85 per share.
2016	Former Chairman Min-Ci Huang resigned and became honorary chairman, while the board of directors elected Director Jian-Hua Syu as the new Chairman.
2016	Merger of the subsidiary (Episil Semiconductor Wafer, Inc.) and Precision Silicon Corp. After the merger, Episil Precision Inc. is the surviving company, and Episil Semiconductor Wafer, Inc. is the merged company. After the merger, Precision Silicon Corp. was renamed Episil-Precision Inc. After the merger, the paid-in capital of Episil Precision Inc. increased from NT$940 million to NT$2.436 billion. The Company owns 61.4% shareholding of Episil Precision Inc. and became the largest shareholder.
2015	The board of directors approved the merger of the subsidiary (Episil Semiconductor Wafer, Inc.) and Episil Precision Inc.
2015	The subsidiary (Episil Technology Inc.) continued to obtain ISO9001:2008 and ISO/TS16949:2009 certification.
2015	The subsidiary (Episil Technology Inc.) split and transferred its epitaxial and compound semiconductor business on January 5, 2015 to the newly established Episil Semiconductor Wafer, Inc., in order for industrial and technological specialization.
2016	Issued the 1st domestic secured convertible corporate bond with a total nominal amount of NT$650 million.
2014	The Company and its subsidiaries implement independent business management policies to improve sales performance and competitiveness for the purpose of business development. On June 6, 2014, the subsidiary Episil Technology Inc. was established via share conversion by resolution of the shareholders' meeting and was listed on the OTC on the date of incorporation in accordance with relevant regulations, with the stock code of 3707.

Three、Corporate Governance Report

1. Organizational System

(1) Organizational Structure



(2) Department functions

Department	Main Functions
Management Center	·Contract review and management. ·Coordination of the property insurance claim. ·Legal consultation, support, and other legal affairs. ·Management and coordination of public affairs of the Group's subsidiaries. ·Human resource and talent management of investment holdings. ·Strategic planning, communication and coordination of human resources of the Group's subsidiaries. ·Formulation of major human resources management measures for the Group's subsidiaries. ·Effective use of fund management and quickly providing correct accounting information, business performance analysis and review, external environment and competitive analysis. ·Provide strategic planning, subsidiary management, investment analysis, and company business process analysis and improvement to support the decision-making at the top management level. ·Promote computerization and the development and maintenance of IT systems.
Auditing Office	·Responsible for planning and implementation of internal audit and keeping in line with its improvement.

II、Directors and Management Team：

（I）Directors

April 20, 2021

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience （Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Sincere Holding Company(Note2)	-	109.06.11	3	109.06.11	15,964,245	5.39	15,964,245	5.09	0	0	0	0	None	Corporate Chairman of NanoClean Materials Co., Ltd. Corporate Chairman of Heron Neutron Medical Corp. Corporate Chairman of Synaspire Corp. Corporate Chairman of Shinyu Light Co., Ltd. Corporate Chairman of Genses Intelligent Technology Co., Ltd. Corporate Chairman of Creaticon Biotechnology Inc.	None			
	R.O.C	Representative：Jian-Hua Syu(Note2)	Male	109.06.11	3	105.06.08	0	0	200,000	0.06	0	0	0	0	Master's degree in chemical engineering , National Cheng Kung University	Legal Representative Chairman of Episil-Precision Inc. Legal Representative Chairman of Episil Technologies Inc. Legal Representative Chairman of Wellknown Holdings Ltd. Legal Representative Charman and President of Taiwan Hi-Tech Corp. Independent director of Ultra Chip, Inc. Independent director of Upi Semiconductor	None			
Director	R.O.C	Sincere Holding Company(Note4)	-	109.06.11	3	109.06.11	15,964,245	5.39	15,964,245	5.09	0	0	0	0	None	Corporate Chairman of NanoClean Materials Co., Ltd. Corporate Chairman of Heron Neutron Medical Corp. Corporate Chairman of Synaspire Corp. Corporate Chairman of Shinyu Light Co., Ltd. Corporate Chairman of Genese Intelligent Technology Co., Ltd. Corporate Chairman of Creaticon Biotechnology Inc.	None			
	R.O.C	Representative：Chin-Yung Shu (Note4)	Male	109.06.11	3	103.06.06	0	0	0	0	5,393	0	0	0	Master's degree in Institute of EO Engineering from National Chiao Tung University.	Legal Representative Director of Huntertex Corp. Chairman of HonSean-JY Company Limited. Chairman of JadeYale-CY Company Limited. Legal Representative Director of Shinyu Light Co., Ltd. Chairman of GeoThings Inc. Director of Hermes-Epitek Corporation Director of Han Shin Corp. Director of Advanced Ion Beam Technology, Inc. Legal Representative Director of Advanced System Technoloty Co., Ltd. Legal Representative Director of ProMOS Technologies Inc. Legal Representative Director of Heron Neutron Medical Corp.	None			
Director	R.O.C	Hermes-Epitek Corporation(Note3)	-	109.06.11	3	103.06.06	17,792,745	6.01	17,792,745	5.67	0	0	0	0	None	Corporate Chairman of Herm Investment Co., Ltd. Corporate Chairman of Hermes Advanced Therapy Systems Corp.	None			

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience （Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Representative： Hsi-Hsin Chen (Note3)	Male	109.08.01	3	109.08.01	0	0	0	0	0	0	0	0	Academic degree in Solid State Physics from University of Texas, USA	Legal Representative Chairman of Advanced System Technoloty Co., Ltd. Legal Representative Director of Hermes Testing Solutions Inc. Legal Representative Director of Episil Technologies Inc. Legal Representative Director of High Power Optoelectronics, Inc. Legal Representative Director of Energic Technologies Corporation. Director of Advanced Ion Beam Technology, Inc.		None		
	R.O.C	Representative： Hsiao-Lien Shen (Note3)	Male	109.08.01	3	109.08.01	0	0	0	0	0	0	0	0	Master's degree from National Jiaojiao university	Legal Representative Director of Energic Technologies Corporation		None		
Director	R.O.C	Vision Holdings Ltd.	-	109.06.11	3	103.06.06	1,417,636	0.48	1,417,636	0.45	0	0	0	0	None	Corporate director of Excellence Optoelectronics Inc. Corporate director of Epileds Technologies, Inc. Corporate director of Hermes Testing Solutions Inc. Corporate director of Advanced System Technology Co., Ltd.		None		
	R.O.C	Representative： Chien-Chi Su	Male	109.06.11	3	108.01.14	5,298	0	5,298	0	0	0	0	0	Academic degree inMaterials Science and Engineeringe from National Cheng Kung University.	Hermes-Epitek Corporation Manager		None		
Director	R.O.C	Honder Holding Ltd.	-	109.06.11	3	103.06.06	1,463,387	0.49	1,463,387	0.47	0	0	0	0	None	Corporate Chairman of Advanced System Technology Co., Led.		None		
	R.O.C	Representative： Guei-Rong Fan	female	109.06.11	3	103.06.06	10,361	0	10,361	0	0	0	0	0	Master's degree in MBA,University of Leicester	Legal Representative Director of Episil-Precision Inc. Legal Representative Director of Episil Technologies Inc. Legal Representative Director of Taiwan Hi-Tech Corp. Legal Representative Chairman of Hi-Tech Semi-Conductor（ChangShu）Co., LTD.		None		
Independent Director	R.O.C	Jhih-Da Yan	Male	109.06.11	3	106.06.22	0	0	0	0	0	0	0	0	Academic degree in Department of Public Finance from National Chengchi University	Independent director of Sinopower Semiconductor, Inc. Independent director of Feature Integration Technology Inc. Independent director of Prolight Opto Technology Corporation.		None		
Independent Director	R.O.C	Zong-Si Ke	Male	109.06.11	3	106.06.22	0	0	0	0	0	0	0	0	Master's degree in Management of Technology from National Chiao Tung University.	Director of M31 Technology Corporation		None		
Independent Director	R.O.C	Mao-Song Deng	Male	109.06.11	3	106.06.22	0	0	0	0	0	0	0	0	Master's degree in business Administration from National Taiwan University.	Director and Presiden of Etron Technology, Inc. Legal Representative Chairman of Eever Technology, Inc. Legal Representative Chairman of Eys3d Microelectronics, Co. Director of Great Team Backend Foundry, Inc. Director of Etron Technology America, Inc. Director of eCapture Technologies,Inc. Director of eCapture Ltd. Co. Director of eCapture Co., Limited Director of S Square System Limited Director of Insignis Technology,Inc.		None		

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience （Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Director of Insignis Technology Corporation Director of Anzon Technology, Inc. Director of eEver Technology Limited Director of eYs3D Microelectronics, Inc.				

Note:

1. The Company completed the reelection of its directors for the third term commencing on June 11, 2020 and expiring on June 10, 2023 at the General Meeting of the Shareholders on June 11, 2020.
2. The company's general meeting of shareholders on June 11, 2010 completed the reelection of the directors for the third term. Sincere Holding Company and its representative Mr. Jian-Hua Syu were elected as the chairman.(Hermes-Epitek Corporation y and its representative Mr. Jian-Hua Syu were originally elected as the Chairman).
3. Mr. Min-Ci Huang and Miss Shu-Ling Lin, who were originally elected as natural persons as directors, were elected as representatives of Hermes-Epitek Corporation. after the third election of directors was completed at the general meeting of shareholders of the Company on June 11, 2020. And on 31 July 2020, Hermes-Epitek Corporation appointed Mr. Hsi-Hsin Chen and Mr. Hsiao-Lien Shen (the original representatives are Mr. Min-Ci Huang and Miss Shu-Ling Lin).
4. The Company completed the reelection of the third term of directors at the general meeting of shareholders on June 11, 2010. Sincere Holding Company and its representative Mr. Chin-Yung Shu were elected to the board of directors. (Beilang International Co., Ltd and Mr. Chin-Yung Shu, its representative, were elected as directors)
5. Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: There is no situation in which the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

1、Major shareholders of the institutional shareholders：

April 20, 2021

Name of Institutional Shareholders	Major Shareholders
Vision Holdings Ltd.	Hwang,Ming-Chi 8.30% Lu,Fei-Chian 3.86% Lin,Su-Lin 4.46% Hwang,Mei-Yun 2.38% Green Cove Enterprises Inc. 80.00% JadeYale-CY Company Limited 1.00%
Hermes-Epitek Corporation	Hwang,Ming-Chi 11.55% Lu,Fei-Chian 8.49% Lin,Su-Lin 4.57% Hwang,Mei-Yun 2.50% Vision Holdings Ltd. 1.24% Green Cove Enterprises Inc. .69.13% HonSean-JY Company Limited 2.04% JadeYale-CY Company Limited 0.48%
Honder Holdings Ltd.	Green Cove Enterprises Inc. 76.00% Yeh Tzu Charitable Trust Fund 11.88% Sincere Holding Company 0.12% Lu,Fei-Chian 3.60% Hwang,Mei-Yun 6.00% Herm Investment Co. Ltd. 2.40%
Sincere Holding Company	Yeh Tzu Charitable Trust Fund 100.00%

2、Major shareholders of the Company’s major institutional shareholder：

Name of Institutional Shareholders	Major Shareholders
Green Cove Enterprises Inc.	Hwang,Mei-Yun 100%
HonSean-JY Company Limited	Shu, Chin-Yung 50% Lee, Kui-Hua 50%
JadeYale-CY Company Limited	Shu, Chin-Yung 50% Lee, Kui-Hua 50%
Yeh Tzu Charitable Trust Fund	Not Applicable
Herm Investment Co. Ltd.	Hermes-Epitek Corporation 100%

2、Professional qualifications and independence analysis of directors：

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Jian-Hua Syu			V			V			V		V	V	V	V		2
Hsi-Hsin Chen			V	V		V	V		V	V	V	V		V	V	0
Hsiao-Lien Shen			V	V	V	V	V		V	V	V	V		V	V	0
Chin-Yung Shu			V	V	V	V	V		V	V	V	V	V	V		0
Chien-Chi Su			V	V	V	V	V	V	V	V	V	V	V	V		0
Guei-Rong Fan			V			V		V	V	V	V	V	V	V		0
Jhih-Da Yan	V			V	V	V	V	V	V	V	V	V	V	V	V	3
Zong-Si Ke			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Mao-Song Deng			V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a

financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Management Team:

April 20, 2021

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Can-Wun Liou	Male	110.03	0	0	0	0	0	0	Bachelor's degree in Electrical Engineering department,National Central University	None	None		
Vice President	R.O.C	Guei-Rong Fan	female	103.10	10,361	0	0	0	0	0	Master's degree in MBA,University of Leicester	Legal Representative Director of Episil-Precision Inc. Legal Representative Director of Episil Technologies Inc. Legal Representative Director of Taiwan Hi-Tech Corp. Legal Representative Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.	None		
Vice President	R.O.C	Yuan-Bei Gu	female	109.06	0	0	0	0	0	0	Master's degree in Department of Business Administration, National Taiwan University	None	None		

Note: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: There is no situation in which the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship.

（III）Y2020 Remuneration of Directors, Independent Directors, General Manager and Deputy General Manager

1、Y2020 Remuneration of Directors and Independent Directors

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
																The company		Companies in the consolidated financial statements				
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements	
Chairman	Sincere Holding Company	0	0	0	0	0	0	0	0	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative：Jian-Hua Syu	0	0	0	0	0	0	60	90	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	6
Director	Hermes-Epitek Corporation	0	0	0	0	0	0	0	0	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative：Min-Ci Huang (The outgoing)	0	0	0	0	0	0	0	0	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative：Shu-Ling Lin(The outgoing)	0	0	0	0	0	0	10	10	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative：Hsi-Hsin Chen	0	0	0	0	0	0	20	20	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative：Hsiao-Lien Shen	0	0	0	0	0	0	30	30	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
Director	Sincere Holding Company	0	0	0	0	0	0	0	0	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative：Chin-Yung Shu	0	0	0	0	0	0	50	50	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
Director	Vision Holdings Ltd.	0	0	0	0	0	0	0	0	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0

	Representative： Chien-Chi Su	0	0	0	0	0	0	60	60	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
Director	Honder Holdings Ltd.	0	0	0	0	0	0	0	0	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
	Representative： Guei-Rong Fan	0	0	0	0	0	0	60	90	(Note)	(Note)	2,496	2,496	0	0	0	0	0	0	(Note)	(Note)	6
Independent Director	Jhih-Da Yan	0	0	0	0	0	0	260	260	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
Independent Director	Zong-Si Ke	0	0	0	0	0	0	260	260	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0
Independent Director	Mao-Song Deng	0	0	0	0	0	0	260	260	(Note)	(Note)	0	0	0	0	0	0	0	0	(Note)	(Note)	0

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration of the directors and independent directors of the company is authorized to be determined by the board of directors according to the degree of participation and contribution of each director and independent director to the operation of the company and by taking into account the standard paid by the industry at home and abroad.
   The company made an operating loss in 2020, and the remuneration of the independent directors is expensed of attending the conference.
2. Except as disclosed in the table above, the remuneration received by a company director in the most recent year for services rendered to all companies in the financial report (e.g. as a consultant who is not an employee)：0
3. Note1:The company had an operating loss in 2020, so this ratio is not applicable.

2、Y2020 Remuneration of Presidents and Vice Presidents Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Base Compensation (A)</th><th colspan="2">Bonus to Supervisors (B)</th><th colspan="2">Allowances (C)</th><th colspan="4">Employee Compensation (D) (Note1)</th><th colspan="2">Ratio of Total Remuneration (A+B+C) to Net Income (%)</th><th rowspan="3">Remuneration from ventures other than subsidiaries or from the parent company</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Vice President</td><td>Guei-Rong Fan</td><td rowspan="2">3,804</td><td rowspan="2">3,804</td><td rowspan="2">60</td><td rowspan="2">60</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">(Note1)</td><td rowspan="2">(Note1)</td><td rowspan="2">6</td></tr>
<tr><td>Vice President</td><td>Yuan-Bei Gu</td></tr>
</table>

Note1：The company had an operating loss in 2020, so this ratio is not applicable.

Note 2：President Can-Wun Liou was appointed on March 9, 2021.

Range of Remuneration

<table>
<tr><th rowspan="2">Range of Remuneration</th><th colspan="2">Name of Executive Officers</th></tr>
<tr><th>The company</th><th>Companies in the consolidated financial statements (D)</th></tr>
<tr><td>Less than NT$ 2,000,000</td><td>Yuan-Bei Gu</td><td>Yuan-Bei Gu</td></tr>
<tr><td>NT$2,000,000～NT$4,999,999</td><td>Guei-Rong Fan</td><td>Guei-Rong Fan</td></tr>
<tr><td>NT$5,000,000～NT$9,999,999</td><td></td><td></td></tr>
<tr><td>NT$10,000,000～NT$14,999,999</td><td></td><td></td></tr>
<tr><td>NT$15,000,000～NT$29,999,999</td><td></td><td></td></tr>
<tr><td>NT$30,000,000～NT$49,999,999</td><td></td><td></td></tr>
<tr><td>NT$50,000,000～NT$99,999,999</td><td></td><td></td></tr>
<tr><td>Greater than or equal to NT$100,000,000</td><td></td><td></td></tr>
<tr><td>Total</td><td>2</td><td>2</td></tr>
</table>

3、Remuneration for the top five executives Unit: NT$ thousands

Title	Name	Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)		Employee Compensation (D) (Note1)				Ratio of Total Remuneration (A+B+C) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Vice President	Guei-Rong Fan	2,496	2,496	0	0	0	0	0	0	0	0	(Note1)		6
Vice President	Yuan-Bei Gu	1,308	1,308	60	60	0	0	0	0	0	0	(Note1)		0
Finance and Accounting Supervisor	Jia-Ci Jhong	1,259	1,259	76	76	224	224	0	0	0	0	(Note1)		0
Corporate governance director	Shu-Rong Wu	821	821	52	52	156	156	0	0	0	0	(Note1)		0

Note1：The company had an operating loss in 2020, so this ratio is not applicable.

Note2：Vice President Yuan-Bei Gu inaugurated on 10 June 2020.

Note3：The company's concurrent managers are only the above four supervisors.

4、Names of managers and distribution of compensation to employees in 2020：The company had an operating loss in 2020, so there is no compensation for employees.

（IV）Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents:

1、The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and vice presidents of the Company, to the net income.

Unit: NT$ thousands

Year / Identity	Y2019				Y2020			
	The company		Companies in the consolidated financial statements		The company		Companies in the consolidated financial statements	
	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)	Total remuneration	Ratio of total remuneration to net income (%)
Director	3,900	The company had an operating loss, so it is not applicable	3,960	The company had an operating loss, so it is not applicable	3,566	The company had an operating loss, so it is not applicable	3,626	The company had an operating loss, so it is not applicable
president and vice Presidents	4,942		4,942		3,864		3,864	

2、The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance：

(1)The policy on the payment of remuneration to the board of directors and executive officers has been stipulated in the Articles of Association of the Company.

(2)The Company has established a Compensation Committee, which sets and regularly reviews the annual and long-term performance objectives of the Company's directors and executive officers, as well as the policies, systems, standards and structure of compensation and remuneration.

III、Implementation of Corporate Governance

（I）Board of Directors

A total of 6 meetings of the Board of Directors were held in 2020. The attendance of director were as follows:：

Title	Name		Attendance in Person (註 1)	By Proxy	Attendance Rate (%)	Remarks
Chairman	Sincere Holding Company	Representative：Jian-Hua Syu	6	0	100	2020/6/11 was re-elected, the chairman of the original legal person was Hermes-Epitek Corporation, and the representative was re-elected
Director	Hermes-Epitek Corporation	Representative：Min-Ci Huang	1	2	33.33	2020/7/31 change of appointment. Attendance shall be 3 times
		Representative：Shu-Ling Lin	1	2	33.33	
		Representative：Hsi-Hsin Chen	2	0	66.67	2020/7/31 change of appointment, 2020/8/1 appointment, should attend 3 times.
		Representative：Hsiao-Lien Shen	3	0	100	
Director	Vision Holdings Ltd.	Representative：Chien-Chi Su	6	0	100	2020/6/11 re-election reappointment
Director	Honder Holding Ltd.	Representative：Guei-Rong Fan	6	0	100	2020/6/11 re-election reappointment
Director	Sincere Holding Company	Representative：Chin-Yung Shu	5	1	80	2020/6/11 was re-elected, the chairman of the original legal person was Beilang International Co., Ltd, and the representative was re-elected
Independent Director	Jhih-Da Yan		6	0	100	2020/6/11 re-election reappointment
Independent Director	Zong-Si Ke		6	0	100	2020/6/11 re-election reappointment
Independent Director	Mao-Song Deng		6	0	100	2020/6/11 re-election reappointment

Other mentionable items：

I、 If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified.：Please refer to pages 46~47.

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act.

(II) Other issues opposed by independent directors or about which directors have reservations that have been noted in the record or declared in writing: None.

II、In situations where directors recuse themselves due to conflict of interest, the director's name,content of the resolution, reason for recusal, and his or her voting participation should be properly recorded：

Board meeting Term/ Date	Name of benefit avoidance director	Major resolutions	Should benefit to avoid the reason	A vote situation
2nd Term 17th Session 2020.03.17	Guei-Rong Fan	Manager incentive and performance bonus	Director herself	The rest of the directors present approved the case
3rd Term 5th Session 2021.03.09	Chin-Yung Shu Hsi-Hsin Chen Hsiao-Lien Shen Chien-Chi Su	Removal of the restriction on competition of directors	Director himself	The rest of the directors present approved the case
	Guei-Rong Fan	Manager incentive and performance bonus	Director herself	The rest of the directors present approved the case
	Jian-Hua Syu Guei-Rong Fan	Proposal on executive compensation	Director himself	The rest of the directors present approved the case

III、For the information of evaluation cycles, periods, scope, method and content of self-evaluation of the Board of Directors：

(I) Evaluation Cycle：Annually

(II) Evaluation Period：2020/1/1~2020/12/31

(III)Evaluation Scope：The Company' s board self-evaluation scope covers the evaluation of the board, functional committees and individual board members.

(IV)Evaluation Method：Self-evaluation of the board, its functional committees and individual board members' performance

(V) Evaluation Content：

1. The self-evaluation of board members includes the following aspects: (1)Familiarity with the goals and missions of the company; (2)Awareness of the duties of a director; (3) Participation in the operation of the company; (4)Management of internal relationships and communication; (5) The director's professionalism and continuing education; and (6)Internal control.
2. The self-evaluation of the board of directors includes the following aspects: (1) Participation in the operation of the company; (2)Improvement of the quality of the board of directors' decision making; (3) Composition and structure of the board of directors; (4)Election and continuing education of the directors; and (5) Internal control.
3. The self-evaluation of the functional committees includes the following aspects: (1) Participation in the operation of the company; (2)Awareness of the duties of the functional committee; (3) Improvement of quality of decisions made by the functional committee; (4)Composition of the functional committee and election of its members; and (5) Internal control.
4. At the end of each year, collect the relevant information of the board of directors and the functional committee, collect the questionnaire, make the score according to the evaluation index, and submit the report to the board of directors.
5. The Company completed the self-evaluation of board members ,the board of directors and functional committees in January 2021. And reported to the board of directors in March 2021. The overall operation of individual board members , the board of directors and functional committees is assessed as " up to standard " in 2020. 。

IV、Measures taken to strengthen the functionality of the board：

(I) The Board of Directors has authorized its Audit Committee and Compensation Committee, which are composed of three independent directors, to assist the Board of Directors in the performance of their respective oversight duties. The chairmen of the committees report regularly to the board on their activities and resolutions.

(II) To enhance the transparency of information, the Company's directors' shareholding ratio, financial information, major resolutions of discussions, directors' attendance at the board of directors and other information have been published on the Open Information Observatory in accordance with the relevant laws and regulations.

Note 1: Actual attendance rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.

(II) Audit Committee：

The operation of the audit committee：A total of 5 Audit Committee meetings were held in 2020. The attendance of the independent directors was as follows：

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)(Note)	Remarks
Independent director	Jhih-Da Yan	5	0	100	Reappointment
Independent director	Zong-Si Ke	5	0	100	Reappointment
Independent director	Mao-Song Deng	5	0	100	Reappointment

Other mentionable items：

I、If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified：See pages 47~48.

(一) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(二) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors:None。

II、If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified：

Board meeting Term/ Date	Major resolutions	In situations of independent directors recuse themselves due to conflict of interest
3rd Term 2nd Session 2020.08.04	Appointment of members of the 3rd Salary and Compensation Committee	The independent director is the candidate of the Compensation Committee and does not participate in the voting

III、Communication between Independent Directors, head of internal audit, and CPAs：

(I) When the audit committee and the board of directors are held regularly every quarter, the audit director shall report the audit business, submit the audit report to the independent director for review every month, and record the discussion matters in the minutes of the meeting, so that the independent director and the audit director can fully communicate.

(II) During the review of the annual financial statements of the Company, the accountants will attend the audit committee and the board of directors as non-voting participants to explain the review of financial reports, the evaluation of significant assets and accounting estimates, etc. The accountants will discuss and communicate with the directors on the questions raised by the directors.

(III) Communication between Independent Directors, head of internal audit, and CPAs:

Date	Communicate matters with head of internal audit	Communicate matters with CPAs
2020.03.17	1.Internal audit business implementation report for the fourth quarter of 2019 2.2019 internal control system self-audit report and internal control system statement	1.2019 annual financial report review 2.Communicate matters with the main management unit 3.The accountant should address the questions raised by the audit committee
2020.05.07	1.Internal Audit Business Implementation Report for the first Quarter of 2020	1.Review of financial statements for the first quarter of 2020 2.Communicate matters with the main management unit 3.The accountant should address the questions raised by the audit committee
2020.08.04	1.Internal audit business implementation report for the second quarter of 2020	1.Review of financial reports for the second quarter of 2020 2.Communicate matters with the main

		management unit 3.The accountant should address the questions raised by the audit committee
2020.11.10	1.Internal Audit Business Execution Report for the third Quarter of 2020 2.2021 Internal Audit Plan Report(including subsidiaries)	1.Review of financial reports for the third quarter of 2020 2.Communicate matters with the main management unit 3.The accountant should address the questions raised by the audit committee
2021.03.09	1.Internal audit business implementation report for the fourth quarter of 2020 2.2020 internal control system self-audit report and internal control system statement	1.2020 annual financial report review 2.Communicate matters with the main management unit 3.The accountant should address the questions raised by the audit committee

四、Operation of the audit committee and annual focus of work:

(一) Work Priorities in 2020：

1. Communicate the results of the internal audit business report regularly with the internal audit supervisor according to the annual audit plan.
2. Communicate regularly with the Visa Accountant of the Company on the review or verification results of the quarterly financial statements.
3. Review financial reports.
4. Assess the effectiveness of the internal control system.
5. Appointment of a visa accountant.
6. Independent assessment of accountants and public service fees.
7. Examining and revising procedures for acquiring or disposing of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others in major financial business activities.
8. Compliance.

(二) Y2020 Operations: See pages 47~48.

Note : Actual attendance rate (%) is calculated based on the number of board meetings and actual attendance during his/her tenure.

(III) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" :

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has formulated the "Corporate Governance Best-Practice Principles" with relevant regulations to protect the rights and interests of shareholders, strengthen BOD functions, respect stakeholders, and improve information transparency. Please refer to the official website (www .episil.com) for the Company's "Corporate Governance Best-Practice Principles."	None
II. Equity structure and shareholder rights (I) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures?	V		The Company convenes shareholder meetings in accordance with the Company Act and relevant laws and regulations and formulates a comprehensive Shareholders' Meeting Procedure Rules. The Company has a spokesperson system and designates personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes, disclosing contact information so that shareholders can express their opinions and receive a proper response.	None
(II) Does the Company maintain a list of major Company shareholders and the ultimate owners of these shareholders?	V		In accordance with the Securities and Exchange Act, the Company discloses equity changes of insiders (directors, managers and shareholders with more than 10% shareholding) to the MOPS on a monthly basis, in order to retain the holding company's register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders, and ensuring stable operating rights .	
(III) Has the Company built and executed a risk management mechanisms and "firewall" between the Company and its affiliates?	V		The Company formulated regulations related to transactions such as monetary loans, endorsements/ guarantees with affiliated companies in accordance with the regulations of the Securities and Futures Bureau. It established	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
(IV)Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	V		internal control monitoring on subsidiaries for risk management. The Company has adopted internal rules prohibiting insiders from trading securities using information not disclosed to the market.	None
III. Composition and responsibilities of the Board of Directors (I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		The composition of the Company's board members considers diversity from various aspects based on the "Corporate Governance Best-Practice Principles" and the "Procedures for the Election of Directors.” There 9 directors and 3 independent directors in the Company’s board of directors, including a female director. The board members have professional backgrounds such as management, science and engineering, and financial analysis. They have experience in technological businesses, possessing the required semiconductor industry knowledge, judgment, international market concepts, leadership, and decision-making capabilities. This provides professional opinions from different aspects to improve the Company's operating performance and managerial efficiency. The Company pays attention to gender equality in the composition of the board of directors, to have 20% of board members as female directors, and plans to add 1 female director in the 4th term board of directors to achieve its goal. Please refer to page 29 for more information on board diversity.	None
(II)Has the Company establish other functional committees besides the Compensation Committee and Audit Committee of its own accord?	V		In addition to the Remuneration Committee and Audit Committee, the Company also voluntarily established a special committee for mergers and acquisitions. The other functional committees will be established when necessary in the future.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
(III) Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance evaluation on a regular basis each year, reported the evaluation result to the Board of Director and used the result as a reference on the consideration of individual directors' remuneration and nomination for re-election?	V		The Company has formulated the standard and method for evaluating the performance of the Board. Evaluation of the board of directors, board members and functional committees. On March 9, 2021, the 2020 evaluation results were submitted to the 5th meeting of the 3rd term board of directors as the basis for review and improvement. The evaluation results of overall board performance will be used as a reference for the election or nomination of directors (including independent directors). In contrast, the directors' individual performance evaluation results will be used as a reference for their remuneration and re-election in the future.	None
(IV) Does the Company assess the independence of external auditors on a regular basis?	V		1. The Company regularly evaluates the auditor's professional qualifications and independence on an annual basis, which were submitted together with the independence declaration to the board of directors. 2. The company regularly evaluates the independence of CPAs, with the main contents as follows: (1) Whether the CPA himself/herself, his/her spouse, dependents or relatives has an investment or profit-sharing relationship with the Company. (2) Whether the CPA himself/herself, his/her spouse, dependents or relatives has a business relationship with the Company's directors/ managers that affects independence. (3) Whether the auditor himself/ herself or his/ her spouse or minor children currently serve as a director or manager of the company or has a significant influence on the audit case during the audit period. (4) Whether the auditor is a spouse, lineal relatives by blood, lineal relatives by marriage or blood relatives within the second degree of kinship with the Company's directors and managers.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
			3. According to evaluation results of the 3rd term board of directors on November 10, 2020: the Company's CPA did not violate Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant. Apart from visa-related fees, the two CPAs have not served as the Company’s director, supervisor, officer or are they in a key position having a direct and significant influence over the audit work, and have no other financial interests or business relationships. The CPA’s family members do not violate the independence rules and meet the requirements for independence and competence.	None
IV. Does the TWSE/TPEx listed company dedicate competent managers or sufficient number of managers to be in charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and supervisors in legal compliance, convening board/shareholder meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of board/shareholder meetings)?	V		In order to implement corporate governance, the Company urges the board of directors to perform board functions in protecting the investors’ rights and interests, appointing an appropriate number of dedicated staff for corporate governance. The board of directors passed the resolution on December 29, 2020 in appointing Shu-Jung Wu, who has more than three years of experience as a financial director, as corporate governance director to handle related matters, with the main responsibilities as follows: 1. Assisting the Board or its committees with drawing up annual work plans and meeting agendas and collecting, researching, analyzing, or providing related materials. 2. Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or its committees for reference by the Board and its committees during deliberations. 3. Ensuring that the operations of the Company's shareholders' meetings, Board meetings, and committees do not violate laws or regulations, the Company's Articles of Incorporation, shareholders' meeting resolutions, and Guidelines for Corporate Governance.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
			4. Assisting with the general administrative affairs of shareholders' meetings and the calling of, notices for, holding of, and record-keeping for Board meetings and committee meetings. 5. Formulating Board meeting agendas and notifying directors seven days in advance of meetings, convening meetings and providing meeting information, and compiling Board meeting handbooks within 20 days of meetings. 6. Assessing and taking out appropriate D&O liability insurance for directors, supervisors, and managers.	
V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established an investor relations unit to provide relevant information and communication channels for shareholders, customers, suppliers and investors. The Company also set up a dedicated section for stakeholders on the official website, providing contact information of dedicated personnel to respond to the queries and concerns of stakeholders. Important CSR issues of concern to relevant stakeholders and communication channels can also be found on page 30 .	None
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company engaged a professional shareholder services agent (KGI Securities) to handle shareholder meeting matters.	None
VII. Information Disclosure (I)Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		The Company has set up an official website (www.episil.com) for timely disclosure of financial and corporate governance information.	None
(II)Does the Company adopt other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle	V		The Company regularly updates the Internet-based reporting system for public information, appoints personnel responsible for	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?			gathering and disclosing the information, and establishes a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders. In addition, the Company holds the investor conference on an annual basis. It discloses relevant information on the MOPS and company website to respond to the investors’ queries related to business operations and financial information.	None
(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and the monthly operating status report before the stipulated deadlines?	V		The Company submits financial statements and operating status for each month according to the date specified in the "List of Matters Required to Be Handled by Issuers of TPEx Listed Securities.” It has not yet published and reported its financial reports within two months after the end of the fiscal year and before the specified deadline.	
VIII.Does the Company have other important information for better understanding the Company’s corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company’s directors and supervisors)?	V		1. Employee rights and interests: The Company and its subsidiaries have established work rules to protect employee rights and interests in accordance with the Labor Standards Act and have also stipulated the Regulations for Implementing Labor-Management Meeting for labor-management communication. 2. Employee care: The International Organization for Standardization (ISO) announced the new ISO 45001:2018 system to replace Episil’s original OHSAS18001 certification in March 2018, and the Company obtained ISO45001 certification in August 2020. The dedicated occupational safety department is responsible for supervision and guidance for each department to conduct self-inspections and improvements, with various industrial safety inspections regularly to improve occupational safety and health, as well as fire drills and occupational safety	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
			education and training, for emergency response, safety self-management, and provide a safe and suitable working environment and necessary emergency relief. 3. Investor relations, supplier relations, and rights of stakeholders: The Company discloses information on the MOPS and its official website so that investors can fully understand the Company's operating status and communicate with investors via the shareholder meeting and spokesman system. The Company has also established a dedicated section for stakeholders on the official website to respond to major issues concerned by stakeholders. 4. Continuing education opportunities for directors: The Company's directors participate in advanced professional training courses related to finance and sales according to their needs. 5. Implementation of risk management policy and risk measurement criteria: The major business policies, investment projects, and acquisition or disposal of assets, are evaluated and analyzed by related departments, and then submitted to the board of directors for resolution before its implementation. 6. Implementation of customer policy: The Company's subsidiaries have established quality assurance and customer service departments to provide transparent and effective after-sales service and respond to customer complaints. 7.The Company's insurance against directors' liabilities: The Company has been purchasing liability insurance for protection against the directors' liabilities. In 2021, the insured amount is US$5 million, which has been submitted to the 4th meeting of the 3rd term board of directors, and reported on the MOPS	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>in accordance with regulations.</td><td></td></tr>
<tr><td colspan="5">IX. Please explain improvements that have been made as well as priorities and measures to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:
Episil has completed self-assessment and review, and will continue to strengthen the level of corporate governance.</td></tr>
</table>

Implementation of diversity of directors

Diversified core projects / Name	Basic Composition							Ability						
	Nationality	gender	employee	Age			Term of Independent Director (Year)	1	2	3	4	5	6	7
				41 ~ 50	51 ~ 60	61 ~ 70	3 ~ 6							
Jian-Hua Syu	R.O.C	M				V		V	V	V	V	V	V	V
Hsi-Hsin Chen	R.O.C	M				V		V	V	V	V	V	V	V
Hsiao-Lien Shen	R.O.C	M		V				V	V	V	V		V	V
Chien-Chi Su	R.O.C	M		V				V			V	V	V	V
Guei-Rong Fan	R.O.C	F	V		V			V	V	V	V	V	V	V
Chin-Yung Shu	R.O.C	M				V		V	V	V	V	V	V	V
Jhih-Da Yan	R.O.C	M			V		V		V		V		V	V
Zong-Si Ke	R.O.C	M				V	V	V	V	V	V	V	V	V
Mao-Song Deng	R.O.C	M			V		V	V	V	V	V	V	V	V

Ability :
1: Operational judgment
2.: Accounting and financial analysis skills
3: Management ability
4: Crisis management capability
5: Industry knowledge
6: Ability to lead
7: Decision-making ability

Important CSR issues of concern to stakeholders and communication channels

Stakeholders	Important corporate social responsibility issues of concern	Communication channel
Employees	1. Employee benefits 2. Career planning and development 3. On-the-job training 4. Equal right to work and workplace safety 5. Physical and mental health	1. Company Announcements 2. Communication channel of Human Resources Department 3. Labour Council 4. Employee Suggestion Box 5. Employee Welfare Committee 6. Medical staff
Customer	1. Product quality and delivery date 2. Ability of engineering technology and application scheme 3. Supply chain management 4. Selling services and privacy	1. Customer satisfaction survey 2. Visiting senior executive customers 3. Customer audit
Shareholder/Investo	1. Company operation overview 2. Company financial information 3. Corporate risk management 4. Profitability and dividend payment of the company 5. Corporate Governance and Corporate Social Responsibility	1. Annual report 2. Regular meetings of shareholders 3. Annual Legal Person Presentation Meeting
Supplier	1. Implementation of green products 2. Supplier Services and Privacy 3. Payment ability and financial risk	1. Visiting senior supervisor suppliers 2. Supplier satisfaction survey 3. Supplier audit and quality inspection 4. ISO certification of suppliers
Government agencies	1. Important company information 2. Compliance 3. Company information disclosure 4. Issues related to corporate governance 5. Labour relations and gender equality 6. Tax Payment 7. Industrial upgrading	1. The official document 2. Regulatory briefings 3. Open Information Observatory 4. Communicate with the competent authority immediately 5. Accountant auditing and tax services 6. Legal advisory services
The general public	1. Social participation and industry-university cooperation 2. Social welfare and charitable donations	1. Industry-university cooperation 2. Provide internship opportunities for students 3. Donation and product procurement for vulnerable groups

(IV) Composition, Responsibilities and Operations of the Remuneration Committee:

1.Professional Qualifications and Independence Analysis of Remuneration Committee Members：

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent director	Jhih-Da Yan	V			V	V	V	V	V	V	V	V	V	V	0
Independent director	Zong-Si Ke			V	V	V	V	V	V	V	V	V	V	V	0
Independent director	Mao-Song Deng			V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

2、Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) Term: August 4, 2020 solstice June 10, 2023.

A total of 2 Remuneration Committee meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows：

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Jhih-Da Yan	2	0	100	
Committee Member	Zong-Si Ke	2	0	100	
Committee Member	Mao-Song Deng	2	0	100	

Other mentionable items：

I、If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

II、Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.

Remuneration Committee Meeting	Major resolutions	All compensation committee comments and follow-up processing
2020.03.17 2nd Term 7th Session	1.Incentive and performance bonus for managers.	The independent directors have expressed no objection or reservation to the following motions, and the motions have been approved by all members of the Compensation Committee and all directors.
2020.11.10 3rd Term 1st Session	1.The executive compensation proposal	

(V) Performance of Social Responsibilities:

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
I. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle?	V		The company actively plans the CSR strategy and direction, promoting sustainability, corporate governance, and strictly abides by laws and regulations to provide colleagues with a good working environment, reasonable compensation, and bonuses. Meanwhile, the Company also commits to maintaining a sustainable environment, executed the environmental protection and energy saving, and urges employees to participate in social welfare activities. In principle, Episil’s internal risk management policy takes preventive measures to reduce the loss caused by risks. It verifies, evaluates, handles and monitors potential risks that may affect the Company’s goals. Episil also conducts regular tracking, incorporating the measures into the daily operations of each department.	None
II. Has the Company designated personnel to implement corporate social responsibility policy with senior management authorized by the Board of Directors to manage them? Do they prepare status reports to the Board of Directors?	V		The Company has formulated the "Corporate Social Responsibility Best Practice Principles,” and established an exclusively (or concurrently) dedicated unit to be in charge of corporate integrity policies, systems or related management guidelines and specific promotion plans.	None
III. Environmental Issues (I)Has the Company developed an proper environmental management system, given its distinctive characteristics? (II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V V		Since the Company and its subsidiaries obtained the ISO14001 certification in 2001, and has been valid for more than 20 years, with the concept of environmental protection integrated into corporate culture. Since the Company and its subsidiaries obtained the ISO14001 certification in 2001, energy saving and waste reduction have been clearly stipulated in the Company's environmental protection policy. The waste is classified, recycled and reused. Currently, there are more than 20 types of recyclable items. The total weight of recycling also accounted for	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
			more than 28% of the original amount of waste in 2020, which significantly reduces the waste treatment capacity of the qualified waste treatment and waste removal companies and mitigates the impact of waste on the environment. For waste that cannot be recycled, qualified cleaning and waste removal companies are entrusted with appropriate treatment based on its characteristics in accordance with the law.	
(III) Has the Company made an assessment on the potential risks and opportunities posed by climate changes to the present and future of the Company and undertaken countermeasures pertaining to climate changes?	V		Episil has assessed present and future risks and opportunities of climate change, incorporating it into risk management, and actively promoted related operations for energy saving and carbon reduction. In 2020, the Company obtained ISO14064 certification.	None
(IV) Has the Company measured its greenhouse gas emission, water use and total weight of waste, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?	V		The Company and its subsidiaries uphold the concept of sustainability, and are committed to environmental protection, green production, promoting safety and health, preventing occupational injuries and diseases, reducing the impact of activities and products on the environment, and creating a comfortable working environment based on safety and health. According to GHG emissions, water consumption, and total waste generation in the past two years, the Company has formulated policies for energy saving, carbon reduction, GHG reduction, water reduction, or other waste management policies as described on pages 78~80.	
IV. Social Issues (I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		The Company and its subsidiaries formulate work rules and human resource regulations for corporate management in accordance with the Labor Act. In order to ensure gender equality in the workplace, the Company provides unpaid parental leave, family medical leave and physiological leave for	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
			employees. It refers to the International Bill of Human Rights for equal rights and interests of men and women to establish the special chapter of gender equality promotion and sexual harassment prevention in the work rules.	
(II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably tying operating results to employee salary?	V		Episil provides various employee welfare policies, in addition to legal compliance on labor insurance, health insurance, retirement pension and parental leave. It also provides health check-up for employees on an annual basis, three festival gifts and gift vouchers, wedding gifts and funeral condolences, and employee group insurance. In addition, the Company allocates no less than 0.01% of surplus earnings as compensation for employees for harmonious labor-management relationship.	
(III) Does the Company provide healthy work environment? Are employees trained regularly on safety and health issues?	V		The Company and its subsidiaries monitor the working environment every six months to ensure that there would be no impact on employee health. They actively provide protective equipment for employees in areas of high noise levels. In addition, health check-up is carried out for new employees in accordance with the law to confirm that the new employees have the fitness and health to adapt to the new job. In contrast, the health check-up frequency and items for in-service employees are better than the legal requirements. After more than a decade of analysis of health check-up results, it was found that none of the health of employees was related to the working environment. To implement safety and health education, occupational safety and health seminars are held on an annual basis so that employees become more aware of safety and health. In view of the increasing number of chemical splashes, the subsidiary Episil Technology Inc. continued the 2019 chemical damage prevention	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
			plan to procure the "Emergency Remedies for Chemical Contact Damage Treatment (Diflucan/ hexafluorine)" for the production area, factory area and A&E department of the 3rd factory area. It also plans to provide employee education and training on chemical hazards and emergency drug use in order for colleagues to understand the potential chemical hazards and appropriate emergency treatment.	
(IV) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		The Company establishes an effective self-development training program for employees, including new employees, management, professional, and external training, as well as further education subsidies for colleagues. Set employee learning plans with learning targets and blueprints.	None
(V) Pertaining to the health and safety of customer when using the Company's products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?	V		The marketing and labeling of products and services by the Company and its subsidiaries are in compliance with and subject to relevant laws, regulations and international standards.	
(VI) Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertinent to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	V		The Company's subsidiaries have created a supplier evaluation system. Before taking on business partnerships with suppliers, the Company will conduct a qualification review and confirm whether there are impacts on the environment and society in the past. If there is, the Company will not take on business partnerships with the supplier. The supplier is required to sign an agreement and abide by all relevant professional ethics systems established by the Company.	

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Implementation Status</td><td rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</td></tr>
<tr><td>Y</td><td>N</td><td>Abstract Illustration</td></tr>
<tr><td>V. Does the Company refer to universal standard or guideline for report preparation when preparing for CSR Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?</td><td>V</td><td></td><td>The Company implements CSR in accordance with the competent authority and relevant laws and regulations. It has set up a CSR area on the official website and disclose relevant information on the company website and MOPS based on its implementation status.</td><td>None</td></tr>
<tr><td colspan="5">VI. In accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/ TPEx Listed Companies,” the Company has clearly stipulated Episil's CSR policy. There were no deviations with the Company's implementation status.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of corporate conduct and ethics compliance practices of the Company: The company has long been committed to fulfilling its corporate citizenship responsibilities and has spared no effort in fulfilling its social responsibilities. It has been specifically promoting the plan to make a fixed annual donation to fund social welfare group activities. ◦ Over the years, the implementation results are as follows：
(1)2017/5/20 Social Welfare Foundation 「LOVE FLIES ～ Enlightenment and Environmental Love Garden Party」 $50,000 ◦
(2)2017/12/2 Social Welfare Foundation 「LOVE LIGHTS UP」Presentation of Disable Learning Results $50,000 ◦
(3)2017/12/29 Corporate World Peace Association「Live a Good Year with Hungry Children」 $30,000 ◦
(4)2017/12/29 Eden Social Welfare Foundation「2018 Love Around the Stove Charitable Works」 $30,000 ◦
(5)2018/3/30Hsinchu Catholic Charity Social Welfare Foundation 「Fun Flash ~ Development ~ Special Education ~ Sanitation. Environmental Love Garden Party 」 $50,000 ◦
(6)2018/5/25 World Peace Organisation 「2018 Children’s Drama Charity Performance Event」 $20,000 ◦
(7)2018/10/12 Eden Social Welfare Foundation 「2018 Service Plan for Developmental Delay Children」$30,000 ◦
(8)2019/4/12 Hsinchu Catholic Charity Social Welfare Foundation 「2019/5/18 Young Happiness ~ Development & Environmental Love Garden Party」 $30,000 ◦
(9)2019/5/3 Corporate World Peace Association 「Rescue Children from Starvation 2019 Children’s Drama Charity Performance」 $20,000 ◦
(10)2019/9/6 Eden Social Welfare Foundation「Eden-Elderly Care Service Plan (Spend a Quality life with Them」 $30,000 ◦
(11)2020/1/17 Corporate World Peace Association 「Happy Chinese New Year for hungry children $20,000 ◦
(12)2020/12/4 Hsinchu Catholic Charity Social Welfare Foundation,「Christmas Happiness, Learning Achievement Parent-Child Activity」 $50,000 ◦
(13)2020/11/6 Eden Social Welfare Foundation「2020 The disabled Service Program」 $30,000 ◦</td></tr>
<tr><td colspan="5">VIII. If the Company’s CSR Report passes certification of the pertinent inspection institution, further elaboration should be provided：None</td></tr>
</table>

（IV）Status of Implementation of Integrity Operation:

Evaluation Item	Implementation Status			Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies:
	Y	N	Abstract Illustration	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (I) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents? (II) Has the Company established an risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (III) Does the company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement	 V V V		 In order to implement integrity management policy and actively prevent dishonest behaviors, the Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Employee Code of Ethics.” The board of directors, managers and all employees are subject to the aforementioned regulations when performing their duties. The Company’s "Ethical Corporate Management Best Practice Principles" has formulated preventive measures in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies” against business activities within their business scope that are at a higher risk of being involved in unethical conduct. They established prevention programs accordingly, reviewing the adequacy and effectiveness of the accounting system and internal control system on an irregular basis. The Company has formulated the "Ethical Corporate Management Best Practice Principles"	None

Evaluation Item	Implementation Status			Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies:
	Y	N	Abstract Illustration	
operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?			and the "Employee Code of Ethics," with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, the commitment to implement the policies, and regular review and amendment.	None
II. Enforcement of ethical management (I)Does Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties?	V		According to the Company's "Ethical Corporate Management Best Practice Principles," prior to any commercial transactions, the Company shall take into consideration the legality of its trading counterparties. It shall avoid any dealings with persons involved in unethical conduct. The Company shall include in contract terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.	None
(II) Does the Company task a unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on ethical management policy, as well as the supervision of measures for prevention of unethical conduct?	V		In order to strengthen integrity management, the management center is responsible for stipulating integrity management policies and prevention plans, which are supervised by the audit department and reported to the board of directors when necessary.	
(III) Does the company establish policies to prevent conflict of interests, provide	V		The Company has formulated the "Ethical	

Evaluation Item	Implementation Status: Y	N	Abstract Illustration	Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies:
appropriate communication and complaint channels and implement such policies properly? (IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, and had internal auditors made audit plans according to the results of the risk assessment of unethical conduct, so as to inspect the compliance of the preventive measures, or commissioned external CPA to conduct the audit? (V) Does the Company provide internal and external ethical conduct training programs on a regular basis?	 V V		Corporate Management Best Practice Principles" and the "Employee Code of Ethics" to prevent conflicts of interest, and set up the investor relations contact window, dedicated sections for corporate governance, corporate social responsibility and stakeholders on the official website as reference for shareholders and stakeholders The Company has established an effective accounting and internal control system with normal operating conditions. The internal auditors regularly conduct audits based on the audit plan and submits the audit reports to the Chairman and independent directors for review in order to implement integrity management and prevent fraud. Through departmental meetings, the Company's advocates and ensures that employees understand the concept and standards of integrity management.	None
III、Implementation of the company's reporting system (I) Has the Company established specific whistle-blowing and reward procedures, accessible reporting channels, and designated personnel to handle the reported misconducts?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Employee Code of Ethics." It sets up the integrity hotline with dedicated personnel to respond to different issues. According to the Guidelines for Rewards and Punishments, any	None

Evaluation Item	Implementation Status			Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies:
	Y	N	Abstract Illustration	
			violation of the Company's ethical standards will be punished. There were no punishments and violations of the Company's ethical standards in 2020.	
(II) Has the Company established standard operating procedures for investigating misconducts, follow-up measures taken after investigation and confidentiality protection mechanism?	V		The Company has set up an employee complaints mailbox and a dedicated unit responsible for handling employee complaints. Whistleblowers can report through letters and emails, which are handled by dedicated personnel. The Company also set up a stakeholder contact platform on its official website to respond to stakeholders' opinions, concerns, and disputes. In addition, to ensure the stakeholders' rights and interests, the Company also has a rigorous and secure reporting system for stakeholders to communicate confidential information.	None
(III) Has the Company provided proper whistleblower protection?	V		The Company provides whistleblowing channels and takes appropriate protection measures to protect the privacy and personal data of the whistleblower.	
IV. Enhancement of Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?	V		Episil has disclosed information of the "Ethical Corporate Management Best Practice Principles" on its official website (http:/www.episil.com).	None
V. If the Company has established integrity management principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations				

Evaluation Item	Implementation Status			Deviation from the Integrity Operation Practice Principles for TWSE/TPEx Listed Companies and reasons for the discrepancies:
	Y	N	Abstract Illustration	
from the Best Practice Principles: None.				
VI. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): Up to now, the company has not violated the integrity management rules, affecting the operation of the company.				

(VII) If the Company has established corporate governance principles or other relevant guidelines, the channels of access to such principles must be disclosed : Please refer to the Company's website (http://www.epi.episil.com) or Open Information Observatory (http://mops.twse.com.tw)for the company's Corporate Governance Principles.

(VIII) Other important information material to the understanding of corporate governance within the Company:

For better corporate governance, the Company has formulated relevant regulations including the "Regulations Governing Procedure for Board of Directors Meetings," "Shareholders' Meeting Procedure Rules," "Procedures for the Election of Directors," "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best Practice Principles" and the "Corporate Social Responsibility Best Practice Principles."

(IX) Status of Implementation of Internal Control System

1. Statement of internal control system：

Episil Holding Inc.

Statement of Internal Controls

Date: March 9, 2021

The following statement has been made based on a self-assessment of the Company's internal control system in 2020:

I. The Company is aware that creation, implementation, and maintenance of internal control system are the responsibilities of its board of directors and management, and has duly established such a system. The purpose of internal control system is to provide reasonable assurances concerning the outcomes and efficiency of the Company's operations (including profitability, business performance, and asset security), the reliability, timeliness, and transparency of reported information, and compliance and accomplishment of relevant regulations and goals.

II. There are inherent limitations to even the best designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.

III. The Company evaluates the effectiveness of its internal control system design and execution based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each major element is further divided into several sub-elements. Please refer to the "Regulations" for the above mentioned elements.

IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as of December 31, 2020. This system (including the supervision and management of subsidiaries) has provided assurance concerning the Company's business results, target accomplishments, reliability, timeliness, and transparency of reported information, and its compliance with relevant laws.

VI. This statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed at the board meeting held on March 9, 2021 by all 9 attending Directors.

Episil Holding Inc.

Chairman & CEO：Jian-Hua Syu

2. If the Company is required by the Security and Futures Bureau to hire an accountant to audit the Company's internal control system, the audit report prepared by the CPAs should be disclosed: Not applicable.

(X) In the most recent year up till the printing date of this annual report, penalties imposed against the Company and employees for regulatory violation, or penalties against employees imposed by the Company for violation of internal control policy, which would affect the shareholders' interests and the share price significantly, if any, shall have the content of the penalties, areas of weakness and any corrective actions taken described: None.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1、Material resolutions and implementation status of the 2020 shareholders meeting

Meeting Date	Important Resolutions	Implementation Status
June 11, 2020	Rectification 1. Rectification of the 2019 final report. 2. Rectification of 2019 loss make-up proposal. Approval 1. Approved the amendment of the "Regulations Governing the Loaning of Funds to Others." 2. Approved the amendment of the "Regulations Governing the Making of Endorsements/ Guarantees." 3. Approved the private placement of common equity. Election 1. Election of directors	Rectification 1. Resolution passed. 2. Resolution passed. Approval 1. Operations in compliance with board resolutions, and have been uploaded to the MOPS on June 22, 2020. 2. Operations in compliance with board resolutions, and have been uploaded to the MOPS on June 22, 2020. 3. Operations in compliance with board resolutions. Election 1. The list of 3rd term directors that have been elected: Representative of Sincere Holding Co., Ltd.: Mr. Jian-Hua Syu, Representatives of Hermes-Epitek Co., Ltd.: Mr. Min-Ci Huang, Representatives of Hermes-Epitek Co., Ltd.: Ms. Shu-Ling Lin, Representative of Sincere Holding Co., Ltd.: Mr. Chin-Yung Shu, Representative of Vision Holdings Ltd.: Mr. Chien-Chi Su, Representatives of Honder Holding Ltd.: Ms. Guei-Rong Fan, Independent Director Chih-Ta Yan,

		Independent Director Mao-Song Deng, and Independent Director Zong-Si Ke. Obtained approval for change registration by the competent authority on June 30, 2020.
	Other proposals 1. Approved the lifting of non-competition restrictions on the directors.	Other proposals 1. Operations in compliance with board resolutions.

2、Material resolutions of the board of directors meeting

Meeting Date	Content and resolutions	Independent director has a dissenting opinion or qualified opinion
March 17, 2020 2- 17	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Approved the 2019 business report and financial statements. 3. Approved the 2019 loss make-up proposal. 4. Approved for not continuing the private placement of common equity. 5. Approved the private placement of common equity. 6. The nomination and review of the list of candidates for election of the board of directors (including independent directors). 7. Approved the lifting of non-competition restrictions on the newly appointed directors. 8. Approved the Self-Audit Reports and Statement on Internal Control System for 2019. 9. Change of CPA/ auditor for financial statement review.	None
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	
May 7, 2020 2- 18	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Approved the First Quarter 2020 Financial Results.	None
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	
June 11, 2020 3-1	1. Election of the Chairman.	None
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	
August 4, 2020 3-2	1.Approved the capital increase from issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2.Approved the Second Quarter 2020 Financial Results	None
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	
November 10, 2020 3-3	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Appointment of the Financial and Accounting Director. 3. Approved the Third Quarter 2020 Financial Results.	None

	4. Approved the bank credit line for the endorsement/ guarantee of subsidiary Episil Technology Inc. 5. Formulation of the 2021 Internal Audit Plan. 6. Approved the independence of external auditors in 2021.	
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	
December 29, 2020 3-4	1. Approved the 2021 annual business plan and budgets related to labor, equipment, and expenditures. 2. Appointment of the corporate governance manager. 3. Formulation of the Company's Articles of Association of Special Committee on Mergers and Acquisitions.	None
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	
March 9, 2021 3-5	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Approved the 2020 business report and financial statements. 3. Approved the 2020 loss make-up proposal. 4. Approved for not continuing the private placement of common equity. 5. Approved the private placement of common equity. 6. Approved the merger. 7. Discussion on the amendment of the Company's Articles of Incorporation. 8. Approved the lifting of non-competition restrictions on the managers. 9. Approved the Self-Audit Reports and Statement on Internal Control System for 2020.	None
	Qualified Opinion from an Independent Director: None. Handling of the opinions of independent directors: None. Resolutions: Approved by all independent directors with no dissenting opinion.	

３、Important decisions of the Audit Committee

Meeting Date	Content and resolutions	The matters listed in Article 14-5 of the Securities Exchange Act	Matters that have not been approved by the audit committee but have been approved by more than two-thirds of all the directors
March 17, 2020 2- 17	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Approved the 2019 business report and financial statements. 3. Approved the 2019 loss make-up proposal. 4. Approved for not continuing the private placement of common equity. 5. Approved the private placement of common equity. 6. The nomination and review of the list of candidates for election of the board of directors (including independent directors). 7. Approved the lifting of non-competition restrictions on the newly appointed directors. 8. Approved the Self-Audit Reports and Statement on Internal Control System for 2019. 9. Change of CPA/ auditor for financial statement review.	V	None

	Resolution of the audit committee: approved by all members of the audit committee. The company's handling of the audit committee's opinion: all the directors present agree to approve.		
May 7, 2020 2- 18	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Approved the First Quarter 2020 Financial Results.	V	None
	Resolution of the audit committee: approved by all members of the audit committee. The company's handling of the audit committee's opinion: all the directors present agree to approve.		
August 4, 2020 3-2	1.Approved the capital increase from issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2.Approved the Second Quarter 2020 Financial Results.	V	None
	Resolution of the audit committee: approved by all members of the audit committee. The company's handling of the audit committee's opinion: all the directors present agree to approve.		
November 10, 2020 3-3	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Appointment of the Financial and Accounting Director. 3. Approved the Third Quarter 2020 Financial Results. 4. Approved the bank credit line for the endorsement/ guarantee of subsidiary Episil Technology Inc. 5. Formulation of the 2021 Internal Audit Plan. 6. Approved the independence of external auditors in 2021.	V	None
	Resolution of the audit committee: approved by all members of the audit committee. The company's handling of the audit committee's opinion: all the directors present agree to approve.		
December 29, 2020 3-4	1．Approved the 2021 annual business plan and budgets related to labor, equipment, and expenditures.	V	None
	Resolution of the audit committee: approved by all members of the audit committee. The company's handling of the audit committee's opinion: all the directors present agree to approve.		
March 9, 2021 3-5	1. Approved the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Approved the 2020 business report and financial statements. 3. Approved the 2020 loss make-up proposal. 4. Approved for not continuing the private placement of common equity. 5. Approved the private placement of common equity. 6. Approved the merger. 7. Discussion on the amendment of the Company’s Articles of Incorporation. 8. Approved the lifting of non-competition restrictions on the managers. 9. Approved the Self-Audit Reports and Statement on Internal Control System for 2020.	V	None
	Resolution of the audit committee: approved by all members of the audit committee. The company's handling of the audit committee's opinion: all the directors present agree to approve.		

（XII） Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors and said dissenting opinion had been recorded or prepared as a written declaration: None.

（XIII）A summary of resignations and dismissals, during the most recent fiscal year or the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer :

Title	Name	Date Assumed	Date Dismissal	Reason for Resignation or Dismissal
Financial director Accounting director	Ming-Fen Li	November 3, 2017	October 6, 2020	Retirement

IV、Audit Fees：

Name of accounting firm	Name of CPA		Audit period	Remarks
PricewaterhouseCoopers Taiwan	Hsieh, Chih-Cheng	Lin, Yu-Kuan	Y2010	-

Range \ Fee category		Audit fees	Non-Audit fees	Total
1	Under NT$ 2,000,000		V	
2	NT$2,000,001 ~ NT$4,000,000			
3	NT$4,000,001 ~ NT$6,000,000	V		V
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

(I)Non-audit remuneration to external auditors, accounting firms and related businesses that amount to one-quarter or higher of audit remuneration: Not applicable. (The amount of non-audited public fees in 2020 is NT $310,000; Our services include business registration, consultation on company law and securities exchange law, review of the agenda of board of directors and shareholders' meetings, and corporate governance services, as well as non-executive compensation review)。

(II)If there is a reduction of audit fees paid compared to that in the previous year due to change of accounting firms, the amount of fees reduced, percentage, and reason shall be disclosed: None.

(III)If the audit fees paid is less than 10% of that in the previous year, the amount of fees reduced, percentage, and reason shall be disclosed: None.

(IV)Alternation of CPA：In line with the internal rotation policy of PricewaterhouseCoopers Taiwan, from the first quarter of 2020, accountant Dian-Yi Li and Yu-Kuan Lin will be changed to accountant Jhih-Jheng Sie and Yu-Kuan Lin in the audit and verification of financial statements.

(V)Any of the Company’s Chairman, General Manager, or managers responsible for Financial or Accounting Affairs being employed by the auditor’s firm or any of its affiliated Company in the most recent year: None.

V、Other Related Information：

（I）Equity transfer and share pledges in Shareholding of Directors, Managers and Major Shareholders：

1、Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2020		As of Apr. 20, 2021	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Director	Sincere Holding Company (Note2)	0	0	0	0
	Hermes-Epitek Corporation (Note2)	0	0	0	0
	Representative：Jian-Hua Syu	0	0	0	0
Director	Hermes-Epitek Corporation	0	0	0	0
	Representative ： Min-Ci Huang (Note3)	0	0	0	0
	Representative：Shu-Ling Lin (Note3)	0	0	0	0
	Representative ： Hsi-Hsin Chen (Note4)	0	0	0	0
	Representative ： Hsiao-Lien Shen (Note4)	0	0	0	0
Director	Vision Holdings Ltd.	0	0	0	0
	Representative：Chien-Chi Su	0	0	0	0
Director and Vice President	Honder Holdings Ltd.	0	0	0	0
	Representative：Guei-Rong Fan	(249,000)	0	0	0
Director	Beilang International Co., Ltd(Note5)	0	0	0	0
	Sincere Holding Company (Note5)	0	0	0	0
	Representative：Chin-Yung Shu	0	0	0	0
Independent Director	Jhih-Da Yan	0	0	0	0
Independent Director	Zong-Si Ke	0	0	0	0
Independent Director	Mao-Song Deng	0	0	0	0
President	Can-Wun Liou(Note6)	-	-	0	0
Vice President	Yuan-Bei Gu (Note7)	0	0	0	0

Note：1. The Company completed the reelection of its directors for the third term commencing on June 11, 2020 and expiring on June 10, 2023 at the General Meeting of the Shareholders on June 11, 2020.

2. The company's general meeting of shareholders on June 11, 2010 completed the reelection of the directors for the third term. Sincere Holding Company and its representative Mr. Jian-Hua Syu were elected as the chairman.(Hermes-Epitek Corporation y and its representative Mr. Jian-Hua Syu were originally elected as the Chairman).

3. Mr. Min-Ci Huang and Miss Shu-Ling Lin, who were originally elected as natural persons as directors, were elected as representatives of Hermes-Epitek Corporation. after the third election of directors was completed at the general meeting of shareholders of the Company on June 11, 2020.

4. On 31 July 2020, Hermes-Epitek Corporation appointed Mr. Hsi-Hsin Chen and Mr. Hsiao-Lien Shen (the original representatives are Mr. Min-Ci Huang and Miss Shu-Ling Lin).

5. The Company completed the reelection of the third term of directors at the general meeting of shareholders on June 11, 2010. Sincere Holding Company and its representative Mr. Chin-Yung Shu were elected to the board of directors. (Beilang International Co., Ltd and Mr. Chin-Yung Shu, its representative, were elected as directors)

6. Presidents Can-Wun Liou appointed on March 9, 2021

7. Vice President Yuan-Bei Gu resigned on July 24, 2019 and was appointed on June 10, 2020.

2、The counterparties of equity transfer are related parties：None

3、The counterparties of share pledges are related parties：None

（II）Information on Relationships among Top 10 Largest Shareholders：

April 20 2021

Name	Shareholding		Shares Held by Spouse & Minors		Total shares held in the name of others		Names of spouse or other relatives within two degrees of consanguinity who are also among the Company's top 10 largest shareholders		Remarks
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Name	Relationship	
HAN SHIN CORP.	19,791,666	6.30	NA	NA	NA	NA	None	None	
Representative:,Fong-Hua,Bie	0	0.00	0	0	0	0	None	None	
HAN SHIN HOLDINGS LTD	18,147,500	5.78	NA	NA	NA	NA	None	None	
Representative:,Mei-Jhih,Huang	0	0.00	0	0	0	0	None	None	
HERMES-EPITEK CORPORATION	17,792,745	5.67	NA	NA	NA	NA	None	None	
Representative: Min-Ci Huang	5,085,100	1.62	2,576,958	0.82	0	0	Shu-Ling Lin	Spouse	
SINCERE HOLDING COMPANY	15,964,245	5.09	NA	NA	NA	NA	None	None	
Representative:Li-Guei,Chen	1,675,684	0.53	13,616	0	0	0	None	None	
Min-Ci Huang	5,085,100	1.62	2,576,958	0.82	0	0	Shu-Ling Lin	Spouse	
Chase Custodian Van Garde Group emerging markets fund investment account	4,210,000	1.34	NA	NA	NA	NA	None	None	
Group Equity Securities Hong Kong Group Equity Custodian Co., Ltd	3,709,887	1.18	NA	NA	NA	NA	None	None	
The Trust Department of First Bank is entrusted with the Unified All-Day Fund	3,161,000	1.01	NA	NA	NA	NA	None	None	
Shu-Ling Lin	2,576,958	0.82	5,085,100	1.62	0	0	Min-Ci Huang	Spouse	
Chase trusteeship into the starlight advanced total international stock index	2,543,000	0.81	NA	NA	NA	NA	None	None	

（III）Combined Shareholding Ratio：

March 31, 2021

Affiliated Enterprises (Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Episil Technologies Inc	165,600,000	99.70	0	0.00	165,600,000	99.70
Episil-Precision Inc.	166,200,000	59.34	0	0.00	166,200,000	59.34
Wellknown Holdings Ltd.	10,000,000	100.00	0	0.00	10,000,000	100.00
Taiwan Hi-Tech Corp	17,093,398	37.49	1,079,122	2.36	18,172,520	39.85
Wellknown Holding Company Ltd.	0	0.00	150,000	100.00	150,000	100.00
EPISIL TECHNOLOGIES INC. (SHANGHAI)	0	0.00	150,000	100.00	150,000	100.00
PRECISION SILICON JAPAN CO.,LTD	0	0.00	200	100.00	200	100.00

Note1：Investments made by the company using the long - term equity method。

Four、Fund Raising

I、Capital and Shares：

(I)Share Type

April 20, 2021

Share categories	Authorized capital			Note
	Outstanding shares (public listed)	Unissued shares	Total	
Registered Common Shares	313,934,073	186,065,927	500,000,000	Stocks listed in OTC

(II)Sources of Capital

April 20, 2021

YYYY.MM	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
2017.05	10	300,000,000	3,000,000,000	174,320,154	1,743,201,540	Corporate bonds into shares	None	Approval number of 10601067470
2017.08	10	300,000,000	3,000,000,000	178,460,154	1,784,601,540	Corporate bonds into shares	None	Approval number of 10601116890
2017.09	10	300,000,000	3,000,000,000	228,460,154	2,284,601,540	Capital increase from cash	None	Approval number of 10601124230
2017.11	10	300,000,000	3,000,000,000	229,124,313	2,291,243,130	Corporate bonds into shares	None	Approval number of 10601159840
2018.03	10	300,000,000	3,000,000,000	230,322,209	2,303,222,090	Corporate bonds into shares	None	Approval number of 10701031880
2018.05	10	300,000,000	3,000,000,000	277,749,290	2,777,492,900	Corporate bonds into shares	None	Approval number of 10701054620
2018.09	10	300,000,000	3,000,000,000	280,915,371	2,809,153,710	Corporate bonds into shares / Execute employee stock warrants	None	Approval number of 10701108470
2018.11	10	300,000,000	3,000,000,000	281,111,121	2,811,111,210	Corporate bonds into shares / xecute employee stock warrants	None	Approval number of 10701143620
2019.03	10	300,000,000	3,000,000,000	281,475,703	2,814,757,030	Corporate bonds into shares	None	Approval number of 10801029160
2019.12	10	500,000,000	5,000,000,000	281,178,117	2,861,781,170	Corporate bonds into shares	None	Approval number of 10801169190

2020.03	10	500,000,000	5,000,000,000	293,724,419	2,937,244,190	Corporate bonds into shares	None	Approval number of 10901050770
2020.05	10	500,000,000	5,000,000,000	296,036,597	2,960,365,970	Corporate bonds into shares	None	Approval number of 10901080510
2020.09	10	500,000,000	5,000,000,000	298,060,979	2,980,609,790	Corporate bonds into shares	None	Approval number of 10901157740
2020.12	10	500,000,000	5,000,000,000	308,192,641	3,081,926,410	Corporate bonds into shares	None	Approval number of 10901223180
2021.03	10	500,000,000	5,000,000,000	312,187,746	3,121,877,460	Corporate bonds into shares	None	Approval number of 11001049100
2021.04	10	500,000,000	5,000,000,000	313,934,073	3,139,340,730	Corporate bonds into shares	None	The change registration is not processed

II、Status of Shareholders

April 20, 2021

Shareholder Structure / Quantity	Government agencies	Financial institutions	Others institutional investors	Individuals	Foreign institutions & individuals	Total
Number of Shareholders	0	0	179	53,508	85	53,772
Shareholding	0	0	89,397,553	198,240,774	26,295,746	313,934,073
Percentage of Shareholding (%)	0	0	28.47	63.15	8.38	100.00

III、Shareholding Distribution Status

April 20, 2021

Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage%
1-999	19,192	2,408,624	0.77
1,000-5,000	28,758	54,588,771	17.39
5,001-10,000	3,205	25,556,190	8.14
10,001-15,000	848	11,002,193	3.50
15,001-20,000	561	10,540,723	3.36
20,001-30,000	419	10,867,529	3.46
30,001-50,000	336	13,740,929	4.37
50,001-100,000	243	17,914,665	5.71
100,001-200,000	101	14,195,564	4.52
200,001-400,000	49	13,940,445	4.44
400,001-600,000	10	5,226,912	1.66
600,001-800,000	17	11,721,992	3.73
800,001-1,000,000	8	6,881,263	2.19
1,000,001 and above	25	115,348,273	36.76
Total	53,772	313,934,073	100.00

IV、List of major shareholders

April 20, 2021

Name of major shareholders \ Shares	Shares Held (Shares)	Holding Percentage (%)
HAN SHIN CORP.	19,791,666	6.30
HAN SHIN HOLDINGS LTD.	18,147,500	5.78
HERMES-EPITEK CORPORATION	17,792,745	5.67
SINCERE HOLDING COMPANY	15,964,245	5.09
Min-Ci Huang	5,085,100	1.62
Chase Custodian Van Garde Group emerging markets fund investment account	4,210,000	1.34
Group Equity Securities Hong Kong Group Equity CustodianCo., Ltd	3,709,887	1.18
The Trust Department of First Bank is entrusted with the Unified All-Day Fund	3,161,000	1.01
Shu-Ling Lin	2,576,958	0.82
Chase trusteeship into the starlight advanced total international stock index	2,543,000	0.81

V、Information on Market Price, Book Value, Earnings Per Share and Dividends

Items \ Year			2019	2020	As of April 20, 2021
Market price per share share	Highest		32.00 元	43.20 元	78.20 元
	Lowest		15.40 元	22.10 元	38.40 元
	Average		25.35 元	30.64 元	55.13 元
Equity per share	Before distribution		10.71 元	10.03 元	-
	After distribution		10.71 元	10.03 元	-
Earnings per share	Weighted-average shares (thousand shares)		284,371	300,538	-
	Earnings per share (NTD)		(2.13 元)	(1.64 元)	-
Dividend per share (NTD)	Cash dividends		-	-	-
	Stock dividends	From earnings	-	-	-
		From capital surplus	-	-	-
	Cumulative undistributed dividends		-	-	-
Investment return analysis	P/E ratio（Note1)		-	-	-
	Price-dividend ratio（Note 2）		-	-	-
	Cash dividend yield（Note 3）		-	-	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price。

VI、Company's dividend policy and implementation thereof

（I） Dividend policy：

If there is a surplus in the final accounts of the Company, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as a statutory surplus reserve, and in accordance with the law, the special surplus reserve shall be increased or rotated. If there is a surplus still, the BOD shall prepare the surplus earnings distribution proposal in accordance with Paragraph 2, Article 20 of the Articles of Incorporation to present in the shareholders' meeting for resolution of distribution of shareholders' dividends and shareholder bonus.

The Company authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors. In addition, thereto a report of such distribution shall be submitted to the shareholders' meeting. The Act governing the resolutions of Shareholders' meeting shall not apply.

The company is a high-tech company with stable growth. Since the Company is currently at the growth stage, the surplus allocation should consider the future funding needs of the Company and the long-term financial plan that is to be allocated by the Board of Directors and meet the shareholders' demand on cash inflow. If there is a surplus, the distribution of cash dividends/ bonuses shall be no less than 10 percent of the sum of cash and stock dividends/ bonuses.

（II）Distribution of stock dividends at the Shareholders' Meeting: No distribution of stock dividends as the Company suffered a loss in 2020.

VII、Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable.

VIII、Compensation of employees and directors:

(I)Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation: The proportion of the employees' compensation shall be no less than 0.01%. The proportion of the directors' compensation shall be no higher than 2%. However, the company's accumulated losses shall have been covered. Employees' compensation shall be distributed in the form of shares or cash. Employees with required qualifications, including the employees of parents or subsidiaries of the company meeting certain specific requirements, shall be entitled to receive shares or cash. The aforementioned profit refers to the net profit before tax of the current year, deducting the distribution of compensation to employees and directors. The Company may, by a resolution adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, have the profit distributable as compensation for employees and directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting.

(II)The estimated amount of compensation for employees, directors, and supervisors for the current period shall be calculated based on the number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and the estimated figure: There was no discrepancy between the actual distributed amount of employee stock dividend and estimated figure with respect to an employee, director, and supervisor compensation. Therefore, there is no need to disclose the cause and the status of treatment.

(III)Information on the amount of compensation for distribution and calculation of earnings per share as approved by the Board of Directors: None, as the Company suffered loss in 2020.

(IV)The actual distribution of compensation for employees and directors in the previous fiscal year: Not applicable. There was no distribution of compensation for employees and directors in 2020, as the Company suffered a loss in 2019.

IX、Share repurchases: None.

X、Status of Corporate bonds, preferred shares, Global Depository Receipts (GDR), Employee Stock Warrants, New Restricted Employee Shares, and New Shares Issuance in Connection with Mergers and Acquisitions：

(I) Issuance of Corporate Bonds：

1. Corporate bonds outstanding or pending issuance：

April 20, 2021

Corporate bond type	2nd Domestic Secured Convertible Corporate Bond
Date issued	November 26, 2018
Face value	NT$100,000
Place of issuance and exchange	TPEx
Issue price	101% issuance by denomination
Total	Total face value of NT$750million
Interest rate	0%
Duration	3 years; maturity date: November 26, 2021
Guaranteeing institution	First Commercial Bank Co., Ltd.
Trustee	Jih Sun International Bank, Ltd.
Underwriting institution	KGI Securities Co.,Ltd.
Board Certified Attorney	Lawyer Yi-Cheng Peng of Handsome Attorneys-at-Law
CPA	CPAs Yu-Kuan Lin and Tien-Yi Li of PwC Taiwan
Repayment method	Unless the bondholders convert the convertible corporate bonds to the Company's common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEx, the bonds shall be redeemed on maturity in cash at par value.
Outstanding principal balance	NT$ 84,600,000
Terms for redemption or early repayment	Please refer to Attachment 1: Regulations Governing the Issuance and Conversion of 2nd Domestic Secured Convertible Corporate Bond of the Prospectus for the 2nd Domestic Secured Convertible Corporate Bond.
Restriction Clause	None
Name of credit rating organization, rating date, bond rating results	None
Other rights of bondholders: As of the report printing date, the conversion (exchange or subscription) of common shares, overseas depository receipts, or other negotiable securities	As of April 20, 2021, 6,654 corporate bonds with total face value of NT$665,400,000 have been converted to 32,458,370 common shares.

	in dollar amounts.	
	Issuance and conversion (traded or subscribed) regulations	Please refer to Attachment 1: Regulations Governing the Issuance and Conversion of 2nd Domestic Secured Convertible Corporate Bond of the Prospectus for the 2nd Domestic Secured Convertible Corporate Bond.
Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms		Please refer to pages 54-55 of the Company's Prospectus for the 2nd Domestic Secured Convertible Corporate Bond.
Name of the commissioned custodial institution for objects exchanged		None

2.The information of Convertible Bonds、Exchangeable Bonds、Shelf Registration for Issuing Bonds and Corporate Bonds with Warrants

A．Convertible Bonds Information

Corporate bond type		2nd Secured Convertible Corporate Bond	
Year / Item		Y2020	As of Apil 20, 2021
Market price of the convertible bond	Highest	205.00	340.00
	Lowest	118.85	190.00
	Average	135.98	228.16
Convertible Price		20.5	20.5
Issue date and conversion price at issuance		Issue Date：November 26, 2018 Conversion price at issuance：NT$20.5	
Conversion methods		Issuing of new stocks	

B．Exchangeable Bonds Information：None

C．Shelf Registration for Issuing Bonds：Non。

D．DCorporate Bonds with Warrants：None

(II)Issuance of special stock：None

(III)Issuance of Global Depository Receipts：None

(IV)Issuance of Employee Stock Options：None

(V)Issuance of New Restricted Employee Shares：None

(VI)Status of New Shares Issuance in Connection with Mergers and Acquisitions：None

XI、Financing Plans and Execution Status：None

Five、Operational Highlights

Episil is a holding company specializing in investment, with main business items including development, design, manufacturing and sales of related products such as epitaxy wafer and wafer foundry service of power IC and analog IC. Episil’s main businesses are as follows.

I. Business Activities

(I) Scope of the business

i. The main operational categories of the company

(1) Manufacture of silicon epitaxy wafers, buried-layer epitaxy wafers, multi-layer epitaxy wafers, silicon epitaxy on SOI (Silicon on Insulator) wafer, GaN epitaxy wafers, SiC epitaxy wafers.

(2) Component and integrated circuit foundry service, including Bipolar IC, high power MOSFET, Mix-mode integrated circuit (logic device), high voltage CMOS, FRD, TVS, SiC and GaN discrete device manufacturing..

(3) Design and sales of power MOSFET.

ii. The sales proportion of the main products of the business

Unit；NT$ thousands

Major Divisions	2019		2020	
	Total Sales	%	Total Sales	%
Epitaxial Silicon Wafer	3,619,821	66.80	3,744,809	65.22
IC wafer	1,769,330	32.65	1,962,424	34.18
Other	30,074	0.55	34,227	0.60
Total	5,419,225	100.00	5,741,460	100.00

iii. The company's current product (service)

Ａ.Production and foundry of Silicon Epitaxy, Silicon Carbide Epitaxy and Gallium Nitride Epitaxy.
Ｂ.Integrated circuit foundry s
Ｃ.Foundry service of power discrete
Ｄ.Consultation and testing services for above products

iv. New product (services) development projects

A.Super-Junction device epitaxial technologies 200V~400V
B.Gen 2 High Grade SiC-on-SiC epitaxy technologies
C.RF GaN (GaN-on-SiC) epitaxy technologies
D.RF GaN (GaN-on-Si) epitaxy technologies
E.Ultra High resistance silicon epitaxy technologies
F. New generation power semiconductor GaN process
G. SiC Schottky Diode 3300V process
H. SiC MOSFET 1700V/3300V manufacturing process
I. Low Capacitor, Low Clamp New Generation Trench TVS

(II) Industry Overview

1. Industry status and development

In 2020, the global semiconductor industry will benefit from the spread of the COVID-19 pandemic, causing panic and advanced stocking amid rising demand for 5G smart phones, while the COVID-19 pandemic has translated into increased reliance on working from home and online teaching, and driving up PC, data center and memory demands.

According to the World Semiconductor Trade Statistics (WSTS) organization, global semiconductor sales increased by 5.1% YoY to US$433.15bn in 2020, which is better than the previous estimate of US$425.97bn in June 2020. WSTS also stated that among the four major global semiconductor markets in 2020, sales in the U.S., Europe, Asia-Pacific region, Japan market are estimated at US$93.34bn (up 18.7% YoY), US$36.45bn (down 8.4% YoY), US$267.59bn (up 3.8% YoY), and US$35.76bn (down 0.6% YoY) respectively.

WSTS Forecast Summary

Fall 2020	Amounts in US$M			Year on Year Growth in %		
	2019	2020	2021	2019	2020	2021
Americas	78,619	**93,343**	**102,164**	-23.7	18.7	9.5
Europe	39,816	**36,452**	**38,543**	-7.3	-8.4	5.7
Japan	35,993	**35,759**	**37,841**	-9.9	-0.6	5.8
Asia Pacific	257,879	**267,590**	**290,854**	-8.8	3.8	8.7
Total World - $M	412,307	**433,145**	**469,403**	-12.0	5.1	8.4
Discrete Semiconductors	23,881	**23,593**	**25,292**	-0.9	-1.2	7.2
Optoelectronics	41,561	**40,481**	**44,628**	9.3	-2.6	10.2
Sensors	13,511	**14,515**	**15,642**	1.2	7.4	7.8
Integrated Circuits	333,354	**354,556**	**383,840**	-15.2	6.4	8.3
Analog	53,939	53,954	58,578	-8.2	0.0	8.6
Micro	66,440	67,744	68,444	-1.2	2.0	1.0
Logic	106,535	113,419	121,507	-2.5	6.5	7.1
Memory	106,440	119,440	135,311	-32.6	12.2	13.3
Total Products - $M	412,307	**433,145**	**469,403**	-12.0	5.1	8.4

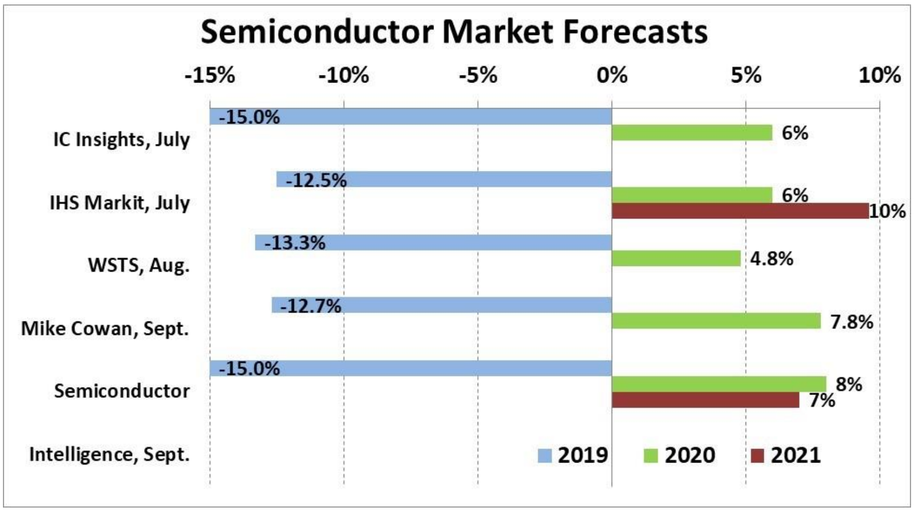
Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

Source: WSTS 2020 December

In addition, the rising tension between the U.S. and China and the U.S. ban on Huawei in the second half of 2020 has led to advance purchasing of electronic components such as semiconductors, while the recovery of economic activities and stocking needs in the fourth quarter have also driven up demand for wafer foundries.

We forecast a rosy 2021 outlook since the semiconductor industry will still be in tight supply in 2020. The World Semiconductor Trade Statistics (WSTS) organization predicts that global semiconductor sales may hit a record high at US$469.4billion (up 8.4% YoY) in 2021, exceeding the US$468.7billion in 2018. In addition, according to IC Insights, the semiconductor market will grow by more than 10% in 2021.

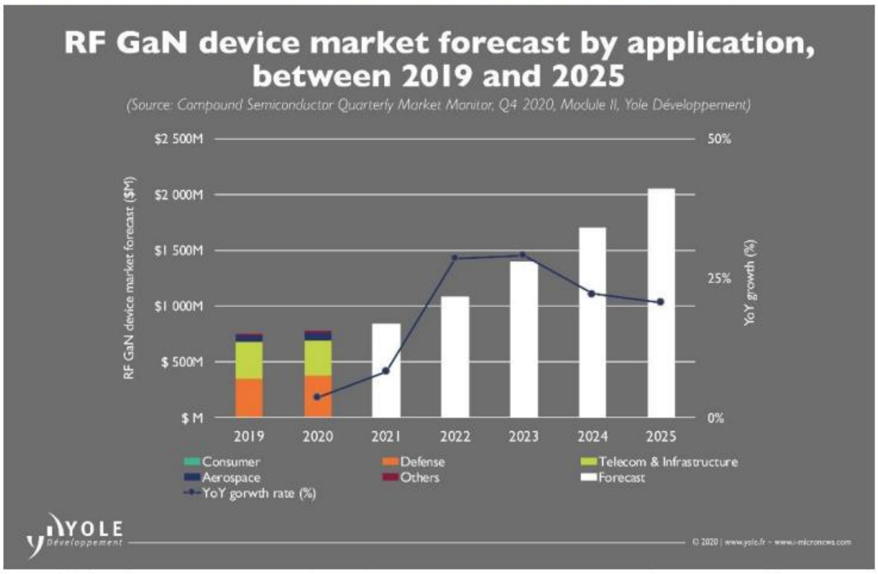
According to Topology Research Institute (TRI), Dedicated Short Range Communication (DSRC), autonomous vehicles and electric vehicles have become the main development trends in the automotive industry and are also the main drivers for growth in the automotive semiconductor industry. The automotive chip market is expected to bottom out and grow by 12.5% in 2021.



Source: IHS Markit

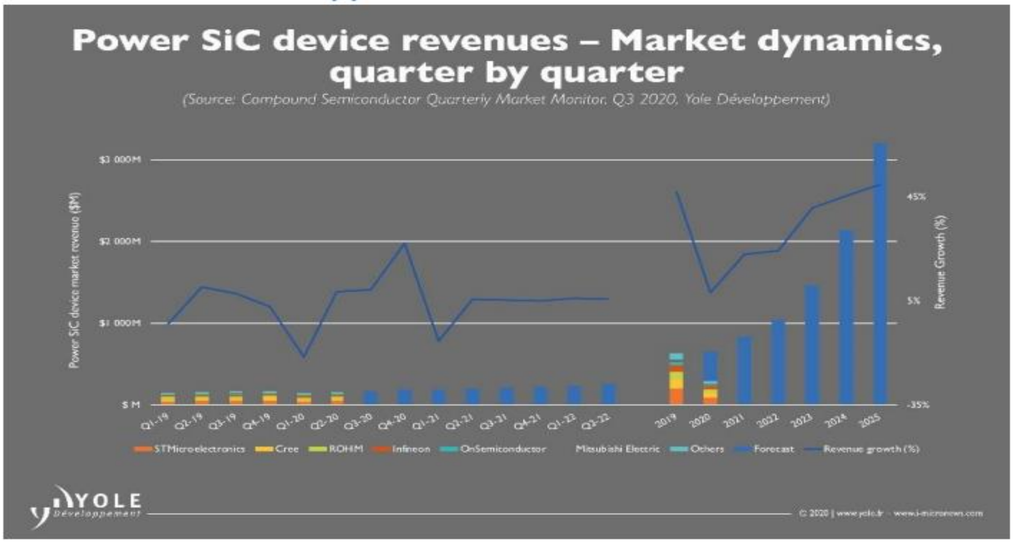
In terms of 3rd generation semiconductors - wide-bandgap semiconductor (WBG) market, Yole estimated an overall GaN market size of US$645 million in 2018, of which wireless communication applications were US$304 million, and military applications were US$270 million. Driven by the two major applications, infrastructure and national defense, the GaN market is estimated to grow to US$2.001 billion by 2024, with a CAGR of 21%, of which wireless communication applications may reach US$752 million (up 147.43% YoY). Rf-related applications are expected to surge by US$2 million (grow by 50 times) to NT$104 million.

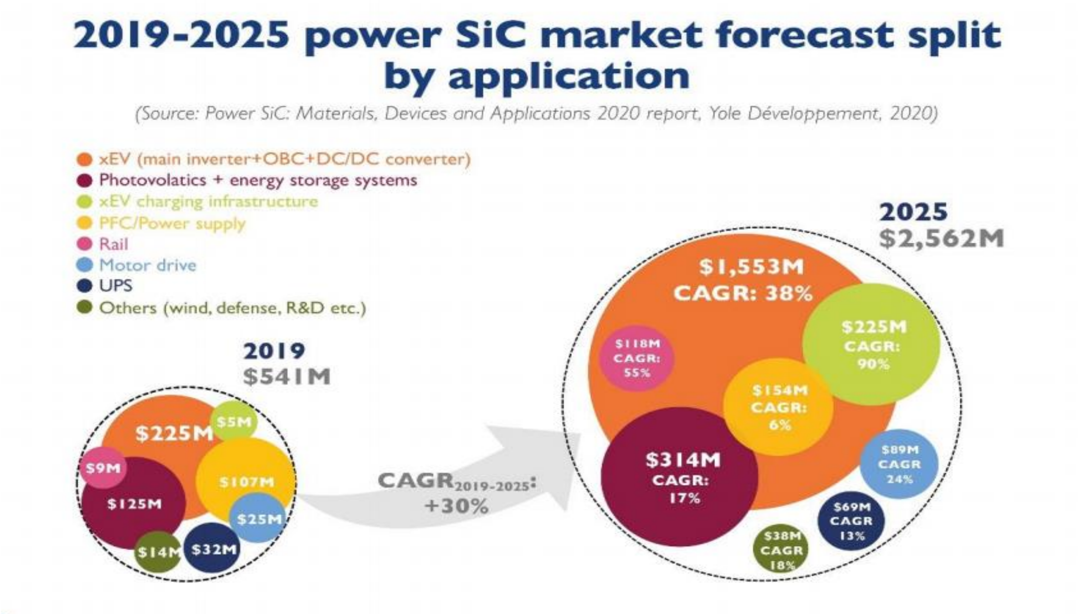
5G TELECOM INFRASTRUCTURE: THE GAN ASCENDANCY



Communication base stations are one of the primary downstream drivers for GaN growth. According to Qorvo, the potential markets for 4G and 5G base stations around the world are expected to reach US$1.6 billion in 2022.

In addition, SiC market size grew from US$430million in 2018 to US$564million in 2019, while we estimate steady growth in the future, and the overall market size will reach up to US$3.2billion in 2025, with a CAGR of more than 30%.



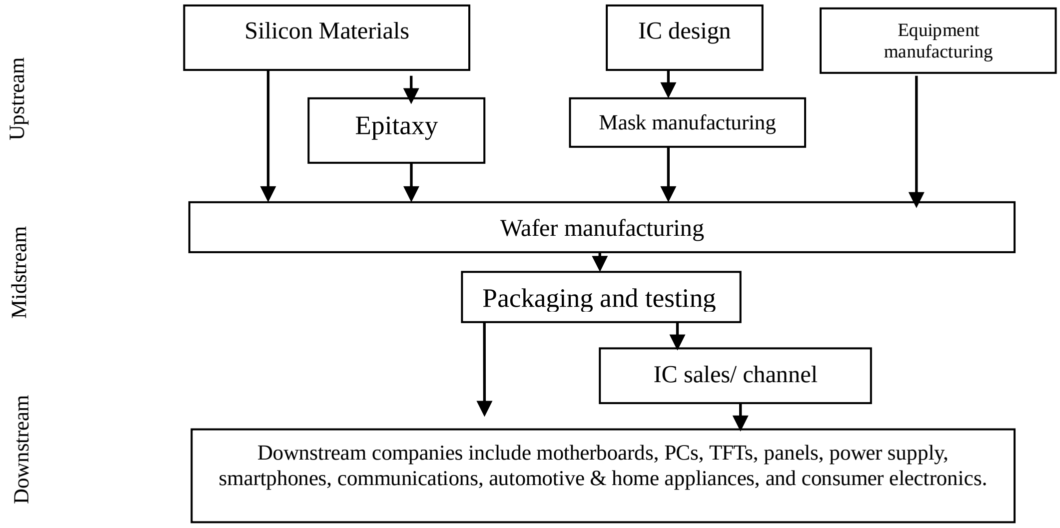


In terms of SiC downstream applications, electric vehicles are currently the main focus in the market. With widespread adoption of SiC inverters in the future, automotive will become the main driver for SiC market growth as its proportion in the SiC market will continue to increase. SiC is used in automotive inverters, which can achieve lightweight and energy saving by significantly reducing the size and weight of the inverter. Under the same power, the package size of SiC Module is significantly smaller than that of general silicon wafers, reducing switching-loss by 75% (wafer temperature of 150°C). With the same package, the SiC Module has higher output current capability to support high power inverters.

According to Yole, the SiC automotive market was US$420million in 2018, accounting for 27% of the overall SiC market, and is expected to increase to US$1.93billion by 2024, accounting for 50% of the overall SiC market, with CAGR as high as 29%.

In sum, despite the fast development of 3rd generation semiconductors, they are still in the introduction stage of the product. According to Yole, the total penetration rate of 3rd generation semiconductors SiC and GaN is about 1.77% in 2019 and is expected to rise to 4.75% in 2023, with a growth story in the semiconductor market.

2. Industry relevance of upstream, midstream and downstream companies



3. Future development trends

Epitaxial wafer and compound semiconductor business：

Moving into the future, emerging technologies such as IoTs, wireless charging, and autopilot will increase the semiconductor content in end products, which can be expected to increase the future output value of the semiconductor industry. The epitaxial process, thanks to the excellent electrical characteristics that it offers, can be extensively applied to a wide range of discrete devices and ICs, such as power management, driver, optoelectronic, and protective devices. The demand for these power devices should not be underestimated, due to the trend of energy conservation in response to rising environmental awareness. Current mainstream power devices use 6 inches and 8 inches epitaxial wafers, but major IDMs have begun pushing production towards 12 inches power devices. In addition, in some application fields, the characteristics of silicon materials have reached their physical limits, and product performance can no longer be improved. Therefore, more and more companies are seeking breakthroughs in the next generation of wide band gap semiconductor devices. EPi is also actively pursuing SiC and GaN /Si epitaxy development.

Components and integrated circuit business：

The vertical division of labor formed by the domestic semiconductor foundries reduces production costs by mass production of products for different customers. For IC design companies or IDM companies, this provides more efficient supply elasticity, with an inevitable increase in demand. The analogue and power electronics market is roughly classified into two categories: discrete power components and power ICs. In terms of power discrete components, Episil has tapped into the market from traditional silicon-based power MOSFET, expanded to IGBT and FRED components, and actively introduced VDA6.3 for automotive products. Thanks to mobile devices, electric vehicles, and 5G applications, we expect the supply chain of compound semiconductors such as GaAs, InP, GaN, and SiC to become the highlight besides traditional silicon semiconductors. Currently, Episil’s development of SiC and GaN materials of the next generation has entered mass production, which may bring about new growth momentum to Episil. In power ICs, Episil started to provide diversified services in high-power and high-voltage CMOS processes, and launched a BCD process for power ICs by combining the high voltage and high current advantages of Bipolar, CMOS and DMOS components, which is conducive to markets such as energy conversion and management, LED lighting, power amplifiers, and automotive electronics.

4. Competition

Epitaxial wafer and compound semiconductor business：

Foreign competitors are mainly silicon substrate manufacturing companies in Japanese, German and United States. These competitors have substrate ingot, slicing, grinding, polishing, cleaning and epitaxy. Most of them focus on large-size (8”/12”) standard CMOS processes. In addition, China has some competitors in the small/medium-size silicon epi house.

EPi is proficient in epitaxial technology, and been affirmed by global companies on our process capability and yield. We constantly develop new manufacturing processes to provide customers with diversified, flexible and fast products and services, and strive to improve quality and reduce costs, forming a considerable economic scale, and have enough energy to face the challenges of the above-mentioned competitors in the market.

Components and integrated circuit business：

Episil has been established for more than 30 years, with various product and process capabilities and yield performance recognized by global brands. Due to professional standards, the Company continues to develop new manufacturing processes, providing clients with fast and comprehensive OEM services via diversified manufacturing processes for better yield. In recent years, Episil has invested in the development of 6” SiC and GaN compound semiconductors in the next generation and became the only OEM company in Asia that entered mass production of 6” SiC and GaN compound semiconductors. Resource integration can contribute to better competitive advantages in the face of market competition and challenges in the future.

Domestically, apart from Episil, the companies such as TSMC, UMC, Macronix, Mosel, LSC and AMPI also have small and medium-sized wafer foundries, with their own specialized businesses, stable supply, and balance between price and volume. In terms of foreign countries, due to the construction trend of wafer foundries in China after 2000, the small-scale wafer foundries only require low investment. The technological resources are relatively easy to obtain with support from various local governments. Advanced Semiconductor Manufacturing, Diodes – BCD(Shanghai), and CSMC Technologies are Episil’s industry peers in the OEM market. However, the companies actively develop based on their specialization as each has different products and market segments.

(III) Technology and R&D Overview

1. R&D expenditure: Unit；NT$ thousands

Year	2019	2020
R&D expenditure	133,272	127,446

2. Successfully developed technologies or products:

Epitaxial wafer and compound semiconductor business：

A.Multi-Layer Buried layer epitaxy for Super Junction MOSFET Transistors.

B.Gen 1 High Grade SiC-on-SiC

C.IGBT with epitaxial thickness >100um

Components and integrated circuit business：

A. 0.5μm OTP EPROM process applicable for embedded microcontrollers

B. High voltage 700V BCD process for applications including high-efficiency AC-DC converter IC, and LED lighting driver

C. High voltage 700V CDMOS process for applications such as power module high-voltage driver ICs

D. High voltage 40V BCD process for power amplifier applications such as power management system and motor drive control

E. High voltage 40V CDMOS process for AC-DC converter applications

F. Isolated low on-resistance high voltage 20V-1050V transistor technology

G. 4mil backside metal thinning process technology (TVS)

H. Ultra-low capacitance, Low Clamp TVS products, applicable for ElectroStatic Discharge (ESD) protection of high-speed interfaces

I. 600-1200V IGBT process for applications such as motor drivers for home appliances and industrial machines

J. 600-1200V SiC Schottky diode and MOSFET

K. Discrete Bipolar process

L. 0.5u 40V CMOS process technology

(IV) Long and short term business development plans

1. Short term business plan

Epitaxial wafer and compound semiconductor business：

The short-term business plan is to maintain good customer relationships, deepen the niche market, differentiate the market with high quality, avoid price-cutting competition, improve the profitability, and continue the competitive advantage.

Components and integrated circuit business：

In terms of business development, the Company plans on simplifying a series of existing mature processes and quality improvement, providing customers with diversified services for various analog and power product manufacturing, with market expansion in Europe, the U.S., and China, increasing the percentage of exports, and developing towards high-margin product expansion and application to smoothly tap into the emerging electronic market.

2. Long term business plan

Epitaxial wafer and compound semiconductor business：

Due to long-term effort in business internationalization, service and quality refinement, we has been recognized by customers. In recent years, EPi develops China and emerging markets in response to the steady growth of the needs of Asian customers and the rapid rise of the semiconductor market in mainland China, and produce other types of epitaxy such as SOI, SiC and GaN/Si, hoping to expand the epitaxy business and grow stronger.

Components and integrated circuit business：

By maintaining the development of high-margin niche products and cooperating or joining alliances with international integrated device manufacturers (IDM) or design companies to combine the advantages of epitaxial growth processes and develop high-voltage, high-frequency or high-power products such as BiCMOS, BCD, HV-COMS, TVS, FRED, FR MOS, SiC and GaN power devices, while accumulating experiences in advanced technologies to avoid price competition. Since there are currently plenty of analog and high-frequency, high-voltage 6-inch component factories in Europe and the U.S., the Company plans to close down factories or transfer the production bases to the Asia-Pacific region. In addition, the high growth in emerging markets such as China, India and Latin America will contribute to continuous growth in analog and high-voltage process demand. At the same time, Episil established the 6-inch SiC production line to provide the niche product for the Company’s future development.

II. Market and Sales Overview

(I) Market analysis

1. Sales areas of the main product

Unit；NT$ thousands

Area / Year		2019		2020	
		Amount	%	Amount	%
Taiwan		2,314,880	42.72	2,677,211	46.63
Export	Asia	2,504,761	46.22	1,987,434	34.62
	Americas	549,749	10.14	631,274	11.00
	Other	49,835	0.92	445,540	7.76
Total		5,419,225	100.00	5,741,460	100.00

2、Market share, market supply and demand situation and future growth

Epitaxial wafer and compound semiconductor business：

With the booming development of EVs, green energy, and 5G related applications, the world's reliance on semiconductors is increasing, and the semiconductor market is bound to continue to expand in the coming years. Coupled with higher energy efficiency requirements, this is also driving both qualitative and quantitative improvements in power semiconductors. Since EPi’s silicon epitaxial products and compound semiconductor epitaxial products are indispensable raw materials for power semiconductors, we are optimistic that the demand for epitaxial products will continue to grow.

Components and integrated circuit business：

In recent years, the leading international manufacturers have invested in wafer plants of more than 12-inch wafers. Compared with discrete and analog product manufacturers, the manufacturing technology of 5-inch and 6-inch wafer plants is more suitable for diversified application characteristics of discrete and analog products, which ensure adequate supply for high market demand. In addition, the high requirements for the manufacturing process and accumulated experience and qualifications have led to low investments and fewer expansions of the plant. In terms of consumer electronics, semiconductors are mainly applied in computers, as 25% of IC components in PCs are analog products and discrete component products, indicating that IT and peripheral products will still be the main drivers in the semiconductor market. In the post-PC era, the contribution of IT applications in semiconductors gradually decreased. However, due to the continuous growth in Bluetooth, broadband technology and smartphones, the penetration of energy-saving products such as LED lighting has been increasing. In addition, the rapid technological development of applications in multimedia, PDA, and home appliances such as TFT LCD TV, Integrated Services Digital Network (ISDN), and wireless charging will also lead to rising demand for analog products and discrete components in the semiconductor market. The SiC function includes high breakdown voltage, low on-resistance, and high operating temperature, with applications in power conversions of the solar, hydroelectric, and electric power companies, as well as charging piles for electric vehicles, electric hybrid power systems. The GaN function includes ultra-low power consumption and ultra-high frequency, with applications in 5G base stations, UPS, and industrial/ aerospace amplifiers.

3、Competitive niche

A. With a complete product line and market reputation

EPISIL has excellent epitaxial production technology, R&D capabilities, and market reputation. It is an important supplier for global silicon epitaxial material which can provide complete services in response to the needs of different customers. Market positioning adopts a small number of diverse characteristics, and customer orders are all customized products. EPi has a reputation in the world because of its flexible, fast and coordinated service and production, and its products are recognized by customers.

B.Key technologies through strategic alliances

In addition to our own research and development, EPi also cooperates with customers and internationally renowned companies to develop processes technology. To reduce production costs, increase product yield, and increase industrial competitiveness, we cooperate with our own technology, upgrade the transferred technology. A long-term cooperative relationship has been established over the years. In addition, employees are rewarded to apply for patents with their research results, so that the company can obtain intellectual property rights protection.

C. Independent research and development capabilities

With the trend of consumer electronics products becoming lighter, thinner and shorter, the industry continues to introduce products with more power-saving, low-power and fast data transmission characteristics. Semiconductor material companies must also provide silicon substrates that are in line with future trends to help device manufacturers achieve the best performance. Epitaxial silicon wafers are essential materials for energy saving trends. EPi's epitaxial technology can be applied to energy-saving and carbon reduction power components and develop energy-saving products. In addition to legacy silicon materials, we also develop and mass-produced new epitaxial materials GaN and SiC, provide a superior epitaxy material and become a pioneer in the energy-saving and carbon reduction power electronics industry.

D. Excellent production technology and R&D capabilities, with continual development in the more advanced and competitive manufacturing processes

With long-term experience, the manufacturing process and R&D capabilities of the Company and its subsidiaries in Dual in-line (DIP) integrated circuit and high-power field-effect transistors have beat industry peers. In order to develop new products and meet the need for market diversification, we actively develop high-power discrete IGBTs, diodes, BiCMOS and BCD processes with special purposes in order to comply with the requirements of the foundries and strengthen competitiveness. Meanwhile, we combine the existing technology and introduce 40V and 700V power drive IC technology for the full function of single chips as drivers for smartphones, motors, and solid-state light source, and thereby develop the manufacturing capacity of the linear Power IC process as the main source of profit, with potential growth in the future.

E. Key link for vertical integration in Taiwan's integrated IC supply chain

Taiwan is a leading country in the global semiconductor supply chain, while the Company and its subsidiaries are the links for integrating upstream and downstream companies within the supply chain. Therefore, we create mutual benefits and raise global competitiveness and become more efficient in developing new markets.

F. Excellent product quality highly praised by customers

In addition to obtaining ISO 9001:2015 and ISO/TS16949:2016 certifications, the Company and its subsidiaries have also obtained ISO 14001:2015 and ISO 45001:2018 certification and Sony Green Partner Certification. The Company is currently under VDA 6.3 certification for automotive, and in November 2020, it was officially certified by VDA6.3.

4、Favorable development prospects, unfavorable factors and countermeasures

A. Favorable factors

(a)For silicon epitaxial foundry, EPISIL and the subsidiaries have long-term cooperation with customers and have established good relationships, to optimize the capacity and expansion plans.

(b) Episil's small and medium-sized wafer foundry processes is quite comprehensive, with better process stability and production capacity, and coupled with diversified process technologies to provide customers with fast and comprehensive foundry services, the Company can diversify industrial risks of the single process, and increase IC production value.

(c)EPISIL and the subsidiaries have been researching and manufacturing on epitaxy for more than 30 years and has accumulated mature technology in terms of quality and talent. The complete foundry service enables well-known companies at home and abroad to participate in technical cooperation. We have obtained a large number of orders and long-term orders in Japan market, and also made great efforts to develop European, American and mainland Chinese markets, gradually diversifying the market concentration.

B. Unfavorable factors

(a) With the expansion of industrial competition, product replacement has accelerated, exerting sales pricing pressure and reducing potential profits.

(b) Part of the products have risks associated with the consolidation of sales.

(c) As a part of the semiconductor industry, the Company may be affected by the semiconductor industry cycle.

C. Countermeasures

(a) The Company cooperates closely with customers to develop and improve manufacturing technology, diversifying products and enhancing the precision of the process, with the aim to reduce R&D and labor costs, maintaining its competitive advantage, and improving the effectiveness of its business team.

(b) Continue to promote various business strategies for market competitiveness, develop new manufacturing processes, enhance the customers' market competitiveness, and adjust product portfolios to add value to the products.

(c) Actively business expansion, adjustment of product mix, and promoting strategic alliances to mitigate industrial competition and impact from the economy.

(d) Develop power semiconductor material epitaxy of the next generation and components manufacturing technology, establish production lines achieving economies of scale, with high added value to avoid price competition.

(II) Main products' important functions and production process

i. Main products' important functions

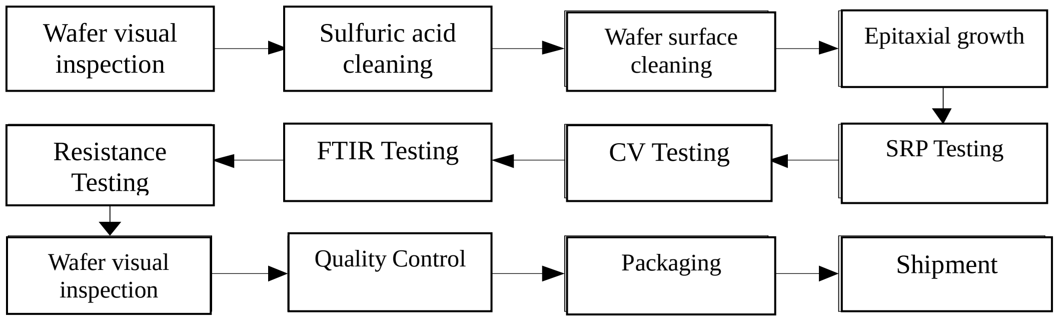
The Company's main businesses and its subsidiaries include the manufacturing and consultation of silicon epitaxial wafer, buried layer epitaxial wafer, bipolar IC service, high power MOSFET, hybrid integrated circuits (logic components), high-voltage CMOS, and high-voltage BCD products. Among them, silicon epitaxial wafers and buried layer epitaxial wafers are upstream products in the semiconductor industry. Silicon epitaxial wafers are used to produce indispensable materials for components such as power transistors, small signal transistors, complementary metal oxide semiconductors, and very large-scale integrated circuits. The downstream derivative products are widely used, with applications in consumer electronics, automotive electronics, ICS, telecommunications and computers. Products such as dual-carrier integrated circuits and power integrated circuits belong to the downstream process technologies, which can be used to manufacture high-speed and high-precision analog circuits as well as high-voltage analog circuits. High voltage field-effect transistors have the advantages of low power consumption and low heat dissipation. The transistors are mainly used in NBs and smartphones, while logic components are used in consumer electronics, communication products and industrial systems, as described in the following table:

<table>
<tr><th colspan="2">Product</th><th>Function</th><th>Purpose</th></tr>
<tr><td colspan="2">Silicon epitaxial wafer
(Buried layer epitaxial wafer)</td><td>It can increase the breakdown voltage and maintain the fast response time of the transistor</td><td>Essential materials for power FET (field-effect transistor), small signal transistors, FRD (fast recovery diodes), CMOS (Complementary Metal-Oxide-Semiconductor), VLSI (very-large-scale integration</td></tr>
<tr><td colspan="2">Multilayer epitaxial wafer</td><td>Achieve ultra-low MOSFET on-resistance</td><td>For ultra-low resistance power FET manufacturing.</td></tr>
<tr><td colspan="2">Silicon epitaxy on SOI (Silicon on Insulator)</td><td>High speed devices</td><td>For RF IC manufacturing</td></tr>
<tr><td colspan="2">GaN epitaxy wafer</td><td>It can increase the breakdown voltage and 10 times better than silicon wafer, and increase the operating frequency</td><td>Suitable for applications on communication, military, aerospace, high-speed/high-voltage/high-current power</td></tr>
<tr><td colspan="2">SiC epitaxy wafer</td><td>It can increase the breakdown voltage and better than GaN wafer, and reduce on-resistance</td><td>Suitable for applications on high-speed/high-voltage/ultra-high-current power, such as 1200V applications</td></tr>
<tr><td rowspan="3">Dual in-line (DIP) integrated circuit</td><td>Standard Linear Bipolar Process Technology</td><td>Manufacturing high-voltage analog circuits with the function of withstanding voltage</td><td>Operational amplifier, instrument converter, comparator, dual PWM controller, and IC voltage regulator</td></tr>
<tr><td>Bipolar double-diffusion MOS transistor process technology (BIDMOS)</td><td>1. For high-voltage, high-current intelligent power IC manufacturing
2. Manufacturing of electric power components with special impurity methods to achieve high voltage and low leakage current.</td><td>Switch Mode Power Supply, general consumer electronics</td></tr>
<tr><td>Bipolar Complementary Metal Oxide Semiconductor (BICMOS)</td><td>For high-speed and high-precision analog circuit manufacturing</td><td>Control circuits of high-definition television (HDTV), precision motors, and high-density hard disk drives</td></tr>
<tr><td colspan="2">Metal Oxide Semiconductor Field Effect Transistor (MOSFET)</td><td>Possess the advantages of low power consumption and low heat dissipation</td><td>Applications in NBs, mobile devices, TVs and other backlight supplies, Power supply and battery chargers</td></tr>
<tr><td colspan="2">GaN HEMT</td><td>Ultra-low power consumption, ultra-high frequency</td><td>Applications in 5G communication base stations, UPS workstations, and industrial/ aerospace amplifiers</td></tr>
<tr><td colspan="2">High power GaN Schottky diodes</td><td>Ultra-low conduction voltage, ultra-low power consumption</td><td>Applications in DC-DC and DC-AC for power conversion of 600V to 1200V. Especially suitable for power conversion of solar and hydroelectric companies</td></tr>
<tr><td colspan="2">High power SiC Schottky diodes</td><td>High breakdown voltage, low on-resistance</td><td>Applications in DC-DC and DC-AC for power conversion of 600V to 1200V. Especially suitable for power conversion of solar and hydroelectric companies</td></tr>
</table>

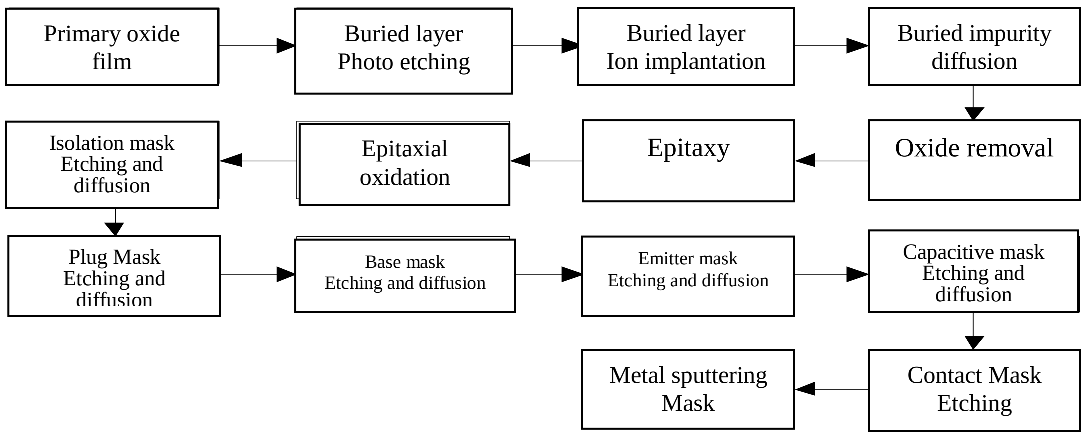
Product		Function	Purpose
SiC high-power MOSFET		High breakdown voltage, low on-resistance, and high operating temperature	Applicable for charging piles of 600V 1200V power conversion, electric vehicles, and hybrid electric vehicles.
High power fast recovery diode		Fast switching characteristics are arranged in parallel circuits with IGBT to reduce power loss.	Used with IGBT for AC110V, 230V induction cooker, and AC380V industrial motor control system
TVS protection components		Overvoltage and overcurrent protection components	Application in ESD (electrostatic discharge) protection of communication interface
Insulated Gate Bipolar Transistor (IGBT)		High power switching element	Mainly used in AC110V, 230V induction cooker, and AC380V industrial motor control system
Linear high voltage integrated circuit	700V BCD process	Controllers and switches with the advantages of low power consumption and low heat dissipation	Handheld consumer power supply circuit, energy efficient lighting for household lights and industrial motor drives
	700V HVIC process	Ultra high withstand voltage and high power components	Mainly used in AC110V, 230V power control

2、 Production process

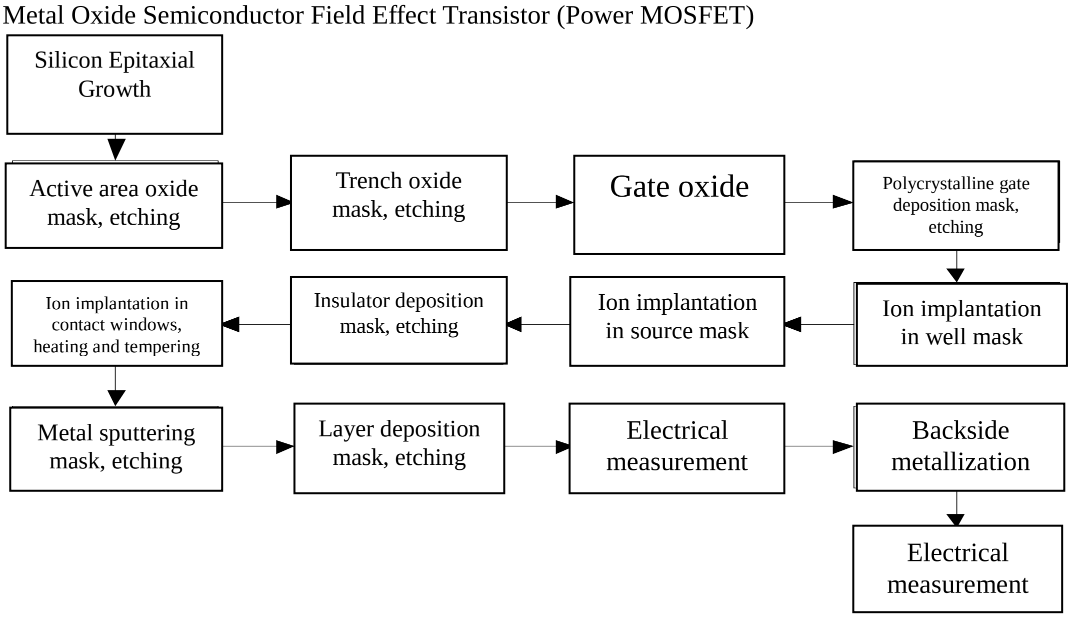
（1）General epitaxy process



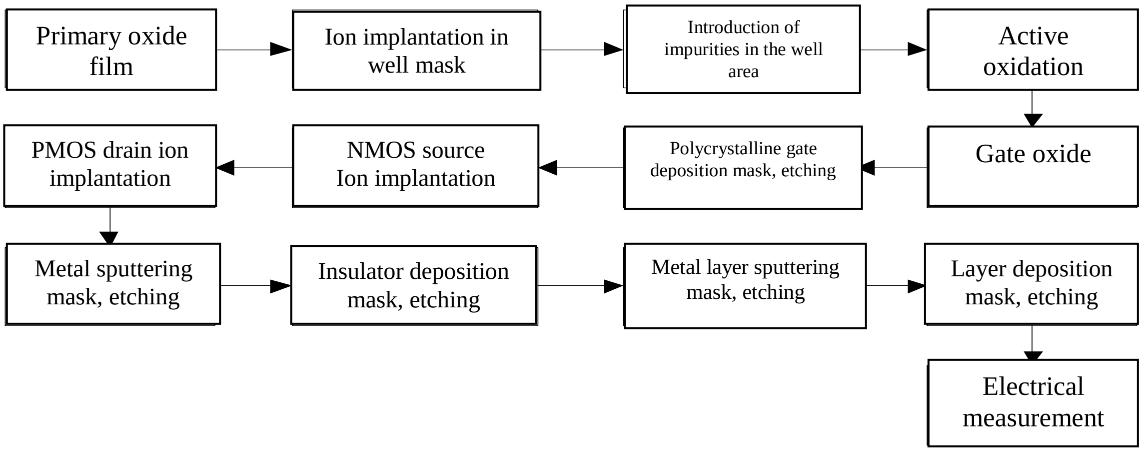
（2）Dual in-line (DIP) integrated circuit



(3）Metal Oxide Semiconductor Field Effect Transistor (Power MOSFET)



(4) CMOS process for logic components



(III) Raw materials supply chain

EPISIL is committed to stabilizing the supply of raw materials and managing and certifying suppliers. There are more than 2 suppliers to buy the raw materials with reasonable price, good quality, and rapid delivery, and to enhance competitiveness. EPi has established long-term cooperative relations with suppliers, and regularly evaluates them to ensure the stability of quality and delivery.

(IV) List of major purchasing and selling customers

1、Name, amount and proportion of suppliers with more than 10% of the net purchase amount

Unit:NT$ thousands

Year	2019				2020			
Item	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	A	617,862	22.27	None	A	555,778	20.43	None
2	—	—	—	—	B	545,842	20.06	None
	Others	2,156,813	77.73	—	Others	1,619,292	59.51	—
	Net Total Supplies	2,774,675	100.00	—	Net Total Supplies	2,720,911	100.00	—

2、Name, amount and proportion of suppliers with more than 10% of net sales

Unit:NT$ thousands

Year	2019				2020			
Item	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	—	—	—	—	—	—	—	—
	Others	5,419,225	100.00	—	Others	5,741,460	100.00	—
	Net Sales	5,419,225	100.00	—	Net Sales	5,741,460	100.00	—

(V) Production in the Last Two Years：

Unit: Layer/Piece;NT$ thousands

Year / Output / Major Products	2019			2020		
	Capacity (Layer/Piece) (Note)	Quantity (Layer/Piece) (Note)	Amount (NT$ thousands)	Capacity (Layer/Piece) (Note)	Quantity (Layer/Piece) (Note)	Amount (NT$ thousands)
Epitaxial Wafer	5,054,000	3,638,373	3,791,907	4,976,000	4,129,821	4,022,450
IC wafer	814,800	513,898	1,745,616	814,800	551,153	1,861,727
Total	5,868,800	4,152,271	5,537,523	5,790,800	4,643,719	5,884,177

Note:The capacity and quantity of Epitaxial wafer is layer ; :The capacity and quantity of IC wafer is piece.

(VI)Shipments and Sales in the Last Two Years：

Unit: Piece;NT$ thousands

Year / Shipments and Sales / Major Products	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Epitaxial Wafer	1,868,708	1,830,714	1,476,714	1,789,107	2,350,757	2,048,971	1,433,043	1,695,838
IC wafer	126,177	479,606	384,061	1,289,724	163,579	612,973	418,796	1,349,451
Others	-	4,560	0	25,514	0	15,267	0	18,960
Total	1,994,885	2,314,880	1,860,775	3,104,345	2,514,336	2,677,211	1,851,839	3,064,249

III、Number of employees, average years of service, average age and education distribution ratio：

Year		2019(Note)	2020(Note)	As of 2021 4/20(Note)
Numbers Of Employees	Operators	630	591	588
	Indirect	942	954	941
	Total	1,572	1,545	1,529
Average Age		38.09	38.86	39.03
Average Years of Employment		9.49	10.02	10.24
Level of Education(%)	Ph.D.	0.38	0.39	0.46
	Master's Degree	15.08	15.79	15.76
	Bachelor's & Associate's Degree	66.73	66.34	66.26
	Senior High School	17.05	16.76	16.74
	Other	0.76	0.71	0.78

Note：the data source is the employee information of EPISIL and subsidiaries.

IV、Disbursements for environmental protection：

(I) Losses (including remedial measures) and the total amount of penalties (including remedies) due to failure in taking responsive action to environmental pollution：None (as of the time of printing this report and whole 2020).

(II) Response measures and expenditures：

1、Environmental protection management

In terms of environmental protection management, each factory has appointed dedicated staff with qualified licenses to be responsible for handling environmental protection related matters and implement the following protection measures.

(1) Air pollution prevention and management:

The exhaust gas of the company and its subsidiaries is classified into exhaust gas from the manufacturing process and thermal exhaust, among which exhaust gas from the manufacturing process is divided into acidic gas and organic gas.

Thermal exhaust does not contain any harmful substances and is emitted directly to the atmosphere.

The organic gas is emitted into the atmosphere after being treated by the zeolite runner concentration system or an activated carbon adsorption tower based on different plants. Flow meters are installed at all sites, and air pollutant concentration monitors are installed in R&D plants and R&I plants.

In accordance with the "Air Pollution Control and Emission Standards for Semiconductor Manufacturing," the Company and its subsidiaries entrust the laboratory accredited by Environmental Protection Agency to perform annual inspections. The inspection items include hydrochloric acid, nitric acid, hydrofluoric acid, sulfuric acid, phosphoric acid, ammonia, hydrogen chloride, chlorine and hydrocarbons, ensuring that the efficiency of waste gas treatment facilities and inspection results meet legal requirements.

(2) Water pollution prevention and control measures and water resources management:

The wastewater discharged from the Company and its subsidiaries includes wastewater from the manufacturing process, domestic wastewater, and wastewater from cooling systems.

Wastewater treatment in each plant area is processed by the pre-treatment system and adjusted to near neutral pH (pH 5-9), and was then discharged into the wastewater pipeline of Hsinchu Science Industrial Park at the discharge point, entering the wastewater treatment plant of Hsinchu Science Park Bureau for treatment. In addition, the treated wastewater shall meet EPA's Effluent Discharge Guidelines before being discharged outside the Science Park. The Company has been charged a wastewater treatment fee by the Wastewater Treatment Plant of the Science Park Administration Office based on its fee-charging standards. In addition, each plant’s wastewater quality is continuously monitored for its pH value and fluoride ion for 24 hours in order to ensure that wastewater quality meets the science park management standards.

The Company and its subsidiaries regularly entrust qualified inspection agencies or laboratories approved by the Environmental Protection Administration to perform water quality testing on a regular basis according to the law. The inspection items are based on the requirements of the water pollution prevention license and other items, and the test results meet the legal requirements. In addition, the monthly wastewater inspection conducted by the Science Park Administration Office also meets the science park management standards.

To comply with the science park management standards, the Company and its subsidiaries are still committed to water conservation and multiple uses of reclaimed water to increase water recycling. The recycling rate of wastewater from the manufacturing process has been far greater than 50% of the Science Park Administration Office standards.

(3) Business waste treatment, waste reduction and recycling:

All kinds of wastes of the Company and its subsidiaries are collectively stored in specific storage sites to prevent environmental pollution and are properly treated by qualified recycling or waste treatment agencies approved by the Environmental Protection Administration.

Waste reduction mainly starts from the source, from packaging and filling materials, waste reduction during the manufacturing process, followed by the waste classification, recycling and reuse (applications to the Environmental Protection Administration for general or individual cases, depending on the characteristics of waste) to minimize landfill waste. All processes of waste treatment are carried out by the waste removal, cleaning, waste treatment or recycling companies approved by the Environmental Protection Administration, which fully complies with the environmental protection regulations.

According to statistics, waste products of the subsidiary Episil Technology Inc. was 528 tons in 2020, which significantly declined compared to the 572 tons in 2019. For waste output in 2020, the recycled and reused waste, general industrial waste, hazardous industrial waste were 150 tons (accounting for 28.4% of total output), 167 tons (accounting for 31.6% of total output) and 211 tons (accounting for 40% of total output), respectively. However, the Company’s wastes are properly disposed of in accordance with relevant laws and regulations based on the concept of sustainability in order to avoid impacts on the environment during the production process.

(4) The impact of the EU’s RoHS (Restriction of Hazardous Substances) Directive on the Company:

The products of the Company and its subsidiaries (silicon and IC wafers) comply with the following standards:

1.RoHS (Restriction of Hazardous Substances) Directive 2015/863/EU:

2.EU’s Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

3.Management Regulations for The Environment-Related Substances to Be Controlled Which are included in Parts and Materials of Sony (SS-00259). The subsidiary Episil Technology Inc., is one of Sony's Green Partners.

(5) GHG emission control and reduction:

The Company’s greenhouse gas inventory is in compliance with the measures of the Taiwan Semiconductor Industry Association (TSIA). The statistical data started in 2000, followed by annual emissions inspection and certification according to ISO14064.

For GHG reduction, the main source of greenhouse gas in semiconductor plants is perfluoro compounds (PFC). The wafer of the Company and its subsidiaries is less than 150mm. Please refer to the International SEMATECH Status Report (Current State of Technology): Perfluorocompound (PFC) Emissions Reduction using the best technologies including Process Optimization and Alternative Chemistries.

The subsidiary Episil Technology Inc. mainly focuses on GHG reduction via process optimization before 2009 and started to work towards replacing chemical products in 2010. The DF6B plant completed chamber cleaning by C_3F_8 instead of C_2F_6, reducing PFC emission by more than 40% in 2010. In the fourth quarter of 2013, the DF1 plant completed chamber cleaning by C_2F_6 instead of

C4F8, which also reduced PFC emission by more than 18% in the DF1 plant. In 2015, the DF6A plant also launched chamber cleaning by C2F6 instead of C4F8, reducing PFC emission. Overall, we estimate a more than 50% reduction of PFC emission.

GHG inspection data in the 3 plants of the Company's subsidiary Episil Technology Inc. in 2018 is as follows:

I. Inspection standards: ISO 14064-1/CNS 14064-1 Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals of the Environmental Protection Administration, Executive Yuan.

II. Certification scope/ period covered: Episil Technology Inc./ From January 1, 2018 to December 31, 2018.

III.Inspection data: According to IPCC's 2007 GWP value in the Fourth Assessment Report (AR4), the emissions are as follows:

Company Name	CAS No.	Direct GHG Emissions (Scope 1)	Indirect GHG Emissions from Electricity (Scope 2)	Total GHG emissions (Unit: MtCO2e)
Innovation Site	J6300146	4,024.8946	8,819.7775	12,844.672
Creation Site	O1701115	12,922.1981	9,959.8209	19,160.212
R&D Site	J6300299	18,716.5457	25,811.5248	44,528.071

GHG inspection data in the 3 plants of the Company's subsidiary Episil Technology Inc. in 2019 is as follows:(In 2020, inspections will be completed in August 2021 in accordance with the law)

I. Inspection standards: ISO 14064-1/CNS 14064-1 Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals of the Environmental Protection Administration, Executive Yuan.

II. Certification scope/ period covered: Episil Technology Inc./ From January 1, 2019 to December 31, 2019.

III. Inspection data: According to IPCC's 2007 GWP value in the Fourth Assessment Report (AR4), the emissions are as follows:

Company Name	CAS No.	Direct GHG Emissions (Scope 1)	Indirect GHG Emissions from Electricity (Scope 2)	Total GHG emissions (Unit: MtCO2e)
Innovation Site	J6300146	3,159.0169	7,679.0973	10,838.114
Creation Site	O1701115	10,071.0405	9,280.2685	19,351.309
R&D Site	J6300299	16,457.0214	25,529.8472	41,986.869

(6) Energy resource saving and management:

The Company and its subsidiaries implement the continuous improvement program (CIP) method through the ISO14001 environmental management system in order for energy saving and management of energy resources (including gas, chemicals, and water). We optimize electricity-saving, starting with office electricity consumption (lighting, air-conditioning). In 2020, the subsidiary Episil Technology Inc. continued to expand its production capacity and dedicated efforts to separately implement water and electricity saving measures. The water-saving part of the innovation plant increased from 221,291 tons in 2019 to 220,688 tons in 2010, with a total increase of 603 tons, mainly due to the increase in water consumption caused by the increase in production capacity. The power consumption of the innovation plant and the new research plant decreased from 31,818,697 KWH in 2019 to 31,771,518 KWH in 2010, a total reduction of 47,179 KWH. The policies related to energy conservation and carbon reduction, greenhouse gas reduction, water reduction and other waste management are as follows:

The quantitative policies for energy saving, carbon reduction, reduced GHG emission and water consumption, or other waste management policies	Measures	Quantitative achievements
Innovative plant water saving target: water consumption reduced by 0.2%	1. Add recycled water/ condensate water for the cooling tower 2. Increase the amount of wastewater used in the scrubber process / reduce the use of concentrated water and tap water	2019 Consumption 221,291 CMD 2020 Consumption 220,688CMD Total reduction of 603 CMD
Innovation area energy saving target: Reduce the use of electricity by 0.3%	Improvement in energy-saving lighting, replacement of energy-saving LED lamps Replacement of energy-saving air compressors Replacement of energy-saving pumping systems	2019 Consumption 14,407,312 kW 2020 Consumption 14,361,773 kW Total reduction of 45,539kW (reduction 0.32%)
Targeted reduction of energy use in the new plant: reduction of 0.009% psychologically	Improvement in energy-saving lighting, replacement of energy-saving LED lamps	2019 Consumption 17,411,385 kW 2020 Consumption 17,409,745 kW Total reduction of 1,640kW (reduction 0.0094%)

2. Working environment and occupational safety：

The safety and health policies and requirements of the Company and its subsidiaries: The Company and its subsidiaries commit to creating a safe, hygienic and comfortable working environment with the participation of all employees and continuous improvement, in order to achieve overall safety, the physical and mental health of employees, and corporate sustainability. The relevant implementations are as follows:

(1) Occupational safety and health and environmental management system certification:

The Company and its subsidiaries obtained the OHSAS18001 certification, which has been valid since 2001. In 2008, the Company integrated the ISO14001 and OHSAS18001 systems, covering all of the Company’s factories since then. In June 2019, the Company renewed the latest ISO14001 certification, which would be valid until June 2021. Corresponding to the replacement of OHSAS18001 with ISO45001, the Company was approved for ISO45001 version change in August 2020, which would be valid until June 2021.

(2) Safety and health management

The Company and its subsidiary Episil Technology Inc. has invested a total of NT$5.5 million in preventing fire disasters in the plant, and promoted a self-protection plan, adding and repairing the Carbon Dioxide fire protection systems for the equipment with high fire risk (chemical tanks for organic solvents) in the R&D plant. R&I plants initiated the plan of adding automatic fire protection sprinklers for plastic exhaust ducts over 10”. In 2019, the air duct fire protection sprinkler system in FAB was installed for better active disaster prevention and control and to more actively protect corporate assets and ensure the safety of production lines. After integration of various data, the occupational safety office applied for the government subsidy plan based on the “Guidelines for the Subsidy of Business Units in the Improvement of Work Environment and Safety” for the ventilation pipe fire prevention improvement program of R&I plants. In addition, Episil Technology Inc. passed the review of the professional team of the Occupational Safety and Health Administration (OSHA) and received the highest subsidy for the program.

The safety and health management of the Company and its subsidiaries is in compliance with the safety analysis and evaluation of the ISO45001 system, covering buildings, equipment, machines, manufacturing processes, chemicals, gases, materials, and personnel. The implementation is divided into two aspects: hardware improvement and software enhancement, which are mainly described as follows:

Hardware improvement: We evaluate the safety status and facilities of the whole factory on a regular and irregular basis and analyze hardware protection (damage prevention) against potential hazards. The main scope of inspection includes assessing the appropriateness of fixed firefighting facilities such as fire barriers and fire alarms, smoke detectors, differential pressure sensors, foams, sprinklers, fire hydrants, emergency smoke extraction facilities, and VESDA, as well as gas detectors, emergency shutdown valves and UV-IR flame detectors for chemicals and gases in the factory. In addition, the inspection also involves assessing whether personal protective equipment in these areas is adequate.

In view of many fire accidents in the industry in 2020, the company strengthened inspection of temperature using a FLIR thermal camera for the electronic components (SSR) that were not of special concern in the past. It replaced SSR that has been used for more than 20 years to effectively reduce fire risks. Software enhancement: This part is mainly education and training, including occupational safety and environmental protection education and training for all employees, hazard education and training, education and training and certification on supervision, contractor move-in management and education and training, special operation inspection and control, on-site supervision, audits by construction unit supervisors and occupational safety personnel on an irregular basis, emergency drills under various situations, and strengthening the “Production Frontline” firefighting and protection wear training for domestic/ foreign employees. In addition, the occupational safety and health committee in each plant was held quarterly to review safety in the factory. Currently, occupational safety tasks mainly include precautions, while the occupational safety personnel shall participate in the inspection of new processes, new equipment or new materials to ensure its safety.

In 2020, in order to improve the emergency response capability of the ERT team, the Company conducted education and training for the commander and evacuation team to strengthen their cognition and response capabilities, with actual emergency response drills on a quarterly basis and annual evacuation drills, improving the emergency response capacity of the factory and reducing disaster losses.

Promoting work environment safety and health and employee health: Safety in the factory and employee health are equally important. The Company and its subsidiaries conduct physical and chemical property measurement and testing in the working environment every six months in order to ensure that the working environment will not pose health hazards to employees. Any area with health hazard concerns, such as areas of high noise levels or confined spaces, will be included in the control area. Protective equipment (hearing protection) or necessary approval procedures shall be required when entering the control area in order to ensure the safety and health of employees. In addition, the Company and its subsidiaries have on-site occupational health physicians to prevent occupational diseases. Employee health check-ups are carried out on an annual basis, and the inspection items and frequency exceed standard requirements. Employee health protection not only aims to prevent occupational diseases, but also to emphasize employee health, with Yoga courses, physical fitness and health lectures, and other health promotion activities held on a regular basis, in order to improve the health of employees.

V、 Labor Relations

Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures：

(I) Main labor management agreements and implementation status

The Company and its subsidiaries uphold the concept of sincerity, cooperation and learning for labor management relations, and dedicated efforts to create a harmonious working atmosphere and working environment through internal communication. To meet the requirements on continuous business expansion and development, the Company actively develop various human resource policies in the hope to establish mutual trust between labor and management with shared prosperity and growth.

1. Communication and incentives

(1) In order for communications, the Company conducted monthly departmental meetings, new employee lectures and labor-management meetings, providing employees with hotline, e-mail and internal website to respond to employee opinions. In addition, the Human Resources Department appointed dedicated personnel to promote labor relations, organizing employee communication seminars for recent issues. On one hand, this enables employees’ understanding of the Company’s philosophy and key measures. On the other hand, employees can express their needs and opinions for the Company’s future improvement.

(2) In order to inspire a sense of honor among employees, we not only established a fair promotion channel but also formulate incentive measures such as work innovation and rewards for proposals, selecting outstanding employees, and expressing appreciation for senior employees. On one hand, employees will be given specific feedback for their efforts, and on the other hand, this shows the Company's commitment to attach great importance to employees.

2. Employee benefits

In order to recognize the competitiveness and advantages of the Company and its subsidiaries in employee welfare and maximize the use of welfare resources, the Company’s current welfare benefits are described as follows:

(1) Restaurant: Each factory has staff restaurants with delicious buffet style meals and free lunches.

(2) Staff dormitories: The Company provides staff dormitories for employees, with home appliances such as TVs, washing machines, refrigerators, air conditioners, and water dispensers, paying special attention to employee safety.

(3) Transportation vehicle: The Company provides free transportation vehicles that correspond to employee shifts, with routes from the Company to Zhudong, Beipu, Miaoli, Toufen, Xionglin, Xinfeng, Hukou, Hengshan, Nanliao and Xiangshan.

(4) Employee health care: In order to ensure the physical and mental health of employees, the Company not only provides employees with complete health checkups and health consultations on a regular basis, with physical and mental health lectures and courses held on an irregular basis according to employees' needs.

(5) Employee insurance: Labor insurance and national health insurance are social insurances that provide basic protection for employees. In order to make up for the deficiencies of labor and health insurance and provide employees with more comprehensive insurance protection, the Company plans to provide group insurance for employees with full payment. The insurance coverage includes life insurance, accident insurance, accidental medical insurance, hospitalization insurance, cancer insurance, and critical illness insurance.

(6) Welfare activities: Employees in various departments select representatives to set up the Employee Welfare Committee, responsible for promoting various welfare activities, including clubs, competitions, tours, lectures, proms, and year-end festivals, in order to unite and motivate employees and to build cohesion among employees.

3. Retirement system

In order to provide employees with a steady life after their retirement, and reward them for their professional services, the Company and its subsidiaries contribute to labor pension of 6% monthly wage of new employees and employees under the original pension plan who choose to be covered by the new pension system to the pension account in accordance with relevant laws and regulations since July 1, 2005. Meanwhile, the Company and its subsidiaries continue to reserve the seniority for employees who choose to apply the original pension plan and those who choose to be covered by the new pension system. The pension fund is calculated the according to the original pension plan and payment standard and appropriated to the bank account in the Bank of Taiwan. For employees who transferred to affiliated companies, their prior length of service shall be accumulated in order to protect employee rights while achieving the purpose of talent circulation.

4. Education and training

In order to implement human resources development, the Company and its subsidiaries plan to set up a complete education and training management system based on the requirements of ISO9000 and ISO/TS 16949 international standard quality management systems, ISO14000 environmental management system, OHSAS18000 occupational safety and health management system, and the Company's expectations on labor development. With that, the Company has formulated educational and training operating procedures as the basis for employees' education and training. The training covers the regulations governing the participation of the Company's appointed personnel in various domestic, foreign or internal training activities such as courses, lectures, seminars, and workshops. The complete education and training system includes: Core competency, professional competency, management competency, general training, and self-development, as well as relevant implementation rules. In order for better human resource development, reviews and improvements are carried out on an irregular basis based on practical implementations and the Group's internal and external audit opinions. In-service training of the Company and its subsidiaries in 2020 is listed as follows:

Item	Total participants	Session	Total training hours	Expenses (NT$)
Talent development	245	8	41	313,004
Professional training	4,997	612	2,839	928,742
Management training	148	10	111	405,470
Others	5,034	299	1,116	664,905
Total	10,424	929	4,107	2,312,121

The Company has set up the "Regulations Governing Further Education of Employees" and "Regulations Governing Language Education Subsidies" in order to enhance corporate competitiveness and encourage self-development of colleagues, rewarding colleagues for their learning achievements. In addition, the Company also established the Regulations Governing the Internal Teacher Training, in order to improve the quality and efficiency of internal education and training, with proper use of internal human resources to facilitate sharing of knowledge, skills and experience. The aforementioned items are planned and implemented in accordance with the 2020 operating policy and budget, while we seek/ evaluate and introduce external resources for better effectiveness and efficiency of human resource development, and thereby bring about maximum benefits for the company and employees.

5. Corporate culture and core values:

Efficiency: Pursue better output quality from the same amount of input.

Profession: Displaying professional competence for customer recognition.

Innovation: Efficient innovation with professional thinking.

Sincerity: Being honest with yourself, your colleagues and your work.

Integration:Excluding departmental standards and focusing on the operating capabilities of highly integrated teams.

Learning:Discernment, prudence, dedication, responding to changes, and outperforming their predecessors.

In terms of corporate culture, Episil adheres to the people-oriented spirit and requires the management level to think: What's the corporate value? As the Company's performance and achievements cannot be achieved and maintained without a harmonious working environment!

Therefore, Episil upholds the concept that "organizational performance is based on the happiness of the employees," and attaches great importance to communicating with employees, encouraging innovation, with a comprehensive talent development plan for each employee, dedicating efforts to the learning and development organizational structure, and providing employees with various career development opportunities.

6. Other important contracts: None.

(II) List any loss sustained as a result of labor disputes, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken: None.

VI、Important Contract

April 20, 2021

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales contracts	A	2019~2021	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	B	2019~2021	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	C	2021~2021	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	D	2020~2022	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	E	2019~2024	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	F	2019~2024	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	G	2018~2024	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	H	2015~2025	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	I	2018~2022	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	J	2018~2023	To define the terms and rights and obligations relating to the sale between the parties	None
Research and development cooperation contract	K	2019~2024	Set out the conditions and rights and obligations of both parties	None

Six、Financial Information

I、Consolidated Condensed Balance Sheet：The following financial information has been verified by an accountant.

(I) Consolidated Condensed Balance Sheet：Based on IFRS

Unit: NT$ thousands

Year		Financial Summary for The Last Five Years				
Item		2016	2017	2018	2019	2020
Current assets		2,883,110	3,973,841	5,105,124	4,423,499	4,400,032
Property, Plant and Equipment		2,171,032	2,521,889	3,438,335	3,407,212	2,977,434
Intangible assets		82,697	74,248	68,459	52,119	42,015
Other assets		628,380	473,393	809,744	1,236,299	1,153,543
Total assets		5,765,219	7,043,371	9,421,662	9,119,129	8,573,024
Current liabilities	Before distribution	1,584,408	1,671,634	2,667,237	2,028,572	2,310,615
	After distribution	1,584,408	1,671,634	2,817,655	2,028,572	Note
Non-current liabilities		916,566	1,262,318	1,602,185	2,454,333	1,504,548
Total liabilities	Before distribution	2,500,974	2,933,952	4,269,422	4,482,905	3,815,163
	After distribution	2,500,974	2,933,952	4,419,840	4,482,905	Note
Equity attributable to shareholders of the parent		2,233,197	2,807,303	3,570,485	3,145,839	3,132,613
Capital stock		1,686,702	2,303,222	2,812,153	2,937,244	3,121,877
Capital surplus		980,789	639,765	723,660	849,467	550,158
Retained earnings	Before distribution	(434,550)	(134,928)	78,620	(562,651)	(465,024)
	After distribution	(434,550)	(134,928)	51,067	(562,651)	Note
Other equity interest		256	(756)	(43,948)	(78,221)	(74,398)
Treasury stock		0	0	0	0	0
Non-controlling interest		1,031,048	1,302,116	1,581,755	1,490,385	1,625,248
Total equity	Before distribution	3,264,245	4,109,419	5,152,240	4,636,224	4,757,861
	After distribution	3,264,245	4,109,419	5,001,822	4,636,224	Note

Note：As of the date of publication, the surplus transfer in 2020 has not been approved by resolution of the Shareholders' Meeting.

(II) Individual Condensed balance sheet – Based on IFRS

Unit: NT$ thousands

Year		Financial Summary for The Last Five Years				
Item		2016	2017	2018	2019	2020
Current assets		24,159	32,738	535,858	268,938	44,742
Property, Plant and Equipment		11,530	7,007	4,187	4,229	7,412
Intangible assets		17,618	18,026	12,122	7,127	4,535
Other assets		2,874,035	3,682,078	4,123,572	3,652,125	3,635,847
Total assets		2,927,342	3,739,849	4,675,739	3,932,419	3,692,536
Current liabilities	Before distribution	108,691	17,763	26,634	22,231	429,681
	After distribution	108,691	17,763	68,856	22,231	429,681
Non-current liabilities		585,454	914,783	1,078,620	764,349	130,242
Total liabilities	Before distribution	694,145	932,546	1,105,254	786,580	559,923
	After distribution	694,145	932,546	1,147,476	786,580	559,923
Equity attributable to shareholders of the parent		2,233,197	2,807,303	3,570,485	3,145,839	3,132,613
Capital stock		1,686,702	2,303,222	2,812,153	2,937,244	3,121,877
Capital surplus		980,789	639,765	723,660	849,467	550,158
Retained earnings	Before distribution	(434,550)	(134,928)	78,620	(562,651)	(465,024)
	After distribution	(434,550)	(134,928)	51,067	(562,651)	(465,024)
Other equity interest		256	(756)	(43,948)	(78,221)	(74,398)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	2,233,197	2,807,303	3,570,485	3,145,839	3,132,613
	After distribution	2,233,197	2,807,303	3,528,263	3,145,839	3,132,613

II、Consolidated Condensed Statement of Comprehensive Income：The following financial information has been verified by an accountant.

(I) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Year	Financial Summary for The Last Five Years				
Item	2016	2017	2018	2019	2020
Operating revenue	4,377,748	5,273,623	6,436,456	5,419,225	5,741,460
Gross profit(loss)	171,480	563,096	874,013	(91,965)	(8,450)
Income(loss) from operations	(350,888)	35,729	305,900	(582,628)	(475,407)
Non-operating income & expenses	(10,260)	(48,007)	34,139	(19,612)	(14,601)
Income before tax	(361,148)	(12,278)	340,039	(602,240)	(490,008)
Continue with the business unit Net (loss) profit for the current period	(390,007)	(45,348)	239,251	(602,775)	(484,787)
Net income (Loss)	(390,007)	(45,348)	239,251	(602,775)	(484,787)
Other comprehensive income (income after tax)	(50,056)	(23,388)	(14,016)	(41,873)	(23,394)
Total comprehensive income	(440,063)	(68,736)	225,235	(644,648)	(508,181)
Net income attributable to shareholders of the parent	(397,824)	(115,234)	71,203	(606,678)	(493,831)
Net income attributable to non-controlling interest	7,817	69,886	168,048	3,903	9,044
Comprehensive income attributable to Shareholders of the parent	(441,677)	(135,927)	59,391	(647,991)	(512,267)
Comprehensive income attributable to non-controlling interest	1,614	67,191	165,844	3,343	4,086
Earnings per share	(2.36)	(0.59)	0.26	(2.13)	(1.64)

(二) Individual Condensed Statement of Comprehensive Income：Based on IFRS

Unit: NT$ thousands

Year	Financial Summary for The Last Five Years				
Item	2016	2017	2018	2019	2020
Operating revenue	(258,236)	26,502	224,770	(460,888)	(347,995)
Gross profit	(258,236)	26,502	224,770	(460,888)	(347,995)
Income from operations	(384,408)	(102,253)	79,487	(596,777)	(486,705)
Non-operating income & expenses	(13,416)	(12,981)	(8,284)	(9,901)	(7,126)
Income before tax	(397,824)	(115,234)	71,203	(606,678)	(493,831)
Continue with the business unit Net (loss) profit for the current period	(397,824)	(115,234)	71,203	(606,678)	(493,831)
Net income (Loss)	(397,824)	(115,234)	71,203	(606,678)	(493,831)
Other comprehensive income (income after tax)	(43,853)	(20,693)	(11,812)	(41,313)	(18,436)
Total comprehensive income	(441,677)	(135,927)	59,391	(647,991)	(512,267)
Earnings per share	(2.36)	(0.59)	0.26	(2.13)	(1.64)

(三)Auditors' Opinions for the last five years：

Year	Accounting Firm	CPA	Audit Opinion
2016	PricewaterhouseCoopers Taiwan	Dian-Yi Li Guo-Hua Zeng	Clean audit opinion
2017	PricewaterhouseCoopers Taiwan	Dian-Yi Li Guo-Hua Zeng	Clean audit opinion
2018	PricewaterhouseCoopers Taiwan	Yu-Kuan Lin Dian-Yi Li	Clean audit opinion
2019	PricewaterhouseCoopers Taiwan	Dian-Yi Li Yu-Kuan Lin	Clean audit opinion
2020	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion

III、Financial Analysis：The following financial information has been verified by an accountant.

(一) Consolidated Financial Analysis：Based on IFRS

Item		Financial Analysis for the Last Five Years (Year)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	43.38	41.66	45.31	49.16	44.50
	Ratio of long-term capital to property, plant and equipment	176.37	191.53	176.06	176.91	176.45
Solvency (%)	Current ratio	181.97	237.72	191.40	218.06	190.43
	Quick ratio	123.98	177.43	137.01	142.33	130.23
	Interest earned ratio (times)	(21.27)	0.20	13.53	(15.12)	(11.99)
Operating performance	Accounts receivable turnover (times)	5.21	4.51	4.42	3.85	4.47
	Average collection period	70.05	80.93	82.57	94.80	81.65
	Inventory turnover (times)	4.45	4.64	4.57	3.67	3.76
	Accounts payable turnover (times)	13.59	12.11	10.12	10.03	11.38
	Average days in sales	82.02	78.66	79.87	99.45	97.07
	Property, plant and equipment turnover (times)	2.34	2.16	2.10	1.58	1.80
	Total assets turnover (times)	0.87	0.82	0.78	0.58	0.65
Profitability	Return on total assets (%)	(7.51)	(1.04)	3.08	(6.10)	(5.06)
	Return on stockholders' equity (%)	(14.05)	(1.23)	5.17	(12.32)	(10.32)
	Pre-tax income to paid-in capital (%)	(21.41)	(0.53)	12.09	(20.50)	(15.70)
	Profit ratio (%)	(8.91)	(0.86)	3.72	(11.12)	(8.44)
	Earnings per share (NT$)	(2.36)	(0.59)	0.26	(2.13)	(1.64)
Cash flow	Cash flow ratio (%)	6.27	3.67	16.05	(2.98)	7.47
	Cash flow adequacy ratio (%)	(Note1)	(Note1)	(Note1)	6.85	18.07
	Cash reinvestment ratio (%)	0.75	0.42	2.61	(1.27)	0.92
Leverage	Operating leverage	0.05	10.47	2.43	0.00	(0.33)
	Financial leverage	0.96	1.78	1.07	0.94	0.93

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)
(1)Profitability ratio: Due to increase in net loss.
(2)Cash flow ratio: Due to decrease in operating income.
(3)Financial leverage: Due to net loss.

Note1: The ration is not applicable, due to the Company establish in October 1, 2014, not within in five years.
Note2: Variable operating costs and expenses is operating cost and expenses without depreciation and amortization.

(二) Individual Financial Analysis：Based on IFRS

Item	Year	Financial Analysis for the Last Five Years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt Ratio	23.71	24.94	23.64	20.00	15.16
	Ratio of long-term capital to property, plant and equipment	24,267.34	52,838.20	110,539.17	91,923.06	43,738.03
Solvency (%)	Current ratio	22.23	184.30	2,011.93	1,209.74	10.41
	Quick ratio	21.12	166.18	1,999.11	1,193.85	9.76
	Interest earned ratio (times)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Operating performance	Accounts receivable turnover (times)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Average collection period	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Inventory turnover (times)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Accounts payable turnover (times)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Average days in sales	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Property, plant and equipment turnover (times)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Total assets turnover (times)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Profitability	Return on total assets (%)	(14.92)	(3.25)	1.89	(13.85)	(12.74)
	Return on stockholders' equity (%)	(17.60)	(4.57)	2.23	(18.07)	(15.73)
	Pre-tax income to paid-in capital (%)	(23.59)	(5.00)	2.53	(20.65)	(15.82)
	Profit ratio (%)	154.05	(434.81)	31.68	(131.63)	(141.91)
	Earnings per share (NT$)	(2.36)	(0.59)	0.26	(2.13)	(1.64)
Cash flow	Cash flow ratio (%)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Cash flow adequacy ratio (%)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Cash reinvestment ratio (%)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Leverage	Operating leverage	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
	Financial leverage	0.98	0.94	1.12	0.98	0.98
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) (1)Financial structure and Solvency ratio: Due to increase in current portion of long-term liabilities. (2)Pre-tax income to paid-in capital ratio: Due to decrease in net loss.						

Note1: The Company operating purpose is investment so the ratio is not applicable

The calculation formula for financial analysis is as follows

1. **Financial structure:**
   (1)Debt of long fund to bank property and equipment=total liabilities/total assets
   (2)Ratio of liabilities to assets=(net shareholder's equity+long-term liabilities)/net fixed assets

2. **Solvency:**
   (1)Current ratio=current assets/current liabilities
   (2)Quick ratio=(current assets-inventory-prepaid expense)/current liabilities
   (3)Times interest earned ratio=net income before tax and interest expense/interest expense

3. Operating ability:
   (1)Account receivable turnover (including accounts receivable and notes receivable resulted from businessoperation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2)Days sales in account receivable=365/account receivable turnover
   (3)Inventory turnover=cost of goods sold/average inventory
   (4)Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5)Average days in sales=365/inventory turnover
   (6)Fixed property and equipment turnover=net sales/net fixed assets
   (7)Total assets turnover=net sales/average total assets

4. Profitability:
   (1)Ratio or return on total assets=[net income+interest expense*(1-tax rate)] / average total assets
   (2)Ratio or return on shareholder's equity=net income/average net shareholder's equity
   (3)Profit ratio=net income/net sales
   (4)Earnings per share=(net income-preferred stock dividend)/weighted average stock shares issued

5. Cash flow:
   (1)Cash flow ratio=net cash flow from operating activity/current liabilities
   (2)Cash flow adequacy ratio=(net cash flow from operating activities within five year/(capital expenditure+inventory increase +cash dividend) within five year
   (3)Cash re-investment ratio=(net cash flow from operating activity -cash dividend)/(total fixed assets+long-term investment+other assets+working capital) (note 4)

6. Balance：
   (1)Operation balance=(net operating income-operating variable cost and expense) / operating income
   (2)Financial balance= operating income/(operating income-interest expense)

IV、Audit Committee’s Review Report on the Most Recent Financial Statements：

Audit Committee’s Review Report

The Board of Directors has prepared and submitted to us the Company’s 2020 Business Report, Financial Statements, and Deficit Compensation Statement. Financial Statements were audited by PricewaterhouseCoopers (PwC), Taiwan.and they issued an audited report accordingly.We, as the Audit Committee of the Company, have reviewed the Business Report,Financial Statements,and Deficit Compensation Statement and do not find any discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act,we hereby submit this report.

Submit to
2021Annual Meeting of Shareholders, Episil Holding Inc.

Chairman of the Audit Committee: Jhih-Da Yan

March 9,2021

V、The financial report includes the accountant's check report

EPISIL HOLDING INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliated enterprises.

Hereby declare,

Episil Holding Inc.

Representative: Jian-Hua Syu

March 9, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Episil Holding Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Episil Holding Inc. and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Inventory valuation

Description

Please refer to Note 4(13) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for description of inventory and allowance for inventory valuation losses. As of December 31, inventory and allowance for inventory valuation losses amounted to NT$1,476,249 thousand and NT$195,055 thousand, respectively.

The Group primarily engages in research and development, manufacture and sales of epitaxial and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. The industry is characterised by rapidly evolving technology and is easily affected by fluctuation in market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group's inventories are measured at the lower of cost and net realisable value, and the calculation of the net realisable value used in individually obsolete inventories or inventories which are over a certain period involves subjective judgement. Since abovementioned inventories and allowance for inventory valuation losses are significant to the consolidated financial statements, we identified allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

For inventory valuation losses against inventories that are over a certain period or individually obsolete, we tailored the audit scope as follows:

1. Obtained an understanding and assessed the reasonableness of Group's policies and procedures related to the provision of allowance for inventory valuation losses and the identification of obsolete and slow-moving inventory;
2. Verified whether the systematic logic used in the Group's inventory aging report is appropriate and in accordance with the Group's policies; and
3. Discussed with management to assess the reasonableness of expected sales in the future, and verified a sample of separately numbered inventory items against the clearance of those inventory items and respective historical data of discounts, and compared the sample to recorded allowance for inventory valuation losses to assess the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Episil Holding Inc. as at and for the years ended December 31, 2020 and 2019.

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

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

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Hsieh, Chih-Cheng	Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 9, 2021

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,582,403	19	$ 1,567,170	17
1150	Notes receivable, net	6(3)	98,241	1	95,976	1
1170	Accounts receivable, net	6(3)	1,221,105	14	1,122,606	12
1180	Accounts receivable - related parties	7	-	-	1,864	-
1200	Other receivables		23,963	-	23,331	-
1210	Other receivables - related parties	7	382	-	430	-
1220	Current income tax assets		50,449	1	44,700	1
130X	Inventories	6(4)	1,281,194	15	1,425,038	16
1410	Prepayments		109,773	1	111,177	1
1470	Other current assets	8	32,522	-	31,207	1
11XX	**Current assets**		4,400,032	51	4,423,499	49
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	36,651	-	34,439	-
1550	Investments accounted for using equity method	6(5)	179,287	2	176,855	2
1600	Property, plant and equipment	6(6) and 8	2,977,434	35	3,407,212	37
1755	Right-of-use assets	6(7)	519,935	6	518,959	6
1760	Investment property - net	6(9)	154,809	2	86,666	1
1780	Intangible assets	6(10)	42,015	1	52,119	1
1840	Deferred income tax assets	6(29)	137,258	2	135,655	1
1900	Other non-current assets	7 and 8	125,603	1	283,725	3
15XX	**Non-current assets**		4,172,992	49	4,695,630	51
1XXX	**Total assets**		$ 8,573,024	100	$ 9,119,129	100

(Continued)

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 744,909	9	$ 754,044	8
2130	Current contract liabilities	6(22)	134,100	1	98,015	1
2150	Notes payable		-	-	1,395	-
2170	Accounts payable	6(12)	563,885	7	444,462	5
2180	Accounts payable to related parties	7	135	-	468	-
2200	Other payables	6(13)	494,685	6	499,882	6
2220	Other payables to related parties	7	21,322	-	22,945	-
2230	Current income tax liabilities		3,526	-	414	-
2280	Current lease liabilities		21,529	-	20,745	-
2320	Long-term borrowings, current portion	6(14)(15)	257,247	3	107,315	1
2399	Other current liabilities, others		69,277	1	78,887	1
21XX	**Current liabilities**		2,310,615	27	2,028,572	22
	Non-current liabilities					
2527	Non-current contract liabilities	6(22)	113,401	1	172,336	2
2530	Corporate bonds payable	6(14)	300,555	4	1,063,037	12
2540	Long-term borrowings	6(15)	195,367	2	328,485	4
2570	Deferred income tax liabilities	6(29)	38,721	-	43,313	-
2580	Non-current lease liabilities		508,533	6	503,426	6
2640	Accrued pension liabilities	6(16)	293,035	3	299,776	3
2645	Guarantee deposits received		54,936	1	42,782	-
2670	Other non-current liabilities, others		-	-	1,178	-
25XX	**Non-current liabilities**		1,504,548	17	2,454,333	27
2XXX	**Total liabilities**		3,815,163	44	4,482,905	49
	Equity attributable to owners of the parent					
	Share capital	6(18)				
3110	Share capital - common stock		3,121,877	37	2,937,244	32
	Capital surplus	6(19)				
3200	Capital surplus		550,158	6	849,467	10
	Retained earnings	6(20)				
3310	Legal reserve		7,120	-	7,120	-
3320	Special reserve		43,947	1	43,947	1
3350	Unappropriated retained earnings (accumulated deficits)		(516,091)	(6)	(613,718)	(7)
	Other equity interest	6(21)				
3400	Other equity interest		(74,398)	(1)	(78,221)	(1)
31XX	**Equity attributable to owners of the parent**		3,132,613	37	3,145,839	35
36XX	Non-controlling interest		1,625,248	19	1,490,385	16
3XXX	**Total equity**		4,757,861	56	4,636,224	51
	Significant commitments and contingencies	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 8,573,024	100	$ 9,119,129	100

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

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	$ 5,741,460	100	$ 5,419,225	100
5000	Operating costs	6(4)(27)(28) and 7	(5,749,910)	(101)	(5,511,190)	(102)
5900	Operating margin		(8,450)	(1)	(91,965)	(2)
	Operating expenses	6(27)(28) and 7				
6100	Selling and marketing expenses		(80,190)	(1)	(88,310)	(2)
6200	General and administrative expenses		(262,328)	(5)	(267,734)	(5)
6300	Research and development expenses		(127,446)	(2)	(133,272)	(2)
6450	Expected credit impairment gains (losses)	12(2)	3,007	-	(1,347)	-
6000	Total operating expenses		(466,957)	(8)	(490,663)	(9)
6900	Operating loss		(475,407)	(9)	(582,628)	(11)
	Non-operating income and expenses					
7100	Interest income	6(23)	5,354	-	6,250	-
7010	Other income	6(24)	37,391	1	36,635	1
7020	Other gains and losses	6(25)	(17,776)	-	(19,868)	-
7050	Finance costs	6(26)	(40,758)	(1)	(42,291)	(1)
7060	Share of profit/(loss) of associates and joint ventures accounted for using equity method	6(5)	1,188	-	(338)	-
7000	Total non-operating income and expenses		(14,601)	-	(19,612)	-
7900	**Loss before income tax**		(490,008)	(9)	(602,240)	(11)
7950	Income tax benefit (expense)	6(29)	5,221	-	(535)	-
8200	**Loss for the year**		($ 484,787)	(9)	($ 602,775)	(11)

(Continued)

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss), net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(16)	($ 27,360)	-	($ 7,440)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	2,212	-	(31,105)	(1)
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		143	-	(144)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(25,005)	-	(38,689)	(1)
	Components of other comprehensive income that may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		507	-	(857)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss		1,104	-	(2,327)	-
8360	Components of other comprehensive income that may be reclassified to profit or loss		1,611	-	(3,184)	-
8300	**Other comprehensive loss, net**		($ 23,394)	-	($ 41,873)	(1)
8500	**Total other comprehensive loss for the year**		($ 508,181)	(9)	($ 644,648)	(12)
	Profit (loss), attributable to:					
8610	Owners of the parent		($ 493,831)	(9)	($ 606,678)	(11)
8620	Non-controlling interest		9,044	-	3,903	-
	Total		($ 484,787)	(9)	($ 602,775)	(11)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		($ 512,267)	(9)	($ 647,991)	(12)
8720	Non-controlling interest		4,086	-	3,343	-
	Total		($ 508,181)	(9)	($ 644,648)	(12)
	Basic loss per share	6(30)				
9750	Basic loss per share		($ 1.64)		($ 2.13)	
	Diluted loss per share	6(30)				
9850	Diluted loss per share		($ 1.64)		($ 2.13)	

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

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
				Retained earnings			Other equity interest				
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficits)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2019											
Balance at January 1, 2019		$2,812,153	$ 723,660	$ -	$ -	$ 78,620	($ 3,236)	($ 40,712)	$3,570,485	$1,581,755	$5,152,240
Loss for the year		-	-	-	-	(606,678)	-	-	(606,678)	3,903	(602,775)
Other comprehensive loss		-	-	-	-	(7,040)	(3,168)	(31,105)	(41,313)	(560)	(41,873)
Total comprehensive loss		-	-	-	-	(613,718)	(3,168)	(31,105)	(647,991)	3,343	(644,648)
Appropriations of 2018 earnings	6(20)										
Legal reserve		-	-	7,120	-	(7,120)	-	-	-	-	-
Special reserve		-	-	-	43,947	(43,947)	-	-	-	-	-
Cash dividends		-	-	-	-	(27,553)	-	-	(27,553)	-	(27,553)
Changes in ownership interest in subsidiaries	6(19)	-	17,168	-	-	-	-	-	17,168	-	17,168
Cash distributed from capital surplus	6(19)	-	(14,669)	-	-	-	-	-	(14,669)	-	(14,669)
Conversion of convertible bonds	6(18)(19)	125,091	123,308	-	-	-	-	-	248,399	-	248,399
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(94,713)	(94,713)
Balance at December 31, 2019		$2,937,244	$ 849,467	$ 7,120	$ 43,947	($ 613,718)	($ 6,404)	($ 71,817)	$3,145,839	$1,490,385	$4,636,224
2020											
Balance at January 1, 2020		$2,937,244	$ 849,467	$ 7,120	$ 43,947	($ 613,718)	($ 6,404)	($ 71,817)	$3,145,839	$1,490,385	$4,636,224
Loss for the year		-	-	-	-	(493,831)	-	-	(493,831)	9,044	(484,787)
Other comprehensive loss		-	-	-	-	(22,259)	1,611	2,212	(18,436)	(4,958)	(23,394)
Total comprehensive loss		-	-	-	-	(516,090)	1,611	2,212	(512,267)	4,086	(508,181)
Capital surplus used to offset accumulated deficits	6(19)(20)	-	(613,717)	-	-	613,717	-	-	-	-	-
Changes in ownership interest in subsidiaries and associates	6(19)	-	125,407	-	-	-	-	-	125,407	154,701	280,108
Conversion of convertible bonds	6(18)(19)	184,633	189,001	-	-	-	-	-	373,634	-	373,634
Cash dividends paid by a subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	(27,050)	(27,050)
Restricted stock-share-based payments of a subsidiary		-	-	-	-	-	-	-	-	3,126	3,126
Balance at December 31, 2020		$3,121,877	$ 550,158	$ 7,120	$ 43,947	($ 516,091)	($ 4,793)	($ 69,605)	$3,132,613	$1,625,248	$4,757,861

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

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 490,008)	($ 602,240)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(27)	618,700	562,938
Amortisation expense	6(10)(27)	11,698	16,935
Expected credit impairment (gain) loss	12(2)	(3,007)	1,347
Gain on disposal of property, plant and equipment	6(25)	(9,904)	-
Share of (profit) loss of associates accounted for using equity method	6(5)	(1,188)	338
Finance costs	6(26)	37,720	37,357
Interest income	6(23)	(5,354)	(6,250)
Dividend income	6(24)	(1)	(1)
Share-based payments	6(17)	3,126	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(2,265)	(5,990)
Accounts receivable		(95,492)	350,234
Accounts receivable due from related parties		1,864	(1,864)
Other receivables		(766)	53,632
Other receivables due from related parties		48	32
Inventories		143,844	(99,935)
Prepayments		1,404	14,397
Other current assets		(110)	2,600
Other non-current assets		48,298	444
Changes in operating liabilities			
Contract liabilities		(22,850)	67,712
Notes payable		(1,395)	1,395
Accounts payable		119,423	(206,272)
Accounts payable to related parties		(333)	(1,779)
Other payables		(17,354)	(69,164)
Other payables to related parties		(1,623)	(3,685)
Other current liabilities		(9,610)	10,424
Accrued pension liabilities		(6,741)	3,337
Cash inflow generated from operations		318,124	125,942
Interest received		5,488	6,777
Dividends received		1	1
Interest paid		(28,160)	(30,322)
Income taxes paid		(3,610)	(162,928)
Net cash flows from (used in) operating activities		291,843	(60,530)

(Continued)

EPISIL HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other financial assets		($ 16,756)	($ 28,308)
Decrease in other financial assets		15,551	28,340
Acquisition of property, plant and equipment	6(31)	(245,592)	(562,448)
Proceeds from disposal of property, plant and equipment		9,904	-
Acquisition of intangible assets	6(10)	(1,594)	(595)
(Increase) decrease in refundable deposits		(6)	269
Increase in other non-current financial assets		(162,780)	(101,400)
decrease in other non-current financial assets		272,610	158,251
Net cash flows used in investing activities		(128,663)	(505,891)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(32)	2,833,806	1,646,849
Repayments of short-term borrowings	6(32)	(2,842,941)	(2,033,743)
Issuance of convertible bonds		-	600,737
Proceeds from long-term borrowings	6(32)	41,000	179,800
Repayments of long-term borrowings	6(32)	(143,477)	(73,500)
Increase in guarantee deposits received	6(32)	12,154	7,061
Payments of lease liabilities	6(32)	(21,437)	(21,413)
Cash dividends paid (including cash distributed from capital surplus)		-	(42,222)
Cash dividends paid by a subsidinary to non-controlling interests		(27,050)	(108,196)
Net cash flows (used in) from financing activities		(147,945)	155,373
Effect of exchange rate changes		(2)	(135)
Net increase (decrease) in cash and cash equivalents		15,233	(411,183)
Cash and cash equivalents at beginning of year	6(1)	1,567,170	1,978,353
Cash and cash equivalents at end of year	6(1)	$ 1,582,403	$ 1,567,170

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

EPISIL HOLDING INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Episil Holding Inc. ("the Company") was established by Episil Technologies Inc. through a share swap on October 1, 2014, and on the same date, the regulatory authority has approved for the Company's shares to be listed on the Taipei Exchange. Episil Technologies Inc. became the Company's wholly-owned subsidiary after the swap. As of December 31, 2020, the Company holds 99.70% equity interest in Episil Technologies Inc.. On January 1, 2015, Episil Technologies Inc. split its epitaxy and compounds semiconductor business to the subsidiary, Episil Semiconductor Wafer, Inc., and subsequently, Episil Semiconductor Wafer, Inc. merged with Episil-Precision Inc. in accordance with Business Mergers and Acquisitions Act on January 11, 2016. Under the merger, Episil Semiconductor Wafer, Inc. would be the dissolved company while the Episil-Precision Inc. would be the surviving company. Episil-Precision Inc. became one of the Company's subsidiaries after the merger. As of December 31, 2020, the Company and its subsidiaries (collectively referred herein as the "Group") holds 59.43% equity interest in Episil-Precision Inc..

The Group is primarily engaged in general investment, research, development, manufacture and sales of epitaxial and silicon wafers, mixed-signal integrated circuit and linear integrated circuit and research and development of the following manufacturing process technology for providing 6-inch silicon wafer foundry service.

(1) Trench Gate Power MOSFET and insulated gate bipolar Transistor;

(2) Bipolar IC under 0.5um;

(3) Bipolar-Complementary Metal-Oxide-Semiconductor under 0.5um; and

(4) High power integrated circuit process.

2. The Date of and Procedures for Authorisation for Issuance of the Financial Statements

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2021.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	January 1, 2020 (Note)

Note: Early application from January 1, 2020 is allowed by FSC.

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest rate benchmark reform— phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract	January 1, 2022
Annual improvements to IFRS Standards 2018–2020 cycle	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
Episil Holding Inc.	Episil Technologies Inc.	Semiconductor industry	99.70	100	Note 1
Episil Holding Inc.	Episil-Precision Inc.	Semiconductor industry	59.43	60.57	
Episil Holding Inc.	Wei Nuo Investment Inc.	Investment company	100	100	
Wei Nuo Investment Inc.	Wellknown Holding Company Ltd.	Investment company	100	100	
Wei Nuo Investment Inc.	Iberlin Technology Co., Ltd.	Other designing	95.94	95.94	Note 1
Wellknown Holding Company Ltd.	Episil Technologies Inc. (Shanghai)	Trading company	100	100	
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Sales of epitaxial and silicon wafer	100	100	

Note1: To enhance operating efficiency, the Board of Directors of Episil Technologies Inc. has resolved to merge with Iberlin Technology Co., Ltd. (“Iberlin Technology”) on December 29, 2020. Iberlin Technology was the dissolved company in accordance with the related regulations, and the effective date for the merger is set on February 20, 2021. Both the Board of Directors of Iberlin Technology during their meeting and the shareholders of Iberlin Technology during their special meeting approved the merger with Episil Technologies Inc. on December 29, 2020 and January 19, 2021, respectively.

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

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

E. Significant restrictions: None.

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

As of December 31, 2020 and 2019, the non-controlling interests amounted to $1,625,248 and $1,490,385, respectively. The information on non-controlling interests and respective subsidiary is as follows:

		Non-controlling interests				
		December 31, 2020		December 31, 2019		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
Espisil-Precicion Inc.	Taiwan	$ 1,621,652	40.57%	$ 1,487,032	39.43%	

Balance sheets

	Episil-Precision Inc. and its subsidiary	
	December 31, 2020	December 31, 2019
Current assets	$ 3,306,410	$ 2,933,641
Non-current assets	2,659,154	3,088,578
Current liabilities	(1,103,174)	(1,044,706)
Non-current liabilities	(816,851)	(1,157,811)
Total net assets	$ 4,045,539	$ 3,819,702

Statements of comprehensive income

	Episil-Precision Inc. and its subsidiary	
	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	$ 4,039,180	$ 3,854,729
Profit before income tax	19,859	10,481
Income tax benefit (expense)	5,834	(3)
Profit for the year	25,693	10,478
Other comprehensive income, net of tax	(12,202)	(1,421)
Total comprehensive income for the year	$ 13,491	$ 9,057
Comprehensive income attributable to non-controlling interests	$ 10,010	$ 4,116
Dividends paid to non-controlling interests	$ 27,050	$ 108,201

Statements of cash flows

	Episil-Precision Inc. and its subsidiary	
	Year ended December 31, 2020	Year ended December 31, 2019
Net cash provided by operating activities	$ 496,231	$ 394,856
Net cash used in investing activities	(75,489)	(359,959)
Net cash (used in) provided by financing activities	(70,433)	83,734
Effect of exchange rates	(33)	(40)
Decrease (increase) in cash and cash equivalents	350,276	118,591
Cash and cash equivalents at beginning of year	1,018,808	900,217
Cash and cash equivalents at end of year	$ 1,369,084	$ 1,018,808

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within “Other gains and losses”.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities held mainly for trading purposes;
(c) Liabilities that are to be settled within twelve months from the balance sheet date;
(d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:
(a) The objective of the Group's business model is achieved by collecting contractual cash flows.
(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor)－operating leases

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognises the Group’s share of change in equity of the associate in “Capital surplus” in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~60 years
Machinery and equipment	3~10 years
Computer and telecommunication equipment	2~5 years
Transportation equipment	2~5 years
Office equipment	2~5 years
Other equipment	2~5 years

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(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.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 ~ 51 years.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 ~ 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets

Separately acquired intangible assets with a finite useful life are stated at cost, net of accumulated amortisation and accumulated impairment. Intangible assets acquired in a business combination are recognised at fair value at acquisition date and are amortised on a straight-line basis over their estimated useful lives of 2 ~ 5 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible corporate bonds

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity in accordance with the substance of the contractual arrangement.

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of equity are initially recognised in "Capital surplus-warrants" at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus-warrants.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past-service costs are recognised immediately in profit or loss.

C. Termination benefits

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

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Employee restricted shares

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Group will pay the employees who resign during the vesting period to repurchase the stocks, the Group estimates such payments that will be made and recognises such amounts as compensation cost and liability at the grant date, in accordance with the terms of restricted stocks.

(26) Income taxes

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

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

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) <u>Share capital</u>

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) <u>Dividends</u>

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

(29) <u>Revenue recognition</u>

A. The Group manufactures and sells epitaxial and silicon wafers, mixed-signal integrated circuit and linear integrated circuit and providing 6-inch silicon wafer foundry service of Bipolar IC, Bipolar-Complementary Metal-Oxide-Semiconductor and High power integrated circuit process. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue was recognized based on the contract price net of sales discount. Sales discounts granted to customers are based on aggregate sales over a 12-month period. Sales discounts are estimated using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for estimated sales discounts payable to customers in relation to sales made until the end of the reporting period. Goods are sold with a credit term of 30 to 90 days after delivery.

C. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) Operating segments

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

The Group is primarily engaged in development, manufacture and sale of epitaxy and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. As inventories are stated at the lower of cost and net realisable value, the Group applies judgments and estimates in determing the net realisable value of inventories on balance sheet date. Because the industry changes rapidly and is easily affected by the market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group's inventories were measured at the lower of cost and net realisable value, and the determination of the net realisable value used in obsolete inventories or inventories which are over a certain period at balance sheet date involves subjective judgement, therefore, there may have significant changes on the inventory valuation.

As of December 31, 2020, the carrying amount of inventories was $1,281,194.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	$ 500	$ 536
Checking accounts and demand deposits	452,713	640,502
Time deposits	759,090	691,032
Cash equivalents	370,100	235,100
	$ 1,582,403	$ 1,567,170

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

B. Cash and cash equivalent restricted for providing guarantee for customs and corporate bonds were reclassified to other current assets and other financial assets. For their detail, please refer to Note 8.

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Unlisted stocks	$ 106,256	$ 106,256
Valuation adjustment	(69,605)	(71,817)
	$ 36,651	$ 34,439

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $36,651 and $34,439 as at December 31, 2020 and 2019, respectively.

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

	Year ended December 31	
	2020	2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 2,212	($ 31,105)
Dividend income recognised in profit or loss held at end of year	$ 1	$ 1

C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $36,651 and $34,439, respectively.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(3) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 98,241	$ 95,976
Accounts receivable	1,232,761	1,138,971
Less: Loss allowance	(11,656)	(16,365)
	$ 1,221,105	$ 1,122,606

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,140,171	$ 98,241	$ 981,336	$ 95,976
Up to 30 days	81,236	-	79,711	-
31 to 90 days	395	-	57,833	-
91 to 180 days	-	-	6,531	-
Over 180 days	10,959	-	13,560	-
	$ 1,232,761	$ 98,241	$ 1,138,971	$ 95,976

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, notes and accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to $1,564,173.

C. As of December 31, 2020 and 2019, collaterals held by the Group as security for accounts receivable amounted to $91,149 and $66,816, respectively.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was $98,241 and $95,976, $1,221,105 and $1,122,606, respectively.

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

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 579,543	($ 57,636)	$ 521,907
Supplies	397,728	(52,028)	345,700
Work in progress	330,394	(40,211)	290,183
Finished goods	168,584	(45,180)	123,404
	$ 1,476,249	($ 195,055)	$ 1,281,194

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 629,496	($ 32,125)	$ 597,371
Supplies	421,078	(44,063)	377,015
Work in progress	247,929	(26,777)	221,152
Finished goods	282,316	(52,816)	229,500
	$ 1,580,819	($ 155,781)	$ 1,425,038

The cost of inventories recognised as expense for the year :

	Year ended December 31	
	2020	2019
Cost of goods sold	$ 5,709,273	$ 5,449,925
Inventory valuation loss	39,274	61,265
Inventory scrapped	1,363	-
	$ 5,749,910	$ 5,511,190

(5) Investments accounted for using equity method

	2020	2019
At January 1	$ 176,855	$ 179,664
Share of profit or loss of investments accounted for using equity method	1,188	(338)
Other equity interest	1,244	(2,471)
At December 31	$ 179,287	$ 176,855

	December 31, 2020	December 31, 2019
Associates		
Taiwan Hi-Tech Corp.	$ 177,833	$ 175,388
Wei Yun Capital Management Corporation	1,454	1,467
	$ 179,287	$ 176,855

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	Year ended December 31	
	2020	2019
Profit (loss) from continuing operations	$ 1,188	($ 338)
Other comprehensive income, net of tax	1,244	(2,471)
Total comprehensive income (loss)	$ 2,432	($ 2,809)

(6) Property, plant and equipment

	2020							
	Buildingsand and structures	Machiney and equipment	Computer and telecommunication equipment	Transportation equipment	Office equipment	Other equipment	Equipment to be inspected	Total
At January 1								
Cost	$ 5,006,592	$ 8,104,291	$ 98,984	$ 2,646	$ 3,714	$ 116,643	$ 337,929	$ 13,670,799
Accumulated depreciation	(3,193,959)	(6,069,106)	(86,833)	(2,629)	(3,700)	(113,515)	-	(9,469,742)
Accumulated impairment	(497,420)	(296,413)	-	(2)	(10)	-	-	(793,845)
	$ 1,315,213	$ 1,738,772	$ 12,151	$ 15	$ 4	$ 3,128	$ 337,929	$ 3,407,212
At January 1	$ 1,315,213	$ 1,738,772	$ 12,151	$ 15	$ 4	$ 3,128	$ 337,929	$ 3,407,212
Additions	59,172	140,443	6,702	-	10	117	24,268	230,712
Reclassifications	(63,108)	242,441	1,022	-	-	-	(253,625)	(73,270)
Depreciation expenses	(119,922)	(460,616)	(5,327)	(13)	(2)	(1,340)	-	(587,220)
At December 31	$ 1,191,355	$ 1,661,040	$ 14,548	$ 2	$ 12	$ 1,905	$ 108,572	$ 2,977,434
At December 31								
Cost	$ 4,598,574	$ 8,322,755	$ 87,076	$ 2,646	$ 3,546	$ 116,760	$ 108,572	$ 13,239,929
Accumulated depreciation	(2,995,031)	(6,369,585)	(72,528)	(2,642)	(3,524)	(114,855)	-	(9,558,165)
Accumulated impairment	(412,188)	(292,130)	-	(2)	(10)	-	-	(704,330)
	$ 1,191,355	$ 1,661,040	$ 14,548	$ 2	$ 12	$ 1,905	$ 108,572	$ 2,977,434

	2019							
	Buildingsand and structures	Machiney and equipment	Computer and telecommunication equipment	Transportation equipment	Office equipment	Other equipment	Equipment to be inspected	Total
At January 1								
Cost	$ 4,780,084	$ 7,734,785	$ 88,901	$ 2,646	$ 3,813	$ 112,883	$ 449,594	$ 13,172,706
Accumulated depreciation	(3,066,951)	(5,673,469)	(83,412)	(2,552)	(3,796)	(109,660)	-	(8,939,840)
Accumulated impairment	(497,438)	(297,081)	-	(2)	(10)	-	-	(794,531)
	$ 1,215,695	$ 1,764,235	$ 5,489	$ 92	$ 7	$ 3,223	$ 449,594	$ 3,438,335
At January 1	$ 1,215,695	$ 1,764,235	$ 5,489	$ 92	$ 7	$ 3,223	$ 449,594	$ 3,438,335
Additions	106,850	155,862	8,680	-	-	1,361	230,251	503,004
Reclassifications	111,447	225,729	4,740	-	-	-	(341,916)	-
Depreciation expenses	(118,779)	(407,054)	(6,758)	(77)	(3)	(1,456)	-	(534,127)
At December 31	$ 1,315,213	$ 1,738,772	$ 12,151	$ 15	$ 4	$ 3,128	$ 337,929	$ 3,407,212
At December 31								
Cost	$ 5,006,592	$ 8,104,291	$ 98,984	$ 2,646	$ 3,714	$ 116,643	$ 337,929	$ 13,670,799
Accumulated depreciation	(3,193,959)	(6,069,106)	(86,833)	(2,629)	(3,700)	(113,515)	-	(9,469,742)
Accumulated impairment	(497,420)	(296,413)	-	(2)	(10)	-	-	(793,845)
	$ 1,315,213	$ 1,738,772	$ 12,151	$ 15	$ 4	$ 3,128	$ 337,929	$ 3,407,212

Note: For the year ended December 31, 2020, property, plant and equipment reclassified to investment property amounted to $73,270.

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

	Year ended December 31	
	2020	2019
Amount capitalised	$ 2,621	$ 7,963
Range of the interest rates for capitalisation	2.19%	3.06%~3.18%

B. Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(7) Lease transaction – lessee

A. The Group leases various assets, including land, buildings and structures and machinery and equipment. Lease agreements are typically made for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise other equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Book value	Book value
Land	$ 479,877	$ 499,165
Buildings and structures	39,017	19,643
Machinery and equipment	1,041	151
	$ 519,935	$ 518,959

	December 31, 2020	December 31, 2019
	Depreciation expenses	Depreciation expenses
Land	$ 19,288	$ 19,288
Buildings and structures	6,617	6,897
Machinery and equipment	448	452
	$ 26,353	$ 26,637

D. For the years ended December 31, 2020 and 2019, the additions and the decrease to right-of-use assets were $27,577 and $18,488, $0 and $282, respectively

E. Information on profit or loss in relation to lease agreements is as follows

	Year ended December 31	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	$ 11,725	$ 11,926
Expense on short-term lease agreements	$ 4,687	$ 3,743

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $37,849 and $37,082, respectively.

G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Lease arrangements – lessor

A. The Group leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required from leasees.

B. Gain arising from operating lease agreements for the years ended December 31, 2020 and 2019 are as follows:

	Year ended December 31	
	2020	2019
Rental revenue	$ 33,730	$ 32,255

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
2020	$ -	$ 24,723
2021	34,431	17,928
2022	33,952	17,460
2023	33,282	16,804
2024	33,187	16,708
Over 2025	71,185	31,769
	$ 206,037	$ 125,392

(9) Investment property

	2020	2019
	Buildings and structures	Buildings and structures
At January 1		
Cost	$ 95,361	$ 95,361
Accumulated depreciation and impairment	(8,695)	(6,521)
	$ 86,666	$ 88,840
At January 1	$ 86,666	$ 88,840
Transfer	73,270	-
Depreciation expenses	(5,127)	(2,174)
At December 31	$ 154,809	$ 86,666
At December 31		
Cost	$ 168,631	$ 95,361
Accumulated depreciation and impairment	(13,822)	(8,695)
	$ 154,809	$ 86,666

A. Rental revenue from investment property.

	Year ended December 31	
	2020	2019
Rental revenue from investment property	$ 32,631	$ 16,623
Direct operating expenses arising from the investment property that generated rental revenue during the year	$ 9,175	$ 4,186

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was $170,308 and $93,446, respectively. Valuations were made using the income approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	December 31, 2020	December 31, 2019
Discount rate	5.89% ~ 11.62%	11.02%
Annual rent (net income)	$ 29,424	$ 14,638
Duration	10 years	10 years

C. The Group has no interest capitalization for the years ended December 31, 2020 and 2019.

D. The significant components of investment property include buildings and renovation, which are depreciated over 42~51 years and 46 years, respectively.

E. As at December 31, 2020 and 2019, the Group has no investment property pledged to others as collateral.

(10) Intangible assets

	2020			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 84,816	$ 29,694	$ 43,698	$ 158,208
Accumulated amortisation	(72,662)	-	(33,427)	(106,089)
	$ 12,154	$ 29,694	$ 10,271	$ 52,119
At January 1	$ 12,154	$ 29,694	$ 10,271	$ 52,119
Additions	1,594	-	-	1,594
Amortisation expenses	(8,155)	-	(3,543)	(11,698)
At December 31	$ 5,593	$ 29,694	$ 6,728	$ 42,015
At December 31				
Cost	$ 86,410	$ 29,694	$ 43,698	$ 159,802
Accumulated amortisation	(80,817)	-	(36,970)	(117,787)
	$ 5,593	$ 29,694	$ 6,728	$ 42,015

	2019			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 84,221	$ 29,694	$ 43,698	$ 157,613
Accumulated amortisation	(61,463)	-	(27,691)	(89,154)
	$ 22,758	$ 29,694	$ 16,007	$ 68,459
At January 1	$ 22,758	$ 29,694	$ 16,007	$ 68,459
Additions	595	-	-	595
Amortisation expenses	(11,199)	-	(5,736)	(16,935)
At December 31	$ 12,154	$ 29,694	$ 10,271	$ 52,119
At December 31				
Cost	$ 84,816	$ 29,694	$ 43,698	$ 158,208
Accumulated amortisation	(72,662)	-	(33,427)	(106,089)
	$ 12,154	$ 29,694	$ 10,271	$ 52,119

Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2020	2019
Operating costs	$ 6,842	$ 7,072
Selling and marketing expenses	-	2,127
General and administrative expenses	4,674	6,322
Research and development expenses	182	1,414
	$ 11,698	$ 16,935

(11) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unscured borrowings	$ 515,909	0.67%～1.39%	None
Secured borrowings	180,000	1.25%	Note
Other short-term borrowings	49,000	1.57%	None
	$ 744,909		

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unscured borrowings	$ 655,044	1.35%～3.09%	None
Other short-term borrowings	99,000	1.20%	None
	$ 754,044		

For the years ended December 31, 2020 and 2019, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $12,817 and $21,209, respectively.

Note: It was guaranteed by the Episil-Precision Inc.'s stocks held by the Company.

(12) Accounts payable

	December 31, 2020	December 31, 2019
Accounts payable	$ 521,406	$ 361,673
Estimated accounts payable	42,479	82,789
	$ 563,885	$ 444,462

(13) Other payable

	December 31, 2020	December 31, 2019
Accrued expenses-expendables	$ 185,167	$ 211,169
Accrued expenses-bonus	102,791	90,507
Employees' compensation and directors' remuneration payable	1,903	1,137
Payables for equipment	34,474	49,354
Accrued expenses-others	170,350	147,715
	$ 494,685	$ 499,882

(14) Bonds payable

	December 31, 2020	December 31, 2019
The Company's second secured convertible bonds	$ 750,000	$ 750,000
Episil-Precision Inc.'s third unsecured convertible bonds	600,000	600,000
	1,350,000	1,350,000
Less: Bonds payable converted	(920,200)	(251,100)
Less: Discount on bonds payable	(9,954)	(35,863)
	419,846	1,063,037
Less: Current portion (shown as "Other current liabilities")	(119,291)	-
	$ 300,555	$ 1,063,037

A. On September 25, 2018, the Board of Director during their meeting resolved to issue the second domestic secured convertible bonds which were approved by the FSC and were issued on November 26, 2018. The terms are as follows:

(a) Issuance amount: Total issuance amount was NT$750 million.

(b) Issue price: The par value is NT$100 per bond and issued at 101% of face value.

(c) Issuance duration: 3 years, from November 26, 2018 to November 26, 2021.

(d) Coupon rate: 0%.

(e) Repayment date and terms: The payment term is to repay the full amount at the maturity date, excluding those convertible bonds which were converted to common shares at the maturity date or repurchased for retirement prior to the maturity date.

(f) Conversion period: The creditors have the right to ask for conversion of the bonds into common shares of the Company during the period from the day three month after the bonds issuance (February 27, 2019) to the maturity date (November 26, 2021), except the stop transfer period as specified in the terms of the bonds or the laws/regulations.

(g) Conversion price and adjustment: The conversion price was $20.5 (in dollars) per share at issuance. After the issuance, except for ex-right or ex-dividend, the applicable conversion price was subject to adjustments based on the conversion price adjustment formula.

(h) Rights and obligations after conversion: The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(i) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(j) Through December 31, 2020, the bonds totaling $629,600 (face value) had been converted into 30,712 thousand shares of common shares.

(k) Regarding the issuance of convertible bonds, the equity conversion options amounting to $24,580 were separated from the liability component and were recognised in “Capital surplus-warrants” in accordance with IAS 32. The effective interest rate of the bonds payable after such separation was 0.0842%.

B. The issuance terms of the Episil-Precision Inc.’s third domestic unsecured convertible bonds are as follows:

(a) The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by Episil-Precision Inc.. The bonds are with a total issuance amount of $600,000 and a coupon rate of 0%, covering a 3-year period of issuance and a circulation period from October 31, 2019 to October 31, 2022 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 31, 2019.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of Episil-Precision Inc. during the period from the date after one month of the bonds issue to 10 days before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The effective date for the conversion price of the convertible was set on October 23, 2019. The conversion price was set up based on multiplying a benchmark price which was the closing price of Episil-Precision Inc.’s common share calculated at simple arithmetic mean of $52.93 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.04% (round to the nearest tenth). If there is an ex-right or ex-dividend before the pricing effective date, the closing price adopted to calculate conversion price shall be imputed with ex-right or ex-dividend; if there is an ex-right or ex-dividend during the period that the conversion price was set up but prior to share issuance, the conversion price shall be adjusted based on the conversion price adjustment formula. The conversion price was NT$55.6 (in dollars) per share based on the aforementioned method.

(d) All convertible bonds repurchased, redeemed or converted by Episil-Precision Inc. from securities trading markets shall be retired, which are not allowed to resell or reissue, and conversion rights attached to the bonds are also extinguished.

(e) Regarding the issuance of convertible bonds, the equity conversion options amounting to $28,547 were separated from the liability component and were recognised in “Capital surplus-warrants” in accordance with IAS 32.

(f) Through December 31, 2020, the bonds totaling $290,600 (face value) had been converted into 5,234 thousand shares of Episil-Precision Inc.’s common shares.

C. Information on the carrying amount of collateral for convertible bonds is provided in Note 8.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Secured borrowings	Borrowing period is from December 26, 2017 to December 26, 2022; the principle is repayable in instalment under mutual agreement.	1.10%	None	$ 218,500
Secured borrowings	Borrowing period is from October 28, 2019 to October 28, 2024; the principle is repayable in 17 quarters from October 28, 2020.	1.50%	Machinery and equipment	114,823
Less: Current portion				(137,956)
				$ 195,367

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowings				
Secured borrowings	Borrowing period is from December 26, 2017 to March 22, 2023; the principle is repayable in instalment under mutual agreement.	1.20%	None	$ 256,000
Secured borrowings	Borrowing period is from May 30, 2019 to May 30, 2024; the principle is repayable every six months, totalling 9 instalments from May 30, 2020.	1.43%	Machinery and equipment	98,800
Secured borrowings	Borrowing period is from October 28, 2019 to October 28, 2024; the principle is repayable in 17 quarters from October 28, 2020.	1.75%	Machinery and equipment	81,000
Less: Current portion				(107,315)
				$ 328,485

Note: In accordance with certain banks' loan agreements, the Group shall maintain the specified debt/equity and times interest earned ratios during the period.

(16) Pensions

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

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 466,874	$ 445,124
Fair value of plan assets	(173,839)	(145,348)
Net defined benefit liabilities	$ 293,035	$ 299,776

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

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 445,124	($ 145,348)	$ 299,776
Current service cost	403	-	403
Interest expense (income)	3,527	(1,152)	2,375
	449,054	(146,500)	302,554
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,583)	(2,583)
Change in financial assumptions	25,675	-	25,675
Experience adjustments	6,955	(2,687)	4,268
	32,630	(5,270)	27,360
Pension fund contribution	-	(36,879)	(36,879)
Paid pension	(14,810)	14,810	-
At December 31	$ 466,874	($ 173,839)	$ 293,035

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 450,249	($ 153,810)	$ 296,439
Current service cost	471	-	471
Interest expense (income)	4,952	(1,692)	3,260
	455,672	(155,502)	300,170
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,600)	(2,600)
Change in financial assumptions	16,040	-	16,040
Experience adjustments	(2,914)	(3,086)	(6,000)
	13,126	(5,686)	7,440
Pension fund contribution	-	(7,834)	(7,834)
Paid pension	(23,674)	23,674	-
At December 31	$ 445,124	($ 145,348)	$ 299,776

(d) The Bank of Taiwan was commissioned to manage the funds of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the funds' annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the funds includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the funds, their minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that funds and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2020	2019
Discount rate	0.30%	0.77%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligations	($ 13,226)	$ 13,733	$ 12,172	($ 11,813)
December 31, 2019				
Effect on present value of defined benefit obligations	($ 13,156)	$ 16,375	$ 12,235	($ 11,860)

The sensitivity analysis above is based on a change in one assumption while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liabilities on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plan of the Company and its domestic subsidiaries for the year ending December 31, 2021 amounts to $7,367.

(g) Through December 31, 2020, the weighted average duration of the retirement plans is 9~12 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Group's mainland China subsidiary, Episil Technologies Inc. (Shanghai), has a defined contribution plan. Monthly contribution to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) is based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $55,696 and $56,898, respectively.

(17) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
EPISIL TECHNOLOGIES INC.'s first issuance of employee stock option in 2013	2014.3.2	7,500	6 years	Notes 1, 2 and 3
EPISIL TECHNOLOGIES INC.'s first issuance of restricted stocks to employees in 2019	2019.8.6	500	3 years	Notes 4 and 5

Note 1:Exercisable ratio of options that have fulfilled 2 and 3 years vesting condition was 50% and 100%, respectively.

Note 2:As a result of the share swap, the Company assumed that the performance obligation for those employee stock options that were initially issued by Episil Technologies Inc. starting from the effective date of the share swap. Therefore, the underlying shares were changed from Episil Technologies Inc. to the Company, and the share swap price and granted quantity were adjusted based on the share swap ratio. The number of shares subscription per unit and share swap price per share were adjusted by 2:1 share swap ratio, the granted quantity was changed from 15 million shares to 7.5 million shares and the subscription price after share swap was changed from $15.9 (in dollars) to $31.8 (in dollars) per share.

Note 3:On January 5, 2015, Episil Technologies Inc. split and transferred its operational assets and liabilities of epitaxy and compounds semiconductor business to Episil Semiconductor Wafer, Inc., and granted 2,074 thousand shares among total quantity of 7,500 thousand shares to Episil Semiconductor Wafer, Inc..

Note 4:It refers to employee restricted shares issued by the Company's subsidiary, Episil Technologies Inc., to the Group's employees. The restricted shares cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these shares.

Note 5: Employee restricted shares were 100% vested at the date after one-year maturity starting from the issuance date, also, reaching the conditions of performance evaluation.

The abovementioned share-based payment arrangements are equity-settled.

B. Details of the share-based payment arrangements are as follows:

(a) The 2013 first-time employee stock option (the Company's share is the underlying shares)

	2020	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	2,108	$ 30.8
Expired	(2,108)	30.8
Outstanding at December 31	-	-
Exercisable at December 31	-	-

	2019	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	2,332	$ 30.8
Forfeited	(224)	30.8
Outstanding at December 31	2,108	30.8
Exercisable at December 31	2,108	30.8

(b) Restricted stocks to employees (Underlying shares-Episil Technologies Inc.)

	2020	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	500	$ -
Vested	(500)	-
Outstanding at December 31	-	-
Exercisable at December 31	-	-

	2019	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	-	$ -
Granted	500	-
Outstanding at December 31	500	-
Exercisable at December 31	500	-

C. The expiry date and exercise price of stock options outstanding at the balance sheet dates are as follows:

		December 31,2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2014.03.12	2020.03.11	2,108	$ 30.80

D. The fair value of restricted stocks granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected life (in year)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Episil Technologies Inc.'s 2019 first-time restricted stocks to employees	2019.8.6	$ 10.47	-	50.78% (Note)	1.5	-	0.52%	$ 10.47

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to 1.5 years of the restricted stocks' expected life, and the standard deviation of return on the stock during this period.

E. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31	
	2020	2019
Equity-settled	$ 3,126	$ 2,109

(18) Share capital

A. The Company was established by Episil Technologies Inc. through a share swap on October 1, 2014. As of December 31, 2020, the Company's authorised capital was $5,000,000, consisting of 500 million shares of ordinary stock (including $500,000, equivalent to 50 million shares, reserved for bonds conversion, preferred stocks conversion and employee stock options), and the paid-in capital was $3,121,877 with a par value of $10 (in dollars) per share.

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

Unit: thousand shares	2020	2019
Shares issued at Juanary 1	293,724	281,215
Share outstanding at Juanary 1	293,724	281,215
Conersion of convertible bonds	18,464	12,509
Shares issued at December 31	312,188	293,724
Shares outstanding at Dceember 31	312,188	293,724

(19) Capital surplus

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

	2020						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes of associates and joint ventures accounted for using equity method	Employee stock options	Warrants	Others	Total
At January 1	$ 611,671	$ 165,197	$ 226	$ 38,732	$33,641	$ -	$ 849,467
Conversion of converible bonds	201,405	-	-	-	(12,404)	-	189,001
Changes in ownership interest in subsidiaries and associates	-	125,407	-	-	-	-	125,407
Employee stock options expired	-	-	-	(10,494)	-	10,494	-
Capital surplus used to offset accumulated deficits	(613,717)	-	-	-	-	-	(613,717)
At December 31	$ 199,359	$ 290,604	$ 226	$ 28,238	$21,237	$10,494	$ 550,158

	2019					
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes of associates and joint ventures accounted for using equity method	Employee stock options	Warrants	Total
At January 1	$ 494,730	$ 165,319	$ 226	$ 38,732	$ 24,653	$ 723,660
Conversion of converible bonds	131,610	-	-	-	(8,302)	123,308
Changes in ownership interest in subsidiaries	-	(122)	-	-	17,290	17,168
Cash distributed from capital surplus	(14,669)	-	-	-	-	(14,669)
At December 31	$ 611,671	$ 165,197	$ 226	$ 38,732	$ 33,641	$ 849,467

(20) Retained earnings (accumulated deficits)

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings based on the Company's dividend policy for the approval of the shareholders.

A 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 dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting, which is not subject to the rules in relation to the resolution of shareholders' meeting.

B. The Company's dividend policy is summarised below: as the Company operates in high-tech industries and is in the stable growth stage, to take into consideration the business environment and growing stage of the Company and meet future capital requirements, long-term financial plan and fulfil shareholders' requirement for cash flows. The current year's earnings, if any, shall be distributed in the form of cash dividends not lower than 10% of total cash and stock dividends and bonus to be distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

A 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 dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. On June 12, 2019, the shareholders during their meeting resolved to distribute 2018 earnings in the amount of $27,553 ($0.0978 (in dollars) per share).

F. The shareholders at their meeting on June 11, 2020 adopted a resolution to use capital surplus to offset deficit of $613,717.

(21) Other equity items

	2020		2019	
	Unrealised gains (losses) on valuation	Financial statements translation difference of foreign operations	Unrealised gains (losses) on valuation	Financial statements translation difference of foreign operations
At January 1	($ 71,817)	($ 6,404)	($ 40,712)	($ 3,236)
–Group	2,212	(20)	(31,105)	(842)
–Associates	-	1,631	-	(2,326)
At December 31	($ 69,605)	($ 4,793)	($ 71,817)	($ 6,404)

(22) Operating revenue

	Year ended December 31	
	2020	2019
Revenue from contracts with customers	$ 5,741,460	$ 5,419,225

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines:

Year ended December 31, 2020	Silicon wafers foundry	IC foundry	Others	Total
Revenue from external customer contracts	$ 3,744,809	$ 1,962,424	$ 34,227	$ 5,741,460
Timing of revenue recognition				
At a point in time	$ 3,744,809	$ 1,962,424	$ 34,227	$ 5,741,460

Year ended December 31, 2019	Silicon wafers foundry	IC foundry	Others	Total
Revenue from external customer contracts	$ 3,619,821	$ 1,769,330	$ 30,074	$ 5,419,225
Timing of revenue recognition				
At a point in time	$ 3,619,821	$ 1,769,330	$ 30,074	$ 5,419,225

D. Contract liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities:			
Contract liabilities – advance sales receipts	$ 247,501	$ 270,351	$ 202,639

(b) Revenue recognised that was included in the contract liabilities balance at the beginning of the period

	Year ended December 31	
	2020	2019
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 77,432	$ 67,157

(23) Interest income

	Year ended December 31	
	2020	2019
Interest income from bank deposits	$ 5,354	$ 6,250

(24) Other income

	Year ended December 31	
	2020	2019
Rental revenue	$ 33,730	$ 32,260
Dividend income	1	1
Other income, others	3,660	4,374
	$ 37,391	$ 36,635

(25) Other gains and losses

	Year ended December 31	
	2020	2019
Gains on disposals of property, plant and equipment	$ 9,904	$ -
Net currency exchange losses	(22,373)	(17,687)
Depreciation on investment property	(5,127)	(2,174)
Other losses	(180)	(7)
	($ 17,776)	($ 19,868)

(26) Finance costs

	Year ended December 31	
	2020	2019
Interest expense:		
Banking borrowings	$ 14,965	$ 16,910
Bonds payable	11,030	8,521
Other finance expenses	14,763	16,860
	$ 40,758	$ 42,291

(27) Expenses by nature

	Year ended December 31	
	2020	2019
Employee benefit expense	$ 1,439,624	$ 1,430,137
Depreciation expenses	618,700	562,938
Amortisation expenses on intangible assets	11,698	16,935

(28) Employee benefit expense

	Year ended December 31	
	2020	2019
Wages and salaries	$ 1,175,809	$ 1,160,726
Share-based payments	3,126	2,109
Labour and health insurance fees	106,160	110,461
Pension costs	58,474	60,629
Other personnel expenses	96,055	96,212
	$ 1,439,624	$ 1,430,137

A. According to the Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on current year's earnings, which should first be used to cover accumulated deficits, if any, and then, not less than 0.01% for employees' compensation and not more than 2% for directors' remuneration.

   Employees' compensation can be distributed by stock or dividends, including distributions to certain qualifying employees within the Group.

B. For the years ended December 31, 2020 and 2019, the Company did not accrue employees' compensation and directors' remuneration due to current accumulated deficit position.

   Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors and approved by the shareholders will be posted in the "Market Observation Post System".

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2020	2019
Current tax:		
Current tax on profits for the year	$ 4,099	$ 865
Tax on unappropriated retained earnings	-	5,344
Prior year income tax (over) underestimation	(3,125)	(2,437)
Total current tax	974	3,772
Deferred tax:		
Origination and reversal of temporary differences	(6,195)	(3,237)
Impact of change in tax rate	-	-
Total deferred tax	(6,195)	(3,237)
Income tax (benefit) expense	($ 5,221)	$ 535

(b) The income tax (charge)/credit relating to components of other comprehensive income: None.

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2020	2019
Tax calculated based on loss before tax and statutory tax rates	($ 193,977)	($ 120,846)
Expenses disallowed by tax regulation	980	-
Tax losses not recognised as deferred tax	104,322	20,303
Tax exempt income by tax regulation	93,493	115,532
Effect of different tax rates applied in countries other than the Company operates	-	(10,768)
Temporary differences not recognised as deferred tax	274	-
Prior year income tax (over) underestimation	(3,125)	(2,437)
Tax on unappropriated retained earnings	-	5,344
Change in assessment of realization of deferred tax assets	(7,188)	(6,593)
Income tax (benefit) expense	($ 5,221)	$ 535

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

	2020		
	At January 1	Recognised in profit or loss	At December 31
Deferred income tax assets:			
Temporary differences:			
Unrealised loss on inventory valuation loss	$ 30,783	$ 6,450	$ 37,233
Unrealised foreign exchange loss	1,561	(403)	1,158
Pension liability	55,403	(994)	54,409
Others	6,994	2,074	9,068
Tax losses	40,914	(5,524)	35,390
	135,655	1,603	137,258
Deferred income tax liabilities:			
Temporary differences:			
Others	(43,313)	4,592	(38,721)
	(43,313)	4,592	(38,721)
	$ 92,342	$ 6,195	$ 98,537

	2019		
	At January 1	Recognised in profit or loss	At December 31
Deferred income tax assets:			
Temporary differences:			
Unrealised loss on inventory valuation loss	$ 20,046	$ 10,737	$ 30,783
Unrealised foreign exchange loss	529	1,032	1,561
Pension liability	55,121	282	55,403
Others	13,522	(6,528)	6,994
Tax losses	45,190	(4,276)	40,914
	134,408	1,247	135,655
Deferred income tax liabilities:			
Temporary differences:			
Others	(45,303)	1,990	(43,313)
	(45,303)	1,990	(43,313)
	$ 89,105	$ 3,237	$ 92,342

D. Expiration dates of unused tax losses and tax losses not recognised as deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2012	$ 86,477	$ 86,477	$ -	2022
2013	43,971	43,971	-	2023
2014	202,110	202,110	127,989	2024
2015	546,067	532,021	532,021	2025
2016	348,549	348,549	348,549	2026
2017	233,770	233,770	233,770	2027
2018	255,523	255,523	255,523	2028
2019	664,792	664,792	664,792	2029
2020	511,500	511,500	511,500	2030

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2012	$ 86,477	$ 86,477	$ -	2022
2013	43,971	43,971	-	2023
2014	202,110	202,110	127,988	2024
2015	546,067	532,021	532,021	2025
2016	348,549	348,549	348,549	2026
2017	233,770	233,770	233,770	2027
2018	255,523	255,523	255,523	2028
2019	664,792	664,792	664,792	2029

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 167,532	$ 174,403

F. The Company’s income tax returns through 2018 have been assessed and approved by the Tax Authority.

(30) Loss per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 493,831)	300,538	($ 1.64)

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 606,678)	284,371	($ 2.13)

For the years ended December 31, 2020 and 2019, the Company's issued employee stock options and convertible bonds had anti-dilutive effect, thus, they were not included in the calculation of diluted loss per share.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31	
	2020	2019
Acquisition of property, plant and equipment	$ 230,712	$ 503,004
Add: Opening balance of payable on equipment	49,354	98,101
Less: Ending balance of payable on equipment	(34,474)	(49,354)
Add: Opening balance of payable on equipment to related parties	-	10,697
Less: Ending balance of payable on equipment to related parties	-	-
Cash paid during the year	$ 245,592	$ 562,448

B. Financing activities with no cash flow effects:

	Year ended December 31	
	2020	2019
Convertible bonds being converted to capital stocks	$ 373,634	$ 248,399

(32) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits-received	Liabilities from financing activities
At January 1	$ 754,044	$ 524,171	$ 1,063,037	$ 435,800	$ 42,782	$ 2,819,834
Changes in cash flow from financing activities	(9,135)	(21,437)	-	(102,477)	12,154	(120,895)
Interest paid	-	(11,725)	-	-	-	(11,725)
Interest expense	-	11,725	-	-	-	11,725
Option exercised	-	-	(669,100)	-	-	(669,100)
Discount on bonds payable	-	-	25,909	-	-	25,909
Changes in other non-cash items	-	27,328	-	-	-	27,328
At December 31	$ 744,909	$ 530,062	$ 419,846	$ 333,323	$ 54,936	$ 2,083,076

	2019					
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits-received	Liabilities from financing activities
At January 1	$ 1,140,938	$ 528,889	$ 730,785	$ 329,500	$ 35,721	$ 2,765,833
Changes in cash flow from financing activities	(386,894)	(21,413)	600,737	106,300	7,061	305,791
Interest paid	-	(11,926)	-	-	-	(11,926)
Interest expense	-	11,926	-	-	-	11,926
Option exercised	-	-	(253,600)	-	-	(253,600)
Discount on bonds payable	-	-	14,148	-	-	14,148
Changes in other non-cash items	-	16,695	(29,033)	-	-	(12,338)
At December 31	$ 754,044	$ 524,171	$ 1,063,037	$ 435,800	$ 42,782	$ 2,819,834

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Hermes-Epitek Coproration	The Company's director
Taiwan Hi-Tech Corp.	Investee accounted for using equity method
Wei Yun Capital Management Corporation	Investee accounted for using equity method

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2020	2019
Sales of goods:		
-Other related parties	$ 2,961	$ 3,489

The price and terms on sales are available to third parties and the credit term is 30 to 90 days after monthly billings.

B. Purchases

	Year ended December 31	
	2020	2019
Purchases of goods:		
-Other related parties	$ 324	$ 12,670

The price and terms on purchase are available to third parties and the payment term is 30 to 90 days after monthly billings.

C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
-Other related parties	$ -	$ 1,864
Other receivables:		
-Associates	382	430
-Other related parties	-	-
	$ 382	$ 2,294

The receivables from related parties arise mainly from sales of goods and service provision transactions. The receivables are due 3 months after the date of sale. The receivables are unsecured in nature and bear no interest. There are no loss allowance against receivables from related parties.

D. Payables to related parties

	December 31, 2020	December 31, 2019
Accounts payable:		
-Other related parties	$ 135	$ 468
Other receivables:		
-Associates	21,207	22,885
-Other related parties	115	60
	$ 21,457	$ 23,413

The payables to related parties arise mainly from purchase of goods and services, and payable 3 months after the date of purchase. The payables bear no interest.

E. Acquisition of property, plant and equipment

	Year ended December 31	
	2020	2019
Other related parties	$ -	$ 11,854

F. Refundable guarantee deposits (shown as "Other non-current assets")

	December 31, 2020	December 31, 2019
Refundable guarantee deposits:		
-Associates	$ 65,000	$ 65,000

G. Others

	Year ended December 31	
	2020	2019
Service revenue:		
-Associates	$ 2,119	$ 2,579
Testing fee:		
-Other related parties	325	-
-Associates	124,223	125,350
	$ 124,548	$ 125,350

(3) Key management personnel compensation

	Year ended December 31	
	2020	2019
Salaries and other short-term employee benefits	$ 23,541	$ 29,655
Post-employment benefits	276	277
Share-based payments	613	413
	$ 24,430	$ 30,345

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Pledged time deposits (shown as "Other current assets")	$ 24,659	$ 23,454	Customs deposits and guarantee deposits for leases
Pledged time deposits (shown as "Other current assets")	59,070	168,900	Guarantee for convertible bonds
Listed stocks (Note)	355,500	-	Credit line for short-term borrowings
Machinery and equipment	173,561	210,839	Credit line for long-term borrowings
	$ 612,790	$ 403,193	

Note: It was pledged utilising Episil-Precision Inc.'s stocks held by the Company.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 64,870	$ 111,262

B. To expand the Group's long-term business and build a long-term strategic alliance with the specified supplier, the Group entered into a long-term material purchase agreement with a period from January 1, 2018 to December 31, 2023. In accordance with the agreement, a prepayment of US$3,485 thousand ($104,899) shall be paid by the Group, which can be utilised to offset further procurements.

	December 31, 2020	December 31, 2019
Long-term material purchase agreement (Shown as “Prepayments” and “Non-current assets, others”)	$ 27,115	$ 75,930

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

(1) For the merger between Episil Technologies Inc. and Iberlin Technology Co., Ltd., the Company's subsidiaries, please refer to Note 4(3)B.

(2) The Board of Directors passed the resolution on March 9, 2021 to issue new shares with private placement within the range of 50 milions shares, in respording to the Company's future development and enrichment of working capital. This private placement of ordinary shares may be processed once or in installments (up to three times) within a year from the date of the resolution of the shareholders' meeting.

(3) To enhance operating efficiency, the Board of Directors of the Company resolved on March 9, 2021 to merge with Episil Technologies Inc.. The consideration for the merger is one share of Episil Technologies Inc. in exchange of $16.48 (in dollars). Under the merger, the Company will be the surviving company while Episil Technologies Inc. will be the dissolved company. The Company will change its name to Episil Technologies Inc.

12. Others

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital or issue new shares to shareholders in order to achieve the most appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at fair value through other comprehensive income	$ 36,651	$ 34,439
Financial assets at amortised cost		
Cash and cash equivalents	1,582,403	1,567,170
Notes receivable	98,241	95,976
Accounts receivable	1,221,105	1,124,470
Other receivables	24,345	23,761
Refundable guarantee deposits	66,533	66,527
Other financial assets	83,729	192,354
	$ 3,113,007	$ 3,104,697
Financial liabilities		
Financial liabilities at amortised cost	$ 744,909	$ 754,044
Short-term borrowings	-	1,395
Accounts payable	564,020	444,930
Other payables	516,007	522,827
Bonds payable (including current portion)	419,846	1,063,037
Long-term borrowings (including current portion)	333,323	435,800
Guarantee deposits received	54,936	42,782
	$ 2,633,041	$ 3,264,815
Lease liabilities	$ 530,062	$ 524,171

B. Policy of risk management

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use foreign currency denominated liabilities and derivative financial instruments (foreign exchange forward contracts) to hedge exchange rate risk through Group treasury. Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 32,258	28.48	$ 918,694
JPY:NTD	59,784	0.2763	16,518
RMB:NTD	39,679	4.3770	173,674
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 22,413	28.48	$ 638,331
JPY:NTD	81,366	0.2763	22,481
RMB:NTD	21,858	4.3770	95,674
Non-monetary items: None.			

(Foreign currency: functional currency)	December 31, 2019 Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 42,330	30.04	$ 1,271,593
JPY:NTD	17,696	0.2767	4,896
RMB:NTD	42,800	4.310	184,468
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 20,098	30.04	$ 603,744
JPY:NTD	55,535	0.2767	15,367
RMB:NTD	15,831	4.310	68,232
Non-monetary items: None.			

iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to ($22,373) and ($17,687), respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

(Foreign currency: functional currency)	December 31, 2020 Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 9,187	$ -
JPY:NTD	1%	165	-
RMB:NTD	1%	1,737	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 6,383)	$ -
JPY:NTD	1%	(225)	-
RMB:NTD	1%	(957)	-

	December 31, 2019		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 12,716	$ -
JPY:NTD	1%	49	-
RMB:NTD	1%	1,845	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 6,037)	$ -
JPY:NTD	1%	(154)	-
RMB:NTD	1%	(682)	-

Price risk

i. The Group's investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, fair value adjustment would have increased/decreased by $367 and $344, respectively, as a result of the price change on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from short-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group's borrowings at floating rates were mainly denominated in New Taiwan dollars and US dollars.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars and US dollars had increased/decreased by 0.25% with all other variables held constant, loss after tax for the years ended December 31, 2020 and 2019 would have increased/decreased by $1,452 and $1,428, respectively. Changes in interest expense mainly due from floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's perspective. Only rated banks with an optimal rating and financial institutes with investment grade are accepted. According to the Group's credit policy, each entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated low.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group categorised accounts receivable in accordance with credit risk and applied the modified approach using a provision matrix to estimate the expected credit loss.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	over 180days past due	Individual	Total
At December 31, 2020							
Expected loss rate	0.01~1%	0.01~0.22%	0.01~5.91%	0.01~38.33%	100%	0.12~7.14%	
Total book value	$ 1,026,369	$ 38,543	$ 395	$ -	$ 10,959	$ 156,495	$ 1,232,761
Loss allowance	$ -	$ 558	$ -	$ -	$ 10,945	$ 153	$ 11,656
At December 31, 2019							
Expected loss rate	0.01~1%	0.01~0.26%	0.01~6.94%	0.01~45.48%	100%	0.11~9.16%	
Total book value	$ 822,195	$ 38,357	$ 4,635	$ 6,213	$ 13,560	$ 254,011	$ 1,138,971
Loss allowance	$ -	$ -	$ -	$ 3,443	$ 12,922	$ -	$ 16,365

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

	2020
	Accounts receivable
At January 1	16,365
Reversal of loss allowance	(3,007)
Write-off during the year	(1,702)
At December 31	$ 11,656

	2019
	Accounts receivable
At January 1	15,018
Provision for loss allowance	1,347
At December 31	$ 16,365

(c) Liquidity risk

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

ii. Surplus cash held by the operating entities over and above balance required for working capital management will be appropriately used and invested. The chosen instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2020	December 31, 2019
Floating rate:		
Expiring within one year	$ 2,163,721	$ 2,195,557
Expiring beyond one year	-	220,200
	$ 2,163,721	$ 2,415,757

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Non-derivative financial liabilities	Less than 1 year	Between 1 and 2 year	Between 2 and 3 years	Over 3 years
December 31, 2020				
Short-term borrowings	$ 744,909	$ -	$ -	$ -
Accounts payable (including related parties)	564,020	-	-	-
Other payables (including related parties)	516,007	-	-	-
Lease liabilities	40,405	40,405	109,720	625,754
Bonds payable	120,400	309,400	-	-
Long-term borrowings	140,099	138,788	28,719	28,719

Non-derivative financial liabilities	Less than 1 year	Between 1 and 2 year	Between 2 and 3 years	Over 3 years
December 31, 2019				
Short-term borrowings	$ 754,044	$ -	$ -	$ -
Note payable	1,395	-	-	-
Accounts payable (including related parties)	444,930	-	-	-
Other payables (including related parties)	522,827	-	-	-
Lease liabilities	39,053	38,182	64,106	672,529
Bonds payable	-	498,900	600,000	-
Long-term borrowings	110,477	145,782	144,291	41,890

Derivative financial liabilities

As of December 31, 2020 and 2019, the Group has no derivative financial liabilities.

v. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expects the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in unlisted stocks is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 419,846	$ -	$ 422,333	$ -

	December 31, 2019			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 1,063,037	$ -	$ 1,029,236	$ -

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: The fair value of the convertible bonds issued by the Group was estimated by the Binomial-Tree approach to convertible bonds.

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

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 36,651	$ 36,651

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 34,439	$ 34,439

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

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

	Listed shares
Maket quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Foreign exchange forward contracts are usually valued based on the current forward exchange rate.

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk and liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Level 3 Equity instruments
Jaunary 1, 2020	$ 34,439
Unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	2,212
December 31, 2020	$ 36,651

	Level 3 Equity instruments
Jaunary 1, 2019	$ 65,544
Unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(31,105)
December 31, 2019	$ 34,439

G. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 36,651	Market comparable companies	Price to book ratio multiple; Discount for lack of marketability	Price to book ratio :2.84~3.11. Discount for lack of marketability:0.10~0.26.	The higher the multiple, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 34,439	Market comparable companies	Price to book ratio multiple; Discount for lack of marketability	Price to book ratio :1.97~3.09. Discount for lack of marketability:0.10~0.26.	The higher the multiple and control premium, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.

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

			December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 367	($ 367)

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 344	($ 344)

(4) Others

Impact to the Group's operations due to COVID-19: The Group's certain customers located in Mainland China. In response to COVID-19, the local government issued stay-at-home orders in the first half of 2020, and the Group's operating revenue was affected accordingly. However, the local government gradually has loosen its stay-at-home orders, and there is no significant effect to the Group's going concern, assets impairment and financing risk due to COVID-19 under the Group's assessment on related operational and financial information.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

(4) Major shareholders information

Major shareholders information: Please refer to Note 8.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker, who assesses performance and allocates resources of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment Information

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

	Year ended December 31	
	2020	2019
Revenue from external customers	$ 5,741,460	$ 5,419,225
Inter-company revenue	$ -	$ -
Segment income (loss)	($ 484,787)	($ 602,775)
Segment assets	$ 8,573,024	$ 9,119,129

(3) Reconciliation for segment income (loss)

None.

(4) Information on product

Revenue from external customers is mainly from epitaxial wafer foundry and IC foundry. Details of revenue balance are as follows:

	Year ended December 31	
	2020	2019
Epitaxial wafer foundry	$ 3,744,809	$ 3,619,821
IC foundry	1,962,424	1,769,330
Others	34,227	30,074
Total	$ 5,741,460	$ 5,419,225

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue Revenue	Non-current assets	Revenue Revenue	Non-current assets
Taiwan	$ 2,677,211	$ 3,694,178	$ 2,314,880	$ 4,064,946
Japan	875,080	-	1,015,827	-
China	1,146,888	15	1,178,629	10
USA	631,274	-	549,749	-
Others	411,007	-	360,140	-
	$ 5,741,460	$ 3,694,193	$ 5,419,225	$ 4,064,956

(6) Major customer information

For the years ended December 31, 2020 and 2019, there was no revenue from external customers accounting for more than 10% of the Group’s net operating revenue in the consolidated statements of comprehensive income.

VI、The accountant checks and approves the individual financial report：

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Episil Holding Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Episil Holding Inc. (the “Company”) as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with 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 generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, were of most significance in our audit of the Group’s 2020 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, we do not provide a separate opinion on these matters.

Key audit matters for theCompany’s 2020 parent company only financial statements are stated as follows:

Inventory valuation

Description

The Company's subsidiaries (recognised in investments accounted for using equity method), Episil-Precision Inc. and Episil Technologies Inc. are primarily engaged in research and development, manufacture and sales of epitaxial and silicon wafer, mixed-signal integrated circuit and linear integrated circuit. The industry is characterised by rapidly evolving technology and is easily affected by fluctuation in market price, there is a higher risk of incurring inventory valuation losses or having individually obsolete inventory. Episil-Precision Inc.'s and Episil Technologies Inc.'s inventories are measured at the lower of cost and net realisable value, and the calculation of the net realisable value used in obsolete inventories or inventories which are over a certain period involves subjective judgement. Since abovementioned inventories and allowance for inventory valuation losses are significant to the parent company only financial statements, we identified Episil-Precision Inc.'s and Episil Technologies Inc.'s allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

For inventory valuation losses against inventories that are over a certain period or individually obsolete, we tailored the audit scope as follows:

1. Obtained an understanding and assessed the reasonableness of Episil-Precision Inc.'s and Episil Technologies Inc.'s policies and procedures related to the provision of allowance for inventory valuation losses and the identification of obsolete and slow-moving inventory;
2. Verified whether the systematic logic used in the Episil-Precision Inc.'s and Episil Technologies Inc.'s inventory aging report is appropriate and in accordance with the Episil-Precision Inc.'s and Episil Technologies Inc.'s policies; and
3. Discussed with management to assess the reasonableness of expected sales in the future, and verified a sample of separately numbered inventory items against the clearance of those inventory items and respective historical data of discounts, and compared the sample to recorded allowance for inventory valuation losses to assess the reasonableness of allowance for inventory valuation losses.

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 Regulations Governing the Preparations of Financial Reports by Securities Issuers, and for such internal controls as management determines are 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, 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 controls.

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

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

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

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

Hsieh, Chih-Cheng	Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 9, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report 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 parent company only financial statements are the responsibility of the management, PricewaterhouseCoopers ,Taiwan 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.

EPISIL HOLDING INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 19,725	-	$ 243,428	6
1200	Other receivables		6	-	124	-
1210	Other receivables - related parties	7	22,121	1	21,848	1
1220	Current income tax assets		98	-	104	-
1410	Prepayments		2,792	-	3,430	-
1470	Other current assets		-	-	4	-
11XX	**Current assets**		44,742	1	268,938	7
	Non-current assets					
1550	Investments accounted for using equity method	6(2)	3,576,777	97	3,483,225	89
1600	Property, plant and equipment	6(3)	7,412	-	4,229	-
1780	Intangible assets		4,535	-	7,127	-
1900	Other non-current assets	8	59,070	2	168,900	4
15XX	**Non-current assets**		3,647,794	99	3,663,481	93
1XXX	**Total assets**		$ 3,692,536	100	$ 3,932,419	100

(Continued)

EPISIL HOLDING INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(4)	$ 180,000	5	$ -	-
2200	Other payables	6(5)	20,747	1	17,296	1
2220	Other payables to related parties	7	33	-	29	-
2320	Long-term borrowings, current portion	6(6)(7)	228,541	6	3,750	-
2399	Other current liabilities		360	-	1,156	-
21XX	**Current liabilities**		429,681	12	22,231	1
	Non-current liabilities					
2530	Corporate bonds payable	6(6)	-	-	489,337	12
2540	Long-term borrowings	6(7)	109,250	3	252,250	6
2640	Accrued pension liabilities	6(8)	20,992	-	22,762	1
25XX	**Non-current liabilities**		130,242	3	764,349	19
2XXX	**Total liabilities**		559,923	15	786,580	20
	Equity					
	Share capital	6(10)				
3110	Share capital - common stock		3,121,877	85	2,937,244	75
	Capital surplus	6(11)				
3200	Capital surplus		550,158	15	849,467	22
	Retained earnings	6(12)				
3310	Legal reserve		7,120	-	7,120	-
3320	Special reserve		43,947	1	43,947	1
3350	Unappropriated retained earnings (accumulated deficits)		(516,091)	(14)	(613,718)	(16)
	Other equity interest	6(13)				
3400	Other equity interest		(74,398)	(2)	(78,221)	(2)
3XXX	**Total equity**		3,132,613	85	3,145,839	80
	Significant commitments and contingencies	9				
	Significaut events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 3,692,536	100	$ 3,932,419	100

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

EPISIL HOLDING INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	2020 AMOUNT	2020 %	2019 AMOUNT	2019 %
4000	Operating revenue	6(14) and 7	($ 347,995)	(100)	($ 460,888)	(100)
5900	Operating margin		(347,995)	(100)	(460,888)	(100)
5950	Net operating margin		(347,995)	(100)	(460,888)	(100)
	Operating expenses					
6200	General and administrative expenses	6(19)(20)	(138,710)	(40)	(135,889)	(30)
6000	Total operating expenses		(138,710)	(40)	(135,889)	(30)
6900	Operating loss		(486,705)	(140)	(596,777)	(130)
	Non-operating income and expenses					
7100	Interest income	6(15)	817	-	1,622	-
7010	Other income	6(16) and 7	2,918	1	4,155	1
7020	Other gains and losses	6(17)	-	-	(1)	-
7050	Finance costs	6(18)	(10,861)	(3)	(15,677)	(3)
7000	Total non-operating income and expenses		(7,126)	(2)	(9,901)	(2)
7900	**Loss before income tax**		(493,831)	(142)	(606,678)	(132)
7950	Income tax expense	6(21)	-	-	-	-
8000	**Loss for the year from continuing operations**		(493,831)	(142)	(606,678)	(132)
8200	**Loss for the year**		($ 493,831)	(142)	($ 606,678)	(132)
	Other comprehensive income(loss)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurement of	6(8)	($ 99)	-	($ 2,301)	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(2)	(19,948)	(6)	(35,844)	(8)
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(20,047)	(6)	(38,145)	(8)
	Components of other comprehensive income that will be reclassified to profit or loss					
8380	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	6(2)	1,611	1	(3,168)	(1)
8360	Components of other comprehensive income that may be reclassified to profit or loss		1,611	1	(3,168)	(1)
8500	**Total comprehensive loss for the year**		($ 512,267)	(147)	($ 647,991)	(141)
	Basic loss per share	6(22)				
9750	Basic loss per share		($ 1.64)		($ 2.13)	
	Diluted loss per share	6(22)				
9850	Diluted loss per share		($ 1.64)		($ 2.13)	

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

EPISIL HOLDING INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other equity interest		
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficits)	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total
2019									
Balance at January 1, 2019		$ 2,812,153	$ 723,660	$ -	$ -	$ 78,620	($ 3,236)	($ 40,712)	$ 3,570,485
Loss for the year		-	-	-	-	(606,678)	-	-	(606,678)
Other comprehensive loss		-	-	-	-	(7,040)	(3,168)	(31,105)	(41,313)
Total comprehensive loss		-	-	-	-	(613,718)	(3,168)	(31,105)	(647,991)
Appropriations of 2018 earnings	6(12)								
legal reserve		-	-	7,120	-	(7,120)	-	-	-
Special reserve		-	-	-	43,947	(43,947)	-	-	-
Cash dividends		-	-	-	-	(27,553)	-	-	(27,553)
Changes in ownership interest in subsidiaries	6(11)	-	17,168	-	-	-	-	-	17,168
Cash distributed from capital surplus	6(11)	-	(14,669)	-	-	-	-	-	(14,669)
Conversion of convertible bonds	6(10)(11)	125,091	123,308	-	-	-	-	-	248,399
Balance at December 31, 2019		$ 2,937,244	$ 849,467	$ 7,120	$ 43,947	($ 613,718)	($ 6,404)	($ 71,817)	$ 3,145,839
2020									
Balance at January 1, 2020		$ 2,937,244	$ 849,467	$ 7,120	$ 43,947	($ 613,718)	($ 6,404)	($ 71,817)	$ 3,145,839
Loss for the year		-	-	-	-	(493,831)	-	-	(493,831)
Other comprehensive loss		-	-	-	-	(22,259)	1,611	2,212	(18,436)
Total comprehensive loss		-	-	-	-	(516,090)	1,611	2,212	(512,267)
Capital surplus used to offset accumulated deficits	6(11)	-	(613,717)	-	-	613,717	-	-	-
Changes in ownership interest in subsidiaries and associates	6(11)	-	125,407	-	-	-	-	-	125,407
Conversion of convertible bonds	6(10)(11)	184,633	189,001	-	-	-	-	-	373,634
Balance at December 31, 2020		$ 3,121,877	$ 550,158	$ 7,120	$ 43,947	($ 516,091)	($ 4,793)	($ 69,605)	$ 3,132,613

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

EPISIL HOLDING INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 493,831)	($ 606,678)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(3)(19)	2,452	2,858
Amortisation expense	6(19)	4,187	5,589
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	6(2)(14)	469,698	578,483
Finance costs	6(18)	8,003	10,743
Interest income	6(15)	(817)	(1,622)
Changes in operating assets and liabilities			
Changes in operating assets			
Other receivables		-	(9)
Other receivables due from related parties		(273)	(441)
Prepayments		644	(118)
Other current assets		4	-
Changes in operating liabilities			
Other payables		3,397	(5,499)
Other payables to related parties		4	20
Accrued pension liabilities		(1,869)	(369)
Other current liabilities		(796)	(227)
Cash outflow generated from operations		(9,197)	(17,270)
Dividends received	6(2)	41,821	314,270
Interest received		935	1,622
Interest paid		(4,362)	(3,744)
Net cash flows from operating activities		29,197	294,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of ownership interests in subsidiaries	6(2)	(498,000)	(500,000)
Acquisition of property, plant and equipment	6(3)	(5,635)	(2,900)
Acquisition of intangible assets		(1,595)	(595)
Decrease in other non-current assets		109,830	56,851
Net cash flows used in investing activities		(395,400)	(446,644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(24)	630,500	-
Repayments of short-term borrowings	6(24)	(450,500)	-
Repayments of long-term borrowings	6(24)	(37,500)	(73,500)
Cash dividendes paid (including cash distributed from capital surplus)		-	(42,222)
Net cash flows from (used in) financing activities		142,500	(115,722)
Net decrease in cash and cash equivalents		(223,703)	(267,488)
Cash and cash equivalents at beginning of year		243,428	510,916
Cash and cash equivalents at end of year		$ 19,725	$ 243,428

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

EPISIL HOLDING INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Episil Holding Inc. (the “Company”) was established by Episil Technologies Inc. through a share swap on October 1, 2014, and on the same date, the regulatory authority has approved for the Company’s shares to be listed on the Taipei Exchange. Episil Technologies Inc. became the Company’s wholly-owned subsidiary after the swap. The Company is mainly engaged in general investments. As of December 31, 2020, the Company holds 99.70% equity interest in Episil Technologies Inc.. On January 1, 2015, Episil Technologies Inc. split its epitaxy and compounds semiconductor business to the subsidiary, Episil Semiconductor Wafer, Inc., and subsequently, Episil Semiconductor Wafer, Inc. merged with Episil-Precision Inc. in accordance with Business Mergers and Acquisitions Act on January 11, 2016. Under the merger, Episil Semiconductor Wafer, Inc. would be the dissolved company while the Episil-Precision Inc. would be the surviving company. Episil-Precision Inc. became one of the Company’s subsidiaries after the merger. As of December 31, 2020, the Company holds 59.43% equity interest in Episil-Precision Inc..

2. The Date of and Procedures for Authorisation for Issuance of the Financial Statements

These parent company only financial statements were authorised for issuance by the Board of Directors on March 9, 2021.

3. Application of and Procedures for New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board ("IASB")
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	January 1, 2020 (Note)

Note: Early application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial position and financial performance based on the Company’s assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' interest rate benchmark reform— phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current '	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020 cycle	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities held mainly for trading purposes;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be deferred unconditionally for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

(6) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

(7) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(8) Investments accounted for using equity method—subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised gains and losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. If changes in the Company's ownership interests in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in "Capital surplus" in proportion to its ownership.

H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

J. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(9) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment are measured at cost model subsequently. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Computer and telecommunication equipment	2~5 years

(10) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

(11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(12) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(13) Convertible corporate bonds

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity in accordance with the substance of the contractual arrangement.

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of equity are initially recognised in "Capital surplus—warrants" at the residual amount of total issue price less the amount of bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - warrants.

(14) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(15) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past-service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(16) <u>Employee share-based payment</u>

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(17) <u>Income taxes</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

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

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(18) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(19) Dividends

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

(20) Revenue recognition

The Company provides administrative resources and management services to subsidiaries and associates. Revenue from providing services to subsidiaries and associates is recognised in the reporting period in which the services are rendered. Service revenue are collected from subsidiaries and associates based on the actual costs of administrative resources and management services rendered that can be directly attributable and allocated to subsidiaries and associates.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company has no significant accounting judgements, estimates and assumptions uncertainty.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Demand deposits	$ 9,125	$ 5,428
Time deposits	-	210,000
Cash equivalents-bonds sold under repurchase agreement	10,600	28,000
	$ 19,725	$ 243,428

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

B. Cash and cash equivalent restricted for providing guarantee for corporate bonds were reclassified to other non-current assets. For their detail, please refer to Note 8.

(2) Investments accounted for using equity method

	2020	2019
At January 1	$ 3,483,225	$ 3,897,821
Acquisition of ownership interests in subsidiaries	498,000	500,000
Share of loss of subsidiaries and associates accounted for using equity method	(469,698)	(578,483)
Dividends received from subsidiaries and associates accounted for using equity method	(41,821)	(314,270)
Changes in ownership interest in subsidiaries and associates	125,408	17,169
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(19,948)	(35,844)
Other equity interest	1,611	(3,168)
At December 31	$ 3,576,777	$ 3,483,225

	December 31, 2020	December 31, 2019
Subsidiaries		
Episil Technologies Inc.	$ 943,557	$ 938,470
Episil-Precision Inc.	2,405,131	2,314,112
Wei Nuo Investment Inc.	60,031	64,885
Associates		
Taiwan Hi-Tech Corp.	$ 168,058	$ 165,758
	$ 3,576,777	$ 3,483,225

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2020 for the information regarding the Company’s subsidiaries.

(3) Property, plant and equipment

	Computer and telecommunication equipment
2020	
At January 1	
Cost	$ 24,097
Accumulated depreciation	(19,868)
	$ 4,229
At January 1	$ 4,229
Additions	5,635
Depreciation expenses	(2,452)
At December 31	$ 7,412
At December 31	
Cost	$ 20,212
Accumulated depreciation	(12,800)
	$ 7,412

	Computer and telecommunication equipment
2019	
At January 1	
Cost	$ 21,245
Accumulated depreciation	(17,058)
	$ 4,187
At January 1	$ 4,187
Additions	2,900
Depreciation expenses	(2,858)
At December 31	$ 4,229
At December 31	
Cost	$ 24,097
Accumulated depreciation	(19,868)
	$ 4,229

(4) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 180,000	1.25%	Note

For the year ended December 31, 2020, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $1,909.

As of and for the year ended December 31, 2019: None.

Note: It was guaranteed by the Episil-Precision Inc.'s stocks held by the Company.

(5) Other payable

	December 31, 2020	December 31, 2019
Accrued expenses-bonus	$ 8,606	$ 7,646
Accrued expenses-others	12,141	9,650
	$ 20,747	$ 17,296

(6) Bonds payable

	December 31, 2020	December 31, 2019
The Company's second secured convertible bonds	$ 750,000	$ 750,000
Less: Bonds payable converted	(629,600)	(251,100)
Less: Discount on bonds payable	(1,109)	(9,563)
	119,291	489,337
Less: Current portion (shown as "Other current liabilities")	(119,291)	-
	$ -	$ 489,337

A. On September 25, 2018, the Board of Director during their meeting resolved to issue the second domestic secured convertible bonds which were approved by the FSC and were issued on November 26, 2018. The terms are as follows:

(a) Issuance amount: Total issuance amount was NT$750 million.

(b) Issue price: The par value is NT$100 per bond and issued at 101% of face value.

(c) Issuance duration: 3 years, from November 26, 2018 to November 26, 2021.

(d) Coupon rate: 0%.

(e) Repayment date and terms: The payment term is to repay the full amount at the maturity date, excluding those convertible bonds which were converted to common shares at the maturity date or repurchased for retirement prior to the maturity date.

(f) Conversion period: The creditors have the right to ask for conversion of the bonds into common shares of the Company during the period from the day three month after the bonds issuance (February 27, 2019) to the maturity date (November 26, 2021), except the stop transfer period as specified in the terms of the bonds or the laws/regulations.

(g) Conversion price and adjustment: The conversion price was $20.5 (in dollars) per share at issuance. After the issuance, except for ex-right or ex-dividend, the applicable conversion price was subject to adjustments based on the conversion price adjustment formula.

(h) Rights and obligations after conversion: The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(i) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(j) Through December 31, 2020, the bonds totaling $629,600 (face value) had been converted into 30,712 thousand shares of common shares.

(k) Regarding the issuance of convertible bonds, the equity conversion options amounting to $24,580 were separated from the liability component and were recognised in "Capital surplus— warrant" in accordance with IAS 32. The effective interest rate of the bonds payable after such separation was 0.0842%.

B. Information on the carrying amount of collateral for convertible bonds is provided in Note 8.

(7) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Secured borrowings	Borrowing period is from December 26, 2017 to December 26, 2022; the principle is repayable in instalment under mutual agreement.	1.10%	None	$ 218,500
Less: Current portion				(109,250)
				$ 109,250

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral		December 31, 2019
Long-term bank borrowings					
Secured borrowings	Borrowing period is from December 26, 2017 to March 22, 2023; the principle is repayable in instalment under mutual agreement.	1.20%	None	$	256,000
Less: Current portion				(	3,750)
				$	252,250

Note: In accordance with certain banks' loan agreements, the Company shall maintain the specified debt/equity and times interest earned ratios during the period.

(8) Pensions

A. (a) The Company renewed and continued the defined benefit pension plan in accordance with the Labor Standards Act based on the share swap plans on October 1, 2014 covering all regular employees' service years for employees formerly employed by the Company's subsidiary, Episil Technologies Inc., prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years, thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the pension fund deposited with Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

		December 31, 2020		December 31, 2019
Present value of defined benefit obligations	$	33,020	$	33,870
Fair value of plan assets	(	12,028)	(	11,108)
Net defined benefit liabilities	$	20,992	$	22,762

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

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 33,870	($ 11,108)	$ 22,762
Interest expense (income)	237	(78)	159
	34,107	(11,186)	22,921
Remeasurements:			
Change in financial assumptions	1,205	-	1,205
Experience adjustments	(710)	(396)	(1,106)
	495	(396)	99
Pension fund contribution	-	(2,028)	(2,028)
Paid pension	(1,582)	1,582	-
At December 31	$ 33,020	($ 12,028)	$ 20,992

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 31,902	($ 11,072)	$ 20,830
Interest expense (income)	351	(122)	229
	32,253	(11,194)	21,059
Remeasurements:			
Change in financial assumptions	1,277	-	1,277
Experience adjustments	1,391	(367)	1,024
	2,668	(367)	2,301
Pension fund contribution	-	(598)	(598)
Paid pension	(1,051)	1,051	-
At December 31	$ 33,870	($ 11,108)	$ 22,762

(d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2020	2019
Discount rate	0.03%	0.70%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligations	($ 761)	$ 786	$ 682	($ 664)
December 31, 2019				
Effect on present value of defined benefit obligations	($ 806)	$ 834	$ 729	($ 710)

The sensitivity analysis above is based on a change in one assumption while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liabilities on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 amounts to $532.

(g) Through December 31, 2020, the weighted average duration of the retirement plan is 9 years.

B. (a) Effective July 1, 2005, the Company have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were $4,735 and $4,559, respectively.

(9) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
First issuance of employee stock option in 2013	2014.3.12	624	6 years	Note1, 2 and 3

Note 1:Exercisable ratio of options that have fulfilled 2 and 3 years vesting condition was 50% and 100%, respectively.

Note 2:As a result of the share swap, the Company assumed that the performance obligation for those employee stock options that were initially issued by Episil Technologies Inc. starting from the effective date of the share swap. Therefore, the underlying shares were changed from Episil Technologies Inc. to the Company, and the conversion price and granted quantity were adjusted based on the share swap ratio. The number of shares subscription per unit and conversion price per share were adjusted by 2:1 share swap ratio, the granted quantity was changed from 15 million shares to 7.5 million shares and the subscription price after share swap was changed from $15.9 (in dollars) to $31.8 (in dollars) per share.

Note 3:On January 5, 2015, Episil Technologies Inc. split and transferred its operational assets and liabilities of epitaxy and compounds semiconductor business to Episil Semiconductor Wafer, Inc., and granted 2,074 thousand shares among total granted quantity of 7,500 thousand shares to Episil Semiconductor Wafer, Inc..

B. Details of the share-based payment arrangements are as follows:

	2020	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	233	$ 30.8
Expired	(233)	30.8
Outstanding at December 31	-	-
Exercisable at December 31	-	-

	2019	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	333	$ 30.8
Forfeited	(100)	30.8
Outstanding at December 31	233	30.8
Exercisable at December 31	233	30.8

C. The expiry date and exercise price of stock options outstanding at the balance sheet dates are as follows:

		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2014.03.12	2020.03.11	233	$ 30.80

D. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31,	
	2020	2019
Equity-settled	$ -	-

(10) Share capital

A. The Company was established by Episil Technologies Inc. through a share swap on October 1, 2014. As of December 31, 2020, the Company's authorised capital was $5,000,000, consisting of 500 million shares of ordinary stock (including $500,000, equivalent to 50 million shares, reserved for bonds conversion, preferred stocks conversion and employee stock options), and the paid-in capital was $3,121,877 with a par value of $10 (in dollars) per share.

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

Unit: thousand shares	2020	2019
Shares issued at Juanary 1	293,724	281,215
Share outstanding at Juanary 1	293,724	281,215
Conersion of convertible bonds	18,464	12,509
Shares issued at December 31	312,188	293,724
Shares outstanding at Dceember 31	312,188	293,724

(11) Capital surplus

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

	2020						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes of associates and joint ventures accounted for using equity method	Employee stock options	Warrants	Others	Total
At January 1	$ 611,671	$ 165,197	$ 226	$ 38,732	$33,641	$ -	$ 849,467
Conversion of converible bonds	201,405	-	-	-	(12,404)	-	189,001
Changes in ownership interest in subsidiaries	-	125,407	-	-	-	-	125,407
Employee stock options expired	-	-	-	(10,494)	-	10,494	-
Capital surplus used to offset accumulated deficits	(613,717)	-	-	-	-	-	(613,717)
At December 31	$ 199,359	$ 290,604	$ 226	$ 28,238	$21,237	$10,494	$ 550,158

	2019					
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes of associates and joint ventures accounted for using equity method	Employee stock options	Warrants	Total
At January 1	$ 494,730	$ 165,319	$ 226	$ 38,732	$ 24,653	$ 723,660
Conversion of converible bonds	131,610	-	-	-	(8,302)	123,308
Changes in ownership interest in subsidiaries	-	(122)	-	-	17,290	17,168
Capital surplus used to offset accumulated deficits	(14,669)	-	-	-	-	(14,669)
At December 31	$ 611,671	$ 165,197	$ 226	$ 38,732	$ 33,641	$ 849,467

(12) Retained earnings (accumulated deficits)

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and setting aside or reversal for special reserve in accordance with related laws, if any. The Board of Directors should propose the distribution of the remaining earnings based on the Company's dividend policy for the approval of the shareholders.

A 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 dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting, which is not subject to the rules in relation to the resolution of shareholders' meeting.

B. The Company's dividend policy is summarised below: as the Company operates in high-tech industries and is in the stable growth stage, to take into consideration the business environment and growing stage of the Company and meet future capital requirements, long-term financial plan and fulfil shareholders' requirement for cash flows. The current year's earnings, if any, shall be distributed in the form of cash dividends not lower than 10% of total cash and stock dividends and bonus to be distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

A 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 dividends and bonus all or partially distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. On June 12, 2019, the shareholders during their meeting resolved to distribute 2018 earnings in the amount of $27,553 ($0.0978 (in dollars) per share).

F. The shareholders at their meeting on June 11, 2020 adopted a resolution to use capital surplus to offset deficit of $613,717.

(13) Other equity items

	2020		2019	
	Unrealised gains (losses) on valuation	Financial Statements translation difference of foreign operations	Unrealised gains (losses) on valuation	Financial Statements translation difference of foreign operations
At January 1	($ 71,817)	($ 6,404)	($ 40,712)	($ 3,236)
–Group	2,212	295	(31,105)	(842)
–Associates	-	1,316	-	(2,326)
At December 31	($ 69,605)	($ 4,793)	($ 71,817)	($ 6,404)

(14) Operating revenue

	Years ended December 31, 2020	Years ended December 31, 2019
Revenue from contracts with customers	121,703	117,595
Share of loss of associates, joint ventures and subsidiary accounted for using equity method	(469,698)	(578,483)
	($ 347,995)	($ 460,888)

Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of services over time:

Year ended December 31, 2020	Service revenue
Revenue from customer contracts	$ 121,703

Year ended December 31, 2019	Service revenue
Revenue from customer contracts	$ 117,595

(15) Interest income

	Year ended December 31,	
	2020	2019
Interest income from bank deposits	$ 817	$ 1,622

(16) Other income

	Year ended December 31,	
	2020	2019
Other income	$ 2,918	$ 4,155

(17) Other gains and losses

	Year ended December 31,	
	2020	2019
Net currency exchange losses	$ -	($ 1)

(18) Finance costs

	Year ended December 31,	
	2020	2019
Interest expense:		
Banking borrowings	$ 4,416	$ 3,733
Bonds payable	3,587	7,010
Others	2,858	4,934
	$ 10,861	$ 15,677

(19) Expenses by nature

	Year ended December 31,	
	2020	2019
Employee benefit expenses	$ 112,521	$ 108,479
Depreciation expenses	2,452	2,858
Amortisation expenses on intangible assets	4,187	5,589

(20) Employee benefit expense

	Year ended December 31,	
	2020	2019
Wages and salaries	$ 92,962	$ 89,643
Labour and health insurance fees	8,222	8,037
Pension costs	4,894	4,788
Other personnel expenses	6,443	6,011
	$ 112,521	$ 108,479

A. According to the Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on current year's earnings, which should first be used to cover accumulated deficits, if any, and then, not less than 0.01% for employees' compensation and not more than 2% for directors' remuneration.

Employees' compensation can be distributed by stock or dividends, including distributions to certain qualifying employees within subsidiaries and associates.

B. For the years ended December 31, 2020 and 2019, there were no employees' compensation nor directors' remuneration accrued due to current accumulated deficit position.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors and approved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	$ -	$ -
Total current tax	-	-
Deferred tax:		
Total deferred tax	-	-
Income tax expense	$ -	$ -

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31,	
	2020	2019
Tax calculated based on loss before tax and statutory tax rates	($ 98,766)	($ 121,336)
Tax exempt income by tax regulation	93,940	115,697
Temporary differences not recognised as deferred tax	46	38
Tax losses not recognised as deferred tax	4,780	5,601
Income tax expense	$ -	$ -

C. Expiration dates of unused tax losses and tax losses not recognised as deferred tax assets are as follows:

	December 31, 2020			
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2015	$ 30,722	$ 16,676	$ 16,676	2025
2017	33,520	33,520	33,520	2027
2018	20,727	20,727	20,727	2028
2019	93,748	93,748	93,748	2029
2020	23,904	23,904	23,904	2030

	December 31, 2019			
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2015	$ 30,722	$ 16,676	$ 16,676	2025
2017	33,520	33,520	33,520	2027
2018	20,727	20,727	20,727	2028
2019	93,748	93,748	93,748	2029

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(22) Loss per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders	($ 493,831)	300,538	($ 1.64)

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders	($ 606,678)	284,371	($ 2.13)

The Company's issued employee stock options and convertible bonds had anti-dilutive effect, thus, they were not included in the calculation of diluted loss per share.

(23) Supplemental cash flow information

Financing activities with no cash flow effects:

	Year ended December 31,	
	2020	2019
Convertible bonds being converted to capital stocks	$ 373,674	$ 248,399

(24) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Bonds payable	Liabilities from financing activities
At January 1, 2020	$ -	$ 256,000	$ 489,337	$ 745,337
Changes in cash flow from financing activities	180,000	(37,500)	-	142,500
Option exercised	-	-	(378,500)	(378,500)
Discount on bonds payable	-	-	8,454	8,454
At December 31, 2020	$ 180,000	$ 218,500	$ 119,291	$ 517,791

	Long-term borrowings	Bonds payable	Liabilities from financing activities
At January 1, 2019	$ 329,500	$ 730,785	$ 1,060,285
Changes in cash flow from financing activities	(73,500)	-	(73,500)
Option exercised	-	(253,600)	(253,600)
Discount on bonds payable	-	12,152	12,152
At December 31, 2019	$ 256,000	$ 489,337	$ 745,337

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Episil-Precision Inc.	The Company’s subsidiary
Episil Technologies Inc.	The Company’s subsidiary
Iberlin Technology Co, Ltd.	The Company’s subsidiary
Taiwan Hi-Tech Corp.	The Company’s associate

(2) Significant related party transactions

A. Service revenue

	Year ended December 31	
	2020	2019
Subisidiaries	$ 119,584	$ 115,016
Associates	2,119	2,579
	$ 121,703	$ 117,595

Service revenue arises from providing administrative resources and management services to subsidiaries and associates, and the price and terms are determined under mutual agreement.

B. Receivables from related parties

	December 31, 2020	December 31, 2019
Other receivables:		
-Subsidiaries	$ 21,739	$ 21,418
-Associates	382	430
	$ 22,121	$ 21,848

C. Payables to related parties

	December 31, 2020	December 31, 2019
Other payables:		
-Subsidiaries	$ 33	$ 29

D. Others

	Year ended December 31	
	2020	2019
Other income:		
-Subsidiaries	$ 2,231	$ 1,563

(3) Key management personnel compensation

	Year ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	$ 4,874	$ 5,932
Share-based payments	60	-
	$ 4,934	$ 5,932

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Pledged time deposits (shown as "Other current assets")	$ 59,070	$ 168,900	Guarantee for convertible bonds
Listed stocks (Note)	355,500	-	Credit line for short-term borrowings
	$ 414,570	$ 168,900	

Note: It was pledged utilising Episil-Precision Inc.'s stocks held by the Company.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

(1) To enhance operating efficiency, the Board of Directors of the Company's subsidiary, Iberlin Technology Co., Ltd., has resolved to merge with the Company's subsidiary, Episil Technologies Inc., on December 29, 2020, and Iberlin Technology Co., Ltd. will be the dissolved company. Iberlin Technology Co., Ltd. will be dissolved in accordance with related regulations, and the effective date for the merger is set on February 20, 2021. Also, the Board of Directors of Episil Technologies Inc. has passed the resolution of merger with Iberlin Technology Co., Ltd. on December 29, 2020.

(2) The Board of Directors passed the resolution on March 9, 2021 to issue new shares with private placement within the range of 50 milions shares, in responding to the Company's future development and enrichment of working capital. This private placement of ordinary shares may be processed once or in installments (up to three times) within a year from the date of the resolution of the shareholders' meeting.

(3) To enhance operating efficiency, the Board of Directors of the Company resolved on March 9, 2021 to merge with Episil Technologies Inc.. The consideration for the merger is one share of Episil Technologies Inc. in exchange of $16.48 (in dollars). Under the merger, the Company will be the surviving company while the Episil Technologies Inc. will be the dissolved company. The Company will change its name to Episil Technologies Inc.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital or issue new shares to shareholders in order to achieve the most appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020		December 31, 2019	
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	$	19,725	$	243,428
Other receivables		22,127		21,972
Other non-current assets		59,070		168,900
	$	100,922	$	434,300

	December 31, 2020		December 31, 2019	
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	180,000	$	-
Other payables		20,780		17,325
Bonds payable (including current portion)		119,291		489,337
Long-term borrowings (including current portion)		218,500		256,000
	$	718,571	$	762,662

B. Policy of risk management

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. Management has set up policies to require Company to manage their foreign exchange risk against their functional currencies. Company are required to hedge their entire foreign exchange risk exposure through coordination with the Company treasury.

ii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations: None.

iii. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variations on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to $0 and ($1), respectively.

Price risk

The Company's investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from short-term borrowings with floating rates, which expose the Company to cash flow interest rate risk. During 2020 and 2019, the Company's borrowings at floating rates were mainly denominated in New Taiwan dollars, Us dollars and Japanese yen.

ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars and US dollars had increased/decreased by 0.25% with all other variables held constant, loss after tax for the years ended December 31, 2020 and 2019 would have increased/decreased by $270 and $0, respectively. Changes in interest expense mainly due from floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Company manages their credit risk taking into consideration the entire company's perspective. Only rated banks with an optimal rating and financial institutes with investment grade are accepted.

iii. The default occurs when the individual contract payments are not expected to be paid under transaction terms.

(c) Liquidity risk

i. Cash flow forecasting is performed by the Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times.

ii. Surplus cash held by the company over and above balance required for working capital management will be appropriately used and invested. The chosen instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

iii.The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Non-derivative financial liabilities	Less than 1 year	Between 1 and 2 year	Between 2 and 3 years	Over 3 years
December 31, 2020				
Short-term borrowings	$ 180,000	$ -	$ -	$ -
Other payables (including related parties)	20,780	-	-	-
Long-term borrowings	111,380	110,069	-	-

Non-derivative financial liabilities	Less than 1 year	Between 1 and 2 year	Between 2 and 3 years	Over 3 years
December 31, 2019				
Other payables (including related parties)	$ 17,325	$ -	$ -	$ -
Long-term borrowings	6,822	126,718	125,227	3,761

Derivative financial liabilities

As of December 31, 2020 and 2019, the Company has no derivative financial liabilities.

iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expects the actual cash flow amount will be significantly different.

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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.

B. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, other receivables, short-term borrowings and other payables are approximate to their fair values.

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 119,291	$ -	$ 119,894	$ -

	December 31, 2019			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 489,337	$ -	$ 483,073	$ -

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: The fair value of the convertible bonds issued by the Company was estimated by the Binomial-Tree approach to convertible bonds.

C. The related information of financial and non-financial instruments measured at fair value: None.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2020 and 2019, the Company has no Level 3 financial instruments.

13. <u>Supplementary Disclosures</u>

(1) <u>Significant transactions information</u>

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period:None.

J. Significant inter-company transactions during the reporting period: Please refer to table 4.

(2) <u>Information on investees</u>

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) <u>Information on investments in Mainland China</u>

A. Basic information: Please refer to table 6.

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

(4) <u>Major shareholders information</u>

Major shareholders information: Please refer to Note 8.

14. <u>Segment Information</u>

In accordance with IFRS 8, ‘Operating segments’, segment information is exempt from disclosing in the parent company only financial statements but would be disclosed in the consolidated financial statements.

Episil Holding Inc.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 1

Items	Summary	Amount	
Demand deposits			
-NTD		$	9,124
-USD	USD 34.55, conversion rate 28.48		1
Cash equivalents - Bonds sold under repurchase agreements			10,600
		$	19,725

Episil Holding Inc.
MOVEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 2

	Opening balance		Additions (reductions)		Investment (loss) profit	Ending balance			Market price or value per share			
Name	Number of shares	Amount	Number of shares (Note 2)	Amount (Note 1)	Amount	Number of shares	Ownership (%)	Amount	Price (in NTD)	Total price	Guarantee/ pledge	Note
Episil Technologies Inc.	124,100,000	$ 938,470	41,500,000	$ 484,453	($ 479,366)	165,600,000	99.70%	$ 943,557	$ -	$ 943,557	None	None
Episil-Precision Inc.	166,200,000	2,314,112	-	75,545	15,474	166,200,000	59.43%	2,405,131	-	2,405,131	None	None
Wei Nuo Investment Inc.	10,000,000	64,885	-	2,080	(6,934)	10,000,000	100.00%	60,031	-	60,031	None	None
Taiwan Hi-Tech Corp.	17,093,398	165,758	-	1,172	1,128	17,093,398	37.49%	168,058	-	168,058	None	None
Total		$ 3,483,225		$ 563,250	($ 469,698)			$ 3,576,777		$ 3,576,777		

Note 1: Including share of other comprehensive income.

Note 2: Episil Technologies Inc. increased its capital by issuing new shares in the amount of 41,500,000 shares in March and June 2020, and the total cash capital increase amounted to $498,000.

Episil Holding Inc.
DETAILS OF BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 3

							Amount					
Bonds Name	Trustee	Issue Date	Interest Payment Date	Rate	Total issuance amount	Converted amount	Ending balance	Unamortized Premiums (Discounts)	Book value	Repayment Term	Collateral	Note
The second-time domestic secured convertible bonds	KGI Securities Co., Ltd.	2018.11.26	-	0.00%	$ 750,000	($ 629,600)	$ 120,400	($ 1,109)	$ 119,291	Note	Bank deposits	

Note: The Company will repay the bonds to bond holders in full by cash at face value at maturity.

Episil Holding Inc.
DETAILS OF ADMINISTRATIVE AND GENERAL AFFAIRS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 4

Item	Summary	Amount	Note
Wages and salaries		$ 92,962	
Repairs and maintenance expense		8,280	
Labour and health insurance fees		8,222	
Other		29,246	The balance of each expense account has not exceeded 5% of the general and administrative expense.
		$ 138,710	

Episil Holding Inc.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS AND DEPRECIATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

Statement 5

Function / Nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits expense						
Wages and salaries	$ -	$ 92,962	$ 92,962	$ -	$ 89,643	$ 89,643
Labour and health insurance fees	-	8,222	8,222	-	8,037	8,037
Pension costs	-	4,894	4,894	-	4,788	4,788
Directors' remuneration	-	1,070	1,070	-	840	840
Other persinnel expenses	-	5,373	5,373	-	5,171	5,171
Depreciation expenses	-	2,452	2,452	-	2,858	2,858
Amortisation expenses	-	4,187	4,187	-	5,589	5,589

A. As at December 31, 2020 and 2019, the Company had 113 and 108 employees, including 8 and 8 non-employee directors, respectively.

B. A company whose stock is listed for trading on the Taiwan Stock Exchange or Taipei Exchange shall additionally disclose the following information:

(a) Average employee benefit expense in current year $1,061.
Average employee benefit expense in previous year $1,076.

(b) Average employees salaries in current year $885.
Average employees salaries in previous year $896.

(c) Adjustments of average employees salaries 1.23%

(d) The Company set audit committee, therefore, there was no supervisors' remuneration.

(e) Performance assessment and remunerations of directors and managers are determined based on a general pay level within the same industry taken into consideration personal working hours, job responsibilities, personal goal achievements and performances on other positions, remunerations that the Company paid to the same position in recent years, achievements of the Company's short-term and long-term business targets and the Company's financial condition in order to evaluate whether the individual performance and the Company's operating performance were linked to future risks reasonably. The Company's remuneration policies were made referring to a pay level within the same industry, the Company's operation development and the competition of labor market, which were not lower than the average pay level with the same industry. Personal salary is confidential.

VII、Financial insolvency incidents encountered by the Company and affiliates for the most recent years, up till the printing date of this annual report: None.

Seven、Review and analysis of financial position and financial performance and risk issues

I、Financial situation and analysis

Unit: NT$ thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	4,400,032	4,423,499	(23,467)	(1)
Fixed Assets	2,977,434	3,407,212	(429,778)	(13)
Intangible Assets	42,015	52,119	(10,104)	(19)
Other Assets	1,153,543	1,236,299	(82,756)	(7)
Total Assets	8,573,024	9,119,129	(546,105)	(6)
Current Liabilities	2,310,615	2,028,572	282,043	14
Long-term Liabilities	1,504,548	2,454,333	(949,785)	(39)
Total Liabilities	3,815,163	4,482,905	(667,742)	(15)
Equity attributable to shareholders of the parent	3,132,613	3,145,839	(13,226)	(0)
Capital stock	3,121,877	2,937,244	184,633	6
Capital surplus	550,158	849,467	(299,309)	(35)
Retained Earnings	(465,024)	(562,651)	97,627	(17)
Other Equity	(74,398)	(78,221)	3,823	(5)
Treasury stock	0	0	0	0
Non-controlling interests	1,625,248	1,490,385	134,863	9
Total Stockholders' Equity	4,757,861	4,636,224	121,637	3

The main reasons for the major changes in assets, liabilities and stockholders’ equity in the last two years (those with changes of more than 20 percent in the previous and late periods and the amount of change amounting to NT$10 million) and their impact：

(1)Long-term Liabilities: Due to the due day of Bond Payable within one year, reclassify to current liability.

(2) Capital surplus: Due to make up loss.

II、Analysis of Financial Performance

Unit: NT$ thousands

Year / Item	2020	2019	Difference Amount	Difference %
Operating Revenue	5,741,460	5,419,225	322,235	6
Gross Profit	(8,450)	(91,965)	83,515	(91)
Operating Income	(475,407)	(582,628)	107,221	(18)
Non-operating Income and Expenses	(14,601)	(19,612)	5,011	(26)
Income Before Tax	(490,008)	(602,240)	112,232	(19)
Net Income from continuing Operations	(484,787)	(602,775)	117,988	(20)
Net Income	(484,787)	(602,775)	117,988	(20)
Other Comprehensive income	(23,394)	(41,873)	18,479	(44)
Total Comprehensive income	(508,181)	(644,648)	136,467	(21)

(I)The main reasons for the significant changes in net sales, operating income and income befor tax in the last two years (Not required if the difference does not exceed 20% and NT10 Million)

(1) Gross Profit、Net Income from continuing Operations、Net Income and Total Comprehensive income: Due to China–United States trade war and microchip shortage, the orders and Capacity utilization also rising.

(2) Non-operating Income and Expenses: Due to disposal of PPE.

(3) Other Comprehensive income: Due to Loss of Remeasurements of defined benefit pension plans and benefit of Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income.

(II)Expectation of sales amount and the reason, and the plan and influence of the company financial: In response to the issue of environmental protection and supplement of energy, the market increasing the demand of electric cars. In the first quarter of 2021, the capacity utilization already full of load. It is expected that global demand for automotive electronic chips will continue to increase in the coming year. In 2021, the Company will continue to focus on the development and production of the primary product and control the management of raw materials to enhance the growth of performance.

III、Cash Flow Analysis

(I) Cash Flow Analysis

Unit；NT$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
$1,567,170	$291,843	$(276,610)	$1,582,403	-	-

Note1：Analysis of change in cash flow in the current year

(1)Cash inflow (outflow) from operating activities: mainly due to the increase in revenue in 2010 and the decrease in net loss before tax.

(2)Annual cash inflow (outflow) : mainly caused by the purchase of equipment.

Note2：illiquidity improvement plan: no such situation.

Note3：Cash Flow Analysis for the Next Year: The Company's estimated cash outflow in 2010 will be mainly based on operating expenses such as purchasing materials and paying salaries, which will be met by initial cash and cash inflow from operating activities.

IV、 Major capital expenditures during the most recent fiscal year: None.

V、 Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

(I) Investment policy for the most recent fiscal year: The Company's investment is mainly based on strategic planning in consideration of business needs in the long term, with the aim to achieve better revenue and profit.

(II) The main reasons for the profits or losses, improvement plans: The Company encountered investment loss as sales did not meet expectations. In addition, the Company will consider various factors and adopt appropriate management policies for invested companies with poor operations or performance in order to improve management performance and control investment losses.

(III) Investment plans for the coming year: The Company will formulate the investment plan based on its business deployment.

VI、Risk Management：

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future：

Item		2020 (NT$ thousand; %)
Interest Income (Expense)		(35,404)
Foreign Exchange Gain (Loss)		(22,373)
Interest Income (Expense)	To Net Operating Revenue	(0.62)
	To Pre-Tax Profit	7.23
Foreign Exchange Gain (Loss)	To Net Operating Revenue	(0.39)
	To Pre-Tax Profit	4.57

1. The Company and its subsidiaries evaluate bank borrowing rates regularly, keep track of changes in market interest rates, and maintain close contact with banks to win preferential borrowing rates. Hence, the changes in interest rates have little impact on the Company's profits and losses.

2. Most of the foreign currency transactions generated by the operating activities of the Company and its subsidiaries are denominated in U.S. dollars. In terms of Forex management, the company regularly evaluates, monitors, and adjusts its net position in Forex trading. Hence, the Forex gains and losses are controllable and have limited impact on the Company's profits and losses.

3. Inflation affects the overall economic environment but has a limited impact on the profit/ loss of the Company and its subsidiaries.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company and its subsidiaries are not engaged in high-risk investments, highly leveraged investments, and loans to other parties.

2. The Company performed endorsements/ guarantees for its subsidiary, which the Company owns 99.7% shareholding in accordance with the Company's "Regulations Governing the Making of Endorsements/ Guarantees," whereas the subsidiaries have not engaged in endorsement/ guarantee transactions.

3. Derivatives transactions of the Company and its subsidiaries are all handled based on hedging in accordance with the "Procedures for Acquisition or Disposal of Assets." As of the date of publication of the annual report, the balance of derivatives transactions is NT$0.

In addition, the internal management measures of the Company and its subsidiaries comply with the relevant laws and regulations of the competent authority, including the "Procedures Governing Derivatives Trading," "Regulations Governing the Loaning of Funds to Others," and "Regulations Governing the Making of Endorsements/Guarantees."

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

1. The Company spent NT$122 million on R&D expenditures in 2021.

2. Research and development work to be carried out in the future

A.Super-Junction device epitaxial technologies 200V~400V
B.Gen 2 High Grade SiC-on-SiC epitaxy technologies
C.RF GaN (GaN-on-SiC) epitaxy technologies
D.RF GaN (GaN-on-Si) epitaxy technologies
E.Ultra High resistance silicon epitaxy technologies
F. New generation power semiconductor GaN process
G. SiC Schottky Diode 3300V process
H. SiC MOSFET 1700V/3300V manufacturing process
I. Low Capacitor, Low Clamp New Generation Trench TVS

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company and its subsidiaries abide by laws and regulations, while the financial, accounting, auditing departments provide assessments, opinions, and plans in response to important policies and changes in the legal environment, with coordination and adjustments to the Company's internal systems and operating activities to comply with the law, reducing the impact on the Company's financial business.

(V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

At the cutting edge of modern technologies in the semiconductor technology industry, the Company and its subsidiaries must have more rigorous strategic planning, advanced process development, and continuous business expansion in order to make better profits.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company and its subsidiaries have maintained a good corporate image and have been committed to their long-term goal of "Stable Operations" over the years.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The company did not conduct any M&A activity in recent years as of the date of report publication.

(VIII) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken: The company has not expanded its plant in recent years as of the date of report publication.

(IX) Risks associated with any consolidation of sales or purchasing operations and mitigation measures being or to be taken:

The Company's largest client and its subsidiary accounts for less than 10% of net sales, indicating no consolidation of sales. The Company’s main suppliers accounted for 22% of net purchases, indicating no consolidation of purchasing operations. Meanwhile, the Company considers factors such as product quality, cost of goods purchased, and the degree of cooperation with manufacturers. In addition to long-term cooperative relationships with manufacturers, we also actively develop other new suppliers to avoid potential risks from the consolidation of purchasing operations.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands. Mitigation measures being or to be taken: In recent years, as of the date of report publication, the directors of the company or the majority shareholders who hold more than 10% of the company had made no significant transfer or replacement of shares.

(XI) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

(XII) Litigious and non litigious matters. The directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non-litigation or administrative litigation results that may have a significant effect on the company's shareholders' equity or securities price must be fully disclosed in detail, including the cost of litigation, date of commencement of proceedings, main litigants and the current situation: None.

(XIII) Risk management policies:

(1) Market risk: The Company and its subsidiaries invest primarily in bonds. Bonds have lower risks due to minor price fluctuations compared to stocks, while it is flexible as it can be redeemed at any time.

(2) Credit risk: The Company and its subsidiaries trade with financial institutions with excellent credit, diversifying risks by transactions with many financial institutions.

(3) Cash flow risk associated with changes in interest rates: The short-term borrowings of the Company and its subsidiaries are floating rate loans. Changes in market rate will cause fluctuations in effective interest rates of short-term and long-term loans and changes in future cash flows. The Company and its

subsidiaries assess the bank borrowing interest rate on a regular basis and kept close contact with banks in order to obtain preferential borrowing rates and reduce the impact of interest rate changes on the Company’s profits/ losses.

(XIV) Organizational structure of risk management: The Company’s risk control adopts a comprehensive risk management and control system to verify all of the Company’s risks (including market risk, credit risk and operational risk) and measure the value-at-risk, so that the Company’s management level can effectively control and measure market risks, credit risks and operational risks. As such, a risk management team was set up to be responsible for implementing risk management in accordance with relevant laws and regulations and company rules.

The Company's market risk management objectives include optimal hedging, maintaining liquidity, and managing all market risks with consideration of the economic environment, competitive status, market risks, and the impact on net interest income.

(XV) Other important risks, and mitigation measures being taken or to be taken: None.

VII、Other important matters: IT security risks and management measures

A. IT security management measures

The Company has formulated IT security regulations and related management policies to maintain a secure IT system.

(1) Regular information security advocacies: Reminding employees to abide by information security regulations and strengthen their concepts.

(2) Establish the systems/ data storage security zone: Actively prevent data leakage.

(3) Behavioral records and inspection: Keeping a behavioral record of employees with special authority, with regular inspections to ensure the implementation of control measures.

(4) Introduce security protection mechanism, real-time update of computer virus patterns, strengthen network firewall and control to prevent disasters.

(5) Remote and heterogeneous backup.

B. IT security risks

(1) Even with the aforementioned policies, procedures and other IT security protection measures, the Company cannot ensure full avoidance of cyber attacks from a third party which paralyzed the computer system that controls or maintains the main corporate functions, such as manufacturing operations and accounting.

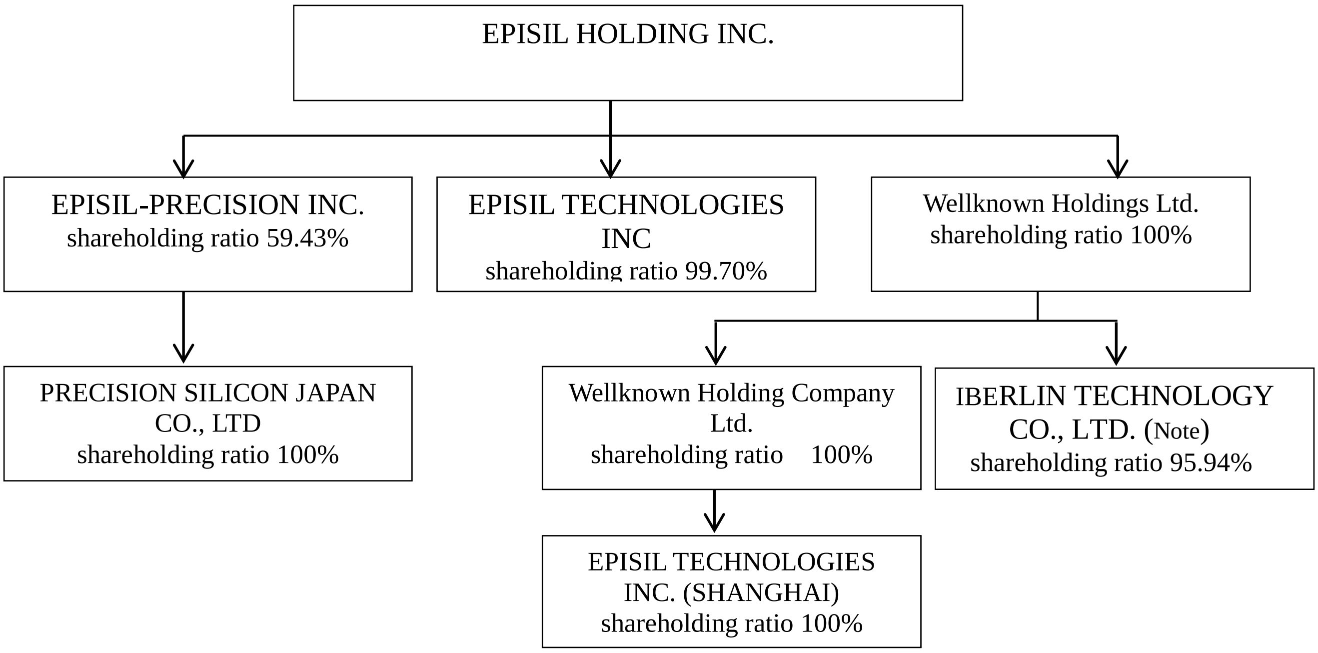
(2) Information security regulations and procedures are continuously reviewed and evaluated to ensure their appropriateness and effectiveness, with budgets to introduce information security technology to keep in line with development trends. However, there may be new risks in the rapidly changing network environment, and there is still no guarantee of fully avoiding cyberattacks, including malicious software and hackers.

(3) Although both the Company require the manufacturer/customer to comply with confidentiality and/or network security regulations, there is no guarantee that each third-party service provider/customer will strictly abide by their obligations. In case of a risk event, it may damage the Company's commitment to customers and other interested parties, with material and adverse effects on the Company's operating achievements, financial status, future trend and reputation.

Eight 、 Special Record

I 、 Related information of related enterprises

(I) Relationship between the enterprise



Note：Iberlin Technology Co., Ltd with the consent of shareholders on January 19, 2021, merged with Episil Technologies Inc, the base date of merger is February 20, 2021.

(II)Information of related enterprises

Unit: NT$ thousands

Company	Set up date	Address	Paid-up capital	Major business or production
EPISIL TECHNOLOGIES INC.	1985/03/18	Hsinchu Science Park	1,661,000	semiconductor
EPISIL-PRECISION INC.	1998/11/09	Hsinchu Science Park	2,796,356	semiconductor
Wellknown Holdings Ltd.	2007/10/16	Hsinchu city	100,000	investment business
Wellknown Holding Company Ltd.	2009/08/25	SAMOA	4,837	investment business
IBERLIN TECHNOLOGY CO., LTD.	2010/03/02	Hsinchu city	45,000	design industry
EPISIL TECHNOLOGIES INC. (SHANGHAI)	2010/05/31	SHANGHAI	4,598	Trading co.
Precision Silicon Japan Co., LTD	2002/01/18	TOKO	2,740	Trading of silicon wafers

Note：As at December 31, 2010

Note1：Iberlin Technology Co., Ltd with the consent of shareholders on January 19, 2021, merged with Episil Technologies Inc, the base date of merger is February 20, 2021.

(III) The company presumes to have the same shareholder information as the controlling and subordinate：None.

(IV) Information of directors, supervisors and general managers of related companies

Company	Title	Name or Representative	Shareholding	
			Number	(%)
EPISIL TECHNOLOGIES INC.	Chairman Director Director Director Director Supervisors Presidents	EPISIL HOLDING INC Representative：Jian-Hua Syu Representative：Guei-Rong Fan Representative：Yuan-Ci Jhuang Representative：Hsi-Hsin Chen Representative：Shen-Siang Peng Mei-Jhih Huang Yuan-Ci Jhuang	Episil Holding Inc. holds 165,600,000 shares	99.70
EPISIL-PRECISION INC.	Chairman Director Director Director Director Director IndependentDirector IndependentDirector IndependentDirector Presidents	EPISIL HOLDING INC Representative：Jian-Hua Syu Representative：Min-Ci Huang Representative：Ching-Tzong Sune Representative：Guei-Rong Fan Nan Ya Photonics Incorporation Representative：Rong-Huang Lu Jiacai Investment Co. Ltd Representative：Wun-Guei Ye Wei-Min Shen Ze-Peng Chen Han-Liang Hu Ching-Tzong Sune	Episil Holding Inc. holds 166,200,000 shares	59.43
Wellknown Holding Ltd.	Chairman	EPISIL HOLDING INC Representative：Jian-Hua Syu	Episil Holding Inc. holds 10,000,000 shares	100.00
Wellknown Holding Company Ltd.	Representative	Wellknown Holding Ltd. Representative：Jian-Hua Syu	Wellknown Holdings Ltd. holds 150,000 shares	100.00
IBERLIN TECHNOLOGY CO., LTD.	Chairman Director Director Director Supervisors Presidents	Wellknown Holding Ltd. Representative：Jian-Hua Syu Representative：Ching-Tzong Sune Representative：Yuan-Ci JhuangI Representative：Guei-Rong Fan Jia-Ci Jhong Yuan-Ci JhuangI	Wellknown Holdings Ltd. holds 4,317,500 shares	95.94
EPISIL TECHNOLOGIES INC. (SHANGHAI)	Representative	Wellknown Holding Company Ltd. Representative：Jian-Hua Syu	Wellknown Holding Company Ltd. holds 150,000 shares	100.00
Precision Silicon Japan Co., LTD	Chairman Director Director Supervisors Presidents	EPISIL-PRECISION INC. Representative：Ching-Tzong Sune Representative：Hideo yamase Representative：Ming-Jhe Lyu Representative：Pei-Yuan Chen Ming-Jhe Lyu	Episil-Precision Inc. holds 200 shares	100.00

Note：As at December 31, 2010

Note1：Iberlin Technology Co., Ltd with the consent of shareholders on January 19, 2021, merged with Episil Technologies Inc, the base date of merger is February 20, 2021.

(V) Operating status of each related enterprise

Unit: NT$ thousands

Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Net Operating Revenue	Operating Income	Profit/Loss for Current Period	EPS
EPISIL TECHNOLOGIES INC.	1,661,000	2,397,400	1,454,714	942,686	1,951,300	(465,337)	(482,514)	(2.90)
EPISIL-PRECISION INC.	2,796,356	5,965,564	1,920,025	4,045,539	4,039,180	11,488	25,693	0.09
Wellknown Holding Ltd.	100,000	109,200	49,169	60,031	0	(268)	(6,934)	(0.69)
Wellknown Holding Company Ltd.	4,837	29,730	0	29,730	0	(1)	8,052	-
IBERLIN TECHNOLOGY CO., LTD.(Note1)	45,000	49,089	32,748	16,341	61,481	(13,557)	(14,301)	(3.18)
EPISIL TECHNOLOGIES INC. (SHANGHAI)	4,598	158,885	129,229	29,656	376,206	8,502	7,971	-
Precision Silicon Japan Co., LTD	2,740	42,340	32,235	10,105	191,634	4,586	3,924	-

Note：As at December 31, 2010

Note1：Iberlin Technology Co., Ltd with the consent of shareholders on January 19, 2021, merged with Episil Technologies Inc, the base date of merger is February 20, 2021.

II、Private Placement of Securities in the Most Recent Year Up Till the Printing Date of This Annual Report: None.

III、Holding or Disposal of the Company's Shares by Subsidiaries in the Last Financial Year, Up Till the Printing Date of this Annual Report: None.

IV、Other Supplementary Information: None.

Nine、Matters Affecting Shareholders' Equity or Stock Price: None.